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Moldova

Ex-post evaluation of the Public Financial Management Strategy 2013-2022

Final Report

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Abbreviations and acronyms

AA/DCFTA	Deep and Comprehensive Free Trade Area
AEO	Authorized Economic Operator
ATU	Autonomous Territorial Unit
CITF	Centre for Informational Technologies in Finance
CCPF	Committee for Control of Public Finance
CG	Central Government
CoA	Court of Accounts of the Republic of Moldova
CoE	Code of Ethics
COVID	Coronavirus Disease
COFOG	Classifications of Functions of Government
CPA	Central Public Administration
CRM	Compliance Risk Management
CS	Customs Service
CUB	Unitary Budgetary Accountancy
DAMEP	Monitoring and Evaluation Department
DEU	Delegation of the European Union
DeMPA	Debt Management Performance Assessment
DMFAS	Debt Management Financial Analysis System
DMS	Debt Management Strategy
DUAE	Single European Procurement Document
EBU	Extra-budgetary Unit
EC	European Commission
EU	European Union
EU TED	Official Journal of the EU
FMIS	Financial Management Information System
FY	Fiscal Year
GET Moldova	German Economic Team
GDP	Gross Domestic Product
GFS	Government Finance Statistics
HRM	Human Resource Management
NIAS	National Internal Audit Standards
IAU	Internal Audit Unit
IBAN	International Bank Account Number
IFAC	International Federations of Accountants
IISAPS	Integrated Information System for Accounting in Public Authorities
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
IS	Information System

ISA	International Standards on Auditing
IT	Information Technology
KPI	Key Performance Indicator
LPA	Local Public Authority
LoI	Logic of Intervention
LTO	Long Term Objective
MADRM	Ministry of Agriculture, Regional Development and Environment
MAPS	Methodology for Assessing Procurement Systems
MDL	Moldovan Lei
MFA	Macro-Financial Assistance
MoE	Ministry of Economy
MoF	Ministry of Finance
MTBF	Medium Term Budget Framework
MTDMS	Medium Term Debt Management Strategy
MTT	Medium-term target
NASC	National Agency for Solving Complaints
NCTS	New Computerized Transit System
NBM	National Bank of Moldova
NIAS	Internal Audit Standards
NICS	National Internal Control Standards
NPB	National Public Budget
NPSAS	National Public Sector Accounting Sector
NSIC	National Standards for Internal Control
NSIH	National Social Insurance House
OECD	The Organisation for Economic Co-operation and Development
OMF	Ordinance of the Ministry of Finance
PAR	Public Administration Reform
PE	Public Entities
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIU	Project Implementation Units
PIM	Public Investment Management
PIFC	Public Internal Financial Control
PPA	Public Procurement Agency
PPL	Public Procurement Law
PVD	Customs Clearance
SAD	Single Administrative Document
SB	State Budget
SIGMA	Support for Improvement in Government and Management
SO	Specific objective
STS	State Tax Service
SSIB	State Social Insurance Budget
SS	State Securities
TAMP	Tax Administration Modernization Project
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
UN	United Nations
USD	United State Dollar

QAIP	Quality Assurance and Improvement Program
WB	World Bank
WCO	World Customs Organization

Executive summary

The “Ex-post evaluation of the Public Financial Management Reform Strategy 2013 – 2022 in the Republic of Moldova” aims to identify the main achievements of the implementation of the Strategy and to draw lessons learned and recommendations to contribute to the elaboration of the future reform strategy in the domain of public financial management (PFM).

For this purpose, the evaluation assessed (i) the relevance, effectiveness, efficiency, sustainability, and initial impact of the PFM Reform Strategy 2013-2022, as well as of internal and external coherence of the Strategy and its Action Plans’ components and (ii) the Strategy implementation modalities, including the current coordination and monitoring system.

The ex-post evaluation was carried out at the initiative of the Ministry of Finance in the Republic of Moldova, with support from SIGMA (Support for Improvement in Governance and Management), a joint initiative of the Organisation for Economic Co-operation and Development (OECD) and the European Union.

The evaluation took into consideration international approaches and best practices, and closely followed the provisions of the “Methodological guide for mid-term and ex-post evaluations of public policies” (the Guide), issued by the State Chancellery of the Republic of Moldova, in February 2022.¹

The object of the evaluation, i.e. the Strategy for Development of Public Finance Management 2013-2022, has been the main instrument of the Ministry of Finance for carrying out PFM reforms. The objective of the PFM Strategy was “to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and development of Moldova and maintain effective management of the use of public funds in all areas and sectors of public administration” and was divided into seven main components, representing the most important areas of public financial management:

- Component 1. Macro-Budget Framework.
- Component 2. Budget development and planning.
- Component 3. Budget execution, accounting and financial reporting.
- Component 4. Financial management and internal control.
- Component 5. Revenue administration.
- Component 6. Public procurement.
- Component 7. Public Finance Management Informational System.

The methodology applied for the implementation of the evaluation included desk-based research of documents, particularly of the draft 2022 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, but also of other assessments and studies; and interviews with the key institutions involved in the implementation of the Strategy, such as Monitoring and Evaluation Department (DAMEP), Macrofinancial Analysis Directorate, State Fiscal Service, Policy and Budget Synthesis Department, Public Investment Department, Public Procurement Department, Centre for Information Technologies in Finance (CITF), Department in the field of internal financial control, External Assistance Department, Court of Accounts, Financial Inspection, State Treasury, Fiscal and Customs Policy Directorate, Customs Service and Public Debt Department

A number of limitations were encountered in the evaluation process. Among others, the most important one being the complex logic of intervention of the Strategy and the limited availability of evidence to assess impact. Where evidence was not available, to the extent possible triangulation was ensured with other assessment

¹ Available at: [Ghid ex-post \(gov.md\)](https://ghid.ex-post.gov.md).

carried out for different components / sub-components of the Strategy.

Main findings and conclusions

The Strategy for Development of Public Finance Management was adopted in 2013. It initially covered the timeframe 2013-2020 but it was extended up to 2022. A new Strategy is to be developed in 2022 as envisaged in the Government Action Plan for 2021-2022.

Overall, the evaluation concludes that the activities carried out in order to implement the Strategy were highly relevant which contributed to the overall effectiveness of the implementation. Normative and methodological frameworks were developed and improved in most areas covered by the Strategy. Notable examples in this regard being the Law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014, the Law no.229/2010 on public internal financial control and the new Custom Code (to enter into force in 2023). The MoF has developed secondary norms and detailed methodological instruments, including updated instructions for the legislative framework to be applied by central and local authorities involved in the budgetary process.

The evaluation identified areas where additional activities were needed, but were not conducted mostly due to limited resources. For example, capacity building activities have been carried out in numerous areas of the Strategy and they were generally perceived as highly relevant. However, in many instances the audience was limited and did not always cover all human resources in place (at central and local level). Also, it did not always achieve the adequate level of human resources (e.g., accountancy, public procurement, managerial internal control and internal audit).

While the activities that were carried out were relevant to a large extent, the future Strategy (in line with the legislation and guidelines currently in place) could improve on the quality of the internal coherence of the logic of intervention. The structure of the current Strategy is complex and organised on multiple layers including specific objectives, principles, results, mid-term targets and long-term objectives. This had negative implications for planning the activities and their prioritisation by year as the unclear identification of problems and drivers led to vague objectives and several overlaps. Difficulty to define and report on activities was encountered particularly under components where principles were used to formulate the logic of intervention. The Annual Reports monitoring the implementation of the Strategy show many gaps (i.e., activities not planned/implemented).

The effectiveness of the strategy, i.e., the extent to which results and medium-targets were achieved, varies. In several areas these were achieved (particularly under Component 1, 3 and 7), while in other areas progress is partial (Components 2, 4, 5 and 6). The Strategy is highly effective under Component 1, where the law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014 adequately regulates the development of the Medium-Term Budget Framework (MTBF), and several forecasting models were developed to support this process. As regards public sector debt and state guarantees, the effectiveness is mixed. While there is an adequate debt management system for forecasting, accounting and reporting, the cost-efficiency of the debt instruments could be improved so that financing sources are found at a minimum cost and risk in the medium and long term. This would require further development of the domestic market and secondary markets.

Similarly, under Component 3, important results were obtained. Budget execution procedures are in place and well defined, adequately implemented and monitored through the Financial Information Management System (FMIS). All institutions are linked to the Treasury Single Account (TSA) for allocations from the State Budget and all budgets are executed through the TSA held at the National Bank of Moldova. The FMIS is integrated with accounting information system of budgetary entities. Further improvements are to be considered, regarding the scope of budget execution reports, which should cover both transfers received from the state budget and extra-budgetary funds, the finalisation and approval of National Public Sector Accounting Standards.

Notable progress was registered as regards the digitalisation of the PFM system and continuous efforts are made to maintain and improve the FMIS managed by the Centre for Information Technologies in Finance, subordinated to the Ministry of Finance (MoF). FMIS substantially facilitates a majority of the PFM processes, including planning, budget execution, as well as day-by-day accounting and financial reporting. FMIS integrates and supports the activity of the State Treasury Department, Public Procurement Agency, State Tax Service (STS) and Customs Service. Noting this important progress in the digitalisation of the PMF system, the work on the Financial Management Information System (FMIS) and related information systems and the

necessary improvements (i.e., such as migration of information systems on the MCloud government platform, implement the module on performance monitoring etc.) need to be prioritised.

Room for improvement was identified by the evaluation as regards public capital investments. While under Component 2 important progress was registered, respecting the budget calendar as per Law 181 / 2014 has been challenging over the years. Also, the results that were achieved in involving civil society in budget planning and medium-term policy priorities, and as regards measurement, monitoring and particularly evaluation of performance against the originally planned budget, were only partial or limited. Procedures for capital investment planning are in place as per Government's Decree no. 1029 dated December 19, 2013. However, subsequent norms and methodological tools, for the development, appraisal, selection, monitoring, reporting and evaluation of investment capital are not adequately implemented, to a large extent due to limited capacity among public institutions in charge. Relevant for both Component 1 and 2, establishing a link between policies and budget on an annual and multiannual basis is hampered by late availability of policy priorities, which, in turn, leads to financing decisions taken on an ad-hoc basis during the budget year.

A challenge impacting all first three components is the coordination and correlation between investment needs in the country and the external, donor-funded resources. The Sectorial Councils responsible with such activities are only partly functional and their capacity needs to be strengthened.

Under component 4, important progress was registered as regards regulating and implementing public financial internal control (PIFC), but notable developments in this area as regards internal control procedures and capacity building in internal audit are to be continued. All internal audit units need to be established and made functional as prescribed by law, and capacity needs improvement both as regards managerial internal control and internal audit at all levels of the administration. The activity of the PIFC Council and the certification scheme for internal auditors represent good practices, but further efforts are needed to consolidate the PIFC system; upon consolidation of the system, more importance is to be allocated to system and performance audit. In this context, the activity of the Court of Account is to be strengthened and the reform of the Financial Inspection needs to be completed. A fully-fledged e-procurement system, that covers all types of procurement, including of small value, and all phases in this process is still to be built and the national legislation is not, yet, fully aligned with the European acquis.

A notable positive result across components is the area of transparency. In most of the phases analysed by the evaluation, the responsible institutions public budget-related documents on their web-page, including the MTBF, annual budgets, initial and rectified, and different reports presenting activities, outputs and results achieved every year or more often. Although some reports could be improved, a wide number of documents are available to the public. The next step in this regard is to actively engage with citizens and civil society, for their awareness and understanding on budgetary and associated processes to increase, simultaneously with their ownership of public priorities and efficient and effective spending of public money.

Overall, full implementation of the strategy was hampered by limited human and financial resources (particularly as regards capacity building) and in some case support from decision makers (i.e., to reform the Financial Inspection). Nevertheless, despite these factors and broader political instability, institutions involved in the different PFM aspects, including the Court of Accounts (not covered by the 2013-2022 Strategy), have made noteworthy efforts to pursue their mission and perform accordingly, through continuous improvement of legislation, development of norms, guidelines and instructions, and hand-on support. The progress registered was positively influenced by a number of factors, among with the support from international organisation and donors and the legislative framework put in place (in most cases, some pieces of legislation still requiring improvements) are the most important. Similarly, although capacity in certain areas still needs to be improved, the expertise within the Ministry of Finance but also in some subordinate institutions, such as the Centre for Information Technologies in Finance, Customs Service etc., and the motivation to pursue objectives set despite staff shortages and low remuneration, is an important factor underpinning the success of the Strategy.

In addition to the internal factors that supported the implementation of the PFM Reform Strategy, external factors were conducive as well. The EU-Moldova Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA), the EU macro-financial assistance (MFA) programme and the 2021 Economic Recovery Plan for Moldova have favoured the reforms in the Public Financial Management System (and of other reforms important for the PFM, such as in public administration). At the same time, under the IMF Extended Credit Facility and Extended Fund Facility Arrangements Programme for the Republic of Moldova,

structural reforms were also recommended, implemented and monitored. The MoF and other institutions in the PMF system received external support in the form of technical assistance from several international organisations and donors.

The issue of human resources is revealed and particularly important from the perspective of several evaluation criteria. Insufficient number of staff and high turn-over (caused by relatively low level of remuneration as compared to responsibilities and volume of work) affected the effectiveness of the Strategy and remains one of the key threats to sustainability in the PFM system. Assessed from the perspective of efficiency, this issue indicates that activities in the framework of the Strategy were carried out in an economic way so far, however, it remains an important challenge that needs to be addressed for the reform process to continue successfully (as, actually, envisaged in the Government Programme and Action Plan).

As regards other elements related to the efficiency of the PFM Strategy, the evaluation concludes that activities were planned on an annual basis were also implemented in the same year without major delays. However, a multi-annually perspective raises the issue of the quality of the logic of intervention. Particularly the objectives are set in most cases not specific or time-bound, and, thus, do not facilitate the planning of activities for several years and their prioritisation by year. Among others, this gap also contributed to a weaker monitoring system and to partial effectiveness under some components of the strategy.

The monitoring and reporting, on the implementation of the Strategy has been challenged by the limited, less explicit alignment between relevant strategic and planning documents such as Government Programmes and related Action Plans, the Ministry of Finance Action Plan, specific programmes such as the programmes for the development of financial internal public control, debt management, public procurement, as well as department level action plans. The Strategy monitoring system is also incomplete² as it encompasses only result indicators in the Action Plans, related to actions themselves, and not to objectives or targets, as comprised in the logic of intervention.²

Three key risks were identified as regards sustainability at the level of activities, with consequences at results level. As mentioned above, the capacity and particularly the stability of staff across the structures in charge with different functions and processes in the PFM system are important threats for maintaining good quality of processes undertaken and overall performance. Related to this, in some cases insufficient financial resources are available to implement capacity building activities throughout the system, as, for example, in the case of managerial internal control and public procurement. Last, but for sure not least, the political and governmental instability also has negative effects from sustainability perspective (and, consequently, effectiveness and impact) as decisions are made later than necessary.

Main recommendations

The evaluation formulated a set of intermediate conclusions and recommendations at the level of each component, in order to support the objective of contributing to the development of the new Public Finance Management Strategy. These refer to problems, their drivers and, consequently, objectives and actions to be pursued and implemented. Additionally, the evaluation formulates a set of overall recommendations, to be implemented by the Ministry of Finance, with support from other relevant central institutions.

1. **Recommendation 1.** When drafting the future PMF Strategy, define the logic of intervention in line with international good practices and the current legislative and methodological framework in Moldova. Prioritisation of actions by year should be clarified, in line with their effect on the objective set, in order to facilitate the subsequent yearly planning and maximum results in the shortest time possible. Continue addressing in the Strategy both areas where expected results are not reached, yet, but also effective areas where continuous improvement is needed. *Final responsible institution: Ministry of Finance*
2. **Recommendation 2.** The new Strategy should be aligned to other existing strategic and programmatic documents in place, to increase its coherence but also the efficiency of monitoring and reporting. When

² A monitoring system is composed of individual indicators; comprehensive data collection, storage and processing procedures/tools (developed in indicator fiches); intra and inter-institutional cooperation procedures for data collection – primary and secondary; human resources within the involved institutions; Tool 1: Monitoring field visits; Tool 2: Reporting; Tool 3: discharge body(ies)/institutions (that approve and assume responsibility for the monitoring results as presented in different reports); Dissemination actions; Management information system.

revising the Strategy, including as a result of the evaluation, continue to observe this external coherence.
Final responsible institution: Ministry of Finance

3. **Recommendation 3.** For ultimate impact to be achieved in terms of socio-economic development, ensure the alignment between the public policies and priorities put forward by line Ministries and budget allocation. This will contribute also to limiting ad-hoc financing decisions taken during the budget year.
Final responsible institution: Ministry of Finance and State Chancellery
4. **Recommendation 4.** For an efficient and effective use of public resources, considerably strengthen the performance assessment/evaluation of programs implemented, at central and local level. Evaluation may be carried out internally and/or externally, as long as the principle of independence is respected. Design a capacity building programme to ensure that such assessments/evaluation can be adequately implemented.
Final responsible institution: Ministry of Finance and State Chancellery
5. **Recommendation 5.** Ensure an effective coordination mechanism between national institutions, on one side, and international organisations and donors, on the other side, in order to increase alignment and predictability as regards needs in different policy areas and how and when external sources can answer to these needs. This mechanism is even more important now as the Republic of Moldova is in the process to become EU candidate country.
Final responsible institution: Ministry of Finance and State Chancellery, donors, line ministries
6. **Recommendation 6.** When drafting the future Strategy, increased attention should be paid to areas still under development, but that are essential for the efficient and effective use of public funds, namely public internal financial control, public procurement and public capital investments. Consider including the Court of Accounts in the Strategy or draft the future Strategy by taking into considerations the needs as regards external audit.
Final responsible institution: Ministry of Finance
7. **Recommendation 7.** Continue and prioritise capacity building and digitisation in all areas, especially where developments are still needed (such as public internal financial control, public procurement and public capital investments). Capacity building programmes, in these and other areas should encompass networks for peer learning and trainers (through training the trainers).
Final responsible institution: Ministry of Finance
8. **Recommendation 8.** Put in place for the future Strategy, an adequate monitoring system.
Final responsible institution: Ministry of Finance
9. **Recommendation 9.** Continue efforts to ensure transparency of the PFM system by continuing publishing complete budget-related documents on the web-pages of the involved institutions, but move on towards active communication and engagement with citizens and civil society to create the necessary understanding and support in the processes carried out.
Final responsible institution: Ministry of Finance

1. Introduction and methodology

1.1. About this evaluation

This is the Report for the “Ex-post evaluation of the Public Finance Management Reform Strategy 2013 – 2022 in the Republic of Moldova”. The purpose of the report is to present findings, conclusions and recommendations, formulated on the basis of evidence collected by the evaluation team.

The ex-post evaluation was carried out at the initiative of the Ministry of Finance in the Republic of Moldova, with support from SIGMA (Support for Improvement in Governance and Management), a joint initiative of the OECD and the European Union.

The Strategy for Development of Public Finance Management, initially covering the timeframe between 2013 and 2020 and extended up to 2022 (PFM Strategy 2013-2022), was the main instrument of the Ministry of Finance for carrying out PFM reforms.

The objective of the PFM Strategy is to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and 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 sets the following specific objectives for each of the component:

1. **Component 1. Macro-Budget Framework. Specific objective** - improving the quality of macroeconomic and fiscal forecasts to ensure a budget based on a realistic and predictable macro-budget framework;
2. **Component 2. Budget development and planning. Specific objective** - 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, expenditure ceilings that are included in the medium-term budget framework and increasing the effectiveness and transparency of the budget preparation process by implementing performance-based budgeting;
3. **Component 3. Budget execution, accounting and financial reporting. Specific objective** - improving and modernizing Treasury management, ensuring effective control and proper monitoring of expenditures at every stage and establish an adequate system of accounting and reporting;
4. **Component 4. Financial management and internal control. Specific objective** - 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;
5. **Component 5. Revenue administration. Specific objective** - increasing revenue mobilization by enhancing authorities’ capacities to administer revenues in order to collect planned tax and customs revenues;
6. **Component 6. Public procurement. Specific objective** - establishing a modern system of public procurement in accordance with EU standards, and its implementation by the public authorities; and
7. **Component 7. Public Finance Management Informational System. Specific objective** - 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.

1.2. Objectives

The purpose of the ex-post evaluation is to identifying the main achievements registered through the implementation of the Strategy, as well as lessons learned and recommendations for the future.

The evaluation was particularly aimed to contribute to the elaboration of the future PFM Reform Strategy, to the relevance of its objectives and its strategic focus.

For this purpose, the evaluation paid attention to:

- the relevance, effectiveness, efficiency, sustainability, and initial impact of the PFM Reform Strategy 2016-2022, as well as of internal and external coherence of the Strategy and its Action Plans’ components;

- the Strategy implementation modalities, including the current coordination and monitoring system;
- the recommendations for preparation of the new PFM Reform Programme Strategy, by advising on main areas and actions of intervention in the next years.

1.3. Methodology

The evaluation took into consideration international approaches and best practices, but also closely followed the provisions of the “Methodological guide for mid-term and ex-post evaluations of public policies”³ (the Guide), issued by the State Chancellery of the Republic of Moldova, in February 2022.

Evaluation questions

Considering the objectives of the evaluation, as presented above, the following criteria and evaluations questions were observed by the evaluation team:

Relevance (including internal coherence)

1. Is the logic of intervention adequately formulated (in line with the Guide provisions)? (internal coherence)
2. Were the objectives and results expected in line with the problems and their drivers?
3. Were the activities planned and implemented the right/relevant ones for these objectives and results to be reached/obtained?
4. What are the elements missing (results, activities) and that need to be taken into consideration in the future Strategy?

Effectiveness

5. Are the specific objective of the Strategy (7) and the envisaged results obtained? To what extent?
6. Is the indicator system, as part of the monitoring system, adequate, i.e., it helps measure and reflect the Strategy performance?
7. What were the activities that contributed the most in this regard?
8. What are the activities that needed / need to be implemented for these specific objectives to be reached?

Coherence (external)

9. Were all necessary elements, external to the Strategy itself, in place, i.e., legislation (if the case), institutional support, including from international organizations, capacity etc.?
10. Did they facilitate the performance of the Strategy? If not, what measures should have been taken/need to be taken in the future in this regard?

Efficiency

11. Are the activities implemented on time and at the lowest cost?
12. What are the main improvements to be brought to the Strategy governance system, including the coordination and monitoring system?

Impact

13. To what extent the general objective of the Strategy was reached? What are the key measures to be taken in order for this objective to be reached?

Sustainability

14. The outputs produced and results obtained are still in place? If not, why not?
15. What are the key measures that need to be taken in order to maintain the activities and results obtained?

³ Available at: [Ghid ex-post \(gov.md\)](https://ghid.ex-post.gov.md).

Data collection

The methodology applied for the implementation of the evaluation included two main tools:

- (1) desk-based research of documents, particularly the 2022 Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report but several other assessments and studies were used including the Association Implementation Reports on the Republic of Moldova and assessment carried out by international organisations such as the International Monetary Fund (IMF) (see annex 2 for a list of documents reviewed).
- (2) interviews with the key institutions involved in the implementation of the Strategy (see Annex 1 for a list of persons interviewed);

Scope

The evaluation focused on the developments registered between 2018 and 2022, as in 2017 an intermediate evaluation was carried out for the Strategy. The cut-off date of the evaluation is May 2022, when interviews mentioned above were carried out by the evaluation team. Most documents reviewed were published in or before 2021, while the PEFA Report considered was dated April 2022.

Limitations

A number of limitations need to be considered when reading the evaluation report. Among these, the most important ones are:

- ✓ The complex and partially incoherent logic of intervention (LoI) of the Strategy. As assessing in detail in Chapter two, the constituting elements of the strategy LoI are numerous and not in all cases aligned to each other, and in some cases inducing overlaps and repetitions. We tackled this limitation by considering for the Effectiveness analysis the results expected and the medium-term targets. Specific objectives at component level and long-term objectives were considered under the Impact evaluation criterion. However:
- ✓ Limited evidence could be collected for Impact, also because assessing this criterion involves wide data collection processes from the beneficiaries of the PFM strategy, from central and local administration, until economic operators and citizens.
- ✓ Where evidence was not available, to the extent possible triangulation was ensured with other assessment carried out for different components / sub-components of the Strategy, e.g., for public capital investments and public procurement.

1.4. Structure of the report

The report is structured in 7 chapters. This introductory chapter is followed by:

- ✓ Chapter 2, presenting the key findings related to the evaluation criterion Relevance;
- ✓ Chapter 3, presenting the key findings related to the evaluation criteria External Coherence;
- ✓ Chapter 4, presenting the key findings related to the evaluation criteria Effectiveness;
- ✓ Chapter 5, presenting the key findings related to the evaluation criterion Efficiency;
- ✓ Chapter 6, presenting the key findings related to the evaluation criterion Impact;
- ✓ Chapter 7, presenting the key findings related to the evaluation criterion Sustainability and
- ✓ Chapter 8, presenting the conclusions and recommendations;

Chapter 4, “Effectiveness” presents findings by component, in order to achieve the key objective of informing the future PFM Strategy. In this chapter, at the end of each component, we draw preliminary conclusions as to what are the key problems, their drivers, and, consequently, what are the objectives and activities to be kept in mind for the next PFM Strategy. These preliminary conclusions are not exhaustive, but focus on main aspects and the on recommended approach to formulate the future strategy, in line with the current legislative and methodological framework in the Republic of Moldova.

The remaining chapters are presented for all components, mainly because the aspects identified are similar and thus repetition was avoided to increase the readability of the report.

2. Relevance

In line with 2019 OECD evaluation criteria, “relevance” refers to “the extent to which the intervention objectives and design respond to beneficiaries, global, country, and partner/institution needs, policies, and priorities, and continue to do so if circumstances change.” Under this criterion, the overall design as reflected by the logic of intervention is assessed and relevance of the individual activities under the components.

2.1. Quality of the logic of intervention

The logic of intervention of the Strategy is challenging to reconstruct, due to the presence of several elements that do not always coherently connect to each other. When assessing the internal coherence of the intervention logic the activities in the Annual Reports have also been taken into consideration.

The elements part of the Logic of Intervention contain:

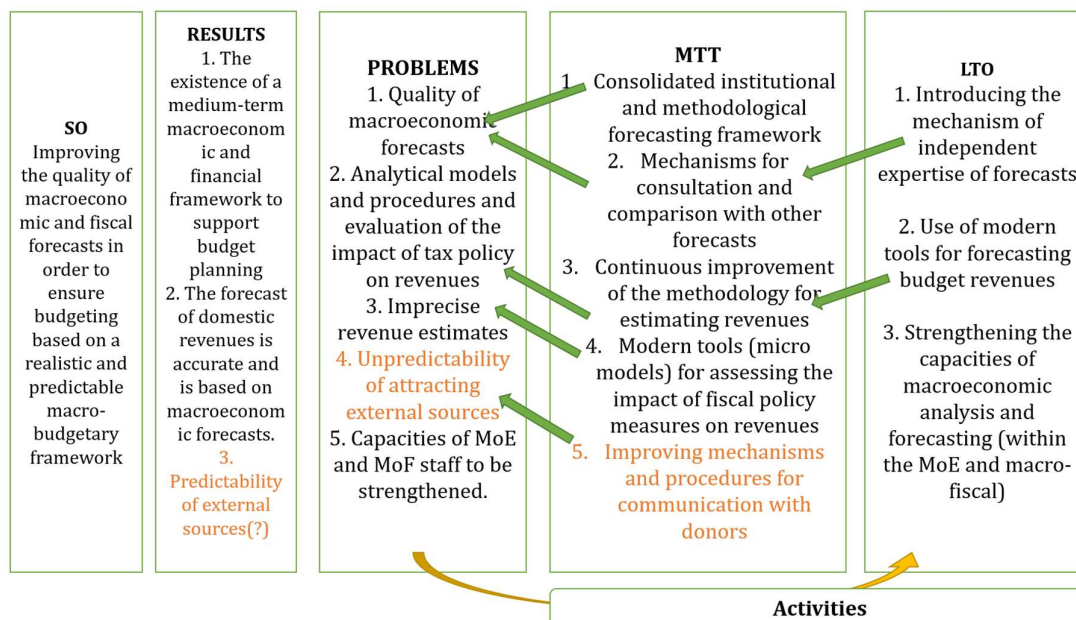
1. A general objective reflecting the overall vision of the Strategy; theoretically, the general objective should reflect the impacts expected;
2. Strategic objectives – one strategic objective for each of the 7 Components of the Strategy; theoretically, the specific objectives should reflect the results expected;
3. For each component principles and expected results are formulated; in some cases (components 4 – Public Internal Financial Control and 5 – Revenue administration), sub-components are also present (e.g., Internal Audit, Financial Inspection, Customs Administration); exceptionally no results are formulated for some principles or the results are rather sub-principles (i.e., Component 6 Public Procurement, Principle 1, Component 8, Principle 1);
4. For each principle/sub-component the current situation is synthesized and the core issues to be addressed (i.e., areas of interest) are stipulated, as well as medium term results and long-term objectives; in theory medium-term targets and long-term objectives are effects, particularly results and impacts (or short term, medium term and long-term effects).
5. Based on the Annual Reports for the implementation of the Strategy, activities are planned⁴, and subsequently monitored, for medium term targets and long-term objectives (in many cases separately). This is an indication of the fragmentation between these targets and objectives, as activities carried out (that produce outputs) contribute to a higher level (results, medium-term targets), in the end the outputs and results leading, together with other factors, to impact.

Given the above, when reconstructing the logic of intervention (i.e., problems and drivers and how these are reflected by objectives and activities, on one side, and outputs, results and impact, or effects, on the other side), finding the correlation between all the elements in place proved, in many cases, rather cumbersome. In the figure below we insert an example, to illustrate this process.

On a positive note, as reflected in the figure below, there is an overall coherence between the problems identified and the mid-term objectives. However, on the other side, some problems identified are covered only by long-term objectives (i.e., capacities of MoE and MoF staff that needs strengthening – see yellow arrow), while important problems are identified (as confirmed also by this evaluation - i.e., unpredictability of attracting external sources), specific results are not formulated and the mid-term targets are limited to communication problems, and long-term objectives do represent a next step in the causality chain but they cover a more limited area than the targets, and their relationship with the results is not clear. In some components, e.g. Components 5 and 7, re-constructing these linkages is even more cumbersome, partly also because they are unclearly formulated and they sometimes overlap. At the same time, drivers of problems identified (that should be reflected in activities to be carried out) and outputs are missing. The latter are not set up in Annual Plans or Reports, either.

⁴ In order to implement the Strategy, the Ministry of Finance has annually planned activities to be carried out, approved in an action plan. Starting with 2019, the activities planned to be carried out during the year in order to implement the Strategy, are integrated in the Annual Action Plan of the Ministry of Finance. Source: [Planul de actiuni pentru implementarea Strategiei de dezvoltare a MFP | Ministerul Finantelor \(gov.md\)](#)

This approach leads, in turn, to difficulties in planning and reporting activities (see Chapter on Efficiency).



SO = specific objective, MTT = mid-term target, LTO - long term objective

2.2. Relevance of the activities

The planned activities for targets and objectives are identified in the in the Annual Reports on the implementation of the actions for the application of the Public Finance Management Development Strategy 2013-2022.

Overall, the evaluation found that activities planned and implemented within the frame of the strategy, in the 2018-2022 period, were relevant for the achievement of the objectives and results to be reached/obtained. No redundant / not relevant activities were identified by the evaluation.

A number of gaps were identified, i.e., activities needed, given the problems identified and the MTT and LTO, but not implemented or implemented in lower volumes compared to needs. The gaps vary from Component to Component. For example, under Component 1, activities to strengthen the capacity of the Ministry of Economy and the Ministry of Finance, which is involved in the development of macroeconomic and macro-fiscal forecasts, as well as revenues⁵. Under Component 2 more actions were needed in order to prevent delays in the budget calendar provided by Law no.181/2014 on public finance and fiscal budget accountability and to strengthen the capacity of the Ministries to propose capital investments projects and to adequately appraise, implement and monitor them.

Overall, under component 4 all envisaged results and activities required for the achievement of the specific objective related to budget execution, accounting and financial reporting were included in the strategy and annual plans. As identified under Component 6, (Public Procurement), based on interviews carried out, a comprehensive e-procurement platform is still to be developed, to facilitate not only the transparency and competition, but also the monitoring of commitments and the registration of commitments with only the electronic signature, without physical interaction. One important gap identified is related to the financial reports on the execution of the budget from the National Health Insurance House (NHIH), that are still not generated automatically, at this stage, and are submitted to the MoF on paper. More activities should have been carried out to ensure the necessary expertise in the country in budgetary accountancy. The State

⁵ A number of trainings were organized in 2018 but they seem insufficient considering that, based on evidence collected (see Chapter on Effectiveness) this problem is still in place.

University of Moldova offers only one course on budgetary accountancy, which interviewees involved in the evaluation deemed as insufficient. Due to the insufficient expertise in budgetary accountancy, the MoF has difficulties in implementing the result 4.3 Development of National Public Sector Accounting Standards based on International Public Sector Accounting Standards under Principle 4. Accounting and financial reporting.

While important developments were registered under Component 4 (Public Internal Finance Management), especially more institutional and capacity building activities are required in order to ensure an adequate managerial internal control and internal audit, at all levels in the public administration and the Financial Inspection needs to be reformed, in parallel with the consolidation of the Court of Accounts. The latter was not covered by the Strategy.

As regards Public Procurement, based on interviews carried out, the evaluation identified a number of areas where further measures are needed, for the overall objective of Component 6 to be reached, namely, to establish a modern public procurement system, in line with the EU standards, that is implemented by all public authorities.

Among these, the most important ones are the set-up of a fully-fledged e-procurement system (to be used by all public authorities for all procurement procedures and related methods, to allow adequate monitoring, including on small value contracts), building capacity of professionals responsible with PP throughout the public institutions in the Republic of Moldova (i.e., currently, out of approximately 3,000 contracting authorities, only 2,000 are active, and in some cases there is no PP specialist in place), regulating and promoting green procurement and ensuring adequate monitoring of PP processes and results (the latter confirmed also by the PEFA Report). The fully-fledged e-procurement system is also to be integrated with the Treasury electronic system, as the latter has the responsibility to register all public contracts and to pay corresponding invoices, and should continue to allow easy access to complaints for procedures which have been challenged, and addressed by the National Agency for Solving Complaints (NASC)⁶.

On the other side, in order to improve the monitoring but also the control of the PP procedure, sufficient capacity should be ensured within the Public Procurement Agency, whose staff was reduced from 60 to 25 members. While efficiency of public resources remains important, a functional analysis of the Agency is necessary, in order to adequately quantify its workload, in line with the responsibilities and processes to be undertaken (also in the light of full alignment of national legislation to the EU acquis in the field). The analysis should consider the activity of the Agency in the wider institutional setting, i.e., by observing responsibilities and processes of all actors involved (MoF, Treasury and NASC).

The Logic of Intervention for component 7 “Public Finance Management informational System” derives from the need to streamline the administration, development, and maintenance of information systems in the field of public finance, public procurement, fiscal and custom services. Intervention emphasizes the need to ensure the interoperability of the Public Finance Management Information System with other information systems, to assimilate the electronic services and digital platforms of the Government (M-Connect, M-Pay, M-Cloud). A major reform was initiated in 2018 after public administration reorganization and merging of state-owned enterprises “Fintehinform”, “Fiscservinform” and “Vamservinform”, process completed on 01.08.2018.

Among the more than 60 activities planned and, to a large extent, implemented between 2018 and 2021, one area of concern less addressed refers to structural improvements (e.g. staffing, salaries), particularly important in the IT sector.

⁶ The main institutions responsible for the regulation and administration of public procurement processes are:

- MoF through the Public Procurement Division responsible for policy development
- the State Treasury (within the MoF) responsible for registering public procurement contracts and paying the corresponding invoices,
- The Public Procurement Agency (subordinated to the MoF) responsible for the management and monitoring of the public procurement process, to ensure the proper functioning of the system
- National Agency for Appeals Settlement, responsible for examining and resolving complaints made by bidders and other interested parties.

2.3. Conclusions on relevance

Based on evidence available, the evaluation found that activities carried out, and reported in the Annual Report for the implementation of the Strategy, are highly relevant. A number of gaps have been identified, and these gaps negatively impact the effectiveness of the Strategy (see next chapter, on Effectiveness), however, these relate more to the resources at disposal versus, in many cases, nation-wide needs. With the available resources the problems identified/needs in place could not have been solved in the timeframe at disposal.

From this perspective, setting up SMART, as opposed to several and vaguely formulated objectives, contribute greatly to a clear, realistic definition of what can be expected, as effects (outputs, results and impacts), in a certain timeframe.

The logic of intervention in the case of most components can be only partly reconstructed, as the links between problems identified / areas of interest, medium-term targets, long term objectives and results (by principle) are inexplicitly formulated. In the absence of drivers, identified for the problems signaled out and/or prioritised, setting up activities, and their sequence from year to year is difficult and significantly hampers monitoring, i.e., if progress booked is in line with expected targets/results, or departures from them exist and thus corrective measures are needed.

3. Coherence

In line with 2019 OECD evaluation criteria, “external coherence” refers to “the extent to which other interventions support or undermine the intervention, and vice versa”. In the context of this evaluation, under external coherence different external factors, and policies, international interventions, if the case, facilitated or, on the contrary, hampered the implementation of planned activities and the effectiveness of the Strategy, overall.

3.1. Component 1 – Budgetary framework

Under **Component 1**, according to the Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report and interviews carried out, the adopted legislation and institutional support (including from international organizations) contributed to the external coherence of *Principle 1: Macroeconomic forecasting and revenue forecasting*. When the Ministry of Economy (MoE) establishes the medium-term macroeconomic forecast, MoE works collaboratively with the Ministry of Finance (MoF), the National Bank of Moldova and the Statistics Office. Furthermore, the forecast of macroeconomic indicators is revised in connection with the emergence of new statistics and is coordinated with IMF experts⁷.

The macroeconomic forecast is sent to the Ministry of Finance, lead of macroeconomic, fiscal and custom policy, and revenue working group. Subsequently, MoF sends it to all central public authorities and local public authorities as annex to the budget circular. The main forecasted macroeconomic indicators are published on the website, 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 International Monetary Fund (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. 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 final version is coordinated with the IMF⁸.

In order to develop macroeconomic modelling and forecasting capabilities, 2 technical assistance projects were contracted and implemented during 2018-2019⁹:

- Assistance from GET Moldova (German Economic Team), which provided training to MoE staff and other institutions on “Estimating the potential product of the Republic of Moldova” (April 18-19, 2018).
- Assistance from the EU project “Support for the Quality Infrastructure Framework in the context of DCFTA in the Republic of Moldova”, which supports the development of training in the field of econometrics for MoE staff.

Based on interviews carried out, the legislative and methodological framework is in place, and is continuously improved, when information is provided to the Ministry of Finance that modifications are needed. Such modifications are rather minor, as the framework in place is rather comprehensive and clear. The capacity of the Macro-financial Analysis Unit in the MoF is adequate and turnover of staff is limited. Interviews carried out that there is a continuous process of improving the legislation in place, in order to perfect the (legal) fundamentals of the forecasting process. While this adds a certain degree of instability, it bears positive effects from the perspective of the quality of the forecasting process and results.

Concerning *Principle 2: Monitoring public sector debt and state guarantees*, primary and secondary legislation

⁷ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022)..

⁸ Ibid

⁹ Annual reports (2018 and 2019) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinau, 2018).

contributes to the external coherence of the principle. The adopted primary legislation made MoF the single responsible debt management entity, that has the authorization to borrow, issue new debt and loan guarantees on behalf of the central government to a single responsible debt management entity. Secondary legislation provides guidance on procedures how to borrow, issue loan guarantees on lending, public sector debt reporting. Primary legislation stipulates that the annual borrowing is approved in the annual state budget law by the Parliament¹⁰.

Debt management is much facilitated by the reviews and recommendations issued both by the World Bank (Debt Management Performance Assessment (DeMPA) carried out in 2018 in Moldova) and the International Monetary Fund (IMF). However, although human capital in place benefited of capacity building activities, their number is reduced compared to the volume of staff needed. As a result, e.g., debt sustainability analyses are not carried out, while these are necessary particularly in crisis situations.

The external conditions in place facilitate performance under Component 1 of the Strategy, particularly the adequate legislative and methodological framework, support and assessments from international organisations and the internal capacity of the responsible departments (the latter is valid mainly for Principle 1).

Based on evidence collected, the evaluation identified that, despite progress indicated above, availability and stability of macro-economic indicators that are produced by the MoE remains problematic. In turn, this which produce delays and a degree of instability in the entire MTBF process. Consequently, there is still a need to strengthen the capacity of the MoE as regards the estimation of these indicators.

Even in the current socio-economic context of Republic of Moldova, i.e., small market and limited number of domestic investors, some measures to improve domestic state debt system can and are¹¹ in the process of being undertaken, i.e., diversification of instruments for incurring domestic state debt further than long-term state bonds and short-term treasury bills, the latter being much more in demand compared to the former, development of secondary markets by strengthening cooperation with and changing requirements for the 9 primary dealers in Moldova (with EU approval).

3.2. Component 2 – Budget development and planning

Under **Component 2**, concerning *Principle 1. Budget credibility* and *Principle 3. The order (accuracy) and policy perspectives in the budget*, Law no.181/2014 on public finance and fiscal budget accountability establishes the overarching calendar for the budget process with sequenced activities and deadlines. 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 provide further details on the intermediate activities during the budget preparation process. During the annual budget preparation process, the MoF issues detailed instructions within the Budget Circular.

Concerning *Principle 2. Transparency and comprehensiveness*, the functional budget classification is compliant with the *Classification of the Functions of Government* (COFOG). The economic classification has been developed and broadly aligns with classifications of the Government Finance Statistics (GFS) 2001 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, 2015¹².

With regards to *Principle 4. Inter-budgetary relations*, according to the law on Local Public Finances № 397/2003, the state budget has direct inter-budgetary relationships with each of the administrative units in

¹⁰ Ibid.

¹¹ In line with Three-year Medium-Term Government Debt Management Program (Strategy) 2020-2022, available at https://cancelaria.gov.md/sites/default/files/document/attachments/proiectul_792.pdf.

¹² https://www.legis.md/cautare/getResults?doc_id=121615&lang=ro

Moldova¹³ (regardless of the tier), except first tier administrative territorial unit within UTA Gagauzia¹⁴.

Concerning *Principle 5. Public capital investment*, the Government's regulation of state capital investments projects¹⁵ establishes project evaluation, selection and monitoring procedures¹⁶. As per the 3rd Progress Report of the EU funded project "Support the Moldovan Government in identifying and preparing projects linked to the implementation of the Association Agreement", amendments to the Regulation 1029 were prepared, but these were not adopted at the cut-off date of the evaluation. Hopefully the modifications brought to the Regulation would facilitate its adequate implementation, as interviewees involved in the evaluation deem its provisions as challenging compared to the low capacity in public institutions, particularly at local, but also at central level.

International organisations are much involved in the assessment related to budget development and planning, including public investments (e.g., the 2019 IMF Evaluation of public investment management), and finance a large number of the latter, including, as per PEFA Report, the two largest public investment projects which were financed in 2020.

The elements put in place did facilitate to a good extent the performance of the Strategy, with the exception of a number of shortcomings. First, concerning *Principle 1*, the MoF has found it challenging to respect the budget calendar prescribed by Law no.181/2014 on public finance and fiscal budget accountability, in most years. Delays were caused the subsequent global crises that have occurred in the last years, such as COVID-19 pandemic, high inflation rate, the Russian invasion of Ukraine and the high energy prices, which affected the forecasting of the macro-economic indicators and the forecasting of revenues and expenditure¹⁷.

An important challenge is the alignment between public policies and priorities put forward by line Ministries and State Chancellery, on one side, and budget formulation and execution, on the other side (for both multi-annual and annual budgets, as evidence collected indicate that MTBF is closely taken into consideration in the first subsequent annual budget but to a lesser extent in the remaining years). Priorities are decided late or are changed during annual budgetary cycles and a number of decisions on public investments are taken ad-hoc, without ensuring coherence with the budget framework and proper consideration on availability of resources from internal or external sources.

Although the Government's Decree no. 1029 dated December 19, 2013, on the state capital investments projects established procedures of project evaluation, selection and monitoring that were considered of high-quality and in accordance with the international standards by the State Capital Investments Directorate, these procedures are difficult to apply by Ministries and local authorities that implement state capital investments, due to their low capacity regarding project appraisal, selection, monitoring and reporting procedures.

¹³ 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). Additionally, there are 51 first tier institutions, including line ministries and other central authorities.

¹⁴ 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. Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World Bank (Chisinau, April 2022).

¹⁵ Approved by the Government's Decree № 1029 dated December 19, 2013.

¹⁶ 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 the 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).

¹⁷ As mentioned under Component 1, the quality of the macro-economic indicators proved to be a frequent problem as well, as revealed by the interview with the Macro-financial Analysis. According to the interviewees, the macro-economic indicators proved to not describe well the real-world economy of the Republic of Moldova, which lead to errors in forecasting revenues and expenditure.

The information system to manage public investments is under improvement.

The key measures to be considered in the future under Component 2 relate to the alignment between public priorities (as established by the Line Ministries for the sector or intersectoral areas covered and the State Chancellery), the MTBF and the subsequent annual budgets. Ad-hoc requests for public investments should be limited, and this implies a significant capacity building effort at all tiers to strategically plan and prioritise needs but also, as mentioned under Component 1, better alignment between investment needs in the country and deployment of external funds. Improvements in this regard would allow the budgetary cycles to unfold as provided by the law and for the MoF and all institutions to be better prepared to deal with external shocks as experienced lately.

3.3. Component 3 - Budget execution, accounting and financial reporting

As for **Component 3**, budget execution procedures are regulated by Law 181/2014 on Public Finances and Budgetary-Fiscal Responsibility and by 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. This normative framework provides the attributes of the State Treasury of national and local level¹⁸. Comprehensive framework is in place for cash flow management, particularly the Methodological Norms on Cash Execution of the National Public Budget, Order of the MoF 215/2015. National accounting procedures are regulated by 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, Law 113/2007 on Accountancy, and the new classification in the Charts of Accounts for the budgetary system was put into effect starting with January 1, 2016¹⁹.

There has been institutional support to ensure effective budget execution, accounting and financial reporting including for the reorganisation of the Treasury 38 local branches in 5 regional offices. Institutions involved cooperate very effectively to ensure adequate processes, e.g., MoF participates in real time Automated Interbank Payment System operated by the NBM for executing domestic payments. On the other hand, public accounting expertise and capacity is insufficient at all levels.

Budget execution, accounting and financial reporting highly benefit of automatization through by the Financial Management Information System (FMIS), that has modules and functionality for registration of contracts, authorization of payment orders, issuance of bank instructions, and preparation of cash-based budget execution reports. Some improvements, particularly to better integrate FMIS with other related systems, are needed but largely the necessary informational support is in place.

External assistance was provided by the EUD, among others, for the development of Public Sector Accounting Standards.

According to the findings from the interviews carried out, the elements presented above had facilitated the performance of the Strategy. The only exception is that there is a lack of expertise in the country in budgetary accountancy. The State University of Moldova offers only one course on budgetary accountancy, which the interviewed interviewees from the Treasury deemed as insufficient. Due to the lack of expertise in budgetary accountancy, the MoF has difficulties in implementing the result **4.3 Development of National Public Sector Accounting Standards based on International Public Sector Accounting Standards** from Principle 4. Accounting and financial reporting²⁰.

The most important measures found by the evaluation for this component are the finalisation and adoption of National Public Sector Accounting Standards in line with international best practices as well as ensuring public accounting capacity at all levels (including utilisation on CUB, Budgetary Unitary Accountancy, by all public

¹⁸ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁹ Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury

²⁰ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

authorities).

3.4. Component 4 – Financial Management and Internal Control

Regarding **Component 4**, in the Association Agreement between the EU and Moldova signed on 27 June 2014 and entered into force on 1 September 2014, the Republic of Moldova committed itself to develop democratic institutions in line with the European Union standards and rules. The cooperation in the field of Management of Public Finances (Chapter 7) requires adjustments of Budget Policy, Internal Control, Financial Inspection and External Audit. These elements set the general framework and enhance the **managerial accountability** of central public administration organizations. They also improve the internal control systems (including the independent functionality of the internal audit unit) at the central and local public authorities levels, development of a financial inspection system and improve the cooperation among actors between officials involved in financial management and control, audit and inspection and those responsible for the budget, treasury and accounting.

The MoF is the authorized body which, through the Harmonization Unit (i.e., Public Internal Financial Control Policy Department) promotes the establishment and development of public internal financial control systems and carries out coordination and harmonization policies and procedures.

In this context, the evaluation found that the activity of the Court of Account is not covered by the objectives and results of the Strategy. Although the Court of Account is an independent institution, it plays an important role in the public internal financial control system as it tests and assesses the existence and effectiveness of internal controls, and its performance should be ensured for the overall objective of Component 4 to be achieved.

The Law no.229/2010 on public internal financial control, provides a strong base also for the managerial internal control, including its purpose and components (i.e., control environment, performance and risk management, control activities, information and communication, monitoring and evaluation), outputs (e.g., the annual declaration of management responsibility) and responsibilities of managers and operational managers. The requirements for the establishment of internal audit units are foreseen in Art. 19 of the Law on Public Internal Financial Control no. 229 of 23 September 2010²¹.

The evaluation found that Strategy is aligned to the provisions of the Law, that sets the necessary framework for the PIFC to function adequately and facilitated the implementation of the PIFC-related activities in the Ministry of Finance and in the entire public system in Republic of Moldova.

The interviews carried out reveal that a number of necessary elements for Public Internal Financial Control Financial internal control system (PIFC) to function adequately are in place. There is institutional support at all levels to improve managerial control and internal audit, as the number of internal audit units have increased lately and significant efforts were invested in creating the necessary guidelines, tools and capacity for these activities to be carried out adequately. The PIFC Policy Department actively promotes managerial accountability and also carried out monitoring and evaluation missions to ensure that internal audit is effectively implemented. At the same time, significant external support was available for strengthening PIFC, through the implementation of PIFC Development Program for years 2018-2020, as 80% of the activities being carried out with the support of different international partners²². The support for internal audit and control is also a part of the Annual Bilateral Cooperation Program concluded between the MoF of the Republic of Moldova and the MoF of the Kingdom of the Netherlands.

The external elements presented above did have positive effects on targets and objectives to be reached under this Component. An important first step is the existence of a legislative base for PIFC activities to be carried out at all levels. At the same time, the importance attached to PIFC by the Association Agreement and the recent Opinion on the Republic of Moldova's application for membership of the European Union created strong incentives for progress registered in this area and the external assistance made available to MoF made

²¹ Link for the Law no.229/2010 on public internal financial control https://www.legis.md/cautare/getResults?doc_id=110521&lang=ro

²² Link for Ex-post assessment report (p.26) https://mf.gov.md/sites/default/files/Raport_evaluare_ex-post%20_PCFPI_final.pdf

concrete actions possible. While institutional support existed and facilitated the PIFC-related developments, more drive is needed for the awareness and capacity to be consolidated in all institutions covered by the legislation in place, at both managerial and technical level. In the same vein, more support decision makers is needed in order to reform the Financial Inspection, for this control body to adequately fulfil its mission.

The measures and objectives related to Component 4 implies continuous improvement within responsible institutions/ units activity. In particular, it is about the periodicity of continuous trainings, the periodicity and type of the performed audits, as well as cooperation between the state institutions responsible for internal and external audit.

For the future, the Strategy should either include an additional principle related to the Court of Accounts and the inclusion of measures and results that will contribute to the improvement of the public financial management as a whole. At the same time, adequate level of qualified human resources is to be ensured. PIFC at all levels and the activity of the Financial Inspection are to be digitized.

3.5. Component 5 – Revenue administration

In the framework of **Component 5**, according to the Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, there has been room for improvement as regards revenue administration for 2015 has a window for improvements. In 2021, compared to 2015, improvements were registered the increase in score²³. As these were included in the intervention areas of the Strategy, the evaluators were able to identify them in the next chapter (on effectiveness).

Improvements refer to Assistance and support measures for taxpayers who execute their tax obligations on time and in full amount, as well as policies for identifying and discouraging taxpayers who knowingly evade the payment of taxes, fees and other mandatory payments lead to registered performance in tax collection level.

The objectives and activities related to Component 5 implies continuous improvement of the initiated processes by the STS and CS. In particular, it is about the projects implementation that are in place, periodicity of continuous trainings for own staff as for the taxpayers.

3.6. Component 6 – Public procurement

Based on evidence available, the evaluation finds that several elements for the effective implementation of **Component 6** of the Strategy have been in place. As detailed further, the planned legislation was passed to a large extent, in the wider framework of the Association Agreement between Moldova and the EU, thus there is institutional will to perform in this area. Several international organisations support the government of Moldova in this regard (e.g., EBRD, EUD for building and improving MTender and World Bank through MAPS Assessment of the Public Procurement System). As mentioned above, the issue of capacity of the Public Procurement Agency and especially of the contracting authorities remains a challenge and hamper adequate implementation of regulations in place.

Republic of Moldova adopted the first strategy for the development of the public procurement system for the years 2016 - 2020 as a measure for the application of the provisions of the Association Agreement. The process of preparing of a new strategy for the next five years, as well as of the National Program for the Development of the public procurement system and the related Action Plan were finalised at the cut-off date of the evaluation.

The elements in place did facilitate the implementation of Component 6 of the Strategy and the achievements of the medium-term targets and objectives, particularly as regards progress in terms of legislation, and procurement complaints management. The key measures that should have been in place so far relate especially to the fully-fledged e-procurement system and ensuring the adequate capacity in the PP system, for the legislation in place to be adequately observed.

²³ PEFA 2021 assessment, Annex 4. Tracking change in performance based on previous versions of PEFA, PEFA 2015 PI 13-15 vis-a vis PEFA 2021 PI 19-20.

3.7. Component 7 – Public Financial Management Information System

According to the published reports and carried interview, the adopted legislation and institutional support (including from international organizations) contributed to the EXTERNAL coherence of **Component 7**. The Center for Informational Technologies in Finance (CITF) closely cooperates with Ministry of Finance and its subordinated institutions, State Tax Service (STS), Custom Service (CS), Public Procurement Agency. They work collaboratively with each other. Furthermore, the technical tasks for IT solutions are prepared in the joint team.

A lot of support comes from international communities in training preparation and their delivery. A long term partner is Government of Netherlands and World Bank Group.

The development and improvement activities of new information systems have clearly contributed to achieving the objectives of the Strategy. However, there are some IT solutions in version 6 (Public Institutions Accounting Platform) and others in version three (MTender). Applying new IT systems, and approving new decisions implies new visions and solutions for automating financial management processes.

The development of the Public Finance Management Information System must be oriented toward the ample process of institutional development, innovation, quality, performance, efficient processes, innovative solutions, and a professional team, eager to continuously improve its skills. The workload is high. Knowledge of process automation and the use of information programs must be fresh. Employees' skills should be fuelled by competitive wages to maintain the brain drain.

3.8. Conclusions on coherence

The evaluation identified a series of mainly exogenous factors that positively contributed to the implementation of the Strategy. Among these, the most important are the legislative framework adopted and modified over the years, as well as the implementation norms and methodologies, that have enabled improvements across several components. While some pieces of legislation still require improvements (e.g., as regards public capital investments, public procurement) and despite political and governmental instability, overall, reforms were supported by decision-makers, to a certain extent in the context of agreements in place with the European Union, IMF and other international organisations. The latter, in turn, supported with technical assistance but also investments, the developments of the PFM system, another enabling condition identified by the evaluation, that will intensify as Moldova has recently become a EU candidate country.

Another factor facilitating the PFM reform was the digitalisation process, with FIMS supporting a large number of phases in the budgetary cycle. On the other side, the evaluation identified in many cases that the number of staff in place is lower than positions approved by law, and that that their capacity under the required level.

4. Effectiveness

In line with 2019 OECD evaluation criteria, “effectiveness” refers to “the extent to which the intervention achieved, or is expected to achieve, its objectives, and its results, including any differential results across groups.” As mentioned in the introduction, in the framework of the evaluation we assess “effectiveness” based on results and medium-term targets set. To the extent possible, repetition between results-level assessment and medium-term target assessment was avoided. External coherence is assessed only from the perspective of contextual factors facilitating the implementation of the strategy.

4.1. Component 1 – Budgetary Framework

By analysing the Annual Reports on the implementation of the Strategy and the PEFA Performance Assessment Report, triangulated with information collected through interviews, the experts identified the implemented activities that contributes to the achievement of the envisaged results. Concerning *Principle 1: Macroeconomic forecasting and revenue forecasting*, and *Principle 2. Monitoring public sector debt and state guarantees* **the evaluation finds that the envisaged results were to a large extent, achieved.**

The following tables present an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned results	Level of achievement ²⁴
Principle 1 Macroeconomic forecasting and revenue forecasting	1.1. The existence of a macroeconomic and financial framework in the medium term to support budget planning.	Result achieved
	1.2. The forecast of internal revenues is accurate and is based on macroeconomic forecasts	Result is largely achieved
	1.3. The internal and external state debt is controlled by the central authority.	Result is achieved
Principle 2 Monitoring public sector debt and state guarantees	1.4. There is an adequate debt management system for accounting and reporting.	Result is achieved
	1.5. Correlation of debt management with the forecast of funds.	Result is achieved.
	1.6. Financing the budget deficit at a minimum cost and risk in the medium and long term.	Result is partly achieved.
	1.7. Reporting to the Government and Parliament on public sector debt, state guarantees and state recredit.	Result is achieved.

Under *Principle 1: Macroeconomic forecasting and revenue forecasting*, both results are largely achieved. The law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014 regulates the development of the Medium-Term Budget Framework (MTBF), a method for budgetary planning used by the MoF, jointly with other responsible public authorities, in accordance with the principles and budgetary-fiscal rules established by this law.

The Government ensures the maintenance and updating of three forecasting instruments (EXCEL, Eviews and SOFRECO). In 2020, a modification of the methodological set occurred and the following models were

²⁴ Results are considered achieved / achieved to a large extent where planned and needed activities were carried out and most medium-term targets were also achieved. Results are partly achieved where only some of the needed activities were implemented and/or medium-targets were not achieved. Results are not achieved when activities have not been implemented, or some activities were implemented but they did not trigger the expected effects.

developed²⁵: model for budgetary impact analysis; model for the analysis of the budgetary impact following the adoption of measures to support the business environment related to the interest rate subsidy program; economic impact models for fiscal and customs policy measures for 2021; the micro-model regarding the analysis of the budgetary impact following the modification of the VAT rates; the micro-model that aims to calculate the budgetary impact on local public administrations²⁶.

In the development of the macroeconomic forecast, the MoE involves in the elaboration process governmental institutions, namely the Ministry of Finance, National House of Social Insurance, Ministry of Health, Labour and Social Protection, National Medical Insurance Company. Furthermore, the IMF is consulted and provides a final review of the forecasts. Non-governmental institutions are not, yet, involved in this process.

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 MTBF²⁷. The issue of the broad assumptions was brought up in the interview with representatives from the Macro-financial Analysis Unit, **that argued that the quality of the indicators used in the forecast needs to be improved.**

Donor communication mechanisms and procedures are in place in order to ensure proper planning of external source inputs. The MoF has a directorate, **External Assistance Directorate**, which acts a point of contact between the Government and external donors. The directorate is responsible for communicating with external donors and coordinating the accordance of grants and loans in the Republic of Moldova. Before the submission of the proposals to the External Assistance Directorate, and later to the MTBF, the proposals have to go through the respective Sectoral Council²⁸. The evaluation identified a series of deficiencies related to the functioning of the Sectoral Councils, as they are that are too formal in their character, were used only for the presentation of the projects, without substantial debates to generate recommendations and improvements. As well, due to the informative character, in the Sectoral Council a prioritization of needs is not achieved²⁹. SC should focus its efforts to strengthen the process of strategic planning, and not to duplicate duties and activities in this regard.

The External Assistance Directorate was previously part of the State Chancellery and moved at a later stage to the MoF. Due to the multiple political changes, the discussions on the projects to be financed are hold at the level of the Government, causing a duplication of work with the Sectorial Councils. Based also on similar experiences of other countries (e.g., Romania), it could be more **effective** (i.e., ensure a better link between external resources and prioritised policies at Chancellery level) for the directorate to return to the State Chancellery, in order to be closer to the locus where overall strategic planning and decisions on economic and social policies are taken³⁰. However, if the public policy planning process is improved by setting strategic priorities at national level, in short and medium-term the External Assistance Directorate can carry out its tasks under MoF.

All medium-term targets under this principle have been achieved, nonetheless, the forecasting models and instruments in place will need constant updating. At the same time, there is room for improvement as regards “improving donor communication mechanisms and procedures for the proper planning of external source inputs”.

Concerning *Principle 2: Monitoring public sector debt and state guarantees*, the evaluation finds that most

²⁵ Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

²⁶ Annual report (2019) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2019).

²⁷ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

²⁸ Interview with the representatives of the Public Debt Directorate and External Assistance Directorate.

²⁹ Ibid.

³⁰ Ibid.

results and medium-term targets were fulfilled.

Adopted primary legislation made MoF the single responsible debt management entity, that has the authorization to borrow, issue new debt and loan guarantees on behalf of the central government. Secondary legislation was drafted in order to provide guidance on procedures how to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions³¹. 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 reports are published on MoF's website³², and debts are included in the Medium-Term Financial Framework, which uses economic forecasting. Annual reporting against debt management objectives is provided to the Parliament.

Nonetheless, financing the budget deficit at a minimum cost and risk in the medium and long term is partly achieved as the domestic state securities market is only partly developed. Evaluations of and meetings with primary dealers have been organised between 2019 and 2021. Following the consultation with primary dealers and private investors, the decision was taken to issue in 2021 state securities with a maturity of 7 years at a fixed rate³³, but more measures are needed, including the development of secondary markets, for this result to be achieved.

Out of 4 medium-term targets, two are partly or not achieved. As mentioned above, the development of the domestic market of state securities in order to implement the actions established in the Program "Medium-term government debt management" is work in progress, while the Operational Risk Management Plan related to the previous "Medium Term State Debt Management" Program hasn't been developed. As a new Debt Programme has been recently approved, steps are taken in order to achieve progress in this area.

Intermediate conclusions

Based on evidence presented above and in Annex 3, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on the findings in the previous chapter, "External Coherence".

The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

Key problems	Objectives
<ol style="list-style-type: none"> 1. <i>There is a need to strengthen the capacity of the Ministry of Economy and the Ministry of Finance, which are involved in the development of macroeconomic and macro-fiscal forecasts, as well as revenues.</i> 2. <i>Continue assess and improve forecasting models and instruments</i> 3. <i>The mechanism for matching the external support available and the needs in the Republic of Moldova only partly ensures prioritisation as</i> 	<ol style="list-style-type: none"> 1. <i>Ensure the needed capacity of the Ministry of Economy and the Ministry of Finance, for an adequate macroeconomic, macro-fiscal and revenues forecasts.</i> 2. <i>Ensure that forecasting and instruments in place are in line with legislation and good practices, and fulfil their mission.</i> 3. <i>Set up an effective mechanism to ensure that the needs for grants and loans of institutions in Moldova are covered, and that donors'</i>

³¹ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

³² Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022). Last report, issued for the first trimester of 2022, is available here: [Raport privind situația în domeniul datoriei sectorului public, garanțiilor de stat și recreditării de stat în trimestrul I al anului 2022 | Ministerul Finanțelor \(gov.md\)](#)

³³ Ibid.

<p><i>well as effective and impactful solutions to these needs</i></p> <p>4. Domestic market of state securities is insufficiently developed</p>	<p><i>programmes are relevant, thus aligned to the needs in the country.</i></p> <p>4. Development of the domestic market of state securities by further expanding their maturity and diversifying the investor base.</p>
<p>Causes/drivers</p> <p>1.1. Values of indicators change and negatively affect the macroeconomic and revenues forecasting.</p> <p>2.1. Models need continuous improvements, to be aligned to changes in legislation but also for existing gaps to be covered (e.g., taking risks into consideration)</p> <p>3.1. Limited capacity of institutions in Moldova to formulate needs, some mismatching with Donors priorities, insufficient communications and coordination between the two parts.</p> <p>4.1. Small market and number of investors, suitable instruments for the specificity of the market are missing to a certain extent.</p>	<p>Actions</p> <p>1.1. Capacity building activities for the staff involved (training, exchange of good practices and peer learning from experts in other countries).</p> <p>2.1. Permanent monitoring and adjustments to models.</p> <p>3.1. Develop a regular mechanism for collecting needs from public institutions, based on standard requirements, and an effective mechanism to communicate and agree on sources of finance and their particular requirements. The latter should have a pro-active element, i.e., available sources of funding and requirements should be centralised with donors' support and communicated to relevant public institutions (and as recommended by the EUD-financed PPF TA Project).</p> <p>4.1. Identification of most suitable, diversified instruments, for the market in Moldova, identification and development of secondary markets.</p>

4.2. Component 2 – Budget development and planning

The following tables present a summary of the level of achievements obtained under each **Result**. Concerning Component 2, **the evaluation finds that the envisaged results were to a good extent, achieved, the main gaps being identified under the 5th principle “Public capital investment”**.

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
Principle 1. Budget credibility	2.1. Budget integrity: The budget is executed as planned within the parameters of fiscal policy in a disciplined manner that ensures that deviations between actual and initial budgets are kept to a minimum.	Result largely achieved. (but major underperformance registered in the execution of capital investments)
	2.2. The budget serves as an effective tool for coordinating the activities of the Government and its institutions	Result largely achieved.
	2.3. Budget planning ensures the principles of resource efficiency, aiming at prioritizing expenditures and reallocating between sectors from lower to higher spending priorities.	Result partly achieved.
	2.4. Budget planning ensures operational efficiency by ensuring that government institutions are encouraged to produce goods, works and services at the lowest possible cost and at the highest possible value.	Result partly achieved.
	2.5. There are no arrears on expenditure, or the stock of arrears is low, and there are systems for monitoring these arrears.	Result achieved.
	2.6. Budget decisions include the analysis of total fiscal risks, including risks generated by state-owned enterprises and companies with majority state capital and risks generated by administrative-territorial units.	Result largely achieved.

	2.7. Budget decisions include a measurement, monitoring and evaluation of performance against the original plan.	Result partly achieved
Principle 2. Transparency and comprehensiveness	2.8. The existence of a robust budget classification system that allows for the planning and reporting of expenditure on the administrative, economic and functional dimensions and is in line with international standards (IMF-GFS, COFOG).	Result achieved.
	2.9. Budget coverage includes reporting on all government operations	Result achieved.
	2.10. Extrabudgetary operations are insignificant or if they are significant then they are included in the fiscal reports	Result partly achieved.
	2.11. The government has a supervisory role over-all public-sector entities, including self-governing public authorities / institutions, state / municipal enterprises and public companies with full or majority public capital and quasi-fiscal operations.	Result achieved.
	2.12. Public access to the budget and tax information is ensured.	Result achieved.
	Principle 3. The order (accuracy) and policy perspectives in the budget	2.13. Existence and adherence of the budget calendar
2.14. Existence of a single and integrated budgetary process, involving central public authorities and local public authorities.		Result largely achieved.
2.15. Existence and adherence of instructions on medium-term expenditure and annual budgeting.		Result largely achieved.
2.16. Creating the link between policies and budget on an annual and multiannual basis.		Result partly achieved.
Principle 4. Inter-budgetary relations	2.17. There are systems to ensure vertical and horizontal balancing/equalization.	Result achieved.
	2.18. Existence of clear criteria to determine the transfer of fiscal support to the administrative-territorial units in a transparent and predictable way to allow the timely elaboration of local budgets.	Result partly achieved.
Principle 5. Public capital investment	2.19. The program of public capital investments and budgetary capital investments are planned within the general medium-term fiscal and expenditure forecasts.	Result partly achieved.
	2.20. The selection and approval of investment projects are coordinated with national and sectoral policies	Result achieved to a limited extent.
	2.21. Investment projects are planned based on insured sources and fiscal impact analysis, with relevant information on subsequent costs available	Result achieved to a limited extent.

To a large extent, the budget is executed as planned within the parameters of fiscal policy in a disciplined manner and deviations are limited, with major underperformance registered in the execution of capital investments. The budget serves to a large extent as an effective tool for coordinating the activities of the Government and its institutions but improvements are needed as regards the timely availability of public policies and priorities and respecting the calendar for annual budget modifications. The stock of arrears is low, and there are systems for monitoring these arrears.

According to the interviews carried out, the budget includes reporting on all government operations; however, the budget execution reports consolidate spending only for transfers received from the state budget. Own funds are excluded so the Ministry of Finance does not see the funds and execution from EBU's own funds since they are not channelled through the Treasury accounts in most of the cases. At the beginning of the budgetary process (both for MTBF and annual budgets), the results and performance of services, programmes and projects from the previous year are taken into consideration when the prioritization is made, by looking at the results of the budget execution. However, although performance indicators are in place and reported

upon, an in-depth performance assessment or evaluation of service delivery investments performance is rarely conducted, due to lack of time and capacity³⁴.

On the other side, the structure of the budget classification and applicable methodology for each classification type is defined in the MoF Order no 208 of December 24, 2015³⁵ and is compliant with the COFOG standards³⁶. Moreover, budget-related information is largely available; the 2021 Open Budget Survey indicate that Moldova has a transparency score of 65³⁷, increased from 57 in 2019 and higher than Slovakia, Poland and Romania. A transparency score of 61 or above indicates a country is likely publishing enough material to support informed public debate on the budget. Despite this, a consultation mechanism for budget forecasts and medium-term policy priorities with civil society is not, yet, developed and continuous capacity building of the personnel working in the field of public finance management is still needed.

Transfers from central government to subnational governments are carried out in accordance with the law on Local Public Finances № 397/2003. The allocation of general-purpose inter-budgetary transfers for equalization purposes is based on clear criteria (formula based). However, the local revenues base is not strengthened, yet.

The last 3 MTBFs approved in Republic of Moldova include mid-term forecasts for capital investments and their maximum value, as well as total and annual costs of projects³⁸. Limits for capital investments are obligatory for the first budgetary year and tentative for the following two. Draft annual state budgets include an annex representing total and annual costs (for three years) of projects included under capital investments. However, projections of capital expenditures differ considerably from budgets and their execution and this is also due to low capacity of local authorities to adequately define long-term investment priorities and projects. According to the Government's Decree № 1029, an intergovernmental working group on state capital investments should select projects based on the established criteria. However, between 2018 and 2021 this group was not convened. Budget documentation provides information about each public investment project included in the annual state budget. However, it does not include projections of total project life-cycle costs, which would include both capital and recurrent costs. Such information is included only in the templates of technical and economic justification filled in for individual projects. The MoF verifies all received proposal to ensure that they respect the limits set in MTBF and annual budgets but exact subsequent costs are not always known. State capital investments projects establishes project appraisal, selection, monitoring and evaluation procedures but these need to be improved and implemented.

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on

³⁴ Interview with Policy Directorate and Budget Synthesis. See also PEFA Report, PI-8. Performance information for service delivery.

³⁵ MoF Order no 208 of December 24, 2015

³⁶ 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. Recurrent and capital investments' budget preparation, execution and reporting procedures are fully integrated and covered by the budget classification structure. Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

³⁷ Results of the Survey for Moldova are available here: <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-moldova-2021-en.pdf>

³⁸ Based on the 2019 IMF Evaluation of public investment management and the review of the last three MTBFs.

the findings in the previous chapter, “External Coherence”³⁹.

<p>Key Problems</p> <ol style="list-style-type: none"> 1. <i>There is a need for a clearer and timely prioritization of policies in order to allow adequate mid-term and annual budgeting;</i> 2. <i>Monitoring and evaluations of programmes is weak (contributes to the first problem as well).</i> 3. <i>The capacity in project development, monitoring, reporting and evaluation of the Ministries is weak.</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Ensure timely alignment between strategies/policies/priorities in place and the MTBF and annual budgets;</i> 2. <i>The monitoring and evaluations of programmes are carried out regularly and assess their effectiveness, impact and sustainability.</i> 3. <i>Increase the development, monitoring, reporting and evaluation capacity of the Ministries as regards public capital investments projects.</i>
<ol style="list-style-type: none"> 1. <i>The political, economic and health crises that have affected Republic of Moldova have cause delays in implementing the MTBF and annual budget calendar; the capacity of line Ministries to identify and priorities policies needs strengthening.</i> 2. <i>Lack of a methodology and capacity to evaluate the performance of the funded programmes, that contributes to unclear prioritization of policies;</i> 3. <i>Lack of knowledge and capacity of human resources involved (when these exist);</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1. <i>Capacity building activities for policy prioritization (aligned to the already existing capacities at different levels) and strengthen the consultation process among the main actors in the budgetary process (national and sectoral level); actions should also build resilience and capacity to act accordingly during crises;</i> 2. <i>The elaboration of a Government Decree that provides a methodology for public authorities for evaluating the performance of the programmes and capacity building activities for its implementation (to be implemented over a reasonable timeframe for experience to be acquired, too);</i> 3. <i>Three main measures:</i> <ul style="list-style-type: none"> ○ <i>Set up/develop the existing Project Implementation Units (PIUs) in all Ministries⁴⁰ (they will be more needed in the future, as the Moldova’s application for membership of the European Union is under approval and they contribute to the underspending in projects funded with external sources);</i> ○ <i>Develop more guidelines/manuals for the elaboration of a project;</i> ○ <i>Organize capacity building actions that tackle important aspects and themes in programming and evaluation (including coaching, exchange of experience, peer learning);</i>

³⁹ The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

⁴⁰ Except for the Regional Development Fund, for which such a PIU exists.

4.3. Component 3 – Budget execution, accounting and financial reporting

The following tables present a summary of how the achievements obtained under each **Result**. Concerning Component 3, **the evaluation finds that the envisaged results were to a good extent, achieved.**

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
Principle 1: Budget execution process	3.1. Clearly defined budget execution procedures	Result achieved.
	3.2. There is ex-ante control of public expenditures from the state and local budgets	Result achieved.
	3.3. Efficient execution of current expenses (expenses for the payment of salaries and non-salary expenses) and capital expenses	Result achieved.
	3.4. Improving the normative framework regarding the execution of the component budgets of the national public budget and of the means of the non-budgetary entities through the single treasury account	Result achieved.
Principle 2. Cash flow management	3.5. Centralization of balances in the " Treasury Single Account"	Result achieved.
	3.6. Efficient money management system, which includes the elaboration of annual liquidity forecasts, with monthly distribution, which is updated monthly / weekly / daily and ensures the control of budget expenditures within the approved allocations and the available balance of funds.	Result achieved.
	3.7. Improving forecasts and liquidity management through the Public Finance Management Information System	Result achieved.
	3.8. Commitment recording and monitoring system (contracts, guarantees, commitments).	Result largely achieved.
Principle 3. Reporting on budget execution	3.9. The chart of accounts for budget execution is in line with budget classification	Result achieved.
	3.10. Periodicity of budget execution reports during the year and annual budget execution reports	Result largely achieved.
	3.11. Scope of budget execution reports	Result partly achieved.
Principle 4. Accounting and financial reporting	3.12. There are well-defined national accounting procedures	Result achieved.
	3.13. The unified chart of accounts is to be applied for the planning, execution and accounting of budgetary operations.	Result achieved.
	3.14. Development of National Public Sector Accounting Standards based on International Public Sector Accounting Standards.	Result partly achieved.
	3.15. Comprehensive nature and frequency of presentation of financial statements, including reporting of commitments	Result achieved.
	3.16. Improving financial reporting by integrating the accounting information system of budgetary entities with the Public Financial Management Information System	Result largely achieved.
	3.17. Consolidation of the treasury system of the Ministry of Finance by optimizing its structure.	Result achieved.
Principle 5. Institutional domain	3.18. Modernization of the service of public authorities / institutions through the treasury system of the Ministry of Finance	Result largely achieved.

According to the interviews conducted, budget execution procedures are regulated by Law 181/2014 on

Public Finances and Budgetary-Fiscal Responsibility and by 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. This normative framework provides the attributes of the State Treasury of national and local level. All rules and forms (i.e., integrated in Financial Management Information System - FMIS) that need to be carried out are well-defined in the Order, which is continuously improved, based on needs⁴¹. According to the 2020 Annual Report, MoF prepared and approved the order no. 153 of 27.12.2021 on the method of payment and record of payments to the national public budget through the treasury system of the Ministry of Finance in 2022, which improves the already existing provisions⁴². All modifications that have the aim to improve the normative framework regarding budget execution and accountancy are conducted in cooperation with the "Centre of Information Technology in Finance"⁴³. The ex-ante control in conducted at the budget preparation and planning stage, and it consists on expenditures limits that are enforced through the FMIS. Therefore, the system verifies and prevents mistakes related to budget execution⁴⁴. The Centre of Information Technology in Finance organizes seminars and courses for various public authorities. The trainers in these courses are employees from regional treasuries, which interact with many public bodies, thus having insights on the shortcomings that must be addressed in the organized courses and seminars.

All budgets are executed through the Treasury Single Account held by the National Bank of Moldova. 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. MoF implemented automated controls for verifying both the balance of allowances and the balance of funds on a bank account. 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 ensures the financial integrity of the data received from budgetary organizations. The operational unit of the Treasury Division reviews financial data integrity daily related to budgetary units⁴⁵.

There are forecasts conducted for both revenue collection and expenditure (based on the financing needs estimated by the spending units). Based on interviews carried out, improvements are needed and will be introduced as regards forecasting yearly payments, including for different types of projects implemented. As the PEFA reports also underlines, at this point budget execution reports provide information on expenditures only at the payment stage. On the other side, the control embedded in FMIS does not allow the execution of contracts whose value exceeds the balance of available commitments. However, there is room for improvement as regards the preparation and monthly presentation by the central public authorities, on the projects financed from external sources, of the forecasts regarding the major payments to be requested from the budget for the payment of the commitments.

The chart of accounts for budget execution is in line with budget classification, as a new Charts of Accounts for the budgetary system was put into effect starting with January 1, 2016, and all accounting and financial reporting in all the budgetary institutions are performed in accordance with the new chart and with the related Methodological Norms. The chart is comprehensive and consistent with GFS standards. Developing national public sector accounting standards (NPSAS) in line with IPSAS is unfolding. The 22 draft standards developed with EU support, which are aligned to the International Public Sector Accounting Standards (IPSAS), and are published on the official website of the MoF, have not been formally endorsed. The remaining 8 standards need to be developed, as well as the related methodological notes for all 30 standards. Reportedly, the 22 standards

⁴¹ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

⁴² Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

⁴³ Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury

⁴⁴ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

⁴⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

also need some adjustments to better align them at the particularities in Republic of Moldova. At the same time, public accounting experts are missing and workload in the MoF departments in charge is very high⁴⁶.

Monthly reports on the execution of the national public budget, aggregated on components, accompanied by brief analyses are available and published on-line. Monthly commitment reporting should be made available / published, too. At the same time, the budget execution reports consolidate spending only for transfers received from the state budget. Own funds are excluded so the Ministry of Finance does not see the funds and execution from Extra-budgetary Unit (EBU)'s own funds since they are not channelled through the Treasury accounts in most of the cases⁴⁷. 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. However, the execution of the own funds by the subordinated institutions is not routinely monitored by the founding ministries and it is not always accurate, as confirmed by the Court of Accounts.⁴⁸

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on the findings in the previous chapter, "External Coherence".

<p>Key Problems</p> <ol style="list-style-type: none"> 1. <i>Forecasts and liquidity management do not include payment forecasts;</i> 2. <i>The budget execution reports consolidate spending only for transfers received from the state budget;</i> 3. <i>National Public Sector Accounting Standards based on International Public Sector Accounting Standards are not finalized and approved;</i> 4. <i>There is limited expertise and capacity in budgetary accountancy;</i> 5. <i>Development and integration of FMIS for budget execution, accounting and reporting should be continued.</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Improving forecasts and liquidity management through the Public Finance Management Information System (to include payment forecasts);</i> 2. <i>Consolidate budget execution reporting procedures (to include all spendings);</i> 3. <i>Ensure that the National Public Sector Accounting Standards based on International Public Sector Accounting Standards exist and are applied;</i> 4. <i>Increase budgetary accountancy capacity at all levels;</i> 5. <i>See component 7.</i>
<p>Drivers</p> <ol style="list-style-type: none"> 1. <i>FMIS to be further developed;</i> 2. <i>Further procedural and FMIS development is needed;</i> 3. <i>Insufficient capacity, high volume of work, need to adapt Standards developed with external support to particular setting in the country;</i> 4. <i>The State University of Moldova offers few courses in this specialization, as the students are more oriented in corporate accountancy;</i> 5. <i>As 1.</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1. <i>(2, 5) Development of new functions in FMIS and carry out related capacity building activities;</i> 2. <i>Norms/procedures/instructions, as needed, and capacity building for their implementation at all levels to ensure budget execution reports for all spendings;</i> 3. <i>Offering courses in budgetary accountancy to the staff of MoF and cooperating with the State University of Moldova in providing specializations in budgetary accountancy;</i>

⁴⁶ Interview with the representative of the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury.

⁴⁷ Ibid.

⁴⁸ Ibid.

develop a specialized programme, certified, for public accountant.

4.4. Component 4 – Financial management and internal control

Under this component two principles were identified: *Principle 4.1. Public Internal Financial Control system (PIFC)* and *Principle 4.2: Financial inspection*. The evaluation of component **found that results for both sub-principles (internal audit & managerial internal control and Financial Inspection) were partially achieved**. For Financial Inspection the evaluation finds that the envisaged **results were achieved to a limited extent**.

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
Principle 4.1. Public Internal Financial Control (PIFC)	4.1. Internal audit <ul style="list-style-type: none"> • Reorientation of the internal audit function from compliance audit to system audit / performance audit. • Strengthening the internal audit function within the ministries. • Ensuring the coverage and quality of the internal audit activity. • Creating the conditions for outsourcing or sharing internal audit services for public entities. • Elaboration of a modern mechanism for training and continuous professional development of internal auditors. 	The result was partially achieved
	4.2. Managerial internal control: <ul style="list-style-type: none"> • Promoting managerial responsibility and issuing a qualitative managerial responsibility statement. • The actions, initiated by the managers, for the immediate actions as a result of the internal audit recommendations. • Strengthening the capacities and responsibilities of the economy and finance divisions within the public entities. • Implementation of managerial internal control systems, adapted to public entities, based on the following components: environment control, performance and risk management, control activities, information and communication, monitoring and evaluation. • Develop a risk-based performance planning mechanism for public entities. 	The results were to a good extent, achieved
	4.3. Centralized harmonization <ul style="list-style-type: none"> • Alignment of standards and procedures of internal audit and managerial internal control with international standards. • Creating a mechanism for disseminating good practices in the field of internal audit and managerial internal control. • Strengthen the work of the Public Internal Financial Control Council/ Board 	The result was achieved
Principle 4.2: Financial inspection	4.4. Financial inspection <ul style="list-style-type: none"> • Carrying out financial inspections of compliance with budget execution reports, based on risk analysis. • Align financial inspection procedures and methods with good practices. • Strengthening financial investigation capacities. 	The results were to a limited extent achieved

The results for *Principle 4.1. Public Internal Financial Control (PIFC)* was partially achieved. *Public Internal Financial Control (PIFC)* provides assurance that all state structures are operating to achieve government objectives in an efficient and effective way. The internal control system contributes to budgetary outcomes by highlighting omissions and by timely providing recommendations to management to overcome the future problems.

The law on PIFC requires internal audit units (IAU) to be established within the structure all ministries,

National Social Insurance House, National Health Insurance Company and LPAs of level II (rayon level). Any other public entity subordinated directly to the Government and to the line ministries is entitled to create its own internal audit subdivisions. Autonomous public entities have the right to establish IAUs in line with the law and its own regulations. Each internal audit unit 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 Code of Ethics (CoE) by internal auditors. The Program shall include internal and external assessment. However, according to the PEFA assessment report⁴⁹ at the end of 2020, the internal audit function was established within 75 central government public entities (PEs) subordinated to the Government, of which only 55 internal audit units or 73% were functional, and only some of them submit reports to MoF. As detailed below, these is progress in this regard, more IUAs being established lately but challenges in terms of staffing them prevail.

In this context, the internal audit still has to develop in order carry out system, performance and IT audits, and to identify solutions and resources to outsource, when the case, internal audits.

A noteworthy result on MoF is the set-up of a certification programme for Internal Auditors. Numerous other trainings have been organised for the internal auditors in place, with the support of the National Academy of Finance and Economics and of other EU countries specialised structures and donors.

Regulation on organizing and functioning of the Public Internal Financial Control Council was developed and approved by MoF Order no.140 of August 15, 2018 (*Official Monitor of the RM no. 336-346 art. 1319 of September 07, 2018*). The activity report of the Public Internal Financial Control Council is published regularly on MoF website. The reports for 2018, 2019 and 2020 are published⁵⁰. The evaluation found that the Council has had an important added value in the consolidation of the PIFC system in the Republic of Moldova. It played an important role in the coordination of PIFC reform by bringing the key stakeholders together, , State Chancellery, academia, business environment and NGOs. It facilitated wide consultations with these stakeholders, which, in term brought expert knowledge into the overall process, and specific expertise in the training and certification process (in the case of internal audit).

While managerial internal control and internal audit are still to be consolidated, the Council had an important contribution to promoting and increasing awareness on the benefits of these processes.

MoF actively promotes managerial responsibility and Managerial Responsibility Declarations are issued by a majority of public authorities. However, further efforts are needed in order to ensure that the Declarations accurately reflects the quality of the managerial internal control in the respective institution and that IMC is adequately carried out.

The Internal Audit Norms in the public sector approved by MoF Order no. 161/2020 comply with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors that ascertains compliance with International Standards for Internal Auditing. Managerial internal control. While National Standards for Internal Control, guidelines and templates, as well as direct support by MoF are in place, external audits performed by the Court of Accounts indicate that there is room for improvement as regards applying them with the expected added value for the management function. This is valid also for the risk-based performance planning mechanism, at all levels, central and local.

Strengthening the capacities for managerial internal control remains a need at all levels. While the training and peer learning activities carried out so far prove effective, a systematic training, based on a managerial internal control training programme, oriented on different target groups, might be beneficial for the objectives of the Strategy to be reached.

As per creating the conditions for outsourcing or sharing internal audit services for public entities, in 2019 drafts of Orders on performing the internal audit activity in the public sector by association and on a contract

⁴⁹ PEFA Assessment report, April 2022, PI – 26.1 Coverage of internal audit

⁵⁰ Links for reports <https://mf.gov.md/ro/managementul-finan%C8%9Belor-publice/control-financiar-public-intern/consiliul-cfpi>

basis were developed. The named orders were approved in 2020⁵¹.

Based on interviews carried out, the MoF through the Public Internal Financial Control Policy Department established a certification mechanism for internal auditors in the public sector, approved by the Government Decision No. 556/2019 and implemented starting with 2021. To become an internal auditor certified at the national level the candidates must follow a dedicated 3 level's training program, according to required competences – basic, intermediate and advanced 62 hours of training each, on different topics including IA, MIC, public sector and administration soft skills, etc. etc. The named certificate is issued only after passing the Knowledge examination for each level of competence.

Not all medium-term targets under this principle have been achieved. Out of 9 targets one was not able to be assessed due to no detailed evidence identified by the evaluation and 2 are partially achieved.

Regarding the *Principle 4.2: Financial inspection* **the evaluation finds that the envisaged results were achieved to a limited extent.** The Financial Inspection is a structure under the MoF responsibility. The Financial Inspection's mission is to protect the state interest by exercising, according to the principles of transparency and legality, the centralized financial control in the name the Ministry of Finance on compliance with fiscal and financial legislation. The Financial Inspection activity legal framework is constituted by the Government Decision on organization of the financial inspection activity no. 1026 of 02.11.2010⁵².

Namely, the distribution of control competencies between the institutions with control functions (Court of Accounts, State Fiscal Service, Customs Department) and presents the basic problem that does not allow the complete implementation of the objectives established in FM Strategy. Clarifications are needed also as regards the rights to prosecute violations detected following verifications. The evaluation identified a major flow of staff, reportedly caused by the low level of salaries, compared to colleagues from other structures of the Ministry of Finance.

The evaluation finds that there is significant room for improvement in terms of strengthening the capacity of inspectors, as the capacity building activities carried out are, reportedly, at a minimum. Modernization of financial inspection procedures, practices and methods were done by adjusting the Methodological norms for performing financial inspection started in 2018. Until the cut-off date of the evaluation, the proposed norms were not approved. The existing methodology and procedures for financial inspection are not officially published and this leads to litigations after inspections carried out.

The Financial Inspection carries out a number of communication activities that should have as a result ensuring that responsible persons/entities, as per inspections carried out, are held accountable.

Out of 8 medium-term targets, five are not achieved and 3 are partly achieved. As mentioned above, developed legal framework for improving the work of financial inspection was not finalised. The draft Government Decision for the approval of the draft Law on Financial Inspection have been developed and submitted to the Government for examination and approval. But it were not approved due to the lack of support and a political decision in this regard. Currently the Regulation on the organization and functioning of the Financial Inspection subordinated to the Ministry of Finance, approved by Government Decision No. 1026/2010, is under MoF review. These legislative proposals mean to update the legislative framework, not updated in more than 10 years and reform the Financial Inspection to ensure its effective functioning. Because of it the assumed targets were not achieved.

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on

⁵¹ Order nr.159/2020 on approval of the Regulation regarding the activity of internal audit by association in the public sector; Order nr.160/2020 on approval of the Regulation regarding the contract-based internal audit activity in the public sector.

⁵² Link for Government Decision no. 1026/2010 regarding the organization of the financial inspection activity

the findings in the previous chapter, “External Coherence”⁵³.

<p>Key problems</p> <ol style="list-style-type: none"> 1. <i>The Public Internal Financial Control Council needs further strengthening, including for increasing the awareness and capacity on managerial internal control and internal audit.</i> 2. <i>The big turnover of staff involved in MIC and IA.</i> 3. <i>Capacity building for both MIC and internal audit needs to continue to cover the entire target group at central and local level, peer learning and exchange of good practices.</i> 4. <i>PIFC system is not digitized, yet.</i> 5. <i>System / performance / IT audits are insufficiently carried out</i> 6. <i>Monitoring and evaluation (external assessments) is not applied in preparation the Managerial Responsibility Declarations.</i> 7. <i>The Financial Inspection needs reforming. The actual its status is not clear and is not covered in the financial management legal framework.</i> 8. <i>The Court of Accounts performance needs strengthening.</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Increase the awareness activity measures and develop capacity building plans at managerial and decision-makers level, using the experience of the Public Internal Financial Control Council</i> 2. <i>Setting up and staff of internal audit units in each public authority.</i> 3. <i>Ensure the capacity increase for ICM and IA at all levels based on developed annual developed activity plan</i> 4. <i>Develop a technical solution for digitalization of the processes under the PIFC system for all public administration levels.</i> 5. <i>Reorientation of the internal audit function from compliance audit to system audit / performance audit</i> 6. <i>Strengthen the monitoring and evaluation function, in the context of PIFC.</i> 7. <i>To finalise the initiated Reform of the Financial Inspection</i> 8. <i>Strengthen the capacity of the Court of Accounts to act in line with its responsibilities.</i>
<p>Causes/drivers</p> <ol style="list-style-type: none"> 1.1. <i>High level of people's turnover, lack of knowledge in public awareness</i> 2.1. <i>Perceived complexity of job, compared to remuneration.</i> 3.1. <i>Insufficient resources to cover the entire system, while internal audit units are not set up or function adequately.</i> 4.1. <i>The subject of digitization is not on the agenda at the moment and needs technical description that is currently missing</i> 6.1. <i>Insufficient staff, system to outsource internal audit services not fully functional, yet.</i> 7.1. <i>Lack of clarity as regards the FI functions, and of measures to ensure its functionality.</i> 8.1. <i>Insufficient resources in the Court of Accounts, to carry out performance and system audits, also with a</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1.1. <i>Annual Action Plan for the council, and awareness activities among decision-makers.</i> 3.1. <i>Training and peer learning activities, including the exchange of good practices. ToT programme, to create a ToT network to cascade the training at local level and technical working groups on specific topics.</i> 4.1. <i>PIFC management information system, including with modules on monitoring and evaluation.</i> 6.1. <i>Support for capacity building and to carry out performance, system and IT audits.</i> 7.1. <i>Adopt legislative framework to clarify the roles of and reorganise the Financial Inspection, build capacity of inspector and mechanism to manage the risks of conflict of interest and corruption.</i> 8.1. <i>Information system updated, specialised staff hired/trained, procedures updated (as the case).</i>

⁵³ The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

view to its role in auditing future EU funds. High turnover of staff.

4.5. Component 5 – Revenue administration

By analysing the Annual Reports on the implementation of the Strategy, the PEFA 2021 Assessment Report, with information collected through interviews, the experts identified the implemented activities that contributes to achievements under the Component 5. The *Principle 5.1. Tax administration* and under this component is the most planned targets and **have been achieved, but are still in the process of improvement or approval**. Concerning *Principle 5.2: Custom administration*, **the evaluation finds that the envisaged results were partly achieved**.

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
Principle 5.1 Tax administration	5.1. Tax legal framework	The result was partially achieved
	5.2. Collection of taxes and duties, compliance and enforcement	This result was achieved
	5.3. Tax control	This result was achieved
	5.4. Tax payers management	This result was achieved but improvements are still needed
	5.5. Taxpayer rights, obligations and commitments	This result was achieved but improvements are still needed.
	5.6. Voluntary compliance	This result was achieved but improvements are still needed.
Principle 5.2 Custom administration	5.7. Customs legislation	This result was achieved but further actions are needed.
	5.8. Management of economic operators:	This result was achieved but further actions are needed.
	5.9. Revenue collection at custom:	This result was achieved.
	5.10. Transit, border control and post-clearance audit	This result partially achieved.
	5.11. Trade facilitation	This result is partially achieved.
	5.12. Law enforcement and investigations	This result is partially achieved.
	5.13. Security of the supply chain	This result partially achieved.
	5.14. The rights, obligations and responsibilities of economic entities	This result partially achieved.

This component includes the areas of intervention for tax administration and customs administration. Tax administration is responsibility of the State Tax Service (STS) and custom administration is under Custom Service (CS) duty.

Under the *Principle 5.1. Tax administration* was done a continuous work on legal framework amendment. Proposals for adjustment of the legal framework are made according to the good international practices. Each draft document is subject to public hearings in such a way as to ensure the transparency of the decision-making process.

Activities related to improving compliance are based on Taxpayer Compliance Program, which is revised and approved annually⁵⁴. This Program aims to create a relationship based on trust and mutual respect between

⁵⁴ Link for website with annual Compliance program <https://sfs.md/ro/pagina/planuri-si-programe>

STS and taxpayers. Maintaining confidence in the STS means constantly informing taxpayers about its development policy and strategy. For the program development STS applied a series of measures such as: sending / delivering letters of compliance; organizing and conducting compliance meetings with the participation of taxpayers; carrying out fiscal visits. Within STS there is created the Compliance Council that is functioning on the principle of public-private partnership. Thus, meetings (3-4) are held annually with representatives of the business/private sector with the aim of discussing constraints in specific areas of the economy and identifying new methods and procedures for tax administration.

Mutual trust and cooperation between taxpayer and STS is one of the principle of the Tax audit manual. This means that the STS to be seen by taxpayers not as a control institution, but as an institution providing services to taxpayers. The tax audit plans are prepared annually. GD no. 379 of 25.04.2018 approved the general methodology on the state control of the entrepreneurial activity based on the risk analysis. According to the methodology, the mandatory risk criteria are: area of economic activity, number of employees in enterprises (institutions), history of compliance or non-compliance with the provisions of the legislation (mandatory risk criterion); date of last control; the period of activity of the enterprise.

During the evaluation period, 2018-2021, the tax payers' management procedures were supported by initiatives to modernize IT systems:

- ✓ IS "Management of standard forms" - which allows to keep track of forms and to ensures the process of recording tax invoices, allows the creation of a single database with all historical information about the issued tax invoices and standardized forms of primary documents with special regime;
- ✓ The module "Application for registration of real estate goods leases contracts of the individuals "in IS" e-Application", that is an effective support in keeping records of leases contracts between physical persons who do not carry out entrepreneurial activity;
- ✓ IS "Registration of independent activity" - which allows to keep records of the self-employed taxpayers;
- ✓ IS "Settlement of tax obligations through SCITL - version 2.0" – allows to optimize the process regarding the organization and record of the related fiscal obligations, taxes and duties administered by the local tax collection services
- ✓ IS "Personal taxpayer's office" - is a system through which the management of the taxpayers' access to the electronic fiscal services takes place;
- ✓ IS "e-Factura" within public procurement - which ensures the delivery of goods and services based on electronic tax invoices.
- ✓ IS "Case management system" was improved with 3 new modules: a) „Tax Control – direct methods used for physical persons”, d) „VAT refund”; e) „Excise refund”

STS has also implemented other various services (placed on the page <https://sfs.md/ro/servicii>) for taxpayers, that aim to support them. In order to provide an efficient service to taxpayers, STS is oriented on development information systems, and in particular on the implementation of electronic services for taxpayers.

Important strategic institutional documents were approved such as: Taxpayer Service Strategy (2016-2018, 2018-2020, 2021-2026), Taxpayer Information and Education Guide, Beginner Taxpayer Guide, State Tax Service Communication Strategy (for the years 2013-2015; 2017-2019), the Tax audit Manual, the Operational Manual on Arrears Management, the Operational Manual for taxpayer service, etc.. All these contribute to the consolidation of tax administration processes, qualitative service of taxpayers and creating the necessary conditions for voluntary tax compliance.

From 13 medium term targets, 2 have registered insufficient progress: "Improving the managerial internal control system by establishing an efficient risk management system" and "Reducing the phenomenon of undeclared work".

Concerning *Principle 5.2: Custom administration*, **the evaluation finds that the envisaged results were partly achieved**. The new Customs Code, approximated to that of the European Union, was adopted by Parliament in final reading by Law 95 in August 2021 which will enter into force on 1 January 2023, and the regulations implementing the document, as well as draft laws for alignment to EU customs regulations to be developed and adopted by then. Customs Code brings simplicity in the way of regulating and interpreting the customs legislation by systematizing and merging in a single legal document 3 laws: the former Customs Code, the Law on customs tariffs and the Law on how to introduce and remove goods on the territory of the Republic

of Moldova by individuals. The document simplifies customs procedures, ensures the implementation of modern customs clearance instruments, extends the concept of electronic customs, simplified declaration and Authorized Economic Operator (AEO).

For AEO program implementation was included in the Roadmap on mutual recognition of AEO in the Republic of Moldova and the EU approved in April 2020 by the Secretaries of the Customs Subcommittee of the Republic of Moldova and the EU. As a first step, experts from DG TAXUD carried out the evaluation of the AEO legal framework and its compatibility with EU requirements was established. In order to develop and implement simplified procedures, the Custom Service (CS) will implement the modules and their user manual with the direct involvement of IT specialists who develop the "ASYCUDA World" Information System of the CS – Promoting the simplified origin certification procedure - Approved Exporter.

Due to the efficient collaboration between the business environment and the Customs Service, the revenues collected to the state budget in 2021 amount to over 28.5 billion lei, being attested an increase of 26.8% compared to 2020 and 24.9% compared to 2019. The largest share belongs to payments from the VAT administration, followed by excise duties and customs duties. The increase of the revenues administered by the Customs Service is determined, mainly, by the improvement of the customs control, the authentic declaration of the goods by the economic operators, but also by the progresses registered in the anti-fraud field. Another factor influencing the increase of budget collections is due to the measures of simplification of customs procedures and facilitation of international trade, such as electronic declaration, AEO, PVD (Customs Clearance) or Approved Exporter.

Applying modern customs risk analysis tools custom audit has intensified measures to prevent and combat smuggling: 817 selectivity criteria were created, 107 criteria were modified, and 56 criteria were cancelled. As of 31.12.2019 out of 817 evaluated criteria, 211 criteria were active.

The Customs Service has the Law enforcement department that during the reporting period has organized 15 operations, including 3 national and 12 international. Starting with 01.07.2021 the accounting is done centralised within the Central Apparatus of the CS and the customs offices. The organizational structure, the staff lists and the staffing schemes remained the same, as before the reorganization.

New Computerized Transit System (NCTS) faze 5 started to be implemented after the Custom Service received recommendations from DG TAXUD. Working group and Supervision Committee for monitoring implementation process were created by CS Order nr.125-O of 29.04.2021. The draft document for "Aligning the national transit of RM to EUCDM 6.0 transit and E-TIR" (1st component) was sent for approval on 10.05.2021. The action was included in the Annual Plan of Action „EU RM” and need to be approve for financing. The financing was promised for 2022. The implantation plan will be able to establish after the financing will be accepted.

Law enforcement is ensured by implementation of the objectives approved in the Moldova-EU action plan, to promote trade facilitation, ensuring effective control, security and fraud prevention. To this end, the Parties use as a reference tool, as appropriate, the 2007 European Commission practical guidelines in the field of customs. CS collaborate with international partners and with CITF on the automation of customs procedures and other commercial procedures.

Ensuring transparency in the field of customs administration by providing relevant, comprehensive and current information to the target audience and society as a whole. The Customs Service with the support of the Economic Council under the Prime Minister office in 2019 organizes, an information session on the facilities and simplifications of customs procedures, to which economic agents from all over the country were invited.

Is essential to ensure the accessibility of the database for the business:

- Trade Information Portal - an interactive platform, launched in 2020, which contains all the necessary information for those who practice foreign trade. The portal is an integral part of the official SV website and is systematically updated;
- Interactive map of the border customs posts, were the current situation regarding the functional customs posts or whose activity has been stopped is presented: <https://customs.gov.md/ro/map>;
- Traffic in customs posts online (<https://customs.gov.md/ro/traffic?location=leusenie>).

The data sets available on the portal wd.date.gov.md were updated on February 2021.

All medium-term targets under this principle have been achieved. Development of the mutual recognition mechanism for the status of the AEO is still in the process of development.

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on the findings in the previous chapter, "External Coherence"⁵⁵.

<p>Key problems</p> <ol style="list-style-type: none"> 1. <i>Lack of integrated information system both for State Tax Service and Custom Department</i> 2. <i>Lack of qualified personnel</i> 3. <i>Initial and continuous capacity building for both STS and CD to implement new methodologies</i> 4. <i>Insufficiency educated taxpayers and economic operators in tax and custom issues</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Permanent education of the business environment and citizens</i> 2. <i>Achieving a high level of professionalism and integrity of STS and CS officials, able to carry out efficiently and transparently work</i> 3. <i>Increase the level of fiscal education for staff</i> 4. <i>Increasing the level of compliance of taxpayers with the declaration and timely payment of tax obligations</i> 5. <i>Continuing the implementation of modern techniques and tools for determining the goods customs value</i> 6. <i>Implementation of the management of conformity risks</i>
<p>Causes/drivers</p> <ol style="list-style-type: none"> 1.1. <i>New and /or additional IT systems required after the reform implementation.</i> 2.1. <i>Insufficient qualified personnel in public service</i> 3.1. <i>Reform implementation require more knowledge, share of experience.</i> 4.1. <i>The population and even economic operators have limited fiscal and budget education</i> 4.2. <i>New legal provision should be explained to potential taxpayer</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1.1. <i>Annual Training Plan for own staff and taxpayers to be developed based on needs assessment.</i> 2.1. <i>Ensure adequate remuneration for employed staff</i> 3.1. <i>Public awareness about fiscal requirements</i> 5.1. <i>Methodology development for determining the goods custom value</i>

4.6. Component 6 – Public procurement

This component covers 3 principles; results related to these principles vary:

- *Principle 6.1: Transparency, completeness and competition in the legislative and normative framework, the evaluation finds that the envisaged results were partly achieved.*
- *Principle 6.2: Use of competitive procurement methods, the evaluation finds that both envisaged results were partially achieved.*
- *Principle 6.3: Public access to public procurement information, the evaluation finds that measures were reported only under one objective, this means that result were only partially achieved.*

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
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⁵⁵ The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

Principle 6.1: Transparency, completeness and competition in the legislative and normative framework	6.1. Transparency, completeness and completion in the legislative and normative framework.	This result is partially achieved
Principle 6.2: Use of competitive procurement methods	6.2. Promoting the participation in procurement procedures of suppliers and contractors of international origin (non-resident economic operators), thus promoting international trade.	This result is achieved to a limited extent.
	6.3. Ensuring fair and equitable treatment of all suppliers and contractors.	This result is partially achieved.
Principle 6.3: Public access to public procurement information	6.4. Ensuring public access to complete, reliable and timely procurement information.	This result is partially achieved
	6.5. Creating an independent procurement complaints review process.	This result is achieved

A well-functioning procurement system ensures that public funds are used efficiently to achieve value for money in the provision of government functions. The specific objective for **Component 6 "Public Procurement"** was to “establish a modern public procurement system within EU standards, as well as to ensure the implementation of the system by all public authorities”. The transparent legal framework, appropriate procedures, accountability and control must be the main pillars of the new created procurement legal framework.

Concerning *Principle 6.1: Transparency, completeness and competition in the legislative and normative framework*, **the evaluation finds that the envisaged results were partly achieved**, because the process of alignment of the public procurement legal framework with EU Directives did not finalised. The legal framework on public procurement has been improved in the last five years and has been aligned to a good extent to European Union (EU) standards, in line with the obligations agreed in the EU Association Agreement signed by Moldova. The Law on public procurement no.133/2015 transposes Directive 2014/24 / EU of the European Parliament and of the Council of Europe of 26 February 2014 on public procurement, Directive 2014/24/EC of the European Parliament and of the Council of Europe regarding application thresholds for contract award procedures, and Council Directive 89/665/EC of 21 December 1989 on the coordination of laws, regulations and administrative provisions concerning the application of procedures relating to remedies for the award of public supply contracts and public contracts published in Official Journal of the European Union L 395 of 30 December 1989. However, as also the PEFA Report notes, some further modifications are required to make the Law fully compliant with the EU acquis and/or to eliminate contradictions between different legislative acts (i.e., the thresholds for the small value procurements). Moreover, the World Bank MAPS Report notes that “secondary legislation is partly outdated and contradictory and requires revision”:

- Low-value procurement procedures are guided by a separate Public Procurement Regulation for small-value public procurement contracts. A separate law on procurement by utilities companies was adopted by Parliament on 21 May 2020 and published on 26 June 2020 and entered into force in June 2021 (12 months after the date of publication).
- The draft Government Decision for approving Methodological Norms on procurement contracts award/framework agreements in the energy, water, transport and post services sectors, subject to anti-corruption approval and expertise is to be finalized and sent to the Government for approval after receiving the legal expertise report from the Ministry of Justice.

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.

Concerning *Principle 6.2: Use of competitive procurement methods*, **the evaluation finds that both envisaged results were partially achieved**. The Public Procurement Law (PPL) 133/2015 applies to all public contracting authorities, local and foreign. The PPL lists a wide range of procurement methods that may be used in public procurement, in line with EU and international standard, including open and restricted tenders, competitive dialogue, negotiated procedure, etc. The law also provides for different types of 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 etc. All methods, except for negotiated procedures, have the potential to ensure competitiveness, fairness, transparency, proportionality, and integrity. Moreover, recently, Moldova gained access to the Official Journal

of the EU (EU TED) and contracts which exceed certain thresholds defined in the PPL Art. 2 para (3) are published here, too. The new status of candidate country to the EU will open more the market to suppliers and contractors of international origin.

However, data on their participation in procurement procedures is not available. Interviews carried out indicate that the main bottlenecks in this regard are certain gaps in secondary legislation, small values of contracts, and the need of national electronic signature to be obtained after the foreign economic operator is registered in Moldova, and received a national fiscal code. Non-residents economic operators will be interested in participating in the provision of services and goods delivery in Moldova, when the procurement process will be fair, competitive and transparent.

One of the most ambitious and challenging tasks for the MoF for 2019 was the implementation as a pilot, of the electronic procurement system developed with EBRD support. The MoF's priority was to ensure the public procurement process with an updated regulatory framework as well as a modern public procurement tool based on advanced IT solutions. Thus, during the reporting period several activities were carried out:

- familiarizing contracting authorities and economic operators with the new provisions of the legislation, as well as the new electronic processes in the field of public procurement;
- the electronic auction has been implemented as a specific tool that allows to reduce and obtain more advantageous prices;
- introduction of the DUAЕ (Single European Procurement Document) has allowed economic operators to reduce the time and resources for preparing and submitting tender documents.

As of 06.11.2019, the EU technical assistance project on the analysis and development of the electronic procurement system in the Republic of Moldova was launched. MoF are currently working on developing a modern and easy-to-use electronic public procurement system called SIA RSAP MTender. The key issue as regards the current MTender, as identified in the interviews, is the fact that it does not cover the entire procurement cycle, from planning to contract management and, consequently, it does not provide information on the implementation of contracts, their extension or completion. At the same time, it does not cover the small value contracts as there is no obligation for the contracting authorities to use any feature of MTender when carrying out such procurement. As underlined by the PEFA Report, the limitations of the MTender significantly hamper the process of monitoring public procurement in the country. As the Centre for Information Technologies in Finance (CITF), subordinated to the MoF, needed support in building and maintaining the system, thus EBRD and EUD have been involved in the development of the e-procurement system. However, the evaluation identified some risks in this regard, namely activities contracted for the development of a new system have been delayed and at the cut-off date of the evaluation solutions were sought to capitalize on the time available until contract closure (October 2022) and carry out the most important improvements to the system, feasible in this timeframe. The e-procurement system will also need to take into account future modifications to be brought to legislation in place, as the current MTender was built in line with the 2014 Procurement Directive.

Stimulating the application of “framework agreements” for joint and centralized public procurement, in particular at the level of local public authorities is still insufficiently developed. It is used in practice mainly for medical supplies and equipment. In 2020 the share of framework agreements in total amount of contracts were 0.02% in amount of 1,953.3 thousand lei. In 2021 this share increased, but remains limited to 0.14% (a total value of 11,556.3 thousand lei).

For creating and implementing a robust training system and professional certification of public procurement specialists the National training program is developed and published on web page in the beginning of each year⁵⁶. However, it is unclear if the trainings covered all 3,000 contracting authorities, as 1.000 of them are, reportedly, not active. On the other side, a system to certify public procurement experts is not in place yet (based on interviews carried out) and this needs to be put in place to ensure that the much needed capacity for monitoring and controlling procurement processes is available (under the responsibility of the National Procurement Agency, significantly under-capacitated, as mentioned above). The MAPS analysis also underlines the very limited skills and resources at contracting authority level as well as public procurement

⁵⁶ <https://tender.gov.md/ro/tip-de-pagin%C4%83-avansat%C4%83/plan-de-instruire>

not being officially recognised as a profession with no specific public procurement positions with adequate staff.

Concerning *Principle 6.3: Public access to public procurement information*, the evaluation finds that measures were reported only under one objective, this means that **result were only partially achieved**.

The PEFA Assessment report rated with “D” this indicator (PI 24.3 Public access to procurement information) which means that “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.” As indicated in the interviews carried out, there is also room for improvement as regards the involvement and adequate informing civil society in the monitoring of public procurement. However, a series of data is available, both on the procedures run through the MTender and in the annual reports submitted by contracting authorities (although not all of them respect this obligation) and consolidated by the Public Procurement Agency.

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on the findings in the previous chapter, “External Coherence”⁵⁷.

<p>Key Problems</p> <ol style="list-style-type: none"> 1. <i>There is a need to continue the improvement of legislative framework for Public procurement, including of secondary legislation in order to fully align it with EU acquis and eliminate contradictions.</i> 2. <i>There is a need to ensure a fully-fledged e-procurement system</i> 3. <i>There is a need to ensure the necessary capacity in the public procurement system, to ensure the adequate implementation of legislative framework, including monitoring.</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Complete alignment and ensure quality of public procurement legislation in the Republic of Moldova</i> 2. <i>Create a comprehensive e-procurement system</i> 3. <i>Create the necessary capacity for the implementation of the public procurement system, among all actors, at central level, among all contracting authorities and private suppliers (national and international)</i>
<p>Drivers</p> <ol style="list-style-type: none"> 1.1. <i>Gaps and contradictions in the existing PP legislation (list).</i> 2.1. <i>The e-procurement currently in place does not cover all modalities procurement procedures and related methods, including small value contracts</i> 3.1. <i>Insufficient public procurement experts are in place, at all levels. Where in place, their capacity is not sufficient for an adequate implementation of the legislative framework in place and to be improved</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1.1. <i>Prepare modifications to legislation to be adopted by responsible fora and institutions, as the case. Organize 4 training session each year dedicated on how to use the macroeconomic and macro-fiscal forecasting models;</i> 2.1. <i>Finalise the construction of the e-procurement system;</i> 3.1. <i>Carry out a functional analysis of the National Procurement Agency and of the gaps in human resources and contracting authorities level, hire and train the necessary public procurement experts.</i>

⁵⁷ The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

4.7. Component 7 – Public Finance Management Informational System

By analyzing the Annual Reports on the implementation of the Strategy and the finding during the interviews, the experts identified the implemented activities that contributes to the **achievement of the envisaged results for this component were largely achieved even some activities are not fulfilled**.

The following table presents an overview of the achievement of the results. The complete analysis how the achievements contributed to the Medium-term targets is inserted in Annex 3.

Principle	Planned result	Level of achievement
Principle 7.1: Maintenance current IT Systems	7.1. Maintenance current Information System	This result was achieved.
Principle 7.2: Implementing and developing Public Finance Management Informational System	7.2. Public Finance Management Information System is characterized by: <ul style="list-style-type: none"> - Integrated system capable for progressive modernization to adapt to future needs - Common platform and user interface for stakeholders from different financial management authorities - Operations management is performed within the Single Treasury Account (E-Docplata and TREZ) - Ensuring the main functions of public finance management, namely: preparation and approval of the budget, management of budget allocations, management of commitments, management of payments and receipts, management of cash flows, financial reports, storage and analysis of information - Allowing real-time transactions. 	This result was achieved.
	7.3. Supporting the process of elaborating the multiannual budgetary framework and the annual budget, elaborating macroeconomic scenarios based on macroeconomic forecasts. <ul style="list-style-type: none"> - Supporting policy impact analysis and developing spending limits. - Providing tools for planning, management and performance reporting in the spending programs of budgetary authorities 	This result was partially achieved
	7.4. Providing the possibility to generate a historical database of budgetary limits and expenditures; transaction data, at the highest level of detail; cash flows and banking operations. Provide integrated analytical tools to provide analysis of trends in various elements of fiscal operations to enable a future perspective.	This result was partially achieved
	7.5. The flexibility to provide information for user-defined management purposes, aggregated to the desired level of detail in the database. Provide easy access to auditors and supervisors to financial transaction data for audit and control purposes.	This result was partially achieved.
	7.6. Ensuring the interoperability of the Finance Management Information System (FMIS) with other information systems and the assimilation of electronic services and digital platforms of the Government (M-Connect, M-Pay, M-Cloud).	This result was achieved

Concerning *Principle 7.1: Maintenance current IT Systems* the 11 medium-term objectives are achieved out of 12. CITF maintains the information systems and the info-communication infrastructure of the entire budgetary process (planning, approval, execution and reporting stage) of public finance management. The current Information System was launched in 2016 when the budget classification and the new accounting chart of accounts were approved and started to be applied. They are improved year by year and remain operational. The "My House" system was launched separately in 2018. During the maintenance works, the specialists from CITF are adjusting the current systems after the digitization of the entire budgetary process (planning, approval, execution and reporting stage) of public finance management, accounting requirements, tax and custom administration systems. During the interviews we found out that the problems facing the system in this reform process are expensive licenses as well as valuable specialists for the implementation of JAVA technology. The technical solutions for the budget execution and elaboration processes are reviewed because new technical solutions appear. Another factor that influences the maintenance of the system is data

protection which is ensured under the E-Governance program. The process of re-engineering and digitization of public services is performed in order to streamline operational processes and reduce costs. In this sense, the purchase of hardware has stopped. The modernization is carried out by procuring licenses for telecommunication equipment to ensure a modern networking. It allows to use the information systems from MCloud without communication problems.

Migration of information systems on the MCloud government platform was planned for 2021 FY. The process is not complete. The Custom Service e-mails and web-pages trade.gov.md and customs.gov.md are in the process of migration.

Concerning *Principle 7.2: Implementing and developing Public Finance Management Informational System*, the evaluation finds that all objectives were fulfilled. The measures taken by CITF have contributed to the provision of services for the administration and development of information systems of the Ministry of Finance, Public Procurement Agency, State Tax Service, Custom Service and fully execute contractual obligations to these entities and other customers and partners. After the merger (2018), a common platform was created for the users of the services provided. The Catalogue of services and the Catalogue of products of the Institution and have updated and placed on the portal www.ctif.gov.md in its new version.

The medium-term budget planning is the strategic stage of budgeting process. The establishment of the baseline and the spending limits calculation is the one of the important part of budget planning work. Not only the political environment but also the calculation tools are vital for planning process. Their approval in time is an indicator that is currently evaluated by PEFA at level C (PI 14.3 Macro-fiscal sensitivity analysis) and D (PI 16.3 Medium-term expenditure ceilings). The part regarding the performance budgets indicators electronically reporting is not implemented too. The 6-month and annual reports on performance program budgeting is done manually. FMIS cover only the draft and approved budgets (all budget levels) and planned performance indicators and their values. The reporting part is not in the system. Although the work on improving the SIA "State Budget Planning" ver. 2.0 is in the process, the objective needs to be part of the next strategy.

The flexibility to provide information for user-defined management purposes, aggregated to the desired level of detail in the database is essential for audits. The Court of Account auditors and Financial Inspection inspectors have complete access to the MoF reports (even if a specific transaction needs to be verifies the temporary access is allowed), requests for new types of presentation of budgetary, accounting, fiscal, and customs information cannot always be automatically extracted using databases. Operational IS can release reports only in predefined forms. Requests for new types of presentation of budgetary, accounting, fiscal, and customs information cannot always be automatically extracted using databases. Operational ISs can release reports only in predefined forms. As targets on this topic were not identified, no reporting was done. It is recommended to include them in the future strategy.

Interoperability of the FMIS with other information system is implemented based on strategic goals of the e-Transformation process to streamline the governance through intensive use of information technology. It foresees increase governance efficiency by ensuring data exchange between public service providers. Migration of products from FMIS is done based on signed agreement with E-Governance Agency.

The Call Center, which provides user support to the Public Finance Management Information System and the Accounting Information System for budgetary authorities / institutions have ensured 96% availability of IP telephony service using 100 telecommunication nodes and routing equipment, 3 PBX platforms, 1 GSM gateway device.

Based on training needs assessment, identified from questions received by Call Center, Trainings was provided for:

- specialists in the field of public finance, IT, public procurement, other priority areas set by the MoF based on contract signed with MoF);
- specialist, FMIS users (contract with the STS);
- paid cources for specialists in the field of public finance;
- customs brokerage companies or customs declarants

The most interest topics were:

- ✓ Information systems within SIGFP ("Budget Planning" (BPS) module, "Treasury" module (TREZ) ") - training for MoF staff;
- ✓ The comprehensive information system for public authorities accounting records (SIIECAP) for accountants from budgetary authorities / institutions;
- ✓ The M-Tender system and its integration with the "Treasury" module for treasure staff and procurement specialist from budgetary institutions / authorities
- ✓ IS „e-Invoice”
- ✓ budget planning for local public administration
- ✓ etc.

The number of budgetary authorities and public institutions that keep accounting records in the Accounting Information System for budgetary authorities/ institutions increased from 908 authorities in 2018 to 1128 institutions at the end of 2021, that shows the credibility in developed accounting system by the CITF.

Intermediate conclusions

Based on evidence presented above, the following figure present particular issues that should be taken into consideration in the next strategy. The aim of the synthetic figure is not to present exhaustively the problems and their drivers, but only the ones identified by the evaluation, with a view to feed in a constructive manner in the development of the new PFM Strategy. At the same time, the information in the figure is drawn also on the findings in the previous chapter, "External Coherence"⁵⁸.

<p>Key Problems</p> <ol style="list-style-type: none"> 1. <i>High workload for the staff involved</i> 2. <i>Insufficient staff due to brain drain</i> 	<p>Objectives</p> <ol style="list-style-type: none"> 1. <i>Use the leading technologies into the IT system managements</i> 2. <i>Maintain 100% of data flow for all IT systems</i>
<p>Drivers</p> <ol style="list-style-type: none"> 1. <i>The high fluctuations and the inability to recruit staff with basic skills due to the low salaries offered in public administration in the Republic of Moldova.</i> 2. <i>Lack of sufficient investments</i> 	<p>Actions</p> <ol style="list-style-type: none"> 1. <i>CITF staff continuous training;</i> 2. <i>Organizing trainings and workshops to keep system users informed of adjustments made</i> 3. <i>To initiate the procedures for adjusting the salary level for IT specialists</i>

4.8. Conclusions on effectiveness

Based on evidence collected, the evaluation finds that the effectiveness of the strategy varied. In several areas expected results and targets were achieved (particularly under Component 1, 3 and 7), while in other areas progress is partial (Components 2, 4, 5 and 6). There is also a number of medium-targets for which no activities were implemented, or activities implemented were not sufficient, thus these were, so far, not achieved (as presented in the table below⁵⁹).

The Strategy is highly effective under Component 1, where the law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014 adequately regulates the development of the Medium-Term Budget Framework (MTBF), and several forecasting models were developed to support this process. As regards public sector debt and state guarantees, there is room for improvement as regards developing the

⁵⁸ The numbering between the 4 elements is aligned to the logic of intervention approach and provisions as regards strategic planning in the Republic of Moldova, in the sense that driver number 1 is leading to key problem 1, key problem 1 should be reflected in objective 1, and action 1 should solve the driver 1 and support the achievement of objective 1.

⁵⁹ Principles considered as highly or very highly effective are the ones where most results and medium-term targets are obtained/reached fully or to a large extent (and exceptionally one result was only partly achieved but does not affect the overall performance). Principles with medium effectiveness are the ones for which approximately 50% of the results/targets are partially achieved. Principles for which effectiveness is limited or very limited are the ones for which most results and medium targets are not reached or reached to a limited extent.

domestic market and secondary markets.

Similarly, under Component 3 important results were obtained, and most medium-targets were achieved. Budget execution procedures are in place and well defined, adequately implemented and monitored through the Financial Information Management System, that supports also the forecasts and liquidity management and is integrated with accounting information system of budgetary entities. Further improvements are to be considered, including on the finalisation and approval of National Public Sector Accounting Standards based on International Public Sector Accounting Standards, as well

Notable progress was registered as regards digitalisation of the PFM system, and continuous efforts are made to maintain and improve the Financial Information Management System managed by the Centre for Information Technologies in Finance, subordinated to the Ministry of Finance. Noting this important progress registered by the Republic of Moldova as regards digitisation of the PMF system, the work on PMIF and related information systems need to be prioritised, and the necessary improvements carry out at a rapid pace (i.e., such as migration of information systems on the MCloud government platform, implement the module on performance monitoring, provide easy access to auditors and supervisors for audit and control purposes, generate historical data to facilitate trends analyses and, subsequently, decision making).

A notable result across components is the area of transparency. In most of the phases analysed by the evaluation, the responsible institutions public budget-related documents on their web-page, including the MTBF, annual budgets, initial and rectified, and different reports presenting activities, outputs and results achieved every year or more often. The next step in this regard is to actively engage with citizens and civil society, for their awareness and understanding on budgetary and associated processed to increase, simultaneously with their ownership of public priorities and efficient and effective spending of public money.

While under Component 2 important progress was registered as regards budget coverage, public access to the budget and tax information, the budget being an effective tool for coordinating the activities of the Government and its institutions, respecting the budget calendar as per Law 181 / 2014 has been challenging over the years. Partial or limited results were achieved as regards involving civil society in budget forecasts and medium-term policy priorities but more importantly, regarding improving the measurement, monitoring and particularly evaluation of performance against the originally planned budget. Significant room for improvement exists as regards public capital investments. Procedures in place, as per Government's Decree no. 1029 dated December 19, 2013, subsequent norms and methodological tools, for the development, appraisal, selection, monitoring, reporting and evaluation of investment capital are not adequately implemented, to a large extent due to limited capacity among public institutions in charge.

Establishing a link between policies and budget on an annual and multiannual basis is hampered by late availability of policy priorities, which, in turn, leads to financing decisions taken on an ad-hoc basis during the budget year. At the same time, a challenge impacting all first three components is the coordination and correlation between investment needs in the country and external sources.

Under Component 4, important progress was registered as regards regulating and implementing public internal financial control, i.e., procedures are developed, internal audit units are set up to a certain extent and a certification scheme for internal auditors was set-up, but this process needs to be continued. Reforming the Financial Inspection, as envisaged also in the Government Programme and subsequent action plans, and aligning the responsibilities among the actors in the control system would contribute in this regard, too.

Under Component 5, a fully-fledged e-procurement system, that covers all types of procurement, including of small value, and all phases in this process, still needs to be developed.

Component	Principle	Level of effectiveness
	Principle 1.1 Macroeconomic forecasting and revenue	High/very high

1. Budgetary Framework	forecasting	
	Principle 1.2 Monitoring public sector debt and state guarantees	Medium
2. Budget development and planning	Principle 2.1 Budget credibility	Medium
	Principle 2.2 Transparency and comprehensiveness	High/very high
	Principle 2.3 The order (accuracy) and policy perspectives in the budget	Medium
	Principle 2.4 Inter-budgetary relations	High/very high
	Principle 2.5. Public capital investment	Low/very low
3. Budget execution, accounting and financial reporting	Principle 3.1: Budget execution process	High/very high
	Principle 3.2. Cash flow management	High/very high
	Principle 3.3 Reporting on budget execution	Medium
	Principle 3.4. Accounting and financial reporting	High/very high
	Principle 3.5. Institutional domain	High/very high
4. Financial management and internal control	Principle 4.1. Public Internal Financial Control (PIFC)	Medium
	Principle 4.2: Financial inspection	Low/very low
5. Revenue administration	Principle 5.1. Tax administration.	Medium
	Principle 5.2: Custom administration	Medium
6. Public procurement	Principle 6.1: Transparency, completeness and competition in the legislative and normative framework	Medium
	Principle 6.2: Use of competitive procurement methods	Low/very low
	Principle 6.3: Public access to public procurement information	Medium
7. Public Finance Management Informational System	Principle 7.1: Maintenance current IT Systems	High/very high
	Principle 7.2: Implementing and developing Public Finance Management Informational System	Medium

5. Efficiency

In line with 2019 OECD evaluation criteria, efficiency refers to “the extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way”. Based on the methodology agreed, efficiency related analyses in the framework of this evaluation covers aspects such as the timely implementation of actions planned and the extent to which the strategic and planning framework in place facilitate monitoring and reporting. Financial aspects, i.e., the extent to which the intervention/Strategy delivers results in an economic way, were covered to the extent evidence in this regard was collected.

5.1. Efficiency of the monitoring system

As mentioned in the chapter “Main findings related to Relevance”, the logic of intervention in the Strategy is complex, and its internal coherence (i.e., the extent to what problems and their drivers are identified and how these are reflected by objectives and activities, on one side, and outputs, results and impacts - or effects - on the other side) is rather low.

The extent to what the strategic and planning framework in place facilitate monitoring and reporting depends on this internal logic (i.e., if it is clear what problems are to be solved and how – activities tackling the drivers of the problems), on the quality of objectives (i.e., if they are SMARTly formulated) that, in turn, facilitate the setting up of an adequate indicator system (particularly output and result indicator, as it is internationally agreed that impact indicators do not facilitate the identification of contribution of the Strategy to such indicators, other factors intervening in this regard, too).

As identified through interviews and validated through documents review, there are more strategic levels that need to be considered when activities are planned and, automatically, when reporting on them. A first level is represented by the Government Programme. In the framework covered by the evaluation, political and institutional instability triggered changes (and even gaps, as it is the case with the year 2020) at this highest strategic level, as three government programmes were in place in the Republic of Moldova (2016-2018, 2019 and the programme approved in 2021). They were developed in Action Plans (the latest two were approved in 2019 for the years 2020-2023 and in 2021 for the years 2021-2022).

A second layer to be considered when activities to implement the Strategy are planned is the MoF annual Action Plan. While substantively there are little differences between the Strategy and the annual Action Plans (i.e., same areas are covered, as falling under the responsibility of the ministry), the logic of intervention of these two documents differ greatly, e.g., the Action Plan has 22 objectives, actions and sub-actions (as well as dead-lines, output indicators). As indicated in several interviews carried out, planning and reporting on two different strategic frameworks creates inefficiencies and increases unnecessarily the volume of work of MoF departments. If in order to implement the Strategy, the Ministry of Finance has annually planned activities to be carried out, approved in an action plan. If starting with 2019⁶⁰, the activities planned to be carried out during the year in order to implement the Strategy, are integrated in the Annual Action Plan of the Ministry of Finance, thus inefficiencies in the planning phase were reduced, two different reports are produced (one for the MoF action plan and one for the Strategy) and in this process matching the actions carried out with both documents consume unnecessarily time resources.

Moreover, at departmental level separate/dedicated programmes exist, e.g., programme for the development of financial internal public control, debt management, public procurement, as well as department-level action plans. This entire architecture, although natural to a certain extent, burdens disproportionately human resources in the MoF. Alignment among these planning and reporting level should be better observed in the future, including through revisions of Strategies that enhances their external coherence (with the national but also external frameworks, as the case).

5.2. Activities implemented on time

As regards the timeline implementation of activities, on one side, a majority of action planned in a calendar

⁶⁰ Source: Action plan for PFM Strategy implementation <https://mf.gov.md/ro/managementul-finan%C8%9Belor-publice/strategia-de-reform%C4%83-a-mfp/planuri-%C8%99i-rapoarte>

year for the implementation of activities were implemented on time - in 2019, out of 85 activities 61 were carried out, or 71%, in 2020 80 % and in 2021, 69%. The remaining activities are either carried out partially, under implementation, or not carried out, the latter being less than 7%. Based on interviews carried out, when not implemented or delayed, activities are postponed from the medium- to long-term, which indicates that the hierarchy of objectives/results/targets in the strategy is taken into consideration only as orientation, not as a solid framework. Among these activities, that are cases of partial or not effectiveness, as presented in the previous chapter, some examples are the reform of the Financial Inspection (planned in the strategy and in the latest Government Programme, measures to streamline the processes related to public investments etc.). On a positive note, there are cases in which more activities were implemented than initially envisaged, and faster than planned, given their importance for the entire PFM system (i.e., under Component 7).

While in previous sections it was concluded that the activities implemented were largely relevant, but, at the same time, some results and medium-term targets haven't been achieved so far, the evaluation finds that delays in carrying out the necessary activities for the Strategy to become effective were registered. These delays are caused by exogenous and endogenous factors such as internal political instability and global crises, the latter re-directing governmental efforts towards tackling their effects on institutions and population.

The quality of the strategic objectives (and results, medium-term targets and long-term objectives) set and of the monitoring system needs to be considered in this context, i.e., if the objectives are too ambitious, they cannot be achieved in the timespan covered by the Strategy.

Based on internationally agreed standards and the provisions of the *Methodological guide for evaluation intermediate and ex-post public policy* issued by the State Chancellery, the evaluation found that objectives set, as well as long-term objectives are often not specifically formulated and, possibly ambitious as the timeframe is not clear (presumably all objectives were to be reached at the end of the Strategy) formulated, especially when risks to their fulfilment are not identified (or are identified indirectly in the MoF Action Plan). However, as mentioned in the table below, most objectives and targets are relevant and, to some extent, attainable.

Criteria	Description
Specific	The evaluators found the wording of the objectives not to be specific , as it does not mention what change is to be measured and monitored. The wording of the objectives is vague, as it does not indicate what certain change must occur in order to evaluate if the objective was achieved. For example, the medium-term objective <i>Creating a consolidated institutional and methodological framework for macroeconomic forecasting</i> does not specify what type of improvements to the institutional and methodological framework must be implemented, in order to solve the identified problem.
Measurable	The objective does not contain measurable terms such as quantity, quality, frequency, costs, etc.
Attainable	The evaluators found the objectives to be attainable. Although the objectives do not explicitly tell the amount or level of what is to be measured in order to meet the result/outcome, the objective can be considered as realist, e.g., regarding objective above, as any state need forecasting instruments and models for estimating revenue and expenditure in the budgeting process and all states needs solid legislation for controlling debt. The mid-term targets and even the long-term objectives are often formulated as activities or action (e.g., improve legislative framework in a certain area).
Relevant	The evaluators found the objectives to be relevant , as they reflect the problem identified in the Logic of Intervention. the wording corresponds to the commitment and responsibilities of the public authority concerning the vision, purpose and general objectives. In the Logic of Intervention, the link with the information from the Current Situation and Areas of Interest proves that the achievement of the objective will contribute to the vision, purpose and general objectives of MoF.
Time bound	There is no precise time-bound in the objective , as there is no a clear time frame to assess the achievement of the target or objective, including to make certain adjustments along the way, if the results obtained do not meet initial expectations. The only time frame aspect of the objective is the categorization in medium-term and long-term objectives, which do not provide a measurable time frame. During the interviews, the representatives of various units and directorates could not clearly differentiate between medium-term and long-term milestones.

While an annual analysis of delays can be made based on Annual Reports, lack of timelines in the Strategy, as well as of indicators with targets and, ideally, intermediate targets, is not conducive to adequate monitoring, identification of gaps (and delays) compared to goals initially set and introduction of corrective measures. At the same time, as chapter IV of the Strategy (on revising, monitoring and evaluation) indicates, annual result indicators are set in annual plans and monitored in annual reports.

However, the quality of the result indicators in the annual plans and reports is uneven, several of them being rather output indicators and reflecting the activities in themselves, not necessarily how/if the medium-term targets and long-term objectives are achieved, or the results expected under each Component. Some are result indicators and aligned with the medium-term target but data on them is not reported (i.e., time needed for crossing the monitored border).

5.3. Activities carried out at the lowest costs

A limited number of evidences were collected regarding “the extent to which the intervention delivers, or is likely to deliver, results in an economic way”. Rather anecdotal evidence was collected regarding outputs produced but not of the necessary quality, or not adopted and transformed in results, i.e., the MTender system that does not cover all public procurement processes in the Republic of Moldova while new initiatives in this regard are delayed and their effectiveness is questioned; the 22 accountancy standards developed with external support but that reportedly need adjustments before adoption and application, and drafting reform actions, including their legislative base, which, also, await approval and implementation, as it is the case with the Financial Inspection.

It is important to note in this context the “efficiency perspective” on the important challenge raised by the insufficient human resources in the PFM system, at central level (where interviews were carried out). While fluctuation and insufficient availability of staff is one of the key concerns regarding sustainability (see Chapter 6. Main finding regarding Sustainability), it can be concluded that the results registered under the Strategy were booked in a cost-effective manner as most of the existing technical staff dealt with high volume of work (in the absence of the necessary colleagues) and were determined to reach the objectives of their department, despite low remuneration.

5.4. Conclusions on efficiency

Based on the Annual Report, the evaluation identified a number, otherwise limited, of activities planned and not implemented, or implemented partially. Nonetheless, as some results and medium-term targets were not achieved or achieved partially, the evaluation concludes that delays in carrying out the necessary activities for the Strategy to become effective were registered. These delays are caused by exogenous and endogenous factors such as internal political instability and global crises, the latter re-directing governmental efforts towards tackling their effects on institutions and population.

The quality and efficiency of the monitoring and reporting system is negatively affected by the quality of the objectives set (i.e., if they are SMARTly formulated – which, in turn, facilitates the setting up of an adequate indicator system, including targets) and the overlaps between different monitoring and reporting layers (Government, Ministry and departmental level). As these layers are numerous in the case of the PFM Strategy, monitoring and reporting on similar or identical issues is carried out in different manners and by issuing several reports, thus inefficiencies occur as responsible personnel is overburden by these activities. In the absence of indicators and targets, adequate monitoring and assessment of performance (at target/objective level, as opposed to input-output level) cannot be carried out.

While the issue of insufficient human resources in the PFM system raises important challenges from a sustainability perspective, it can be concluded that the results registered under the Strategy were booked in a cost-effective manner as most of the existing technical staff dealt with high volume of work, however, a solution needs to be identified in this regard, for the necessary reforms to be adequately completed.

6. Impact

In line with 2019 OECD evaluation criteria, impact refers to “The extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.” Impact addresses the ultimate significance and potentially transformative effects of the intervention. Beyond the immediate results, this criterion seeks to capture the indirect, secondary and potential consequences of the intervention.

6.1. Analysis

As described in the introductory chapter, the evaluation team assessed the impacts based on long-term objectives and the specific objectives at the level of each Component. The assessment is qualitative, as both types of objectives are formulated in many cases too widely (or in some other cases the long-term objectives are closer to actions/activities), and indicators are missing, as mentioned before. Long-term objectives for which evidence was not identified are not addressed here; similarly, long-term objectives that express the same change as the results and mid-term targets covered under “Effectiveness” are not addressed, in order to avoid repetition.

The specific objective set for **Component 1** is *Improving the quality of macroeconomic and fiscal forecasts to ensure that the budget is drawn up on the basis of a realistic and predictable macro-budgetary framework*. Significant progress, and thus impact, has been achieved in this regard (although forecasting key economic indicators still need to be improved) as the results achieved under this Component 1 contribute greatly to the aforementioned specific objective. The adoption of the Law 181/2014 stipulates and sets the adequate framework for the use of macro-economic forecasting in the MTBF, and provides clear macroeconomic and financial framework in the medium term to support budget planning and a framework for the application of macroeconomic forecasting. Several forecasting models were developed to be applied with MTBF. As regards debt management, effective primary and secondary legislation was adopted, domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. A strategy that covers existing and projected government debt with a horizon of three years period and has been put in place and this covers the gaps identified, particularly as regards the improvements of the domestic state debt system.

These achievements greatly improved the ability of MoE and MoF to employ forecasting techniques for the estimation of future revenues and expenditure. In consequence, the budget can be drafted on the basis of a realistic and predictable macro-budgetary framework.

Component 2 – “Budget development and planning” had the following *Specific Objective: The national public budget is prepared in accordance with the national legal framework, it ensures that the allocation of public financial resources is closely linked to policy priorities, spending limits are set in the medium-term budgetary framework, and it increases the efficiency and transparency of the budget preparation process by implementation of performance-based budgeting*. The results achieved in Component 2 contributes to a great extent to the attainment of the specific objective, but as some activities and mid-term targets were not achieved or achieved partially, the impact is more limited. Deviation from the budget calendar still exist thus the Law on public finances and budgetary-fiscal responsibility no. 181 is still not fully implemented. With the exception of public investments projects, notable progress was registered as regards communicating outputs of the budgetary process on the Ministry of Finance and central institutions web-pages, as proven also by the Budget Transparency Assessment. It is unclear, though, if such actions, covering rather technical information, did have a genuine impact in terms of raising awareness and understanding at the level of the population. At the same time, while financial management at the level of local public authorities was strengthened, and transparency increased through the same means (publication of documents on their webpages), progress still needs to be ensured as regards public participation in the budgetary process.

Limited impact has been observed for public investments, due to lack of capacity among central and local institutions to formulate, appraise, monitor and report on investments. The impact of these investments in themselves are also evaluated to a limited extent (further than the monitoring carried out). In the same vein, further efforts should be made to better align external support to the investment needs in the country, with a view to cover these needs and ultimately to obtain the expected impact, i.e., the socio-economic development

of the country,

The specific objective set for **Component 3** is the following: *Improve and modernize Treasury management, ensure effective control and proper monitoring at every stage of expenditure, and establish an appropriate accounting and reporting system.* The results achieved in Component 3 contribute greatly to the aforementioned specific objective. The management was improved as the budget is executed through the Treasury Single Account held by the National Bank of Moldova. 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. There are forecasts conducted for both revenue collection and expenditure.

The results contribute to *ensuring effective control and proper monitoring at every stage of expenditure.* The expenditures are executed within the limits of the approved allocations, as the FMIS does not permit local budget to spend more than they were allocated. The commitments are monitored, as the control implemented in FMIS does not allow the execution of contracts whose value exceeds the balance of available commitments. 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.

An *appropriate accounting and reporting system* is ensured by the MoF, by preparing and publishing 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. The Treasury prepares a consolidated report covering all central government revenues on a monthly, biannual and annual basis, which is publicly available on the website of the MoF. 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” if they are administered through the treasury system.

Most long-term objectives under Component 3 were achieved, exceptions in this regard are some (limited) parts of the Public Finance Management Information System and online reporting that are currently under construction/fine-tuning, extension of remote service of public authorities / institutions, development and implementation of National Public Sector Accounting Standards in accordance with international practices, using CUB as unique accounting software in the budgetary authorities / institutions.

The specific objective of **Component 4** was “*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*”. Impacts in terms of “contribution to efficient and transparent use of public funds” are partial, as the managerial internal control function still needs to be strengthened throughout public authorities in the Republic of Moldova, as it is also the case with internal audit but also with external audit, e.g., strengthening performance and system audits being one important measure in this regard. Systematically and accurately evaluating and reporting on managerial internal control remains a target to be achieved under the future PMF Strategy, as well as ensuring the effectiveness of Financial Inspection and of the Court of Accounts.

Component 5 aimed to “*increase revenue mobilization by enhancing authorities’ capacities to administer revenues in order to collect planned tax and customs revenues*”. Important effects contributing to this impact were registered both as regards the State Fiscal Service and the Customs Service, in terms of capacity building but especially digitization (including an integrated taxpayers’ register⁶¹). The system for assessing taxpayers’ satisfaction record positive feedback to the new information systems introduced. However, the evaluation could not identify data on the level of tax collection (only tax collection in absolute number) to assess if improvements in this regard exist as a result of the measures taken in the last years. Customs Service digitized significantly the processes for economic operators, but activities need to continue to improve infrastructure, implement the single control system at the border with Romania, and to achieve a high level of integrity of customs officials.

⁶¹ 2022, IMF, Ad Hoc Review under the Extended Credit Facility; Request for Augmentation and Rephasing of Access, Modification of Performance Criteria, and Completion of the Inflation Consultation under the Extended Credit Facility and Extended Fund Facility Arrangements—Press Release; Staff Report; and Statement by the Executive Director for the Republic of Moldova.

Under **Component 6**, aimed to “establish a modern system of public procurement in accordance with EU standards, and its implementation by the public authorities”, progress registered, i.e., alignment of the legal framework with EU Directives in the field of public procurement, utilities and remedies, is insufficient for the specific objective to be reached and further efforts are needed in this regard (as identified in the “Effectiveness” chapter, particularly ensuring legislative framework implementation through a fully-fledged e-procurement system used by staff with adequate capacity).

Impact under **Component 7** is high, electronic services facilitate the interaction and communication between budgetary organizations, public institutions, economic operators and citizens, generating benefits to all of them: accessible, friendly use, inclusive and efficient services for the staff, clients, central and local public administration. Thus, the specific objective, i.e., “the 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” is largely achieved, although the development of the financial information system and its integration with other, existing and new platforms is a continuous activity.

6.2. Conclusions

Based on findings as regards the extent to what expected results and medium-term targets are achieved, the impact of the actions undertaken in the framework of the Strategy vary among components. Important changes with positive implications for the PFM system and for the citizens are registered under several components, such as regarding macroeconomic and fiscal forecasts, budget formulation and execution, including communication and transparency monitoring expenditure, revenues administration, and digitisation of the PFM system.

In other areas changes are partial or limited, despite some progress booked, for example in the area of Public Internal Financial Control, where the normative and methodological framework is in place, internal audit units are set up at central level and certification programmes are established, but more efforts are needed for PIFC to be applied adequately at all levels of public administration. At the same time, inspection and external audit functions are still to be consolidated, the appraisal, monitoring, reporting and evaluation of public investment projects, as well as of projects benefiting of donor support need to be improved, and public procurement needs to be aligned to European legislation and standards. More importantly, all these improvements need to be carried out following an adequate and timely prioritisation of public policies and interventions.

Some evidence was identified as regards the extent to what the improvements brought by the strategy have reached the population or economic actors (e.g., as regards the utility of the on-line tax and custom services), however, there is room for improvement as regards raising awareness and understanding at the level of the population on budget related matters, improving public participation in the budgetary process as well as performance monitoring and evaluation procedures.

7. Sustainability

In line with 2019 OECD evaluation criteria, sustainability refers to “the extent to which the net benefits of the intervention continue, or are likely to continue”. It involves analyses of resilience, risks and potential trade-offs.

7.1. Analysis

Based on evidence available, sustainability of the activities, outputs and results obtained is, to a good extent, adequate. Legislative and methodological frameworks in place are continuously improved and applied, to a larger extent in certain areas (especially as regards different phases of the budgetary process) than other. Among the latter gaps were identified as regards full implementation of legislative framework related to public capital investments, managerial internal control, particularly at local level, internal audit, public procurement, performance-based budgeting.

Good examples of sustainability were identified (among others) under Component 7: Public Finance Management System, where it is highly likely that the activities and results obtained will be sustainable in the future, due to the added value the Financial Management Information System bring to the accuracy and efficiency of functions covered. Further improvements and fine-tuning will essentially improve the state budget planning and reporting process, program performance budget reporting process; will facilitate the work of accountants in budgetary units; will facilitate the access of citizens and economic operators to the services of the tax office, customs; as well as the public procurement process. Under Component 1, the infrastructure for macro-economic forecasting is already established and macro-economic forecasting is an important component for determining monetary policy / fiscal policy. The Ministry of Finance should continue to collaborate with all relevant institutions, and to update the methodology, if it is the case. The forecasting models and instruments need regular updating in order to reflect the changes that will be brought by future developments in the fiscal characteristics of the Republic of Moldova.

An important horizontal risk to sustainability at the level of activities, with consequences at results level, is the capacity and stability of staff across the structures in charge with different functions and processes in the PFM system. Departments or institutions without shortage of staff and with limited staff turn-over were the minor exception, than the rule, in line with the interviews carried out. Staff do not move to other entities in the public authorities, which would induce at least a partial sustainability through transfer of knowledge of competencies, but leave for the private sector or abroad. The Public Administration Reform, needs to be continued at a fast pace, after limited progress in 2019 and 2020, in order for this sustainability risk to be set aside, as well as solutions for adequate remuneration of civil servants (as already envisaged in the currently in force Governmental Programme and Action Plan).

Another risk to sustainability is also the insufficient financial resources at disposal to implement capacity building activities throughout the system, as, for example, for managerial internal control. In all cases, for capacity building programmes, establishing networks for peer learning and a team of Trainers inside the system in the Republic of Moldova are suitable measures to ensure that support is needed is made available quick and results expected are not at risk. At the same time, to tackle this risk, as mentioned before, a stronger donor coordination and alignment between needs in the country and donor’s financing programmes is needed.

The mixed findings on sustainability in the PFM system in the Republic of Moldova are underpinned by the progress registered in 2021 compared to 2015, presented by the Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report. In some areas ratings were improved (e.g., public access to key fiscal information, timely budget approval by the legislature, Effectiveness of measures for taxpayer registration and tax assessment, predictability in the availability of funds for commitment of expenditures etc.), while in some other areas remained the same (e.g., Recording and management of cash balances, debt and guarantees (A), Comprehensiveness of information included in budget documentation (A)) or even worsened (e.g., Extent of unreported government operations).

Additional to risks identified above, political and governmental instability also has negative effects from sustainability perspective (and, consequently, effectiveness and impact) as processes are suspended (as it was the case with the 2020 budget) or delayed, as decisions are made later than necessary.

7.2. Conclusions

Sustainability of actions undertaken in the framework of the Strategy, and of their effects, is mainly supported by the legislative framework in place. Although in some areas this framework still needs improvements and full implementation across all relevant actors, or (in a more limited number of cases) still needs to be developed, the body of laws and related instructions and methodologies governing the PFM system has been a good basis for reforms and will continue to support future decisions in this regard. At the same time, continuous enforcement of the legislative framework was possible due to cooperation with international organisations, particularly the European Union and IMF, as well as leadership and drive in different departments of MoF and in other institutions in the PFM system, where turnover of staff was limited. The negotiation process recently initiated for Moldova to become a EU member will contribute substantially to sustainability, as well as effectiveness of reforms in the PFM area.

On the other side, key risks to sustainability are the shortage and turnover of staff across central institutions involved in the PFM structures, the insufficient resources to complete reforms, as this process requires significant efforts e.g., to build the required capacity across all institutions involved, at central and local level, and to complete the digitisation of the PFM processes, and, of course, the political and governmental instability in the country.

8. Overall conclusions and recommendations

8.1. Overall conclusions

The Strategy for Development of Public Finance Management was adopted in 2013 and initially covered the timeframe 2013-2020, to be extended up to 2022. A new Strategy is to be developed in 2022, as envisaged in the Government Programme and subsequent Action Plans.

The overall objective of the PFM Strategy is to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and development of Moldova and to maintain effective management of the use of public funds in all areas and sectors of public administration.

For this purpose, numerous activities were undertaken since 2013, including in the period 2018-2022 (beginning of) covered by this evaluation.

Based on evidence analysed, the evaluation concludes that these activities were highly relevant and contributed to the effectiveness of the Strategy. Normative and methodological frameworks were developed and improved in most areas covered by the Strategy, notable examples in this regard being the Law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014, but also the Law no.229/2010 on public internal financial control, the new Custom Code (to enter into force in 2023), the Law on public procurement no.133/2015 (to be further improved, though). The MoF has developed secondary norms and detailed methodological instruments, including updated instructions for the legislative framework to be applied by central and local authorities involved in the budgetary process, as well as for state-owned enterprises and authorities subordinated to line ministries (also at central level), such as for budget planning, accounting and financial reporting, public internal financial control including managerial internal control and internal audit.

The evaluation has not identified activities carried out that were less relevant given the objectives of the Strategy. There are areas where additional activities would have been needed, but were not conducted due to limited resources, and as determined by decision-makers. For example, capacity building in numerous areas of the Strategy have been carried out, and generally they are perceived as highly relevant; however, this is an area in which activities need to continue to cover all human resources in place (at central and local level) and reach the adequate level of human resources needed (e.g., accountancy, public procurement, managerial internal control and internal audit).

While activities carried out were relevant to a large extent, an important aspect to be considered for the future Strategy (in line with the legislation and guidelines currently in place) is the quality of the internal coherence of the logic of intervention. The structure of the current Strategy is complex and organised on multiple layers (specific objectives, principles, results, mid-term targets and long-term objectives). This had negative implications, firstly, for planning the activities to be carried out and their prioritisation by year as the unclear identification of problems and drivers led to vague objectives and several overlaps. Difficulty to define and report on activities was encountered particularly under components where principles were used to formulate the logic of intervention, where gaps are visible in the Annual Reports monitoring the implementation of the Strategy (i.e., activities not planned/implemented). Medium-term targets and even long-term objectives are formulated in many cases as or closer to the activity level. Although results were formulated, these again created overlaps and at the same time, expected outputs (and impacts, but these are less important in this context as it is internationally agreed that the level of impact can be more accurately assessed through evaluations) are missing.

Nonetheless, the evaluation concludes that the effectiveness of the strategy, i.e., the extent to which results and medium-targets were achieved, varies. In several areas these were achieved (particularly under Component 1, 3 and 7), while in other areas progress is partial (Components 2, 4, 5 and 6). There is also a (rather reduced) number of medium-targets for which no activities were implemented and thus they were, so far, not achieved. Their current relevance should be assessed, first, before taking them up in the future Strategy.

The Strategy is highly effective under Component 1, where the law on Public Finance and Budgetary-Fiscal

Accountability No.181 of July 25, 2014 adequately regulates the development of the Medium-Term Budget Framework (MTBF), and several forecasting models were developed to support this process. As regards public sector debt and state guarantees, while there is an adequate debt management system for accounting and reporting, and debt management is correlated with the forecast of funds, financing the budget deficit at a minimum cost and risk in the medium and long term could be improved, particularly by developing the domestic market and secondary markets.

Similarly, under Component 3 important results were obtained, and most medium-targets were achieved. Budget execution procedures are in place and well defined, adequately implemented and monitored through the Financial Information Management System, that supports also the forecasts and liquidity management. All institutions have a treasury single account for allocations from the State Budget and all budgets are executed through the Treasury Single Account held by the National Bank of Moldova, financial statements, including reporting of commitments are regularly prepared and published, and with some exceptions (reports from National Social Insurance House are still delivered on paper) the Financial Information Management System is integrated with accounting information system of budgetary entities. Further improvements are to be considered, regarding the scope of budget execution reports, which should cover both transfers received from the state budget and extra-budgetary funds, the finalisation and approval of National Public Sector Accounting Standards based on International Public Sector Accounting Standards, as well

Notable progress was registered as regards digitalisation of the PFM system, and continuous efforts are made to maintain and improve the Financial Information Management System managed by the Centre for Information Technologies in Finance, subordinated to the Ministry of Finance. FMIS substantially facilitates a majority of the public finance management processes, including planning, budget execution, as well as day-by-day accounting and financial reporting. Changes in the procedures are implemented in the FMIS by CITF on a daily basis (e.g., modified forms for the budget proposals, monthly and annual financial reports, the E-docplat module). FMIS integrates and supports the activity of the State Treasury Department, Public Procurement Agency, State Tax Service (STS) and Customs Service. Noting this important progress registered by the Republic of Moldova as regards digitisation of the PMF system, the work on PMIF and related information systems need to be prioritised, and the necessary improvements carry out at a rapid pace (i.e., such as migration of information systems on the MCloud government platform, implement the module on performance monitoring, provide easy access to auditors and supervisors for audit and control purposes, generate historical data to facilitate trends analyses and, subsequently, decision making).

Among components partially effective, significant room for improvement exists as regards public capital investments. While under Component two important progress was registered as regards budget coverage, public access to the budget and tax information, the budget being an effective tool for coordinating the activities of the Government and its institutions (at central level, as predictability for budget formulation at local level could be improved), respecting the budget calendar as per Law 181 / 2014 has been challenging over the years. Partial or limited results were achieved as regards involving civil society in budget forecasts and medium-term policy priorities but more importantly, regarding improving the measurement, monitoring and particularly evaluation of performance against the originally planned budget. Procedures in place, as per Government's Decree no. 1029 dated December 19, 2013, subsequent norms and methodological tools, for the development, appraisal, selection, monitoring, reporting and evaluation of investment capital are not adequately implemented, to a large extent due to limited capacity among public institutions in charge.

Relevant for both Component 1 and 2, establishing a link between policies and budget on an annual and multiannual basis is hampered by late availability of policy priorities, which, in turn, leads to financing decisions taken on an ad-hoc basis during the budget year.

A challenge impacting all first three components is the coordination and correlation between investment needs in the country and external sources. Bodies (Sectorial Councils) responsible with such activities are partly functioning and the capacity of the Sectorial Coordinators (line ministries), responsible for the establishment and well-functioning of the Sectorial Councils, needs to be strengthened, as well as the coordination and communication between Sectorial Councils and donors. In this context public investments financed with external sources are difficult to monitor (they follow monitoring and reporting procedures of donors), their forecasting (at national and project level) is challenged and, in the end, underspending under these projects and the necessity to find additional funds for co-financing throughout the year places the budget under pressure.

Under component 4, important progress was registered as regards regulating and implementing public internal financial control, but notable developments in this area as regards internal control procedures and capacity building in internal audit are to be continued until the final objective is reached. All internal audit units need to be established and made functional as prescribed by law, and capacity needs improvement both as regards managerial internal control and internal audit, at all levels of the administration. Public Internal Financial Control Policy Division of MoF needs additional capacity (resources) to be able to ensure evaluation (external assessment) of the effectiveness of managerial internal control and of internal audit units and guide their development process. The activity of the Public Internal Financial Control Council and the certification scheme for internal auditors represent good practices, but, upon consolidation of the system, more importance is to be allocated to system and performance audit. In this context, the activity of the Court of Account is to be strengthened and made coherent to the public internal financial control system, for an overall efficient and accurate use of public funds. Reforming the Financial Inspection, as envisaged also in the Government Programme and subsequent action plans, and aligning the responsibilities among the actors in the public control system would contribute in this regard, too.

Under component 5, the key measures that should have been in place so far relate especially to the fully-fledged e-procurement system, that covers all types of procurement, including of small value, and all phases in this process as well as ensuring the adequate public procurement capacity through the public administration (central and local) are key improvements to be brought for the legislation in place to be adequately observed. The latter will need some additional modifications to be fully aligned with the European *acquis*.

A notable result across components is the area of transparency. In most of the phases analysed by the evaluation, the responsible institutions public budget-related documents on their web-page, including the MTBF, annual budgets, initial and rectified, and different reports presenting activities, outputs and results achieved every year or more often. Although some reports could be improved, this depending in many cases, on the quality of the monitoring framework, e.g., reports on public procurement centralising information on small value contracts where information might be incomplete, a wide number of documents are available to the public. The next step in this regard is to actively engage with citizens and civil society, for their awareness and understanding on budgetary and associated processes to increase, simultaneously with their ownership of public priorities and efficient and effective spending of public money.

The progress registered was positively influenced by a number of factors, among with the support from international organisation and donors and the legislative framework put in place (in most cases, some pieces of legislation still requiring improvements) are the most important. Similarly, although capacity in certain areas still needs to be improved, the expertise within the Ministry of Finance but also in some subordinate institutions, such as the Centre for Information Technologies in Finance, Customs Service etc., and the motivation to pursue objectives set despite staff shortages and low remuneration, is an important factor underpinning the success of the Strategy.

The EU-Moldova Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA), as well as the EU macro-financial assistance (MFA) programme have favoured the reforms in the Public Financial Management System (and of other reforms important for the PFM, such as in public administration). Reports on achievements in this framework note the increase in accuracy of revenue projections, improve the medium-term budgetary framework process, and of the regulatory framework for financial management and internal control⁶². At the same time, under the IMF Extended Credit Facility and Extended Fund Facility Arrangements Programme for the Republic of Moldova, structural reforms were also recommended, implemented and monitored.

In this overall framework, MoF and other institutions in the PMF system received external support in the form of technical assistance, such as the EU-funded project “Support the Moldovan Government in identifying and preparing projects linked to the implementation of the Association Agreement”, including the development of Public Sector Accounting Standards, “Support for the Quality Infrastructure Framework in the context of DCFTA in the Republic of Moldova”, and technical assistance project on the analysis and development of the electronic procurement system. Technical assistance was provided by the International Monetary Fund, among others on the rationalization of public expenditures and on improving the public capital investment

⁶² JOINT STAFF WORKING DOCUMENT. Association Implementation Report on the Republic of Moldova, Brussels, 2021.

system, and support from GET Moldova (German Economic Team) provided training to MEI staff and other institutions on “Estimating the potential product of the Republic of Moldova”. Important assessments are carried out also by other international organisations, such as the World Bank that issued the Debt Management Performance Assessment (DeMPA). Under the UNDP-Slovak Trust Fund, the former implements, since 2020, the project “Strengthening capacities and systems for effective public finance management in the Republic of Moldova”. The support for internal audit and control is a part of the Annual Bilateral Cooperation Program concluded between the MoF of the Republic of Moldova and the MoF of the Kingdom of the Netherlands.

Overall, despite political instability, institutions involved in the different phases of the public finance management, including the Court of Accounts (not covered by the 2013-2022 Strategy), make noteworthy efforts to pursue their mission and perform accordingly, through continuous improvement of legislation, development of norms, guidelines and instructions, and hand-on support. This was an important factor influencing the progress registered in the implementation of the Strategy although in several cases it was noted that more measures could have been taken if more human and financial resources were available (i.e., particularly as regards capacity building) or support from decision makers (i.e., to reform the Financial Inspection).

The issue of human resources is revealed and particularly important from the perspective of several evaluation criteria. Insufficient number of staff and high turn-over, caused by relatively low level of remuneration as compared to responsibilities and volume of work, affected the effectiveness of the Strategy and remains one of the key threats to sustainability in the PFM system. Assessed from the perspective of efficiency, this issue indicates that activities in the framework of the Strategy were carried out in an economic way so far, however, it remains an important challenge that needs to be addressed for the reform process to continue successfully (as, actually, envisaged in the Government Programme and Action Plan).

As regards other elements related to the efficiency of the PFM Strategy, the evaluation concludes that activities yearly planned were also implemented, in the same year, without major delays. However, a multi-annually perspective raises (as the conclusions on “relevance”) the issue of the quality of the logic of intervention, particularly of the objectives set, that in most cases are not specific or time-bound, and, thus, do not facilitate the planning of activities for several years and their prioritisation by year. Among others, this gap also contributed to a weaker monitoring system and to partial effectiveness under some components of the strategy.

The monitoring, including reporting, on the Strategy achievements is challenged by the limited, less explicit alignment between relevant strategic and planning documents such as Government Programmes and related Action Plans, the Ministry of Finance Action Plan, specific programmes such as the programmes for the development of financial internal public control, debt management, public procurement, as well as department-level action plans. Planning and reporting on two different strategical frameworks and, additionally on department level programmes and create inefficiencies and increases the volume of work of MoF members of staff.

The Strategy monitoring system is also incomplete⁶³, as it encompasses only result indicators in the Action Plans, related to actions themselves, and not to objectives or targets, as comprised in the logic of intervention. Lack of results indicators at Strategy level and targets (including ideally, intermediate targets), is not conducive to identification of gaps (and delays) compared to goals initially set and introduction of corrective measures, which is the main purpose of monitoring. The quality of the result indicators in the annual plans and reports is uneven, several of them being rather output indicators not necessarily how/if the medium-term targets and long-term objectives are achieved, or the results expected under each Component. Some are result indicators and aligned with the medium-term target but data on them is not reported (i.e., time needed for crossing the monitored border).

Sustainability of the activities, outputs and results obtained is, to a good extent, adequate. Legislative and

⁶³ A monitoring system is composed of individual indicators; comprehensive data collection, storage and processing procedures/tools (developed in indicator fiches); intra and inter-institutional cooperation procedures for data collection – primary and secondary; human resources within the involved institutions; Tool 1: Monitoring field visits; Tool 2: Reporting; Tool 3: discharge body(ies)/institutions (that approve and assume responsibility for the monitoring results as presented in different reports); Dissemination actions; Management information system.

methodological frameworks in place are continuously improved and applied, to a larger extent in certain areas (especially as regards different phases of the budgetary process) than other. Among the latter gaps were identified as regards full implementation of legislative framework related to public capital investments, managerial internal control implementation at local level, internal audit, public procurement, performance-based budgeting. The mixed findings on sustainability in the PFM system in the Republic of Moldova are underpinned by the progress registered in 2021 compared to 2015, presented by the Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report.

Three key risks were identified as regards sustainability at the level of activities, with consequences at results level. As mentioned above, the capacity and particularly the stability of staff across the structures in charge with different functions and processes in the PFM system are important threats for maintaining good quality of processes undertaken and overall performance. Related to this, in some cases insufficient financial resources are available to implement capacity building activities throughout the system, as, for example, in the case of managerial internal control and public procurement. Last, but for sure not least, the political and governmental instability also has negative effects from sustainability perspective (and, consequently, effectiveness and impact) as decisions are made later than necessary.

8.2. Recommendations

Based on the findings and conclusions above, the evaluation formulated the following main recommendations. These recommendations are additional to the component-based recommendations issued in Chapter 3. Main findings regarding Effectiveness and favourable external factors.

1. **Recommendation 1.** When drafting the future PMF Strategy, define the logic of intervention in line with international good practices and the current legislative and methodological framework. The key problems to be tackled by the strategy and their drivers should be clearly identified, to be reflected by the objectives set and main actions to be undertaken in the time-frame covered by the Strategy. Prioritisation of actions by year should be defined, in line with their effect on the objective set, in order to facilitate the subsequent yearly planning and maximum results in the shortest time possible. Continue addressing in the Strategy both areas where expected results are not reached, yet, but also effective areas where continuous improvement is needed (such as improvements of legislative framework, and the Financial Information Management System). While the current components may be preserved, renounce to elements bringing an unnecessary level of complexity to the logic of interventions (such as principles). More objectives per component may be formulated, depending on the key problems in place. *Final responsible institution: Ministry of Finance*
2. **Recommendation 2.** The new Strategy should be aligned to other existing strategic and programmatic documents in place, to increase its coherence but also the efficiency of monitoring and reporting. When revising the Strategy, including as a result of the evaluation, continue to observe this external coherence. *Final responsible institution: Ministry of Finance*
3. **Recommendation 3.** For ultimate impact to be achieved in terms of socio-economic development, ensure the alignment between the public policies and priorities put forward by line Ministries and budget allocation. This will contribute also to limiting ad-hoc financing decisions taken during the budget year. *Final responsible institution: Ministry of Finance and State Chancellery*
4. **Recommendation 4.** At the same time, for an efficient and effective use of public resources, considerably strengthen the performance assessment/evaluation of programs implemented, at central and local level. Evaluation may be carried out internally and/or externally, as long as the principle of independence is respected. Design a capacity building programme to ensure that such assessments/evaluation can be adequately implemented. *Final responsible institution: Ministry of Finance and State Chancellery*
5. **Recommendation 5.** Ensure an effective coordination mechanism between national institutions, on one side, and international organisations and donors, on the other side, in order to increase alignment and predictability as regards needs in different policy areas and how and when external sources can answer to these needs. Such a mechanism can be organised as in other candidate countries such as Serbia and Albania), based on a clear methodology of identifying and prioritising needs by sector/area and

procedural steps (e.g. quarterly or bi-annual meetings, sub-groups coordinated by one donor focusing on the respective area and the Moldovan counterpart). This mechanism is even more important now as the Republic of Moldova is in the process to become EU candidate country⁶⁴. *Final responsible institution: Ministry of Finance and State Chancellery, donors, line ministries*

6. **Recommendation 6.** When drafting the future Strategy, increased attention should be paid to areas still under development, but that are essential for the efficient and effective use of public funds, namely public internal financial control, public procurement and public capital investments. Consider including the Court of Accounts in the Strategy or draft the future Strategy by taking into considerations the needs as regards external audit. *Final responsible institution: Ministry of Finance*
7. **Recommendation 7.** Continue and prioritise capacity building and digitisation in all areas, especially where developments are still needed (such as public internal financial control, public procurement and public capital investments). Capacity building programmes, in these and other areas should encompass networks for peer learning and trainers (through training the trainers) inside the system, at central and local level, for knowledge and experience to be easily shared. Where applicable, certification schemes should be established in collaboration with national entities providing courses and with external support (where capacity in the country is not sufficient), based on the good example of a certification scheme established by the Ministry of Finance for internal auditors. *Final responsible institution: Ministry of Finance*
8. **Recommendation 8.** Put in place for the future Strategy, an adequate monitoring system, including (1) individual indicators at output and result level; (2) data collection, storage and processing procedures/tools; (3) intra and inter-institutional cooperation procedures for data collection – primary and secondary, as the case; (4) sufficient and qualified human resources within the MoF and other involved institutions; (5) tools - monitoring visits; reporting; (6) established discharge body (that approve and assume responsibility for the monitoring results as presented in different reports – mainly the Ministry of Finance in this case); (7) dissemination activities; (8) management information system. For this purpose, qualitative indicators may be used/set up, with baseline and targets based on PEFA assessment, yearly assessments on fulfilling the commitments under the Association Agreement, IFM programme, and/or assessments on the progress registered with a view to become EU members, as monitored yearly by the European Commission. *Final responsible institution: Ministry of Finance*
9. **Recommendation 9.** Continue efforts to ensure transparency of the PFM system by continuing publishing complete budget-related documents on the web-pages of the involved institutions, but move on towards active communication and engagement with citizens and civil society to create the necessary understanding and support in the processes carried out. *Final responsible institution: Ministry of Finance.*

⁶⁴ Measures in this regard are already under way, e.g., the revitalization of the Inter-ministerial Strategic Planning Council activity, including in the area of external assistance, and efforts need to continue in this direction.

Annex 1. List of interviews carried out

- Interview I - Liliana Iaconi, Policy analysis, Monitoring and Evaluation Department (DAMEP), MoF;
- Interview II - Emilia Prujanskaia, Ina Bitco, Macrofinancial Analysis Directorate, MoF;
- Interview III - Rozalina Albu, State Fiscal Service;
- Interview IV - Valentina Basoc, Policy and Budget Synthesis Department, MoF;
- Interview V - Viorel Pana, Public Investment Department, MoF;
- Interview VI - Sergiu Cainăreanu, Public Procurement Department, MoF;
- Interview VII - Elena Saharnean, CITF;
- Interview VIII - Ruslan Malaev, Public Procurement Agency;
- Interview IX - Ludmila Popa Policy Department in the field of public internal financial control, MoF;
- Interview X - Mariana Rotaru, Olesea Tarlev, External Assistance Department, MoF;
- Interview XI - Ecaterina Pahnehad, Court of Accounts;
- Interview XII - Angela Sârbu, Financial Inspection;
- Interview XIII - Maxim Ciobanu, State Treasury, MF; Ina Darii, Methodology Department, State Treasury, MoF;
- Interview XIV - Corina Alexa, Fiscal and Customs Policy Directorate;
- Interview XV - Sergiu Scripca, Customs Service
- Interview XVI - Elena Matveev, Public Debt Department, MoF

Annex 2. List of documents consulted

- Methodological guide for evaluation intermediate and ex-post of public policies, Government of the Republic of Moldova;
- Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022);
- Three-year Medium-Term Government Debt Management Program (Strategy) 2020-2022, available at https://cancelaria.gov.md/sites/default/files/document/attachments/proiectul_792.pdf;
- Government's Decree no. 1029 dated December 19, 2013, on procedures for capital investment planning;
- Law no. 229/2010 on Public Internal Financial Control;
- Ex-post Assessment Report: The public financial control development program internal for the period 2018-2020 and of the Action Plan regarding its implementation;
- Annual report (2021) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinau, 2020);
- Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinau, 2020);
- Annual report (2019) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinau, 2019);
- Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinau, 2018);
- MoF Order no. 208 of December 24, 2015 on budget classification and applicable methodology for each classification type;
- IMF Technical Report on Evaluation of Public Investment Management;
- Order nr. 159/2020 on approval of the Regulation regarding the activity of internal audit by association in the public sector;
- Order nr. 160/2020 on approval of the Regulation regarding the contract-based internal audit activity in the public sector;
- Government Decision no. 1026/2010 regarding the organization of the financial inspection activity;
- IMF, Ad Hoc Review under the Extended Credit Facility; Request for Augmentation and Rephrasing of Access, Modification of Performance Criteria, and Completion of the Inflation Consultation under the Extended Credit Facility and Extended Fund Facility Arrangements—Press Release; Staff Report; and Statement by the Executive Director for the Republic of Moldova;
- Joint Staff Working Document. Association Implementation Report on the Republic of Moldova, Brussels, 2021;
- Government's Decree no. 377 from April 25, 2018, regarding the regulation of the institutional framework and the coordination and management mechanism of external assistance;
- Results of the Survey for Moldova, available here: <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-moldova-2021-en.pdf>;
- Financial Situations Report the Court of Accounts for 2021;
- Law on Public Procurement no.133/2015;
- Government Decision No 665 dated May 27, 2016 for approving the Regulation on small value public procurement
- Law no. 74/2020 on procurement in the energy, water, transport and postal services sectors;
- Government Decision 705 of 11.07.2018 regarding approval of the technical concept of the Automated Information System "State Register of Public Procurement" (MTender);
- Government Decision no. 985 of 10.10.2018 for the approval of the Regulation on the accreditation of electronic procurement platforms within the Automated Information System "State Register of Public Procurement" (MTender);
- Government Decision no. 986 of 10.10.2018 for approval of the Regulation on the maintenance of the State Register of Public Procurement created by the Automated Information System "State Register of Public Procurement" (MTender);
- Government Decision no. 987 of 10.10.2018 for approval of the Regulation on the acquisition of goods and services by requesting price offers;
- MoF Order no. 173 of 5.10.2018 on approval of the standard documentation for goods public procurement;

- MoF Order no. 174 of 5.10.2018 on approval the Standard Documentation for the service public procurement;
- MoF Order no. 175 of 5.10.2018 on approval of the Standard Documentation for realization of goods and services by requesting price offers public procurement procedures;
- MoF Order no. 176 of 5.10.2018 on approval the Standard Documentation for public procurement of works;
- MoF Order no. 177 of 9.10.2018 on approval of the standard form of the Single European Procurement Document.

Annex 3. Complete “Effectiveness” Analysis

Component 1 – Budgetary Framework

The following tables present the achievements obtained under each result, and how the achievements contributed to the **Medium-term targets**.

Principle 1.1: Macroeconomic forecasting and revenue forecasting

1.1 The existence of a macroeconomic and financial framework in the medium term to support budget planning.

The law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014 regulates the development of the Medium-Term Budget Framework (MTBF), a method for budgetary planning used by the MoF, jointly with other responsible public authorities, in accordance with the principles and budgetary-fiscal rules established by this law. According to law 181/2014, the MTBF includes⁶⁵:

- a) Macro-economic framework;
- b) Budgetary and fiscal policy;
- c) Macro-budgetary framework;
- d) Expenditure framework.

The Government ensures the maintenance and updating of three forecasting instruments (EXCEL, Eviews and SOFRECO). In the context of the elaboration of the macroeconomic forecast, only in 2018, 12 consultative meetings took place and a guide for internal use on econometric models for revenue forecasting was drafted⁶⁶. In 2020, a modification of the methodological set occurred and the following models were developed⁶⁷:

- Model for budgetary impact analysis;
- Model for the analysis of the budgetary impact following the adoption of measures to support the business environment related to the interest rate subsidy program.
- Economic impact models for fiscal and customs policy measures for 2021.

Furthermore, the following models were elaborated⁶⁸:

- the micro-model regarding the analysis of the budgetary impact following the modification of the VAT rates;
- the micro-model that aims to calculate the budgetary impact on local public administrations.

The Government updated and maintained between 2019-2021 the impact models and forecasting models developed in 2018. In 2019, the MoF integrated data into the model from the State Fiscal Service, the Customs Service and other institutions for performing impact analyses. Furthermore, as mentioned above, a modification of the methodological set occurred, and the new set of models were developed.

⁶⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

⁶⁶ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁶⁷ Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

⁶⁸ Annual report (2019) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2019).

In order to develop macroeconomic modelling and forecasting capabilities, 2 technical assistance projects were contracted and implemented during 2018-2019⁶⁹:

- Assistance from GET Moldova (German Economic Team), which provided training to MEI staff and other institutions on “Estimating the potential product of the Republic of Moldova” (April 18-19, 2018).
- Assistance from the EU project “Support for the Quality Infrastructure Framework in the context of DCFTA in the Republic of Moldova”, which supports the development of training in the field of econometrics for MoE staff.

The budget calendar has the MoE establish the medium-term macroeconomic forecast, for the following 3 years, twice a year: in February - for the development of the MTBF with an update in July for the preparation of the state budget for the next year which is approved by the legislature. As mentioned under Evaluation Question 5, the MoE works in collaboration with other governmental institutions and with the IMF in developing the forecasts⁷⁰.

In the development of the macroeconomic forecast, the MoE involves in the elaboration process only governmental institutions, namely the Ministry of Finance, National House of Social Insurance, Ministry of Health, Labour and Social Protection, National Medical Insurance Company. Furthermore, the IMF is consulted and provides a final review of the forecasts. Although an external organization such as the IMF is consulted by the Government of the Republic of Moldova, it does not qualify as a non-governmental institution⁷¹.

The macroeconomic forecast, after consultation in a MTBF working group, is sent to the Ministry of Finance and the main forecasted macroeconomic indicators are published on the website,⁷² 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 International Monetary Fund (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 pandemic⁷³. 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 final version is coordinated with the IMF⁷⁴.

Taking into consideration the achievements described above, this result can be considered as achieved, with the exception of involving non-governmental institutions in the process (if NGOs relevant in this context exist in Moldova)

1.2 The forecast of internal revenues is accurate and is based on macroeconomic forecasts

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 MTBF⁷⁵. The issue of the broad assumptions was brought up in the interview with representatives from the Macro-financial Analysis Unit, **that argued that the quality of the indicators used in the forecast needs to be improved.**

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

⁶⁹ Annual reports (2018 and 2019) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁷⁰ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

⁷¹ Ibid.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

⁷⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

expenditure are presented along with the budget balance in nominal terms and as a share of GDP. The PEFA Assessment Report appreciated the progress made in this result with the grade A⁷⁶.

Donor communication mechanisms and procedures are in place in order to ensure proper planning of external source inputs. The MoF has a directorate, **External Assistance Directorate**, which acts according to the provisions of Government Decision no.377/2018, as a point of contact between the Government and external donors. The directorate is responsible with communicating with external donors and to coordinate the accordance of grants and loans in the Republic of Moldova. Ministries that need external assistance for certain projects, have to submit their projects to the directorate of MoF, in order to provide a clear overview to both the Government and the external donors on the projects that need funding. As well, the Government can prioritize the projects to be submitted to the external donors. Before the submission of the proposals to the External Assistance Directorate, and later to the MTBF, the proposals have to go through the respective Sectoral Council⁷⁷.

Sectoral Councils, according to the provisions of the Government Decision no.377/2018, were formed in order to coordinate at the sector level the activities required for the development of projects that would be funded through external aid and acts as a coordination tool for investment and technical assistance projects⁷⁸. The evaluation identified a series of deficiencies related to the functioning of the Sectoral Councils, as they are too formal in their character, were used only for the presentation of the projects, without substantial debates to generate recommendations and improvements. As well, due to the informative character, a prioritization in the Sectoral Council is not achieved⁷⁹.

The External Assistance Directorate was previously part of the State Chancellery and moved at a later stage in 2017 to the MoF. Due to the multiple crises, the discussions on the projects to be financed are held at the level of the Government, causing a duplication of work with the Sectoral Councils. Based also on similar experiences of other countries (e.g., Romania), it could be more effective for the directorate would return to the State Chancellery, in order to be closer to the locus where overall strategic planning and decisions on economic and social policies are taken⁸⁰.

Taking into consideration the achievements described above, this result is largely achieved, but improvements are needed in order to strengthen the effectiveness of external grants and loans.

Contribution to the Medium-term targets

The following table presents the correlation between medium-term objectives and achievements.

Medium-term targets	Correlation to achievements
Creating a consolidated institutional and methodological framework for macroeconomic forecasting	The MoF managed to develop forecasting models, instruments and micro models, and as there is a clear procedure that is applied in the process of the development of the forecasting. As well, the budget documents provide estimates of total revenues for the budget year and the following two years with a breakdown by individual revenue types. <u>Therefore, this medium-term objective was achieved.</u>
Development of consultation and comparison mechanisms with macroeconomic forecasts prepared by non-governmental institutions	In the development of the forecast by the MoE, consultations are held with interested government institutions, such as Ministry of Finance, National House of Social Insurance, Ministry of Health, Labour and Social Protection, National Medical Insurance Company, and with the IMF. <u>Thus, this medium-term objective was achieved.</u>
Continuous improvement of the revenue estimation methodology by taking over modern information practices and tools	MoF continuously updated the forecasting methodology. The Government updated and maintained between 2019-2021 the impact models and forecasting models developed in the 2018, by updating the data sets and the methodology. <u>This medium-term objective can be considered as achieved; however, the forecasting models and instruments</u>

⁷⁶ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World Bank (Chisinau, April 2022).

⁷⁷ Interview with the representatives of the Grant and Loan Coordination Directorate

⁷⁸ According to HG 377 from 25-04-2018, the Sectoral Councils are advisory bodies, created on the basis of the partnership principle and empowered with functions of programming and sectoral monitoring of external assistance projects and programs. The aim of the sectoral council is to concentrate synergies in the sector and to avoid double working. The presidents of the sectoral councils are the Minister of the respective Ministry from the respective sector or a Secretary of State. There is also a co-president in the Sectoral Councils, which comes from the external donor that is the most active in the respective sector from Moldova.

⁷⁹ Ibid.

⁸⁰ Ibid.

Development of modern tools (micro models) for assessing the impact of fiscal policy measures on revenue planning	<p>will need constant updating, e.g. in order to take into considerations risks, too.</p> <p>As mentioned above, the following micro models were developed:</p> <ul style="list-style-type: none"> the micro-model regarding the analysis of the budgetary impact following the modification of the VAT rates; the micro-model that aims to calculate the budgetary impact on local public administrations. <p>Therefore, this medium-term objective is achieved, however the MoF can begin to investigate the opportunity to develop new micro-models.</p>
Improving donor communication mechanisms and procedures for the proper planning of external source inputs	Overall, this objective can be considered partially achieved as despite having a procedure to coordinate donor communication mechanisms and procedures for the proper planning of external source inputs, the Donor's Sectorial Councils are only partly functional.

Principle 1.2. Monitoring public sector debt and state guarantees

Concerning *Principle 2: Monitoring public sector debt and state guarantees*, the evaluation finds that most objectives were fulfilled. The following table presents if and how the activities from above contributed to obtaining the envisaged results:

1.3 The internal and external state debt is controlled by the central authority.

Adopted primary legislation made MoF the single responsible debt management entity, that has the authorization to borrow, issue new debt and loan guarantees on behalf of the central government. Secondary legislation was drafted in order to provide guidance on procedures how to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions⁸¹.

In 2018, the draft law on public sector debt and the draft Government decision amending the Regulation on the procedure for contracting debt / granting guarantees for loans was developed. The Regulation on the placement, trading and redemption of government securities in the form of an account and the Plan for operational risk management and continuity of activities related to state debt management for 2018 were approved and proposed for implementation⁸². The law was slightly modified in 2020⁸³. In 2021, the Government prepared and approved the Concept of the Program of direct sale of state securities to individuals⁸⁴.

As MoF became the single entity responsible for internal and external state debt, and as legislation provides to the MoF the necessary tools to control debt, this result is achieved.

1.4 There is an adequate debt management system for accounting and reporting.

According to the PEFA Assessment Report, the 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 reports are published on MoF's website⁸⁵.

Information sessions and working meetings were organized in 2018 and 2019 in order to familiarize the responsible persons within the public authorities, public sector enterprises and territorial public administration bodies with the

⁸¹ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁸² Ibid.

⁸³ Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

⁸⁴ Annual report (2021) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2021).

⁸⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022). Last report, issued for the first trimester of 2022, is available here: [Raport privind situația în domeniul datoriei sectorului public, garanțiilor de stat și recreditării de stat în trimestrul I al anului 2022 | Ministerul Finanțelor \(gov.md\)](#)

1.4 There is an adequate debt management system for accounting and reporting.

truthful and timely reporting of the volume of public sector debt. As well, representatives of the Public Debt Directorate participated in several trainings and seminars in 2018⁸⁶. **Therefore, this result was achieved.**

1.5 Correlation of debt management with the forecast of funds.

The programme “Medium-term government debt management (2022-2024)” was elaborated in 2021 and approved in February 2022. The 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. The government’s annual borrowing included in the annual state budget is consistent with the approved programme.

Furthermore, as the representatives the Public Debt Directorate argued in the interview, debts are included in the Medium-Term Financial Framework, which uses economic forecasting. **Therefore, this result was achieved.**

1.6 Financing the budget deficit at a minimum cost and risk in the medium and long term.

During 2019-2020, 1 annual evaluation (2019) and 4 quarterly evaluations (quarter IV of 2019, quarters I, II and III of 2020) of the performance of primary dealers were carried out, of which⁸⁷:

- in January 2020, an annual assessment (for 2019) of the performance of primary dealers in accordance with the provisions of the Regulation on the placement, trading and redemption of state securities in the form of registration in account no. 170 of 19.07.2018, as well as the evaluation for the fourth quarter, 2019;
- in April 2020, the evaluation of the performance of primary dealers for the first quarter of 2020;
- in July 2020, the evaluation of the performance of primary dealers for the second quarter of 2020;
- in October 2020, the evaluation of the performance of primary dealers for the third quarter, 2020.

On 13.02.2020, a joint meeting was organized with the primary dealers, during which the activity on the State Securities (SS) market in 2019 was discussed, as well as the forecasts for 2020 regarding the financing of the budget deficit from the SS issue. Likewise, the results of the annual evaluation (for 2019) of the performance of primary dealers in accordance with the provisions of the Regulation on the placement, trading and redemption of state securities in the form of registration in account no. 170 of 19.07.2018 were presented⁸⁸.

In order to issue State Securities with a term of more than 5 years, the opinion of the primary dealers regarding the availability of them and its customers to invest in such financial instruments was consulted through online meetings. Following the consultation with primary dealers and private investors, the decision was taken to issue in 2021 state securities with a maturity of 7 years at a fixed rate⁸⁹. **This result is partly achieved.**

1.7 Reporting to the Government and Parliament on public sector debt, state guarantees and state recredit.

This result was achieved because the programme medium-term government debt management stipulates annual reporting against debt management objectives is provided to the Parliament.

Contribution to the Medium-term targets

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Adjusting the legal and methodological framework on state debt and public sector debt.	As mentioned above, at result 2.1, adopted primary legislation made MoF the single responsible debt management entity, that has the authorization to borrow, issue new debt and loan guarantees on behalf of the central government. Secondary legislation was drafted in order to provide guidance. Therefore, this medium-term objective was achieved.
Strengthening the capacities of the	As mentioned above, at result 2.2, information sessions and working meetings were

⁸⁶ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁸⁷ Annual report (2019-2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁸⁸ Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

⁸⁹ Ibid.

Ministry of Finance and local public administration debt management authorities.	organized in 2018 and 2019 in order to familiarize the responsible persons within the public authorities, public sector enterprises and territorial public administration bodies with the truthful and timely reporting of the volume of public sector debt. As well, representatives of the Public Debt Directorate participated in several trainings and seminars in 2018 ⁹⁰ . <u>Therefore, this medium-term objective was achieved.</u>
Development of the domestic market of state securities in order to implement the actions established in the Program "Medium-term government debt management".	<u>This medium-term objective was not yet been achieved</u> , as domestic market of state securities was not yet developed, i.e., only in 2021, the <i>Program for direct sale of state securities to individuals</i> was developed and approved. However, significant steps have been taken into the direction of developing a domestic market of state securities, as evaluations on the performance of primary dealers were carried out and consultations were held with the primary dealers.
Adoption of the Operational Risk Management Plan related to the "Medium Term State Debt Management" Program.	<u>This medium-term objective has not been yet achieved.</u>

Component 2 – Budget development and planning

The following tables present the achievements obtained under each **Envisaged Result**, and how the achievements contributed to the **Medium-term targets**:

Principle 2.1. Budget credibility

2.1. Budget integrity: The budget is executed as planned within the parameters of fiscal policy in a disciplined manner that ensures that deviations between actual and initial budgets are kept to a minimum.

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. Underspensing 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. **The PEFA Assessment Report scored the dimension with grade B.** The score indicator for this dimension worsened from the previous assessment in 2015⁹¹. **Although both aggregate expenditure outturn and variance in revenue composition outturn can be improved, it can be considered that results 1.1 and 1.2 were largely achieved.**

2.2. The budget serves as an effective tool for coordinating the activities of the Government and its institutions

Law no.181/2014 provides an effective instrument for budgetary planning. Similarly, the PEFA Assessment Report states the following: *"the adoption and enforcement of the law on Public Finance and Budgetary-Fiscal Accountability No.181 of July 25, 2014 has marked an important milestone in the promotion, modernization and consolidation of the national public finance management system"*⁹². 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. During the annual budget preparation process, the MoF issues detailed instructions within the Budget Circular which include the Macro-fiscal assumptions, Summary of the policy priorities, Expenditure ceilings, Specific guidelines for expenditure forecasting (e.g., for payroll and indexation of expenditure for commodities and services). **The result is largely achieved, some improvements are needed as regards the timely availability of public policies and priorities and respecting the calendar for annual budget modifications.**

2.3. Budget planning ensures the principles of resource efficiency, aiming at prioritizing expenditures and reallocating between sectors from lower to higher spending priorities.

2.4. Budget planning ensures operational efficiency by ensuring that government institutions are encouraged to produce goods, works and services at the lowest possible cost and at the highest possible value.

⁹⁰ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2018).

⁹¹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

⁹² Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

According to the interview with representatives from the Policy Directorate and Budget Synthesis of MoF, at the beginning of the process (both for MTBF and annual budgets), to the extent these are available, a prioritization of public policies/programmes is carried out by line Ministries and MoF through sectoral divisions. The results and performance of services, programmes and projects from the previous year are taken into consideration when the prioritization is made, by looking at the results of the budget execution. PEFA report states that the executive budget documentation and the budget execution reports provides information on outputs and objectives for programs and subprograms in each of 9 line ministries. However, although performance indicators are in place and reported upon, an in-depth performance assessment or evaluation of service delivery investments performance is rarely conducted, due to lack of time and capacity⁹³.

Expenditure composition return⁹⁴ is graded with D by PEFA Report. The largest variance of expenditure composition outturn by function occurred in 2019 and 2020. 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 area⁹⁵. Expenditure composition outturn by economic classification 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. These results are considered by the evaluation as partly achieved.**

2.5. There are no arrears on expenditure, or the stock of arrears is low, and there are systems for monitoring these arrears.

This envisaged result was achieved, as arrears are low and insignificant: in 2018 MDL 2.7m, 2019 - MDL 0.9m and 2020 - MDL 0.9m. These are less than 0.1% of expenditure⁹⁶. The interview with the representatives of the Policy and Budget synthesis confirmed that the number of arrears are low⁹⁷.

2.6. Budget decisions include the analysis of total fiscal risks, including risks generated by state-owned enterprises and companies with majority state capital and risks generated by administrative-territorial units.

The MTBF incorporates macroeconomic forecast, budgetary-fiscal policy, revenue and expenditure forecasts (by sectors and budgets). Three models for estimating the insolvency risk for state-owned enterprises and companies with majority state capital were developed, based on scoring models. A note on tax risks associated with state-owned enterprises and companies has been prepared. The Instruction on the preparation of the Analytical Notes on the results of the financial monitoring of the economic-financial activity of the state enterprises was elaborated and approved. This instruction was updated in 2021. A graphical model for the visualization of the economic data of the state-owned enterprises and companies with full or majority state capital monitored was developed⁹⁸. **Thus, this result is largely achieved.**

2.7. Budget decisions include a measurement, monitoring and evaluation of performance against the original plan.

The report on State budget execution (required by Article 73 paragraph (4) from the law nr.181/2014 on public finances and budgetary-fiscal accountability) is prepared semi-annually and is comparable with the approved budget. It contains information on revenue, expenditure, financial assets, financial liabilities, and

⁹³ Interview with Policy Directorate and Budget Synthesis. See also PEFA Report, PI-8. Performance information for service delivery.

⁹⁴ Measuring the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition.

⁹⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

⁹⁶ Ibid.

⁹⁷ Interview with Valentina Basoc, Policy Directorate and Budget Synthesis.

⁹⁸ Annual report (2018) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chisinău, 2018).

2.7. Budget decisions include a measurement, monitoring and evaluation of performance against the original plan.

long-term obligations. The financial reports of all budgetary units collected by the MoF are supported by a reconciled cash-flow statement⁹⁹.

The 2021 budget included a note on financial monitoring results of the economic activity of the state enterprises and commercial organizations with full or majority state capital, a Note on budget-fiscal risks and 228 program performance budgets.

However, the evidence collected through interviews indicate that, although budget decisions take into account the performance registered in previous years based on indicators set, there is significant room for improvement as regards performance monitoring, reporting and particularly evaluation. **Thus, this result is partially achieved.**

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Strengthening the capacities for analyzing the budgetary-fiscal risks, as well as for financial monitoring of the public authorities / institutions for self-management and of the state / municipal enterprises and of the commercial companies with full or majority public capital	This medium-term objective was achieved. The MTBF incorporates macroeconomic forecast, budgetary-fiscal policy, revenue and expenditure forecasts. The forecast of the fiscal deficit is provided in the annex 1 to the annual state budget law.
Improving the financial monitoring mechanism of state / municipal enterprises and of companies with full or majority public capital	While fiscal monitoring of state-owned enterprises is regularly performed, this is based on the unaudited information that is unreliable and coupled with poor governance; this approach may hide some potential risks and result in an unexpected fiscal burden for the Government. Most public corporations publish audited annual financial statements; however, 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. Therefore, this medium-term target was partially achieved.
Introduction of mandatory audit of financial statements for state-owned enterprises	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 annual reports. As well, the Court of Account has the power to conduct financial, compliance and performance audits, examining the revenue, expenditure, assets and liabilities across central and local government institutions, including of state and municipal owned commercial enterprises in which the state or municipality has a majority share ¹⁰⁰ . This medium-term term was partially achieved.

Principle 2.2. Transparency and comprehensiveness

2.8. The existence of a robust budget classification system that allows for the planning and reporting of expenditure on the administrative, economic and functional dimensions and is in line with international standards (IMF-GFS, COFOG).

The structure of the budget classification and applicable methodology for each classification type is defined in the MoF Order no 208 of December 24, 2015¹⁰¹. The functional classification is compliant with the COFOG standards¹⁰². In the

⁹⁹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁰⁰ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁰¹ MoF Order no 208 of December 24, 2015

¹⁰² 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

2.8. The existence of a robust budget classification system that allows for the planning and reporting of expenditure on the administrative, economic and functional dimensions and is in line with international standards (IMF-GFS, COFOG).

interview with the representatives of the Policy and Budget Synthesis Directorate, it was confirmed that the current budget classification system is solid and it is aligned with COFOC standards. The budget classification system is continuously improved and updated, i.e., in 2021, 11 proposals to modify the classification systems were developed¹⁰³. **The PEFA Assessment Report scored the dimension with grade A, too, therefore, it can be considered that this result was obtained.**

2.9. Budget coverage includes reporting on all government operations

This result was achieved. 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 complete picture of central government fiscal forecasts, budget proposals, and outturn of the current and two previous fiscal years. Articles 48-53 of the law no.181/2014 on public finance and budgetary-fiscal accountability regulate the purpose, process and content of the annual budget and of the MTBF¹⁰⁴.

2.10. Extrabudgetary operations are insignificant or if they are significant then they are included in the fiscal reports

This result was partially achieved. Information on expenditure out with the state budget is supplied by the relevant line ministries that have in their subordination self-management institutions, and directly by self-management entities excluding state owned enterprises and joint stock companies with state shareholding¹⁰⁵. Concerning financial reports of extrabudgetary units (EBU), each ministry receives a report from its subordinate institutions annually detailing all its expenditures and source of funds accounted in the Treasury Single Account (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 are excluded so the Ministry of Finance does not see the funds and execution from EBU's own funds since they are not channelled 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 government¹⁰⁶. No specific activities related to this result were identified in the Annual Reports. **The PEFA Assessment Report scored the dimension with grade B.**

2.11. The government has a supervisory role over-all public-sector entities, including self-governing public authorities / institutions, state / municipal enterprises and public companies with full or majority public capital and quasi-fiscal operations.

This result was achieved due several factors. The executive budget documentation provides information on outputs and objectives for all programs and subprograms in each of the 9 ministries. According to the interview with the representatives of the Methodological Department within the Treasury¹⁰⁷, the 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. Thirdly, accounting information on all financial resources received and executed by the service delivery units is available from in-year and annual budget execution reports¹⁰⁸.

within the function and sub-function. Each program and sub-program have a link to the functional classification. Recurrent and capital investments' budget preparation, execution and reporting procedures are fully integrated and covered by the budget classification structure. Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁰³ Interview with the representative of the Policy Directorate and Budget Synthesis. Also based on 2021 Annual Report on the Strategy.

¹⁰⁴ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury

¹⁰⁸ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022)..

2.12. Public access to the budget and tax information is ensured.

The public access to the budget and tax information is ensured, as the budget proposal for 2021 was submitted to the Parliament and published both on the website of the Ministry of Finance and the Parliament on the following business day. This was confirmed as well in the interview with the representatives of the Policy and Budget Synthesis Directorate¹⁰⁹, based on which the report on the execution of the national public budget and its components is prepared monthly and is placed on the MoF website¹¹⁰. The Annual Reports on the Strategy list a wide number of initiatives of publishing documents issued by the Ministry on its web-page.

Moreover, the 2021 Open Budget Survey indicate that Moldova has a transparency score of 65¹¹¹, increased from 57 in 2019 and higher than Slovakia, Poland and Romania. A transparency score of 61 or above indicates a country is likely publishing enough material to support informed public debate on the budget.

Contribution to the Medium-term target

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Establishing in legislation the minimum information requirements contained in the budgetary documentation	This target was achieved. Budget proposals for the next fiscal year includes supporting documents that allow a complete picture of central government fiscal forecasts, budget proposals, and outturn of the current and two previous fiscal years.
Continuous improvement of the budget classification in accordance with international standards	This objective was achieved, as described above.
Continuous development of the Public Finance Management Information System to ensure the functionality of the budget process	This target is largely achieved, see Component 7.
Ensuring consistency in the presentation of expenditures in the medium-term budgetary framework and in the annual budget	This target was achieved. The adopted classification system through MoF Order no 208 of December 24, 2015 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.
Development and periodic updating of the web page of the Ministry of Finance with quality and timely information on the elaboration and execution of the budget	This objective was achieved. The budget proposal for 2021 was submitted to the Parliament and published both on the website of the Ministry of Finance and the Parliament on the following business day. All the changes made through law to the budget, as well as a large number of other legislative and methodological reports are published on the website of MoF.
Publication on web pages by central public authorities of medium-term sector strategies / programs, annual budgets, as well as reports on areas of competence	This objective was achieved. Several sector strategies / programs, annual budgets, as well as reports on areas of competence were published on the website of the MoF. The annual reports on the implementation of the strategy show that MTBF was published, the several laws that had the aim to change the approved budget.
Development of consultation mechanisms for budget forecasts and medium-term policy priorities with civil society, by publishing draft regulations on the website: www.particip.gov.md	This objective was not achieved so far. There are consultations mechanism for the budget forecasts and medium-term policy priorities, however they include only public administration bodies or agencies. The IMF is included as well in the preparation of the budget forecasts. However, there are no mechanism set for holding consultations with civil society.

Principle 2.3. The order (accuracy) and policy perspectives in the budget

2.13. Existence and adherence of the budget calendar

As mentioned above, this result can be considered as largely achieved despite some short comings. Interviews carried out revealed that while Law no.181/2014 provides a clear budget calendar, due to external crisis, such as the

¹⁰⁹ Interview with Valentina Basoc, Policy Directorate and Budget Synthesis

¹¹⁰ Ibid.

¹¹¹ Results of the Survey for Moldova are available here: <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-moldova-2021-en.pdf>

2.13. Existence and adherence of the budget calendar

COVID-19 pandemic, the Russian invasion of Ukraine, the energy crisis and the high inflation rates, the calendar is not always followed. As well, there are sometimes internal factors that generate issues in adhering to the budget calendar, as there were years in which the receipt of macro-economic indicators from the MoE were delayed and situations in which MTBF was not finalized until its deadline (May). The aforementioned problems also cause budget modifications during the year¹¹².

2.14. Existence of a single and integrated budgetary process, involving central public authorities and local public authorities.

This result is achieved to a large extent. As mentioned above, the budgetary legislative framework has clear provisions on the procedures and calendar. However, there are issues in respecting the calendar, due to political, health and economic crises¹¹³.

2.15. Existence and adherence of instructions on medium - term expenditure and annual budgeting.

Based on evidence available, this result is largely achieved. Concerning guidance on budget preparation, during the annual budget preparation process, the MoF issues detailed instructions within the Budget Circular which include the following: macro-fiscal assumptions, summary of the policy priorities, expenditure ceilings by function for the forthcoming fiscal year and the two subsequent years. Specific guidelines describe the methodology for expenditure forecasting. In the interview with the representatives from the Macro-financial Analysis Directorate argued that the guidance on budget preparation is implemented by all institutions, all actors play by the same rules. As well, the guidance is not modified often by the MoF, and all the modifications that occurred were not major¹¹⁴.

Considering that the budget is fully program based, standards and definitions for the preparation of programs and performance indicators submissions are included. 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 form¹¹⁵.

2.16. Creating the link between policies and budget on an annual and multiannual basis.

Although PEFA Assessment Report scored the dimension with grade A, result 3.4 can be considered as only partially achieved. Medium-term strategic plans are prepared and costed for most ministries responsible for functional sectors. 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. 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 funding¹¹⁶.

As mentioned above, policies and priorities are defined and made available to the MoF with delays, and during budget implementation ad-hoc financing decisions are often taken.

Contribution to the Medium-term targets

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Expanding the coverage of the medium-term budgetary framework to a full coverage of spending strategies.	The target was partly achieved. Medium-term strategic plans are prepared and costed for most ministries responsible for functional sectors, as 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

¹¹² Interview with Valentina Basoc, Policy Directorate and Budget Synthesis

¹¹³ Interview with Valentina Basoc, Policy Directorate and Budget Synthesis

¹¹⁴ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

¹¹⁵ Ibid.

¹¹⁶ Ibid.

	programs. However, evidence collected during fieldwork indicate that in many cases resources are not available for all components of strategies in place.
Continuous development of the capacities of the personnel working in the field of public finance management by participating in training and collaboration with experts who provide technical assistance in the field	The target was achieved to some extent; continuous capacity building is needed. In 2019, within the technical assistance provided by the International Monetary Fund on the management of budgetary and fiscal risks, on 15.03.2019 and 18.03.2019, workshops were organized with the theme "Risk Modelling Tools", attended by 13 representatives from Ministry of Finance and 2 representatives of the Ministry of Economy. As well, within the technical assistance provided by the International Monetary Fund on the rationalization of public expenditures, between April 17-26, carried out in 2019 as well, the following were organized: <ul style="list-style-type: none"> - 6 seminars were organized, attended by 114 representatives from the Ministry of Finance and the Ministry of Agriculture, Regional Development and Environment (MADRM); - Meetings were organized with the leadership of MADRM and the Ministry of Finance. Capacity building initiatives are organised also under projects implemented with external support, e.g., under the EUD-funded "Support the Moldovan Government in identifying and preparing projects linked to the implementation of the Association Agreement" (training of the financial analysis and risk assessment, on costing of public investment projects and on project appraisal).
Continuous development of the institutional capacity needed to implement program and performance budgeting. Development of the methodological framework for monitoring and evaluation of budgetary programs	No activities were identified in the 2018-2021 Annual Reports that contributed to this medium-term target. Based on evidence collected from interviews and documents, capacity to implement program and performance budgeting still needs improvements. While information is published annually on policy or programs objectives, key performance indicators, outputs and outcomes produced, and the outcomes planned for all ministries, disaggregated by program, evaluations of the efficiency or effectiveness of service delivery have been carried out to a limited extent. The latter, as well as the insufficient quality of reports per programmes, were confirmed also in the interviews carried out. The necessary resources at institutional level with the necessary capacity to carry out effective monitoring, reporting and evaluation of programmes is rather missing. Therefore, this target is achieved to a more limited extent.
Development of tools and procedures related to the medium-term budgetary framework process	According to the Annual report for 2019 on the implementation of the Action Plan, this medium-term target was achieved ahead of schedule. Concerning the ensuring of the correlation of the annual budget with the processes of public policies and budget planning in the medium term, the budget programs for the 2020-2022 budgetary process were revised and updated in the process of the central public administration's presentation of the budget proposals. As well, the objectives of the fiscal policy and fiscal administration and the customs policy and customs administration in the medium term 2020 - 2022, as a component part of the MTBF 2020 - 2022, were developed within the deadline ¹¹⁷ .
Development of the methodological framework for monitoring and evaluating budget programs	As mentioned above, the MoF issues detailed instructions within the Budget Circular which include the following: macro-fiscal assumptions, summary of the policy priorities, expenditure ceilings by function for the forthcoming fiscal year and the two subsequent years. Specific guidelines describe the methodology for expenditure forecasting. In the interview with the representatives from the Macro-financial Analysis Directorate argued that the guidance on budget preparation is implemented by all institutions, all actors play by the same rules. As well, the guidance is not modified often by the MoF, and all the modifications that occurred were not major.

Principle 2.4. Inter-budgetary relations

2.17. There are systems to ensure vertical and horizontal balancing/equalization.

Transfers from central government to subnational governments are carried out in accordance with the law on Local Public Finances № 397/2003. The allocation of general-purpose inter-budgetary transfers for equalization purposes is formula based. 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 that were not able to cover the increase of expenditures under their own competence area. Other general transfers usually are of occasional nature¹¹⁸. **Therefore, result 4.1 can be considered as achieved.**

¹¹⁷ Annual report for 2019 on the implementation of the Action Plan for the implementation of the 2013-2020 Public Finance Management Development Strategy

¹¹⁸ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

2.18. Existence of clear criteria to determine the transfer of fiscal support to the administrative-territorial units in a transparent and predictable way to allow the timely elaboration of local budgets.

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. Despite the fact that MoF calculates transfers at the MTBF preparation stage, MTBF documents submitted to the Government 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 budget¹¹⁹. However, as PEFA Report underlines, 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, down from 12 weeks in 2018 and 9 weeks in 2019. **Therefore, result 4.2 can be considered partially achieved.**

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Strengthening the local revenue base of local public authorities and their decision-making autonomy	This medium-term target is partly achieved. As collected during interviews, the local revenue base is not increasing. As a result, transfers from central government to subnational governments actually increased from 30% to 50%, from 10,357.3 million MLD in 2018 to 13,617.9 million MLD in 2020. This increase is partly due also to COVID-19 related expenditures.

Principle 5. Public capital investment

2.19. The program of public capital investments and budgetary capital investments are planned within the general medium-term fiscal and expenditure forecasts.

The last 3 MTBFs approved in Republic of Moldova include mid-term forecasts for capital investments and their maximum value, as well as total and annual costs of projects¹²⁰. Limits for capital investments are obligatory for the first budgetary year and tentative for the following two. Draft annual state budgets include an annex representing total and annual costs (for three years) of projects included under capital investments. However, projections of capital expenditures differ considerably from budgets and their execution and this is also due to low capacity of local authorities to adequately define long-term investment priorities and projects. Requirements in the Law 1029 are respected when proposals are formulated, otherwise these are rejected. **Therefore, result 5.1 can be considered as only partly achieved.**

2.20. The selection and approval of investment projects are coordinated with national and sectoral policies

The MoF included public investment projects in the State Budget based on discussions with the line ministries, largely in line with Strategies in place. In the case of some ministries, alignment between proposed and approved investment projects is facilitated by the sectoral strategy in place (e.g., Transport Strategy), while for other ministries (e.g., Ministry of Culture, but also local authorities) proposals transmitted are less anchored in a strategic thinking and plan.

According to the Government's Decree № 1029 dated December 19, 2013, the above mentioned intergovernmental working group on state capital investments should select projects 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. In the interview with the representatives from the Public Investment Directorate, they mentioned as well at this point the weak capacity of the public administration in Moldova to implemented the provisions of the Government's Order No. 1029. At the same time, Ministry of Finance should be responsible and carry out an adequate eligibility check (in the place/in the absence of the intergovernmental working group), to ensure that proposal approved are aligned to Strategies and budgetary framework.

The PEFA Assessment Report scored the dimension with grade D, therefore, result 5.2 can be considered as not

¹¹⁹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹²⁰ Based on the 2019 IMF Evaluation of public investment management and the review of the last three MTBFs.

achieved.

2.21. Investment projects are planned based on insured sources and fiscal impact analysis, with relevant information on subsequent costs available

Budget documentation provides information about each public investment project included in the annual state budget, as mentioned above. However, as indicated in interviews carried out, budget documentations do not include projections of total project life-cycle costs, which would include both capital and recurrent costs. This affects negatively the sustainability of the public capital investments projects¹²¹. Such information was included only in the templates of technical and economic justification filled in for individual projects. The forms included evaluation or total project life-cycle costs and project financial sustainability¹²². The MoF verifies all received proposal to ensure that they respect the limits set in MTBF and annual budgets.

Based on interviews carried out, subsequent costs are not always known, particularly for projects funded by external sources, that follow the eligibility and budgetary rules of Donors. At the same time, different institutions, including subordinated institutions and institutions at local level identify sources of finance for their projects, the relevant Ministry approves the respective project but does not inform the MoF accordingly. Consequently, challenges appear when co-financing costs cannot be covered by the respective institutions and MoF is called to identify solutions. At the same time, the Evaluation Report on the public capital investments project submitted by the implementation authorities are not of the required quality¹²³. **The result 5.3 is considered as achieved to a limited extent.**

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Extension for all capital investment projects of the provisions of the Regulation on public capital investment projects, approved by Government Decision no. 1029 of December 19, 2013, regarding the substantiation of the opportunity and cost-effectiveness of the projects undertaken	<p>This target has not yet been achieved.</p> <p>The Government's regulation on the state capital investments projects establishes project evaluation, selection and monitoring procedures. However, it still does not cover all capital investment projects, as it concerns only public investment projects costed above MDL 5 million (around USD 0.3 million) and financed from the budget revenues and it does not cover projects financed by different national Funds, which are subject to specific legislations¹²⁴.</p> <p>The situation hasn't improved since the 2019 IMF Evaluation of public investment management, which concludes that the management of public investments is limited by the limited scope of the Regulation and is not uniformly applied.</p> <p>Under the EU-funded contract "Support the Moldovan Government in identifying and preparing projects linked to the implementation of the Association Agreement", a proposal to replace the existing project appraisal processes, provided by the Regulation but that do not work in practice, was developed and awaits MoF decision.</p>

Component 3 – Budget execution, accounting and financial reporting

The following tables present the achievements obtained under each **Envisaged Result**, and how the achievements contributed to the **Medium-term targets**:

Principle 3.1: Budget execution process

3.1 Clearly defined budget execution procedures

The result was achieved. According to the interview conducted with the representatives of Methodology Department of the Treasury, budget execution procedures are regulated by Law 181/2014 on Public

¹²¹ Interview with the representative of the Public Investment Directorate.

¹²² Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

¹²³ Ibid.

¹²⁴ Ibid.

Finances and Budgetary-Fiscal Responsibility and by 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. This normative framework provides the attributes of the State Treasury of national and local level. The interviewee considers that all rules and forms (i.e., integrated in Financial Management Information System - FMIS) that need to be carried out are well-defined in the Order, which is continuously improved, based on needs¹²⁵. According to the 2020 Annual Report, MoF prepared and approved the order no. 153 of 27.12.2021 on the method of payment and record of payments to the national public budget through the treasury system of the Ministry of Finance in 2022, which improves the already existing provisions¹²⁶.

3.2 There is ex-ante control of public expenditures from the state and local budgets

The result was achieved. According to the interview conducted, the expenditures are executed within the limits of the approved allocations. The FMIS performs adequately in this regard, as it does not permit spendings higher than allocation. The ex-ante control in conducted at the budget preparation and planning stage, and it consists on expenditures limits that are enforced through the FMIS. Therefore, the system verifies and prevents mistakes related to budget execution¹²⁷.

3.3 Efficient execution of current expenses (expenses for the payment of salaries and non-salary expenses) and capital expenses

The result was achieved. According to the interviews conducted, Article 67 of Law 181/2014 stipulates the order of the expenses that have to be executed on a monthly basis. First, commitments to public debt occurred, followed by expenses such as salaries, pensions, compensations, social payments, followed by payments for public services (such as the energy system) and finally, the head of the Treasury decides the prioritizations of expenditure for public works and for other services¹²⁸.

The division for salary policy within MoF keeps information on the number of established posts and the number of employees within the budgetary sector. MoF prepares the monthly report on approved and real number of personnel, by using the monthly reports submitted by the budgetary units. In case of retroactive adjustments of the salary payments, these are performed only when errors are detected in salary calculation, however, such situations are very rare. Provisions of the Article 17 of Law no. 229¹²⁹ dated 23 September 2010 regarding public internal financial control foresee internal audit to ensure the evaluation at least once every three years of high-risk processes, including payroll procedures and payments.

The Court of Accounts and Financial Inspection Agency under the MoF are carrying the public sector payroll external auditing. 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 Court of Accounts confirmed that as result of their audits of the central public authorities throughout 2018 – 2020 instances of errors or failures in compliance in the public sector payroll were insignificant¹³⁰.

3.4 Improving the normative framework regarding the execution of the component budgets of the

¹²⁵ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

¹²⁶ Annual report (2020) on the implementation of actions for implementation Public Finance Management Development Strategy 2013-2020, prepared by the Ministry of Finance from the Republic of Moldova (Chişinău, 2020).

¹²⁷ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

¹²⁸ Interview the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

¹²⁹ Link to the Law 229/2010 https://www.legis.md/cautare/getResults?doc_id=125252&lang=ro#

¹³⁰ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chişinău, April 2022).

national public budget and of the means of the non-budgetary entities through the single treasury account

The result was achieved. The MoF Order no. 153 of 27.12.2021 on the method of payment and record of payments to the national public budget was elaborated and approved for 2022. During 2021, 2 orders were elaborated and approved regarding the modification and completion of the Methodological Norms regarding the cash execution of the component budgets of the national public budget and of the extra-budgetary means through the treasury system of the Ministry of Finance, approved by MoF Order no. 215/2015, as follows¹³¹:

- Order MF nr. 57/2021, (MO of R.M. nr. 153-157 art. 706 din 25.06.2021);
- Order MF nr. 75/2021, (MO of R.M. nr. 212-218 art. 1102 din 10.09.2021).

According to the interview conducted with the representatives of Methodology Department of the Treasury, all modifications that have the aim to improve the normative framework regarding budget execution and accountancy are conducted in cooperation with the Public Institution "Centre of Information Technology in Finance"¹³².

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Continuous improvement of the regulatory framework for budget execution	The medium-term target was achieved. The Methodology Department of the Treasury is continuously bringing improvements to the regulatory framework for budget execution, and several orders have been adopted.
Organizing training for staff of budgetary authorities	The medium-term objective was achieved. According to the interview conducted with the representatives of Methodology Department of the Treasury, the Centre of Information Technology in Finance organizes seminars and courses for various public authorities, starting with 2018. The trainers in these courses are employees from regional treasuries, which interact with many public bodies, thus having insights on the shortcomings that must be addressed in the organized courses and seminars. The themes of the courses are based on the demands that come from public authorities. At the course, the attendance is not limited to one participant per institution, multiple participants can come from a single institution; all 2600 entities involved in the budget execution process participate ¹³³ .
Public finance management information system	This medium-term objective was achieved, as public finance management information system for budget execution is in use and largely effective. Some improvements to FIMS or as regards digitisation are under development, to ensure easier access for the 2.600 budget entities both at the central and local levels, better integration and fiscal reporting in electronic format.
Management through the single treasury account of the budgetary resources received by the public authorities /	This medium-term objective was achieved, as it will be showed in the following section, all institutions have a treasury single account for allocations from the State Budget and all budgets are executed through the Treasury Single Account held by the National Bank of

¹³¹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹³² Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury

¹³³ Ibid.

institutions for self-management, state-owned enterprises, joint stock companies and other public institutions whose founders are the central and local public authorities	Moldova. 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 ¹³⁴ .
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Principle 3.2. Cash flow management

3.5 Centralization of balances in the " Treasury Single Account"

3.6 Efficient money management system, which includes the elaboration of annual liquidity forecasts, with monthly distribution, which is updated monthly / weekly / daily and ensures the control of budget expenditures within the approved allocations and the available balance of funds.

The result was achieved. All budgets are executed through the Treasury Single Account held by the National Bank of Moldova. 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. The information from the interview with the representatives of Methodology Department of the Treasury confirm the findings from the desk research¹³⁵.

MoF implemented automated controls for verifying both the balance of allowances and the balance of funds on a bank account. The annual and monthly forecasts, which are approved by the MoF, are an instrument used in the decision-making in initiating budget payments. The following factors are analysed when deciding on the distribution of budget balances¹³⁶:

- Budget liquidity forecasts
- Payment documents submitted for execution by budgetary institutions
- Balance of funds on the bank account
- Sources of financing

The actual financing of payments, following the principle of delimitation of tasks, is subject to the built-in controls of FMIS.

3.7 Improving forecasts and liquidity management through the Public Finance Management Information System

The result was achieved. There are forecasts conducted for both revenue collection and expenditure (based on the financing needs estimated by the spending units). The Public Debt Directorate of the MoF provides information required for forecasting sources of financing, by submitting 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 purpose of the forecast is to identify measures to cover gaps in cash, such as increase of SS issue, loans between budgets, use of available TSA means (art. 62 para. (10), law 181/2014) or payments are prioritized in accordance with the legislation (art. 67 para.

¹³⁴ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹³⁵ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹³⁶ Ibid.

3.7 Improving forecasts and liquidity management through the Public Finance Management Information System

(2), law 181/2014). The surplus of funds can be placed in deposits with the NBM (art. 62 para. (4), law 181/2014)¹³⁷.

Based on interviews carried out, improvements are needed and will be introduced as regards forecasting yearly payments, including for different types of projects implemented. As the PEFA reports also underlines, at this point budget execution reports provide information on expenditures only at the payment stage.

3.8 Commitment recording and monitoring system (contracts, guarantees, commitments).

The result was achieved. According to the interview conducted with the representatives of Methodology Department of the Treasury, all commitments are registered at the Treasury¹³⁸. The budgetary bodies are responsible for initiation, paying, recording, and reporting commitments, in accordance with the legislation governing public procurement and other normative acts. Commitment management is implemented within the FMIS. The mechanism ensures the record of contracts registered with the Treasury¹³⁹:

- Number 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. According to the interviewees, as a measure to respond to the challenges posed by the COVID-19 pandemic, the Treasury as implemented the electronic signature when the commitments are registered at the Treasury. At the moment, there are discussions for the development of a procurement platform, for the electronic registration of a contract¹⁴⁰.

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Implementation of the Public Finance Management Information System in order to improve cash flow forecasting and monitoring capabilities by recording and monitoring commitments.	This result was achieved , as annual and monthly forecasts are used in the decision-making in initiating budget payments. The State Treasury has real time information on revenues collected by the State Tax Service and Customs Service.
Ensuring the development of a commitment module as a component part of the Public Finance Management Information System.	The medium-term target was achieved , as the budgetary bodies are responsible for initiation, paying, recording, and reporting commitments, in accordance with the legislation governing public procurement and other normative acts. Commitment management is implemented within the FMIS.
The preparation and monthly presentation by the central public authorities, on the	The medium-term target was not achieved. No activities were identified in the 2018-2021 period to contributed to this medium-term target and evidence collected in the interviews indicate that

¹³⁷ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹³⁸ Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury

¹³⁹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁴⁰ Ibid.

projects financed from external sources, of the forecasts regarding the major payments to be requested from the budget for the payment of the commitments.	such forecasting reports are not prepared.
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Principle 3.3 Reporting on budget execution

3.9 The chart of accounts for budget execution is in line with budget classification

The result was achieved. A new Charts of Accounts for the budgetary system was put into effect starting with January 1, 2016, and all accounting and financial reporting in all the budgetary institutions are performed in accordance with the new chart and with 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 economic classification has been developed and broadly aligns with classifications of the Government Finance Statistics (GFS) 2001 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, 2015¹⁴¹. The findings of the desk report were confirmed by the information collected in the interview with the representatives of Methodology Department of the Treasury.

3.10 Periodicity of budget execution reports during the year and annual budget execution reports

The result was achieved. According to both PEFA report¹⁴² and interview with the representatives of Methodology Department of the Treasury¹⁴³, there are monthly reports on the execution of the national public budget, aggregated on components, accompanied by brief analyses. The reports are placed on the MoF's website by the 25th of the respective month, following the provisions on required reporting period stated in the internal order of the MoF regarding the Open Data Catalog.

3.11 Scope of budget execution reports

The result was partly achieved. The spending units prepare and submit financial statements to the central public authorities for the first semester, ninth month and twelfth month, 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 system¹⁴⁴.

Central public authorities consolidate the data from the financial statements received from the spending units and further send it to the MoF¹⁴⁵. The report 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 finances¹⁴⁶.

However, it needs to be noted that the budget execution reports consolidate spending only for transfers received from the state budget. Own funds are excluded so the Ministry of Finance does not see the funds and execution from Extra-budgetary Unit (EBU)'s own funds since they are not channelled through the Treasury accounts in most of the cases¹⁴⁷.

Contribution to the Medium-term objectives

¹⁴¹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁴² Ibid.

¹⁴³ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury.

¹⁴⁴ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁴⁵ 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.

¹⁴⁶ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁴⁷ Ibid.

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Introduction of commitment reporting	As mentioned at Principle 2, the management of the commitment recording and monitoring system is regulated by Art. 66 from Law no. 181 on Public Finances and Budgetary-Fiscal Responsibility and by section 4.2.3 Commitment Management from the Methodological Norms on Cash Execution of the National Public Budget. Therefore, this medium-term target was largely achieved, but monthly commitment reporting should be made available / published, too ¹⁴⁸ .
Improving the reporting of debt with expired payment terms (arrears) by including in the report the date of occurrence of the debt and the causes of its formation	According to the interview conducted with the representatives of Methodology Department of the Treasury, there is monthly report that reports debt with expired payment terms (arrears). The report has an annex, which presents the date of occurrence of the debt and the causes of its formation. The report is published on the website. The reported is drafted through the FMIS. This medium-term target was achieved.

Principle 3.4. Accounting and financial reporting

3.12 There are well-defined national accounting procedures

The result was achieved. Interviews carried out confirm that procedures are well defined and issues raised by authorities, when the case, are taken into consideration and improvements are brought. PEFA Report also rates with A the Performance Indicator, Financial data integrity, covering bank account reconciliation, suspense accounts, advance accounts procedures and results.

3.13 The unified chart of accounts is to be applied for the planning, execution and accounting of budgetary operations.

3.14 Development of National Public Sector Accounting Standards based on International Public Sector Accounting Standards.

The result was partly achieved. The new Chart of Accounts is in place and underpins budget preparation, execution, and reporting. The chart is comprehensive and consistent with GFS standards. The budget documents include all of the basic and supplementary information required to support a transparent budget process. According to the interview with the representatives of the Methodological Department from the MoF, there is a continuous effort to improve and adjust the Chart of Accounts and the related Methodological Norms¹⁴⁹. Developing national public sector accounting standards (NPSAS) in line with IPSAS is unfolding. The 22 draft standards developed with EU support, which are aligned to the International Public Sector Accounting Standards (IPSAS), and are published on the official website of the MoF, have not been formally endorsed; the remaining 8 standards need to be developed, as well as the related methodological notes for all 30 standards. Reportedly, the 22 standards also need some adjustments to better align them at the particularities in Republic of Moldova. At the same time, public accounting experts are missing and workload in the MoF departments in charge is very high¹⁵⁰.

3.15 Comprehensive nature and frequency of presentation of financial statements, including reporting of commitments

Budget execution reporting is regulated by the provisions of the law no. 181/2014 on public finances and budgetary and 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, semi-annually and annually by the respective spending units and submitted to MoF¹⁵¹.

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. State Social Insurance Budget and Compulsory Health Insurance Funds reports are being sent to the MoF by 15th of the

¹⁴⁸ Interview with the representative of the State Treasury Directorate, and the representative of the Methodological Department of the State Treasury

¹⁴⁹ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁵⁰ Interview with Maxim Ciobanu, from the State Treasury Directorate, and Ina Darii from the Methodological Department of the State Treasury.

¹⁵¹ Ibid.

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. The reports contain the planned figures, the amounts executed, deviations in amounts and percentages and comparative figures with the corresponding period of the previous year. Monthly, semi-annual and annual reports are published on the official website of the MoF as well as on the Government's platform¹⁵². **Therefore, the result was achieved.**

3.16 Improving financial reporting by integrating the accounting information system of budgetary entities with the Public Financial Management Information System

The result was achieved. Authorized users have access to FMIS and other systems managed and operated by the Treasury. Access to FMIS is granted by the Public Institution "Centre of Information Technology in Finance", which falls under the umbrella of MoF. Creating records in the system leave an audit trail, which enable individual accountability, intrusion detection and problem analysis. The trail includes data 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. According to the interview with the representatives of Methodological Department from the Treasury, the financial reports can be automatically generated¹⁵³. On the other side, in some cases FMIS is not used for financial reporting (i.e., financial reports on the execution of the budget from the NHIH are developed and provided to the MoF on paper). At local level, gradually introducing CUB, a uniform accounting information system for budgetary entities, will contribute to this result.

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Continuous adjustment of the Unified Chart of Accounts, as well as of the Methodological Norms for the application of the Chart of Accounts, accounting and financial reporting, in accordance with international standards and the recommendations of the Court of Auditors	This medium-term target was achieved, as mentioned above.
Development of National Public Sector Accounting Standards based on International Public Sector Accounting Standards	This medium-term target was not achieved , as only 22 draft standards out of 30 had been developed which are aligned to the International Public Sector Accounting Standards (IPSAS). The 22 draft standards must be finalized as well, although NPSAS are to be developed in compliance with international accounting standards for the public sector, the particularities of the operations of the Government must be considered.
Development of the Action Plan for the implementation of the Concept regarding the development of the National Accounting Standards for the Public Sector	This medium-term objective was achieved. The draft order regarding the modification and completion of the Concept and the Action Plan for the elaboration of the National Accounting Standards for the Public Sector, approved by the Order of the Ministry of Finance no. 159/2016 was elaborated and approved by the Order of the Ministry of Finance no. 181 of 31.12.2019.
Continuous development of the professional and institutional capacity needed to improve financial reporting and bookkeeping, as well as to implement National Public Sector Accounting Standards based on International Public Sector Accounting Standards	This medium-term objective was not achieved. According to the interview with the representatives of the Methodological Department from the Treasury, training sessions and seminars are offered to the staff of various institutions, in order to ensure the capacity needed to improve financial reporting and bookkeeping. However, these is a lack of expertise in the country and capacity building initiatives are still much needed.
Creating the conditions for outsourcing or sharing of economy and finance services for public entities	No activities were identified in the 2018-2021 period to contributed to this medium-term objective. Therefore, the medium-term objective was not achieved.

Principle 3.5. Institutional domain

3.17 Consolidation of the treasury system of the Ministry of Finance by optimizing its structure.

The result was achieved, as MoF managed to consolidate and optimize its treasury system, by moving from a model

¹⁵² Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinău, April 2022).

¹⁵³ Ibid.

3.17 Consolidation of the treasury system of the Ministry of Finance by optimizing its structure.

in which there was a treasury for each district of the Republic of Moldova, to a model with 5 regional treasuries. This change occurred in 2017, through Government Ordinance 696/2017¹⁵⁴.

3.18 Modernization of the service of public authorities / institutions through the treasury system of the Ministry of Finance

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. However, the execution of the own funds by the subordinated institutions is not routinely monitored by the founding ministries and it is not always accurate, as confirmed by the Court of Accounts¹⁵⁵.

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 reports¹⁵⁶. Additionally, CUB, an information System for public accounting was developed, and gradually is implemented by all public authorities.

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” if they are administered through the treasury system. The Treasury ensures the financial integrity of the data received from budgetary organizations. The operational unit of the Treasury Division reviews financial data integrity daily related to budgetary units¹⁵⁷.

Therefore, this result was achieved.

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Implementation, starting with January 1, 2018, of the Order of the Minister of Finance regarding the establishment of service radius for the regional treasuries of the Ministry of Finance.	According to the interview with the representatives of the Methodology Department of the Treasury, the Order of the Minister of Finance regarding the establishment of service radius for the regional treasuries of the Ministry of Finance was adopted. 5 Regional Treasuries are currently operating in the Republic of Moldova. Thus, the mid-term target is achieved.

Component 4 – Financial management and internal control

The following tables present the achievements obtained under each **Envisaged Result**, and how the achievements contributed to the **Medium-term targets**:

Principle 4.1. Public Internal Financial Control (PIFC)**4.1. Internal audit**

- Reorientation of the internal audit function from compliance audit to system audit / performance audit.
- Strengthening the internal audit function within the ministries.
- Ensuring the coverage and quality of the internal audit activity.
- Creating the conditions for outsourcing or sharing internal audit services for public entities.

¹⁵⁴ https://www.legis.md/cautare/getResults?doc_id=121803&lang=ro#

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

¹⁵⁷ Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report, including Gender Responsive Public Financial Management Assessment, prepared by The World bank (Chisinau, April 2022).

- Elaboration of a modern mechanism for training and continuous professional development of internal auditors.

The result was partially achieved.

There is room for improvement as regards the coverage and quality of internal audit activities, the latter depending on the extent to what IAUs are established, adequately staffed with qualified experts. The amendments to the Regulation on the functioning of the Public Internal Financial Control Council, approved in August 2018, allowed the remediation and promotion of the activities related to internal audit in public institutions. However, according to the PEFA assessment report¹⁵⁸ at the end of 2020, the internal audit function was established within 75 central government public entities (PEs) subordinated to the Government, of which only 55 internal audit units or 73% were functional, and only some of them submit reports to MoF. As detailed below, there is progress in this regard, more IUAs being established lately but challenges in terms of staffing them prevail.

In this context, the internal audit still has to develop in order carry out system, performance and IT audits, and to identify solutions and resources to outsource, when the case, internal audits.

A noteworthy result on MoF is the set-up of a certification programme for Internal Auditors. Numerous other trainings have been organised for the internal auditors in place, with the support of the National Academy of Finance and Economics and of other EU countries specialised structures and donors.

PEFA Performance Assessment Report rates Internal Audit (PI26) with C+, confirming the results of this evaluation and underlying the insufficiency of internal auditors across most central public authorities that makes it hard to conduct internal audits on consistent and regular basis¹⁵⁹.

4.2. Managerial internal control:

- Promoting managerial responsibility and issuing a qualitative managerial responsibility statement.
- The actions, initiated by the managers, for the immediate actions as a result of the internal audit recommendations.
- Strengthening the capacities and responsibilities of the economy and finance divisions within the public entities.
- Implementation of managerial internal control systems, adapted to public entities, based on the following components: environment control, performance and risk management, control activities, information and communication, monitoring and evaluation.
- Develop a risk-based performance planning mechanism for public entities.

The results were to a good extent, achieved. Nevertheless, these targets should be maintained in the future Strategy because these activities should be carried out on a continuous basis.

MoF actively promotes managerial responsibility and Managerial Responsibility Declarations are issued by a majority of public authorities. However, further efforts are needed in order to ensure that the Declarations accurately reflects the quality of the managerial internal control in the respective institution and that IMC is adequately carried out.

While National Standards for Internal Control, guidelines and templates, as well as direct support by MoF are in place, external audits performed by the Court of Accounts indicate that there is room for improvement as regards applying them with the expected added value for the management function. This is valid also for the risk-based performance planning mechanism, at all levels, central and local.

Strengthening the capacities for managerial internal control remains a need at all public administration and institutions levels. While the training and peer learning activities carried out so far prove effective, a systematic training based on a managerial internal control training programme oriented on different target groups might be beneficial for the objectives of the Strategy to be reached.

The ex-post evaluation of the PIFC Development Program for years 2018-2020, carried out with the support of GIZ, will have a noteworthy contribution to the improvement of PIFC in Moldova.

4.3. Centralized harmonization

- Alignment of standards and procedures of internal audit and managerial internal control with international standards.

¹⁵⁸ PEFA Assessment report, April 2022, PI – 26.1 Coverage of internal audit

- Creating a mechanism for disseminating good practices in the field of internal audit and managerial internal control.
- Strengthen the work of the Public Internal Financial Control Council/ Board

The result was achieved. The results should continue to be part of the next Strategy.

The Internal Audit Norms in the public sector approved by MoF Order no. 161/2020 comply with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors that ascertains compliance with International Standards for Internal Auditing. Managerial internal control

For the purpose of MoF support and consulting in the implementation of the Public Internal Financial Control (PIFC) the PIFC Council was established. The Council is responsible for:

- issued its opinion on the draft normative acts in the field of PIFC;
- issued its opinion on the consolidated annual report on PIFC;
- examining the problematic aspects regarding the functioning of the PIFC system; and
- submitting proposals for their solving.

The mission of the PIFC Council is to provide support to the Ministry of Finance, in order to ensure an optimal level of awareness of CFPI beneficiaries by managers of public entities, so that public funds are managed according to the criteria of good governance. The Council includes representatives of the Ministry of Finance, State Chancellery, NGOs, professors with scientific titles and other specialists in the field. As detailed below, the Council has had an important contribution to the development of the PIFC function in Moldova.

The dissemination of good practices in the field of internal audit and managerial internal control is done via workshops, on-the-job trainings and international conferences. During the evaluation period 2018-2021 6 national conference were organized. As well, the continues trainings are performed for all staff from the local and central level (see below).

Contribution to the Medium-term targets and long term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term target	Correlation to achievements
Review of the role, responsibilities and composition of the Public Financial Internal Control Council. Strengthening the impact and visibility of the Public Financial Internal Control Council/ Board.	<p>Regulation on organizing and functioning of the Public Financial Internal Control Council was developed and approved by MoF Order no.140 of August 15, 2018 (<i>Official Monitor of the RM no. 336-346 art. 1319 of September 07, 2018</i>).</p> <p>The activity report of the Public Financial Intern Control Council is published regularly on MoF website. The reports for 2018, 2019, 2020 and 2021 are published. https://mf.gov.md/ro/managementul-finan%C8%9Belor-publice/control-financiar-public-intern/consiliul-cfpi</p> <p>As a measures for implementing this objective MoF organized:</p> <ul style="list-style-type: none"> • on June 07, 2018 the annual Conference in the field of financial management and internal control / audit for internal auditors from the public sector "Internal audit - challenges, experiences and perspectives" • on October 11, 2018 the Annual Conference for specialists of the economy and finance divisions from the central public administration institutions with topic "Financial services - primary support in the implementation of public policies". In these events participated 129 people including the senior management of the MoF, the Vice President of the Court of Accounts, international experts, representatives of the financial services within the ministries and other central public authorities • In 2019 - 3 conferences on Public Internal Financial Control • In 2021 - Annual conference on Public Internal Financial Control with support of Finance and Economy National Academy from Netherlands based on cooperation agreement with MoF. 2020-2021 events were organized on-line due to COVID 19 restrictions. <p>The evaluation found that the Council has had an important added value in the consolidation of the PIFC system in the Republic of Moldova. It played an important role in the coordination of PIFC reform by bringing the key stakeholders together, , State Chancellery, academia, business environment and NGOs. It facilitated wide consultations with these stakeholders, which, in term brought expert knowledge into the overall process, and specific expertise in the training and certification process (in the case of internal audit).</p> <p>While managerial internal control and internal audit are still to be consolidated, the Council had an important contribution to promoting and increasing awareness on the benefits of these processes.</p>

	<p><u>This medium term target was achieved and the activity of the Council should be continued and further enforced.</u></p>
Strengthening the capacities of the budgetary authorities for the implementation of the managerial internal control system	<p>Participating in training is an effective method of strengthening the capacities of the budget authorities related to the implementation and development of the managerial internal control system. As a measures for implementing this objective MoF organized for the operational managers from public authorities both at central and local level:</p> <ul style="list-style-type: none"> • During 2018 year 16 trainings • In 2020 year 8 trainings • In 2021 year 6 trainings <p>The covered topics were:</p> <ul style="list-style-type: none"> • Self-evaluation of the managerial internal control system • Managerial internal control for school directors • Documentation of operational processes • Continuity and emergencies management • Methods and practices for preventing and detecting the risks of fraud and irregularity <p>2020-2021 workshops and trainings were organized on-line due to COVID 19 restrictions.</p> <p>In addition, the MoF is performing consultation by phone and mail regarding implementation of the managerial internal control system standards implementation based on approved legal framework.</p> <p>As underlined by PEFA Report, public institutions generally observe the provisions of MoF Ordinance no 4 of January 9, 2019, carry out self-evaluation, report on the managerial internal control system and issue of the annual Managerial Responsibility Declaration¹⁶⁰. However, anecdotal evidence collected at central level by the evaluators indicate that the managerial internal control procedures are perceived, to a certain extent, as cumbersome and time consuming. At the same time, MoF evaluations find that, while the Managerial Responsibility Declaration state that the internal system is adequate, gaps exist. More efforts are to be carried out in order to strengthen the good governance culture in public administration in Moldova, particularly at local level.</p> <p><u>The medium-term target achieved.</u> It could be considered as ongoing target, that need to be present in the next Strategy</p>
Elaboration of the methodological and procedures guide to facilitate the implementation of the regulatory framework related to the managerial internal control	<p>The MoF Ordinance No.189 / 2015 approved the National Standards for Internal Control. Moreover, in 2020 MoF developed an updated version of guidelines and procedures on implementation of managerial internal control components. In this regards, a new MIC Manual was drafted and published on the MoF web site and can be accessed at following link: https://mf.gov.md/sites/default/files/documente%20relevante/Manual%20CIM_03.06.2020.pdf As confirmed by the interviews carried out and the PEFA Report, guidelines are in place to present internal controls to be carried out in an institution. Templates, rules and procedures are in place.</p> <p><u>The medium-term target is achieved.</u></p>
Development of a planning mechanism, based on objectives and associated risks, as well as its implementation by managers	<p><u>No detailed evidence was identified by the evaluation for this medium-term target.</u></p> <p>A planning mechanism, based on performance and risk management, is provided by normative framework and related procedural elements, i.e. Regulation on planning, drafting, monitoring and reporting of public policies, approved by Government Decision no.386/2020, National Internal Control Standards (NICS no.8 "Planning, monitoring and reporting of performance", SNCI no.9 "Risk management"), approved by MoF Order no.189/2015), as well as specific guidelines in MIC Manual.</p> <p>Also, in the Ex-post assessment of the PIFC Development Program for years 2018-2020, this indicator was assessed as "partially achieved".¹⁶¹</p> <p>Moreover, MoF constantly delivers trainings, including on the matter reported and namely:</p> <ul style="list-style-type: none"> - In 2018 – 4 trainings, - 2019 – 5 trainings, - 2020 – 3 trainings. <p>Based on interviews carried out, approach to risk management is still formal (this being one of the gaps identified, although Managerial Responsibility Declarations state that managerial internal control system is compliant). PEFA Report rates risk identification, assessment and evaluation as being at different levels (A-C) and concludes that a positive risk appetite exists and will grow as the risk-related mechanism become more mature.</p>
Review of the current system of self-assessment, reporting of managerial	<p>In 2018, the draft Regulation on self-assessment, reporting of the managerial internal control system and issuance of the Declaration of managerial responsibility was developed.</p> <p>As mentioned above, in 2019, the Regulation was approved by MoF Order no. 4 of 09.01.2019</p>

¹⁶⁰ For example, see Cahul Raion: [Declarația de răspundere managerială - www.cahul.md](http://www.cahul.md).

¹⁶¹ See for more details, page 45 of the report (https://mf.gov.md/sites/default/files/Raport_evaluare_ex-post%20_PCFPI_final.pdf?fbclid=IwAR3VESm5fdArinDXb0Xxxn-K4doqB9ogExlMDSGdfk14d_Z5Ev88oalmsbl)

internal control, as well as issuing the declaration of managerial responsibility	(Official Monitor of the Republic of Moldova, 2019, no. 13-21, art. 110 of 18.01.2019). However, the system needs to be digitised and improved as MoF assessments found that the Declarations do not always reflect the real situation as regards the quality and effectiveness of managerial internal control. <u>The medium-term target achieved</u>
Strengthen the internal audit function within ministries and clarify the area of applicability	The evaluation found that important developments have been registered in this area. The National Standards on Internal Audit previously approved by MoF Order no.113 of 12.10.2012 were revised. The new amendments have been approved by the MoF Order no. 153 of 12.09.2018 (Official Monitor of the Republic of Moldova no. 400-409 art. 1577 of 26.10.2018). This order and a number of other legislative acts adequately regulate the internal audit function and clarify the area of applicability of IA. Manuals, procedures and guidelines in place, as well as a certification system for internal auditors (see below). 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 ¹⁶² . As recorded by the PIFC Annual Consolidated Report for 2021 ¹⁶³ , and confirmed during interviews, the internal audit function is established within 129 public entities (PEs) subordinated to the Government, but only 80 IAUs or 62% are functional; out of these, only some IAUs submit reports to MoF. IA units are mandatory to be established with a minimum 3 staff members in the structure of ministries, National Social Insurance House, National Health Insurance Company and with a minimum 2 staff members in the structure of Local Public Authorities of second level. Within the public entities subordinated to the Government and public entities subordinated to the ministries, IA units are established by Government decisions. Also, public entities autonomous from the Government have the right to establish an IA unit under the terms of PIFC Law no. 229 of 23.09.2010 and in accordance with the legal norms that regulate the activity of the respective entities. However, based on evidence collected by evaluators during interviews, the internal audit functioning is severely affected by the level of staffing in the IA Units, as well as the Public Internal Financial Control Policy Department. Out of positions established by law, only 60-65% are occupied (although this registered a positive trend, indicating the openness of decision makers towards establishing the IA function) and the turnover of staff is high, the level of competencies required being perceived inversely proportional with the existing remuneration. The staff-related limitations also hampers and monitoring and evaluation function of the Public Internal Financial Control Policy Department, which is carried out only partially. An information system for the internal audit (and managerial internal control) reporting is still in development phase. No IT audits are carried out and limited importance is given to performance audits. Most audits carried out are compliance audits. <u>The medium-term target is partially achieved</u>
Creating the conditions for outsourcing or sharing internal audit services for public entities	In 2019 draft Orders on performing the internal audit activity in the public sector by association and on a contract basis were developed and approved in 2020 with positive opinion of the Public Internal Financial Control Council, 2020 by Order of the Ministry of Finance no. 159 of 17.12.2020. (O.M. of the Republic of Moldova no. 13-20 art. 38 of 22.01.2021) and, respectively, the Order of the Ministry of Finance no. 160 of 17.12.2020 (O.M of the Republic of Moldova no. 13-20 art. 39 of 22.01.2021). The Quality Assurance and Improvement Program (QAIP), developed and approved at the level of each public entity, should include also external assessments, to be conducted once in five years by qualified independent assessor or by an assessment team outside the public entity. Such independent assessments have been carried out by MoF in mixed teams (formed of internal and external assessors), nonetheless, their number is limited due to staff-related challenges mentioned above <u>The medium-term target partially achieved.</u>
Identify and implement a modern system of training	The training activities carried out for internal public sector auditors are (based on Annual Reports of the PFM Strategy):

¹⁶² PEFA

¹⁶³

https://mf.gov.md/sites/default/files/documente%20relevante/Raport%20consolidat%20CFPI%20pt%202021_31.05.2022.pdf, pag.24

<p>and continuous professional development of internal auditors.</p>	<ul style="list-style-type: none"> • in 2018, 9 pieces of training were carried out entitled <ul style="list-style-type: none"> ✓ “General aspects regarding public procurement and corruption risk management”, ✓ “Internal public financial control”, ✓ “Quality assurance in the financial audit process” • in 2019, 20 training activities were organized, <ul style="list-style-type: none"> ✓ for internal auditors in the public sector, with the titles “Quality assurance in the financial audit process”, ✓ “Training of trainers in the field of internal audit in the public sector: Module 1, 2, 3, 4, 5”, ✓ a workshop for the heads of internal audit subdivisions, entitled “Results of the external evaluation of the quality of the internal audit activity”, ✓ two workshops “Accounting for budgetary institutions. The Integrated Information System for accounting in public authorities based on platform 1C (IISAPS) and aspects regarding the application of the Law on the unitary salary system in the budgetary sector” ✓ workshop “Internal audit activity in the public sector: carrying out the internal audit mission” ✓ training “Prevention and detection of fraud, methods of detection, procedure and reporting of suspicions of possible fraud”, ✓ training “Management of internal audit activity” for heads of internal audit subdivisions, ✓ training “Information technology audit” for internal auditors, ✓ training “Performance audit” for internal auditors, • In 2020, the trainings conducted online for internal auditors with the following topics: <ul style="list-style-type: none"> ✓ “The basics of accounting in the budget sector. The normative framework in the field of Internal audit in the context of the COVID-19 pandemic” ✓ “Information security and IT tools in the audit activity” ✓ “Introduction to public finance” <p>The Jubilee International Conference “CFPI after a decade - looking to the future” was also organized in 2020, with positive results in terms of raising awareness on the importance of managerial internal control and internal audit.</p> <p>In addition, the document “Considerations for internal audit in response to the COVID -19 pandemic” was prepared and disseminated to internal auditors.</p> <ul style="list-style-type: none"> • In 2021 3 trainings activities were organized for 81 participants with the following topics “Annual and strategic planning of the internal audit activity” and training based on Training program for internal audit in public sector. <p>Also 3 round tables have been organized that discussed the annual planning for 2021 and 2020, reporting issues, news in the area, and the cooperation between external and internal audit with participation of the Court of Accounts, MoF and internal auditors.</p> <p><u>The medium-term target is achieved but considering the number of IAUs and level of staffing and qualifications, these activities need to continue and be extended</u></p>
<p>Improving the current system of internal auditors professional certification</p>	<p>The Regulation on the acquisition, confirmation and maintenance of professional qualification in the field of internal audit in the public sector was developed in 2018 and approved by Government Decision no. 556 of 19.11.2019 (O.M of the Republic of Moldova of 29.11.2019 no. 352-359, art. 862).</p> <p>An information system “Certification system in the field of internal audit in the public sector” is still in development phase.</p> <p>Based on interviews carried out, the MoF through the Public Internal Financial Control Policy Department, established a certification mechanisms for internal auditors in the public sector, implemented starting with 2021. To become an internal auditor certified at the national level, the candidates must follow a dedicated training program, according with 3 levels of competences – basic, intermediate and advanced 62 hours of training each, on different topics including IA, MIC, public sector and administration soft skills, etc. A related certificate is issued only after passing the Knowledge examination for each level of competence.</p> <p><u>The medium-term target is achieved.</u></p>

Principle 4.2: Financial inspection

4.2.1. Financial inspection

- Carrying out financial inspections of compliance with budget execution reports, based on risk analysis.
- Align financial inspection procedures and methods with good practices.
- Strengthening financial investigation capacities.

The Financial Inspection is an institution subordinated to the Ministry of Finance, whose mission is to protect the public financial interests of the state by exercising, according to the principles of transparency and legality, the centralized financial control of the Ministry of Finance on compliance with operations and transactions, public patrimony and the observance by economic agents, which deliver food products to public institutions and to the population, of the discipline of price formation for socially important goods.

4.2.1. Financial inspection

- Carrying out financial inspections of compliance with budget execution reports, based on risk analysis.
- Align financial inspection procedures and methods with good practices.
- Strengthening financial investigation capacities.

The Financial Inspection operates on the principles of legality, impartiality, integrity, confidentiality, independence, loyalty and fulfill the following basic functions:

- financial inspection of operations and transactions within the budgetary and economic legal framework;
- discover the damages / irregularities in the activity of the entities that are subject to financial inspection (control)

Namely, the distribution of control competencies between the institutions with control functions (Court of Accounts, State Tax Service, Customs Department) and presents the basic problem that does not allow the complete implementation of the objectives established in PFM Strategy. Clarifications are needed also as regards the rights to prosecute violations detected following verifications. The evaluation identified a major flow of staff, reportedly caused by the low level of salaries, compared to colleagues from other structures of the Ministry of Finance.

The results were partially achieved.

Contribution to the Medium-term targets and long term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Clarification of the role and responsibilities of the Financial Inspection according to the recommendations of development partners and good practices	<p>In order to clarify the role and responsibilities of the Financial Inspection, a draft regulation for Financial Inspection was developed. The Regulation would have transformed the Financial Inspection into a Central Government Internal Audit Service, a MoF body responsible for the horizontal audit of PFM. The draft Regulation was sent to the Center for Reform Implementation, on 23.04.2018, but it was not approved due to the lack of support and a political decision in this regard.</p> <p>In 2020, the draft Government Decision for the approval of the draft Law on Financial Inspection was prepared and submitted to the Government for examination and approval, by letter no. 04-03 / 1157/1572 of 18.12.2020. It was withdrawn from promotion process in 2021.</p> <p>Currently the Regulation on the organization and functioning of the Financial Inspection subordinated to the Ministry of Finance approved by Government Decision No. 1026 of 02.11.2010 is under MoF review.</p> <p>So far, the legislative framework, not updated in more than 10 years, that would reform the Financial Inspection and ensure its effective functioning is not approved.</p> <p><u>The medium-term target not achieved.</u></p>
Necessary amendments to the legislative framework adopted	<u>No activities because the previous objective was not achieved.</u>
Financial inspection reorganized and supplemented accordingly with staff	<u>No activities because the previous objective was not achieved</u>
Strengthen the capacity for financial investigation following the transfer of responsibilities to the judiciary system	<u>No activities because the previous objective was not achieved (see also below, medium target "Deepening the knowledge specific to the inspection activity")</u>
Elaboration of the new strategic development plan for the Financial Inspection	<p>With the support of the development partner SIGMA, the Strategic Development Plan of the Financial Inspection will be elaborated in the new future. The Development Plan will define the necessary actions to be taken in order to adjust the financial inspection activity in the Republic of Moldova to the European best practices, in correlation with the implementation of public internal financial control, supported by the Twinning project and the development of the external audit, carried out by the Court of Accounts.</p> <p><u>The medium-term target not achieved.</u></p>

<p>Deepening the knowledge specific to the inspection activity</p>	<ul style="list-style-type: none"> • The elaboration of the internal and external training program is carried out annually with its approval for 1 semester and the 2nd semester separately (includes training plan (internal training and external training courses) of the civil servants within the Financial Inspection) • Ongoing training of Financial Inspection employees <p>2018: During the reporting period, 14 training courses were organized, of which:</p> <ul style="list-style-type: none"> ✓ 3 internal trainings, with the following topics: <ul style="list-style-type: none"> - "Application of Law no. 133 of 17.06.2016 on the declaration of wealth and personal interests", attended by 34 people; - "Professional and institutional integrity" (trainers from the National Anticorruption Center), attended by 37 people; - "Public procurement" attended by 36 people. ✓ 11 external trainings, of which: <ul style="list-style-type: none"> - 8 trainings at the Academy of Public Administration (8 people participated) with training topics: "Leadership development in public administration", "Professional integration in the civil service", "Development of skills to perform working duties", "Elaboration and coordination of draft normative acts", "Development and evaluation of public policies", "Public property management", "Public procurement", "Internal public financial control" - 1 training at the Public Procurement Agency (1 person participated), topic "Transparent and efficient public procurement" - 2 trainings at CITF (9 people participated), topic "Integrated accounting information system in public procurement based on platform 1C" (IISAPS). - 2 trainings were organized abroad, of which: training in the Netherlands, with the theme "Public Finance Management", attended by 1 person, and training in Kyiv, with the theme "New Methodologies for Risk-Based Monitoring and Audit of Electronic Public Procurement workshop", attended by 1 person. <p>In 2019, more than 93 people have trained in 11 training courses</p> <ul style="list-style-type: none"> - the training course "Basics of Accounting"; - Occupational safety and health; - Requirements regarding the protection of personal data in the banking financial field - Accounting and Financial Reporting Law and Amendments to National Accounting Standards, Basic Content and Application - How to access the Achizitii.md platform - Etc. <p>No training was reported in 2020 and 2021, although, based on interviews conducted, internal trainings are carried out at least once per month and some external trainings are provided by the Academy of Public Administration. Peer learning activities are also carried out in house, i.e., on drafting an inspection report.</p> <p>The evaluation finds that there is significant room for improvement in terms of strengthening the capacity of inspectors, as the capacity building activities carried out are, reportedly, at a minimum.</p> <p>The medium-term target partially achieved. Trainings should be ensured each year of Strategy implementation.</p>
<p>Modernization of financial inspection procedures, practices and methods</p>	<p>Adjusting the Methodological norms for performing financial inspection started in 2018. Until the cut-off date of the evaluation, the proposed norms were not approved. The existing methodology and procedures for financial inspection are not officially published and this leads to litigations after inspections carried out.</p> <p>A number of measures are needed in order to modernize the FI procedures,</p>

	<p>practices and methods, e.g., carry out inspection in mixed teams (of inspectors responsible in the inspected area and from outside this area), in order to avoid potential conflict of interest and risks of corruption.</p> <p><u>The medium-term target is to a limited extent achieved</u></p>
<p>Improving external communication to ensure accountability of the responsible persons</p>	<p>The Financial Inspection carries out a number of communication activities that should have as a result ensuring that responsible persons/entities, as per inspections carried out, are held accountable.</p> <p>a). Cooperating with the law enforcement bodies, in order to ensure the finality of the results of the performed inspections: full reparation of the caused damage and prosecution of the guilty persons. The small % of recovered amount is because the financial inspectors has no rights for prosecution activities.</p> <p>In 2018: 153 inspection materials, the estimated violations amounted 545,7 million lei. The share of damage recovered during inspections, carried out during the year, is 7.7%.</p> <p>In 2019: 154 inspection materials, the estimated violations amounted 570,9 million lei. The share of damage recovered during inspections, carried out during the year, is 8,4%.</p> <p>In 2020: 170 inspection materials, the estimated violations amounted 413,4 million lei. The share of damage recovered during inspections, carried out during the year, is 7,8%</p> <p>In 2021: 227 inspection materials, the estimated violations amounted 471.3 million lei. The share of damage recovered during inspections, carried out during the year, is 24,5%</p> <p>b) Informing the line ministries/founders about the violations found during the inspection at the entities.</p> <p>In 2018 prepared and sent 503 information's on the settlement of detected violations, which constitutes 66.6 percent of the number of prescriptions sent (out of a total of 755 prescriptions).</p> <p>In 2019 the number of prescription counted 633, on the settlement of detected violations, which constitutes 80,8 percent of the number of 783 prescriptions sent .</p> <p><u>The medium-term target partially achieved</u></p>

Component 5 – Revenue administration

The following tables present the achievements obtained under each result, and how the achievements contributed to the **Results** and **Medium-term targets**.

Principle 5.1. Tax administration.

5.1 Tax legal framework:

- **is comprehensive, clear and transparent;**
- **clearly defines the rights and obligations of taxpayers and their commitments;**
- **provides adequate powers to enable the tax administration to fully implement and implement its legal provisions;**
- **contains strictly limited discretionary powers;**
- **Improving tax legislation and developing the local tax system based on EU and other international standards, including preparation for the gradual adjustment to EU directives.**

The result was partially achieved.

This is continuous process. STS annually presents proposals for improving fiscal policy. Subsequently, it ensures the adjustment of the secondary legal framework in accordance with the revised budget-fiscal policy.

The STS development program 2021-2023 has planned activities for legal framework amendment. Proposals for adjustment of the legal framework are made according to the good international practices, national objectives, as well as based on expert's recommendations/evaluations. Each draft document is subject to public hearings in such a way as to ensure the transparency of the decision-making process <https://sfs.md/ro/procesul-decizional>.

During the evaluation period, STS assignments were extended. In 2018 STS was invested with the attribution of detecting crimes (provided for in certain articles of the Criminal Code). In 2020 STS was invested with the attribution

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of criminal prosecution and the investigation of crimes given in the jurisdiction according to the Code of Criminal Procedure.

5.2 Collection of taxes and duties, compliance and enforcement:

- tax legislation, sanctions, systems and procedures ensure that taxpayers ensure the correct taxes calculation and payment on time;
- robust and efficient policies for collecting tax arrears, systems and procedures are in place and fully operational;
- tax fraud and evasion are systematically and rigorously identified, investigated and prosecuted in order to increase the overall level of tax compliance;

This result was achieved.

The mentioned principles are the basis of the Taxpayer Compliance Program, which is revised and approved annually¹⁶⁴. The Taxpayer Compliance Program aims to create a relationship based on trust and mutual respect between STS and taxpayers. Maintaining confidence in the STS means constantly informing taxpayers about its development policy and strategy. For the program development STS applied a series of measures such as:

- sending / delivering letters of compliance;
- organizing and conducting compliance meetings with the participation of taxpayers;
- carrying out fiscal visits.

Within STS there is created the Compliance Council that is functioning on the principle of public-private partnership. Thus, meetings (3-4) are held annually with representatives of the business/private sector with the aim of discussing constraints in specific areas of the economy and identifying new methods and procedures for tax administration.

Regarding arrears, STS approved the Operational Manual of arrears management, an instrument that includes and standardizes all procedures in the field. In order to consolidate the arrears processes and procedures in 2020, the function of management of arrears was centralized.

As was mentioned, STS was invested with the attribution of detecting, prosecution and investing crimes for some economic crimes in accordance with the provisions of the Criminal Code. Consequently, within the STS structure was created the General Anti-fraud Department.

Estimation of the fiscal gap by domains of the national economy:

- import and marketing of IT technology;
- medical services and physical maintenance;
- import and sale of fruits / vegetables;
- import and sale of flowers;
- Construction;
- Agriculture;
- Transport;
- Manufacturing industry;
- Providing technical assistance services;
- Real estate transactions.

5.3 Tax control:

- The plan for carrying out fiscal controls is prepared based on of identified risks, such as general risks, specific risks and risks of VAT compliance, is in force and fully operational.

This result was achieved.

The Tax audit manual is developed based on a mutual trust and cooperation between taxpayer and STS. This means that the STS to be seen by taxpayers not as a control institution, but as an institution providing services to taxpayers. The fiscal control plans are prepared annually. GD no. 379 of 25.04.2018 approved the general methodology on the state control of the entrepreneurial activity based on the risk analysis. According to the methodology, the mandatory risk criteria are: area of economic activity, number of employees in enterprises (institutions), history of compliance or non-

¹⁶⁴ Link for website with annual Compliance program <https://sfs.md/ro/pagina/planuri-si-programe>

5.3 Tax control:

- **The plan for carrying out fiscal controls is prepared based on of identified risks, such as general risks, specific risks and risks of VAT compliance, is in force and fully operational.**

compliance with the provisions of the legislation (mandatory risk criterion); date of last control; the period of activity of the enterprise.

STS Order no. 348 of 23.06.2018 revised the Manual on fiscal control after methodology approval.

The tax audit plans are prepared annually, on the basis of analysis of internal data, national economy evolution, internal risk management strategy.

5.4 Tax payers management:

- **Efficient taxpayer registration systems and detailed registration of tax revenues and taxpayer payments are in place and fully operational.**
- **Efficient systems for recording taxable transactions, activities, or deliveries are in place and fully operational.**
- **Effective taxpayer compliance monitoring systems are in place and fully operational.**

This result was achieved but improvements are still needed.

During the evaluation period, 2018-2021, the tax payers' management procedures started to be supported by initiatives to modernize IT systems:

- ✓ IS "Management of standard forms" - which allows to keep track of forms and to ensures the process of recording tax invoices, allows the creation of a single database with all historical information about the issued tax invoices and standardized forms of primary documents with special regime;
- ✓ The module "Application for registration of real estate goods leases contracts of the individuals "in SIA" e-Application", that is an effective support in keeping records of leases contracts between physical persons who do not carry out entrepreneurial activity;
- ✓ IS "Registration of independent activity" - which allows to keep records of the self-employed taxpayers;
- ✓ SIA "Settlement of tax obligations through SCITL - version 2.0" – allows to optimize the process regarding the organization and record of the related fiscal obligations, taxes and duties administered by the local tax collection services
- ✓ IS "Personal taxpayer's office" - is a system through which the management of the taxpayers' access to the electronic fiscal services takes place;
- ✓ IS "e-Factura" within public procurement - which ensures the delivery of goods and services based on electronic tax invoices.
- ✓ IS "Case management system" was improved with 3 new modules: a) „Tax Control – direct methods used for physical persons”, d) „VAT refund”; e) „Excise refund”

STS has also implemented other various services (placed on the page <https://sfs.md/ro/servicii>) for taxpayers, who aim to support them. In order to provide an efficient service to taxpayers, SFS is oriented on development information systems, and in particular on the implementation of electronic services for taxpayers.

STS, with the IMF support, started the process of improvement of the taxpayer registration process. Two modules within the IS "Management of the Register of Taxpayers" was developed and are in the process of testing ("Taxpayer Status Management" module and "Management of the Register of Taxable Subjects" module).

5.5 Taxpayer rights, obligations and commitments:

- **Taxpayers' rights, obligations and commitments are precisely defined.**
- **Taxpayers have access to information about their rights, obligations and commitments.**
- **A fair, reasonable and efficient tax compliant process is in place and fully operational.**

This result was achieved but improvements are still needed.

Taxpayers' rights and obligations, including claims processes and procedures, are stipulated in the Tax Code (<https://sfs.md/en/page/tax-code>). STS developed a transparent and friendly communication with taxpayers in accordance with State Tax Service Communication Strategy provisions. There are different channels through which taxpayers' rights, obligations and commitments are communicated: official web page of STS were the taxpayers' guides are placed (Taxpayer Information and Education Guide, Taxpayer Guide for Beginners, etc), the Generalized Basis of Tax Practice, Call Centre, etc.

The STS has implemented the feedback system from taxpayers and stakeholders. It can be provided directly to the STS office, through electronic mail, and on the STS official web page. Online claims and petitions can be submitted via the official web page (<https://sfs.md/ro/pagina/contacte>).

5.6 Voluntary compliance:

- **Voluntary compliance is actively, systematically and regularly promoted.**
- **Compliance with administrative duties on taxpayers is kept to a minimum level.**
- **The recommendations / consultations provided for taxpayers are easily understood and accessed.**
- **The tax registration and accounting system is simple to use and efficient to manage.**

This result was achieved but improvements are still needed.

Additionally to the above-mentioned findings, the system for assessing taxpayers' satisfaction with the services provided by the STS was developed and implemented.

STS, started the process of improvement of IS "Management of the Register of Taxpayers" and are in the process of testing ("Taxpayer Status Management" module and "Management of the Register of Taxable Subjects" module).

STS carried out taxpayer information campaigns related to various areas of tax administration as was planned in communication strategies. STS develop commercial advertisements that promote voluntary compliance process which are distributed on radio and TV.

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Description and continuous review of the processes within the State Tax Service	<u>The medium-term target achieved.</u> It could be considered as ongoing target, that need to be present in the next Strategy. The description and mapping of business processes within the STS was initiated in 2013. Subsequently, two complex process description exercises were carried out (in 2016 as part of the Preparatory Project for the implementation of the TAMP Project and during the years 2018-2019, as a result of the reorganization of the State Tax Service). Consequently, the Catalog of business processes is continuously completed and updated in accordance with legislative changes and the optimization of tax administration processes. Currently, STS operates with version 4.10 of the catalog that include 297 business processes. Increase of the professionalism of the STS staff is performed through diversified and continuous training - The internal and the STS Order approves external training plan of the fiscal officials within STS annually not later than on March.
Centralization of the main functions of fiscal administration	<u>The medium-term target achieved in 2018</u> The process of reorganization and centralization of functions within the STS started in 2017, as a result of the reform of the State Tax Service. Thus, until now (May 2022) the following functions have been centralized: - human resources management; - public procurement; - legal expertise; - management of arrears; - management of confiscated assets; - criminal investigation and special investigative activity; - tax service; - tax control; - debt recovery; - appeals; - insolvency management.
Improving the managerial internal control system by establishing an efficient risk management system	<u>The medium-term target not achieved</u> The STS approved the new Risk Management Methodology (STS Order no.706/2018), with a new risk management approach at the institutional level. Thus, the Risk Register of the STS was developed and is continuously being updated, and for each risk included in the register, the related passport is drawn up. The Register is published on official STS web page. https://sfs.md/uploads/files/rapoarte/Registru%20riscurilor%20al%20SFS.pdf According to the Declaration of managerial responsibility, during 2018-2020, the managerial internal control system was partially compliant with NIAS. However, in

<p>Strengthening international cooperation and implementing the objectives set in the development projects carried out with the support of the development partners</p>	<p>2021 the managerial internal control system still is not compliant with NIAS¹⁶⁵.</p> <p>The medium-term target achieved. It could be considered as ongoing target, that need to be present in the next Strategy.</p> <p>1. IMF: The project to strengthen fiscal governance in the Eastern Partnership Countries, implemented with the IMF support, is in implementation process. One of its components is the development of the State Fiscal Register and the improvement of the taxpayer registration process. Thus, by STS Order no. 475 of 15.09.2021, the Action Plan for implementing the IMF recommendations was approved, which also targets the "State Fiscal Register" section. In this context, STS plans to carry out the action in two stages, namely:</p> <p>stage I - launch of the module in experimental operation in the second quarter (June) 2022;</p> <p>stage II - launch of the module in industrial operation in the fourth quarter (December) 2022.</p> <p>2. Swedish Tax Agency: In 2018, a new cooperation project was started between the Swedish Tax Agency and the State Tax Service for a period of three years (2018 – 2021), providing assistance in the following areas:</p> <ul style="list-style-type: none"> - Human resources management; - International exchange of information; - Management of tax arrears. <p>Within the Project, the management concept within the STS was approved, GD no.618 of 11.12.2019 of the Regulation on the procedure for the execution of monetary claims based on provisions of public law was approved, training courses for future taxpayers (over 3000 students of the 9th grade) were held, the Action Plan for the implementation of the automatic exchange of information on financial accounts was approved. A new cooperation project is in the process of negotiations.</p> <p>3. World Bank: Cooperation with the World Bank is carried out through the Tax Administration Modernization Project (TAMP). The project started in 2017 and was restructured twice in 2019 and 2020. As a result, the development objective of the project and design was changed, the new objective being "supporting business survival and supporting employment through temporary tax facilities in the context of COVID-19 and the improvement of services provided to taxpayers in the Republic of Moldova". So far, the following has been achieved within the project:</p> <ul style="list-style-type: none"> - the independent survey, at national level, among taxpayers (individuals and legal entities), to assess the level of taxpayers' satisfaction in relation to the activity of the SFS; - the purchase of hard and soft components according to the needs of STS; - the launch of the electronic tool for assessing the level of satisfaction of taxpayers; - the launch of the new official website of the State Tax Service www.sfs.md; - the evaluation of the capacity gap of the Information System of the STS was initiated <p>4. The International Assistance Program of the US Treasury Department (Revenue Project): The project provides support in the implementation of the TAMP Project and is oriented towards three basic components:</p> <ul style="list-style-type: none"> - Institutional development; - Operational development; - Project management and change management. <p>The following activities were carried out within the program:</p> <ul style="list-style-type: none"> - approval of the Operational Manual for taxpayers' services; - approving the Operational Manual for arrears management and carrying out related trainings; - strengthening the capabilities of audit of information systems; - carrying out "training of trainers" trainings; - approval of the Guidelines of the particularities of tax audit in the field of construction; - development of the tax control quality assurance function; - development of skills in the field of international taxation; - continuous support in the implementation of the TAMP Project and in the consolidation of the change management and strategic management function.
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¹⁶⁵ Link for the 2021 Declaration of managerial control <https://sfs.md/uploads/files/declaratia%20pe%20raspundere%20manageriala/Declara%C8%9Bia%20de%20raspundere%20manageriala%202021.pdf>

	<p>In the same order, STS is an active member of different international organizations in tax field as IOTA, Center of Excellence in Finance, Coordinating Council of Heads of Tax Services of the CIS countries, OECD.</p> <p>It is important to mention that Moldova is in process of implementation of the OECD Convention "Multilateral Agreement of Competent Authorities for the Automatic Exchange of Information on Financial Accounts".</p>
Strengthen and expand the Fiscal Compliance Program to redirect the control potential on voluntary compliance actions, in order to prevent and avoid tax fraud	<p><u>The medium-term target achieved.</u> It could be considered as ongoing target, that need to be present in the next Strategy</p> <p>The Taxpayer Compliance Program of STS is approved and implemented annually. It includes the analysis of the sectors of the national economy, the identification of those with a high degree of risk and the application of voluntary and forced compliance measures necessary for the development of a fair economy based on competitive principles. Quarterly reports are published on official web page of STS.</p> <p>One of the main indicators calculated is "share of taxes and duties calculated on for one MDL received from sales". This share is calculated for national public budget level. Ex. 2018 annual share has increased by 24.37% in comparison with 2017. The share in 2019 has increased only by 17% in comparison with 2018 year. The share in 2020 has increased by 30% in comparison with 2019 year, and respectively in 2021 by 28%.</p>
Improving and computerizing the process of recording and managing execution orders	<p><u>The medium-term target achieved.</u> By GD No.187 of 25.03.2020 the technical concept of the IS "Register of enforcement mandates" was approved.</p> <p>Based on the prototype of the system, it was decided to integrate the information flow of the IS "Register of enforcement mandates" in the IS "Creation and circulation of electronic documents between the STS and financial institutions".</p> <p>The system has been developed and is in the process of testing.</p>
Improving and computerizing the record of contravention reports	<p><u>The medium-term target achieved.</u></p> <p>The IS „Register of contravention fines" is in the process of testing (Order nr.69 of 16.02.2022).</p>
Reducing the phenomenon of undeclared work	<p><u>The medium-term target not achieved.</u> It could be considered as ongoing target, that need to be present in the next Strategy.</p> <p>The undeclared salary (in envelope salary) is a phenomenon that aggravates both the economy and society as a whole and has detrimental effects for the employee and the employer. The practice of paying "envelope salaries" is a violation of legislation that leaves a bad mark on the future.</p> <p>The STS created a working group with State Labour Inspectorate, Order 20A of 29.06.2018. Action plans to minimize the practice of paying salary "in envelopes" and "unofficial" work are approved. There are common activities with SLI, NSIH, etc. Some activities that STS carried out are:</p> <ul style="list-style-type: none"> - evaluation of compliance risks related to labor; - sending compliance letters to employers (469 letters in 2019, 1299 in 2020, 1257 in 2021); - performing compliance visits (370 visits in 2018, 1465 in 2019, 123 in 2020, 402 in 2021); - trainings with employers and employees; - Compliance Council's meetings; - advertisement videos and participation in TV shows promoting legal framework. <p>As a result, the level of compliance in the labor field increased. E.g. in 2021 the revenue to the national public budget administered by the STS from the salary income tax registered an increase of 20,8% compared to 2020 (to social insurance with 13,9%, to health insurance with 15,8%).</p> <p>On the official web page of STS a dedicated menu is created, where reports are published (https://sfs.md/ro/pagina/rapoarte-anuale).</p>
Improving and expanding on-line services provided to taxpayers	<p><u>The medium-term target achieved.</u></p> <ul style="list-style-type: none"> - - In order to improve and expand electronic services, several information systems have been developed over the years, including: - IS "e-Invoice" (new modules and functions); - IS "Online ordering of standardized forms of primary documents with special regime"; - IS "e-Application" (new modules); - IS "Settlement of tax obligations through SCITL version 2.0";

	<ul style="list-style-type: none"> - IS "Payment of taxes and charges by individuals (citizens)"; - IS "Taxpayers' Personal Cabinet" etc.
Strengthening the process of supporting taxpayers by implementing the "taxpayer's electronic office"	<p><u>The medium-term target achieved.</u></p> <p>Development of the module "Single account" within the IS "Current account of the taxpayer" giving possibilities to connect it to the own accounting systems for simplification of the calculation, reporting and payment of tax obligations.</p>
Function's development for generating pre-completed tax reports	<p><u>The medium-term target achieved.</u></p> <p>The "Pre-filled Declaration" module was developed within the IS "Electronic Declaration" to optimize the online declaration filling process by automatically filling out the form with the information available in the STS information system.</p> <p>Implementation of the pre-completed tax reports increased the number of electronically presented reports: from 66.45% in total declaration in 2018, to 91,9% in 2021.</p>
System development for assessing taxpayers' satisfaction with the State Tax Service services	<p><u>The medium-term target achieved.</u></p> <p>The system for assessing the taxpayers' satisfaction with the services provided by the STS was launched in 2021 (Order no.469 of 13.09.2021). Thus, the questionnaire are available on the website www.sfs.md, in the SIA "Personal Taxpayer's Office", as well as in 16 Tax Service Directorates, where it can be completed through electronic devices in „Surveys" menu on the official web page of STS. Reports on the results of the surveys are also published</p>
Development of the electronic sales monitoring information system	<p><u>The medium-term target achieved.</u></p> <p>IT system "Electronic monitoring of sales" started to be used on January 2022 after approval by the inter-departmental commission Decision no.26-11/1-19/01 of 10 June 2021. It foresees the exchange of data between cash control equipment and IT system.</p>

Principle 5.2: Custom administration

5.2.1. Customs legislation:

- **comprehensive, clear and transparent;**
- **compatible with international customs legislation and standards;**
- **clearly defines the rights, obligations and responsibilities of customs officers, economic operators and citizens;**
- **provides adequate powers to enable the customs administration to fully enforce the legal provisions;**
- **provides for strictly limited control powers.**

This result was achieved but further actions are needed.

The new Customs Code, approximated to that of the European Union, was adopted by Parliament in final reading by Law 95 in August 2021. According to the law provisions, it will enter into force on 1 January 2023, and the regulations implementing the document, as well as draft laws for alignment to EU customs regulations to be developed and adopted by then. Customs Code brings simplicity in the way of regulating and interpreting the customs legislation by systematizing and merging in a single legal document 3 laws: the former Customs Code, the Law on customs tariffs and the Law on how to introduce and remove goods on the territory of the Republic of Moldova by individuals. The document simplifies customs procedures, ensures the implementation of modern customs clearance instruments, extends the concept of electronic customs, simplified declaration and AEO.

5.2.2. Management of economic operators:

- **Efficient systems for recording data from customs declarations and payments, are implemented and fully functional;**
- **Efficient systems for recording the obligations of economic operators regarding customs payments are implemented and fully functional.**
- **The appropriate IT system for electronic data exchange with economic operators based on a single access point is implemented and fully functional.**
- **Efficient compliance monitoring systems are also fully operational.**

This result was achieved but further actions are needed.

The principles are about the development of the AEO program and the mechanism for mutual recognition of AEO status within EU countries. In April 2020, the Secretaries of the Customs Subcommittee of the Republic of Moldova and the EU approved the Roadmap on mutual recognition of AEO in the Republic of Moldova and the EU. As a first step, experts from DG TAXUD carried out the evaluation of the AEO legal framework and its compatibility with EU requirements was established. In order to develop and implement simplified procedures, the Custom Service (CS) will implement the

<p>5.2.2. Management of economic operators:</p> <ul style="list-style-type: none"> - Efficient systems for recording data from customs declarations and payments, are implemented and fully functional; - Efficient systems for recording the obligations of economic operators regarding customs payments are implemented and fully functional. - The appropriate IT system for electronic data exchange with economic operators based on a single access point is implemented and fully functional. - Efficient compliance monitoring systems are also fully operational.
<p>modules and their user manual with the direct involvement of IT specialists who develop the "ASYCUDA World" Information System of the CS – Promoting the simplified origin certification procedure - Approved Exporter</p>

<p>5.2.3. Revenue collection at custom:</p> <ul style="list-style-type: none"> - The revenue collection and management strategy is developed, being designed to ensure that all customs revenues are correctly collected, recorded, reported and audited.
<p><u>This result was achieved.</u> Due to the efficient collaboration between the business environment and the Customs Service, the revenues collected to the state budget in 2021 amount to over 28.5 billion lei, being attested an increase of 26.8% compared to 2020 and 24.9% compared to 2019. The largest share belongs to payments from the VAT administration, followed by excise duties and customs duties. The increase of the revenues administered by the Customs Service is determined, mainly, by the improvement of the customs control, the authentic declaration of the goods by the economic operators, but also by the progresses registered in the anti-fraud field. Another factor influencing the increase of budget collections is due to the measures of simplification of customs procedures and facilitation of international trade, such as electronic declaration, AEO, PVD (Customs Clearance) or Approved Exporter. The revenues collected by custom service are recorded by state treasure using the budget classification. The Customs Service has the internal audit subdivision, which during 2021 were functional, their activity being carried out in accordance with the provisions of the normative framework and the National Standards of internal audit¹⁶⁶. Starting with 01.07.2021 the accounting is done centralised within the Central Apparatus of the CS and the customs offices. The organizational structure, the staff lists and the staffing schemes remained the same, as before the reorganization.</p>

<p>5.2.4. Transit, border control and post-clearance audit:</p> <ul style="list-style-type: none"> - Efficient and effective customs controls, performed based on risk analysis at airports, border-crossing points and internal control points, which facilitate the flow of goods and transport ensure revenue collection and protection of citizens, are implemented and fully functional. - A customs transit system, ensured by a reliable guarantee mechanism, and identification measures implementation, implicit obligation to use authorized vehicles and customs seals, is operational. - An effective and efficient subsequent control and post-clearance audit, which provides the customs administration with sufficient legal powers to plan audit missions and use the risk management system, is also operational.
<p><u>This result partially achieved.</u> New Computerized Transit System (NCTS) faze 5 started to be implemented after the Custom Service received recommendations from DG TAXUD. Working group and Supervision Committee for monitoring implementation process were created by CS Order nr.125-O of 29.04.2021. The draft document for Aligning the national transit of RM to EUCDM 6.0 transit and E-TIR (1st component) was sent for approval on 10.05.2021. The action was included in the Annual Plan of Action „EU RM” and need to be approve for financing. The financing was promised for 2022. The implantation plan will be able to establish after the financing will be accepted.</p>

<p>5.2.5. Trade facilitation:</p> <ul style="list-style-type: none"> - Organized customs controls are oriented to minimize business costs, needed documents and information requirements, as well as the time required to comply with customs procedures and other border authorities and to ensure security of the supply chain. - Simplified customs procedures are applied for economic operators who comply with the legislation. - Cooperation between the customs authority and the business community is developed through the application of effective tools and mechanisms.
<p><u>This result is partially achieved.</u> These principles are implemented via ensuring:</p>

¹⁶⁶ Court of Account 2021 financial situations report

<p>5.2.5. Trade facilitation:</p> <ul style="list-style-type: none"> - Organized customs controls are oriented to minimize business costs, needed documents and information requirements, as well as the time required to comply with customs procedures and other border authorities and to ensure security of the supply chain. - Simplified customs procedures are applied for economic operators who comply with the legislation. - Cooperation between the customs authority and the business community is developed through the application of effective tools and mechanisms.

<ul style="list-style-type: none"> ✓ the protection of intellectual property rights at the border by including 736 intellectual property objects in the "Register of Intellectual Property Objects", to which border protection measures apply. ✓ the customs supervision of the tobacco articles under customs transit regime and counteracting the illicit tobacco traffic by monitoring the transit, import and export operations. Customs officers are trained by the Secretariat of the WHO Framework Convention on Tobacco Control, EUBAM and FRONTEX; ✓ joint activities/ operation in order to prevent and combat crime in the border area <ul style="list-style-type: none"> ▪ between 15.02-15.03.2021: "SHIELD II", in cooperation with EUBAM and IGPF; ▪ between 01-30.09.2021: "SCORPIO II" on combating illicit trafficking of cigarettes and tobacco products across the state borders of the Republic of Moldova, Romania and Ukraine. ▪ between 11.11.-14.11.2021: "RADIUS" organized by CS jointly with IGPF of the Ministry of Interior, on combating illicit trafficking in goods, verification of declared transport units, public order and illicit trafficking of people; ▪ between 01.12.-31.12.2021: "OFFSIDE" on combating illicit trafficking of goods and public order on the administrative line of the Transnistrian segment
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<p>5.2.6. Law enforcement and investigations:</p> <ul style="list-style-type: none"> - Efficient and effective systems for detecting, preventing and investigating customs fraud are operational. - Law enforcement and investigation operations are correlated with an intelligence strategy based on the most current methods of risk analysis to ensure the protection of revenue and society.
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<p><u>This result is partially achieved.</u></p> <p>The Parties shall strengthen their cooperation in the field of customs in order to ensure the implementation of the objectives approved in the Moldova-EU action plan, to promote trade facilitation, while ensuring effective control, security and fraud prevention. To this end, the Parties use as a reference tool, as appropriate, the 2007 European Commission practical guidelines in the field of customs. In order to ensure compliance with the provisions of this principle, the Parties exchange information on customs legislation and procedures; joint initiatives on import, export and transit procedures are organized in order to provide effective services to the business community. CS collaborate with international partners and with CITF on the automation of customs procedures and other commercial procedures.</p> <p>For all customs procedures the permission to operate with personal data need to be registered. The Policy for the protection of personal data within the Customs Service was approved by the Customs Service Order no. 200-O of May 19, 2015. By the Customs Service was registered in the Register of records as personal data operators.</p>
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<p>5.2.7. Security of the supply chain:</p> <ul style="list-style-type: none"> - Effective and efficient measures to ensure the security of the international supply chain in line with World Customs Organization (WCO) framework-standards on security and global trade facilitation and EU requirements are fully implemented and operational.
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<p><u>This result partially achieved.</u></p> <p>On 15.12.2021, at the meeting of the GUAM Secretariat, the latest progress on harmonizing the AEO MOLDOVA legal framework to OMV and EU standards was presented in the Working Group on Mutual Recognition of AEO. Between 01.11-21.11.2021, Operation "PATHFINDER" was carried out under the auspices of OMV, OLAF, INTERPOL, RILO, on combating illicit trafficking of cigarettes and tobacco products across RM borders.</p>

<p>5.2.8. The rights, obligations and responsibilities of economic entities:</p> <ul style="list-style-type: none"> - The rights, obligations and responsibilities of economic agents are precisely defined. - Economic entities have access to information on their rights, obligations and responsibilities. - A fair, reasonable and efficient process of complaining customs decisions is implemented and fully functional.
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<p><u>This result partially achieved.</u></p> <p>Ensuring transparency in the field of customs administration by providing relevant, comprehensive and current information to the target audience and society as a whole. The Customs Service with the support of the Economic Council under the Prime Minister office in 2019 organizes, an information session on the facilities and simplifications of customs procedures, to which economic agents from all over the country were invited.</p>

<p>5.2.8. The rights, obligations and responsibilities of economic entities:</p> <ul style="list-style-type: none"> - The rights, obligations and responsibilities of economic agents are precisely defined. - Economic entities have access to information on their rights, obligations and responsibilities. - A fair, reasonable and efficient process of complaining customs decisions is implemented and fully functional.
<p>Is essential to ensure the accessibility of the database for the business:</p> <ul style="list-style-type: none"> ▪ Trade Information Portal - an interactive platform, launched in 2020, which contains all the necessary information for those who practice foreign trade. The portal is an integral part of the official SV website and is systematically updated; ▪ Interactive map of the border customs posts, where the current situation regarding the functional customs posts or whose activity has been stopped is presented: https://customs.gov.md/ro/map; ▪ Traffic in customs posts online (https://customs.gov.md/ro/traffic?location=leusenie). <p>The data sets available on the portal wd.date.gov.md were updated on February 2021.</p>

Contribution to the Medium-term objectives	
The following table presents the correlation between medium-term objectives and achievements.	
Medium-term objective	Correlation to achievements
National customs legislation harmonization with the EU one, by adopting the new Customs Code, as well as the elaboration and approval of the secondary regulatory framework for their application.	The medium-term target achieved. Law no. 95/2021 adopted the new Customs Code. It will entry into force on 01.01.2023. By the end of 2022 budget year, the work on regulatory framework, need to be finalized.
Implementation of simplified electronic customs procedures in accordance with EU norms, implementing the new version of IS "Asycuda World"	The medium-term target achieved. Experts from DG TAXUD approved the Roadmap on mutual recognition of Authorized Economic Operator (AEO) in the Republic of Moldova and the EU. Its compatibility with EU requirements was established too. The new version of IS "ASYCUDA World" includes simplified origin certification procedure - Approved Exporter, interconnection with IT system for post office CN22 and CN23.
Consolidation of the post-customs audit competencies using the Information System, improving capacities in performing risk analysis for selected economic entities that are subject to subsequent control	The medium-term target achieved. Applying modern customs risk analysis tools custom audit has intensified measures to prevent and combat smuggling: 817 selectivity criteria were created, 107 criteria were modified, and 56 criteria were cancelled. As of 31.12.2019 out of 817 evaluated criteria, 211 criteria were active. During the reporting period, were organized 15 operations, including 3 national and 12 international.
Ensuring the transparency of the Customs Service's activity by increasing the accessibility to the public interest information and sustainable development of the Customs-Business partnership	The medium-term target achieved. The Custom Service (Advisory Committee Platform) jointly with the EU Delegation to the Republic of Moldova, the USAID Structural Reforms Program in Moldova and the American Chamber of Commerce in Moldova, in partnership with the European Business Association, organizes online conferences to facilitate e-TRADECON trade. It is practiced to organize the meetings of the Consultative Committee within the central apparatus of the Customs Service and in the territory - the North Customs Office, the Central Customs Office, the South Customs Office. Topics for discussions are: <ul style="list-style-type: none"> ✓ holders of suspensive customs regimes; ✓ distribution of customs declarations within the posts ✓ completing the standard model of the justification statement; ✓ trade facilitation and simplified customs procedures; ✓ facilitating preferential exports; ✓ particularities in establishing the original character of the goods; ✓ requesting and issuing permissive documents, being explained the procedure for obtaining them through the SIA GEAP system; ✓ the problems faced by economic agents in foreign trade activity.
Development of the mutual recognition mechanism for the status of authorized economic operator (AEO - authorized economic operator)	The medium-term target is in the process of implementation Custom Service (Advisory Committee Platform) jointly with the EU Delegation to the Republic of Moldova, the USAID Structural Reforms Program in Moldova and the Chamber of Commerce organized on-line validation mission of the AEO Program in Moldova. The 2021 mission was organized by the Secretariat of the CEFTA customs subcommittee with the support of GIZ. The mission assessed the issues about compatibility of the AEO Program in the Republic of Moldova with international and EU standards (legal framework, eligibility criteria, benefits, management of the national AEO program). The following actions are: to ensure the exchange of AEO data from RM and CEFTA parties - SI SEED+ development, which will include risk analysis, AEO data exchange between CEFTA states (the developer and financier of the SI SEED+ is GIZ.).
Implementing the concept of postal	The medium-term target achieved.

shipments in e-Commerce	Process initiated in November 2020 with the support of GIZ, USAID, UNCTAD and DHL Express Moldova. The objective of the respective project is to implement a specialized module for pre-arrival (PaP) and pre-departure (PdP) international express mailings integrated in SIV ASYCUDA World.
Extending the number of companies benefiting from simplified certification procedures "Approved Exporter"	During 2021 year Custom Department: <ul style="list-style-type: none"> - issued 4 certificates for export approval and 1 refusal; - 5 status amendment requests of the status. As of 30.12.2021, 47 exporters have the status „Approved Exporter”.

Component 6 – Public procurement

The following tables present the achievements obtained under each result, and how the achievements contributed to the **Results** and **Medium-term targets**.

Principle 6.1: Transparency, completeness and competition in the legislative and normative framework

6.1 Transparency, completeness and completion in the legislative and normative framework.

The legal framework on public procurement has been improved in the last five years and has been aligned to a good extent to European Union (EU) standards, in line with the obligations agreed in the EU Association Agreement signed by Moldova. The Law on public procurement no.133/2015¹⁶⁷ transposes Directive 2014/24 / EU of the European Parliament and of the Council of Europe of 26 February 2014 on public procurement, Directive 2014/24/EC of the European Parliament and of the Council of Europe regarding application thresholds for contract award procedures, and Council Directive 89/665/EC of 21 December 1989 on the coordination of laws, regulations and administrative provisions concerning the application of procedures relating to remedies for the award of public supply contracts and public contracts published in Official Journal of the European Union L 395 of 30 December 1989. However, as also the PEFA Report notes, some further modifications are required to make the Law fully compliant with the EU acquis and/or to eliminate contradictions between different legislative acts (i.e., the thresholds for the small value procurements). Moreover, the World Bank MAPS Report notes that “secondary legislation is partly outdated and contradictory and requires revision”.

Low-value procurement is guided by a separate Public Procurement Regulation for small-value public procurement contracts.¹⁶⁸ A separate law on procurement by utilities companies was adopted by Parliament on 21 May 2020 and published¹⁶⁹ on 26 June 2020 and entered into force in June 2021 (12 months after the date of publication).

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 public¹⁷⁰.

¹⁶⁷ Link for Law on public procurement no.133/2015 https://www.legis.md/cautare/getResults?doc_id=113104&lang=ro

¹⁶⁸ Government Decision No 665 dated May 27, 2016 for approving the Regulation on small value public procurement

¹⁶⁹ 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

¹⁷⁰ The following legal framework and activities were developed for managing public procurement process:

- Government Decision 705 of 11.07.2018 regarding approval of the technical concept of the Automated Information System "State Register of Public Procurement" (MTender)
- Secondary legislation for MTender implementation
 - ✓ Government Decision no. 985 of 10.10.2018 for the approval of the Regulation on the accreditation of electronic procurement platforms within the Automated Information System "State Register of Public Procurement" (MTender)
 - ✓ Government Decision no. 986 of 10.10.2018 for approval of the Regulation on the maintenance of the State Register of Public Procurement created by the Automated Information System "State Register of Public Procurement" (MTender)
 - ✓ Government Decision no. 987 of 10.10.2018 for approval of the Regulation on the acquisition of goods and services by requesting price offers
 - ✓ MoF Order no. 173 of 5.10.2018 on approval of the standard documentation for goods public procurement;
 - ✓ MoF Order no. 174 of 5.10.2018 on approval the Standard Documentation for the service public procurement;
 - ✓ MoF Order no. 175 of 5.10.2018 on approval of the Standard Documentation for realization of goods and services by requesting price offers public procurement procedures;
 - ✓ MoF Order no. 176 of 5.10.2018 on approval the Standard Documentation for public procurement of works;
 - ✓ MoF Order no. 177 of 9.10.2018 on approval of the standard form of the Single European Procurement Document

Moldova has adopted the first strategy for the development of the public procurement system for the years 2016 - 2020 as a measure for the application of the provisions of the Association Agreement. The preparation of a new strategy for the next five years, as well as of the National Program for the Development of the public procurement system and the related Action Plan were finalised at the cut-off date of the evaluation.

This result is partially achieved.

The following tables present the achievements obtained under each result, and how the achievements contributed to the **Medium-term targets**:

Contribution to the Medium-term targets	
The following table presents the correlation between medium-term objectives and achievements.	
Medium-term objective	Correlation to achievements
Full alignment of the public procurement legal framework with EU Directives	Amendments and completion to the Law on public procurement no. 131 of 03.07.2015 meaning to transpose the basic elements of the European Union Directive 2014/24 / EU, including the provisions corresponding to the reform of electronic public procurement was presented to the Government by cover letter no. 17-03 / 1406 of 14.06. 2018 and no. 17-03 / 1406/2 of 14.06.2018, which was subsequently adopted by Law no. 169 of 26.07.2018 (M.O. of the RM, 321-332 / 527, 24.08.2018). <u>This medium term objective was partially achieved. The alignment process will continue and could be part of the next FM Strategy.</u>
Completion of the Contravention Code of the Republic of Moldova no. 218/2008 by including the new sanctions for non-compliance with the legal framework in the field of public procurement	At the request of the Ministry of Justice no.03/4075 of 19.04.2019, the proposals for amending the Contravention Code were developed. It includes sanctions for non-compliance with the legal framework in the field of public procurement procedures. Based on interviews carried out, different solutions put forward by the Parliament and the Ministry of Justice are to be reconciled and final amendments are to be adopted. <u>This medium term objective is partially achieved</u>
Elaboration and promotion of the secondary normative framework necessary for the implementation of Law no. 74/2020 on procurement in the energy, water, transport and postal services sectors	This law partially transposes provisions of the Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on utilities procurement by entities operating in the water, energy, transport and postal services sectors. The draft Government Decision for approving Methodological Norms on procurement contracts award/framework agreements in the energy, water, transport and post services sectors, subject to anti-corruption approval and expertise, is to be finalized and sent to the Government for approval after receiving the legal expertise report from the Ministry of Justice. <u>This medium term objective was partially achieved. The document is not approved yet.</u>

Principle 6.2: Use of competitive procurement methods

6.2 Promoting the participation in procurement procedures of suppliers and contractors of international origin (non-resident economic operators), thus promoting international trade.

The Public Procurement Law (PPL) 133/2015 applies to all public contracting authorities, local and foreign.¹⁷¹ The PPL lists a wide range of procurement methods that may be used in public procurement, in line with EU and international standard, including open and restricted tenders, competitive dialogue, negotiated procedure, etc.

The law also provides for different types of 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 etc.

All methods, except for negotiated procedures, have the potential to ensure competitiveness, fairness, transparency, proportionality, and integrity. Moreover, recently, Moldova gained access to the Official Journal of the EU (EU TED) and contracts which exceed certain thresholds defined in the PPL Art. 2 para (3) are published here, too. The new status of candidate country to the EU will open more the market to suppliers and contractors of international origin.

However, data on their participation in procurement procedures is not available. Interviews carried out indicate that the

¹⁷¹ PPL, Art. 2(1), goods and services – MDL 200,000, works – MDL 250,000 and social services and other services defined in the PPL – MDL 400,000 (all thresholds exclusive of VAT). In 2021 average official exchange rate of MDL to 1 US Dollar was 17.6816 MDL

6.2 Promoting the participation in procurement procedures of suppliers and contractors of international origin (non-resident economic operators), thus promoting international trade.

main bottlenecks in this regard are certain gaps in secondary legislation, small values of contracts, and the need of national electronic signature to be obtained after the foreign economic operator is registered in Moldova, and received a national fiscal code. Non-residents economic operators will be interested in participating in the provision of services and goods delivery in Moldova, when the procurement process will be fair, competitive and transparent.

This result is achieved to a limited extent.

6.3 Ensuring fair and equitable treatment of all suppliers and contractors.

One of the most ambitious and challenging tasks for the MoF for 2019 was the implementation as a pilot, of the electronic procurement system developed with EBRD support. The MoF's priority was to ensure the public procurement process with an updated regulatory framework as well as a modern public procurement tool based on advanced IT solutions. Thus, during the reporting period several activities were carried out:

- familiarizing contracting authorities and economic operators with the new provisions of the legislation, as well as the new electronic processes in the field of public procurement;
- the electronic auction has been implemented as a specific tool that allows to reduce and obtain more advantageous prices;
- introduction of the DUAE (Single European Procurement Document) has allowed economic operators to reduce the time and resources for preparing and submitting tender documents.

As of 06.11.2019, the EU technical assistance project on the analysis and development of the electronic procurement system in the Republic of Moldova was launched. MoF are currently working on developing a modern and easy-to-use electronic public procurement system.

Therefore, this result is partially achieved.

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Electronic public procurement continuous development and modernization to cover the entire process of public procurement	<p>The Electronic Public Procurement System in Moldova is still under development. In October 2018 the piloting of the Automated Information System "State Register of Public Procurement" (SIA MTender) was initiated. At least 300 contracting authorities started to use it at that stage (10% of total number of contracting authorities).</p> <p>SIA RSAP MTender was handed over by the EBRD and received by the MoF on 16.12.2020. CITF provides maintenance for stable operation. Currently, in SIA RSAP "MTender" can be performed 4 types of procedures (request for price offers, open tender, closed auction and framework agreement) and low value purchases.</p> <p>The key issue as regards the current MTender, as identified in the interviews carried out and documents reviewed is the fact that it does not cover the entire procurement cycle, from planning to contract management and, consequently, it does not provide information on the the implementation of contracts, their extension or completion. At the same time, it does not cover the small value contracts as there is no obligation for the contracting authorities to use any feature of MTender when carrying out such procurement. As underlined by the PEFA Report, the limitations of the MTender significantly hamper the process of monitoring public procurement in the country.</p> <p>As the Centre for Information Technologies in Finance (CITF), subordinated to the MoF, needed support in building and maintaining the system, thus EBRD and EUD have been involved in the development of the e-procurement system. However, the evaluation identified some risks in this regard, namely activities contracted for the development of a new system have been delayed and at the cut-off date of the evaluation solutions were sought to capitalize on the time available until contract closure (October 2022) and carry out the most important improvements to the system, feasible in this timeframe.</p> <p>The e-procurement system will also need to take into account future modifications to be brought to legislation in place, as the current MTender was built in line with the 2014 Procurement Directive,</p> <p>At the same time, the MoF together with the institutions in the field of information</p>

	<p>technologies is in the process of evaluating the existing technical solutions in order to determine how to further develop electronic public procurement.</p> <p><u>This medium-term objective was partially achieved.</u></p>
<p>Stimulating the application of “framework agreements” for joint and centralized public procurement, in particular at the level of local public authorities</p>	<p>Pursuant to art. 61 para. (3) from Public Procurement Law no. 131/2015 the Government Decision no. 694 of September 23, 2020 approved the Regulation on framework agreement as special modality of public procurement contracts award.</p> <p>However, as noted also by the WB MAPS report, centralised procurement is still insufficiently developed. It is used in practice mainly for medical supplies and equipment. In 2020 the share of framework agreements in total amount of contracts were 0.02% in amount of 1,953.3 thousand lei. In 2021 this share increased, but remains limited to 0.14% (a total value of 11,556.3 thousand lei).</p> <p>Improvements of the e-procurement systems and building experience in transparently using this procurement method will enhance the application of this approach.</p> <p><u>This medium-term objective was achieved to a limited extent.</u></p>
<p>Creating and implementing a robust training system and professional certification of public procurement specialists</p>	<p>Several activities were carried out with a view to reach this medium-term target:</p> <ul style="list-style-type: none"> • Trainings for trainers from Public Procurement Agency (PPA) and National Agency for Solving Complaints (NASC) <ul style="list-style-type: none"> ✓ in 2018 – 2 trainings (37 participants) ✓ in 2019 – 2 workshop organized by World Bank and Commercial Department Development Program of the US Department of Commerce • National training program developed and published on web page in the beginning of each year: <p>https://tender.gov.md/ro/tip-de-pagin%C4%83-avansat%C4%83/plan-de-instruire</p> • Strengthening the capacities of the persons responsible for carrying out public procurement procedures within the contracting authorities <ul style="list-style-type: none"> ✓ in 2018 PPA organized 54 trainings and 28 workshops (3074 trained persons) ✓ in 2019 PPA organized 46 trainings (1328 participants) ✓ in 2020 PPA organized 30 trainings (1158 participants) ✓ in 2021 PPA organized 25 trainings (2269 participants) <p>However, it is unclear if the trainings covered all 3,000 contracting authorities, as 1,000 of them are, reportedly, not active. On the other side, a system to certify public procurement experts is not in place yet (based on interviews carried out) and this needs to be put in place to ensure that the much needed capacity for monitoring and controlling procurement processes is available (under the responsibility of the National Procurement Agency, significantly under-capacitated, as mentioned above). The MAPS analysis also underlines the very limited skills and resources at contracting authority level as well as public procurement not being officially recognised as a profession with no specific public procurement positions with adequate staff.</p> <p><u>This medium term target is partially achieved for the moment, but capacity building actions and professionalization efforts need to continue.</u></p>

Principle 6.3: Public access to public procurement information

6.4 Ensuring public access to complete, reliable and timely procurement information.

The PEFA Assessment report rated with “D” this indicator (PI 24.3 Public access to procurement information) which means that “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.”

As indicated in the interviews carried out, there is also room for improvement as regards the involvement and adequate informing civil society in the monitoring of public procurement.

However, a series of data is available, both on the procedures run through the MTender and in the annual reports submitted by contracting authorities (although not all of them respect this obligation) and consolidated by the Public Procurement Agency.

6.4 Ensuring public access to complete, reliable and timely procurement information.

This result is partially achieved, and performance in this regard will largely depend on the development of a fully-fledged e-procurement system.

6.5 Creating an independent procurement complaints review process.

The National Agency for Solving Complaints was established based on provisions of the PPL no. 131/2015 with the statute of autonomous and independent public authority vis-à-vis other public authorities, vis-à-vis physical and legal persons, which examine the appeals formulated within the public procurement procedures. The Agency carries out its activity in accordance with the provisions of the Regulation approved by the Parliament Decision of the Republic of Moldova no. 271 of 15.12.2016 and other legislative and normative acts in force.

The number of complaints filed by economic operators has evolved in the last four years:

2018 - 726 appeals

2019 - 1026 appeals

2020 - 1282 appeals

2021 - 1095 appeals

The number of appeals depends on:

- the number and value of the procurement procedures carried out
- the number of participants in the procurement procedures
- fairness and transparency of procedures
- good / bad intention of economic operators
- the level of training of economic operators
- transparency of the appeals process

This result is achieved, as confirmed also by the PEFA Report, which scores with "A" the Procurement complaints management.

Contribution to the medium-term targets

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Development of an e-statistics component within the Electronic Public Procurement System	<p>As already mentioned, reliable data on public procurement only partly is available and easily accessible through PPA website, MTender and Business Intelligence tool (which extract data from the MTender and thus has the same limitations). Given the reduced scope of MTender, PPA uses other sources of data for their annual and quarterly reports¹⁷², i.e., 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). This information is introduced manually in the system by the PPA staff, which is inefficient and further burdens the already limited number of staff.</p> <p>All the reports are public and are published on the website of the PPA under the Transparency/ Activity reports tab.</p> <p>However, the evaluation found, based on documents reviewed and the interviews carried out, that the public procurement plans are not published in all cases. The updated versions of the procurement plans are even more absent from the public space.</p> <p><u>This medium-term objective is partially achieved.</u></p>

Component 7 – Public Finance Management Informational System

By analyzing the Annual Reports on the implementation of the Strategy and the finding during the interviews, the experts identified the implemented activities that contributes to the achievement of the envisaged results. Concerning *Principle 7.1: Macroeconomic forecasting and revenue forecasting*, **the evaluation finds that envisaged results were achieved.** The following tables present the achievements obtained under each **Result**, and how the achievements contributed to the **Medium-term target**:

¹⁷² Link for reports on public procurement activities for the quarterly/ annual period <https://tender.gov.md/ro/content/raport-privind-activitatea-%C3%AEn-domeniul-achizi%C8%9Bilor-publice-desf%C4%83%C8%99urat%C4%83-%C3%AEn-perioada-3>

Principle 7.1: Maintenance current IT Systems**7.1 Maintenance current Information System**

This result was achieved. In order to achieve the *specific objective of the Component 7, to establish a modern and efficient management tool to support all users in the budgetary process and to provide a wide range of financial and non-financial information needed for decision-making* the CITF is responsible for administration of information systems framed by to the Public Finance Management Information System (FMIS). FMIS is a system that tends to the modernization of all public finance management processes, including planning, budget execution, as well as day-by-day accounting and financial reporting. Maintenance of the IS was implemented by the technical administration of the equipment, the support of the technological processes and the training of the personnel from CITF, MoF, the subordinated institutions and of all the users of PFMIS.

The current Information System was launched in 2016 when the budget classification and the new accounting chart of accounts were approved and started to be applied. They are improved year by year and remain operational. The "My House" system was launched separately in 2018. During the maintenance works, the specialists from CITF are adjusting the current systems after the digitization of the entire budgetary process (planning, approval, execution and reporting stage) of public finance management, accounting requirements, tax and custom administration systems. The problems facing the system in this reform process are expensive licenses as well as valuable specialists for the implementation of JAVA technology. The technical solutions for the budget execution and elaboration processes are reviewed because new technical solutions appear. Another factor that influences the maintenance of the system is data protection which is ensured under the E-Governance program.

CITF maintains the information systems and the info-communication infrastructure of the entire budgetary process (planning, approval, execution and reporting stage) of public finance management.

Concerning *Principle 7.1: Maintenance current IT Systems*, the evaluation finds that some results are not fulfilled. The following table presents and how the activities envisaged the results:

Contribution to the Medium-term objectives

The following table presents the correlation between medium-term objectives and achievements.

Medium-term objective	Correlation to achievements
Maintaining the existing information system functional, extending the functionalities to the users' needs, and improving the legal framework	The maintenance of the FMIS information system is performed daily. CITF (Center for Information Technology in Finance) has managed to maintain the functionality of information systems by including all changes immediately after their adoption. The changes are related to the format of the forms for the budget proposals, monthly and annual financial reports; to the E-docplata module (budget execution module). Therefore, this medium-term objective was achieved.
Adjustment of the Public Authorities Accounting System (PAAIS) records in accordance with the changes to the chart of accounts and the budgetary classification	All amendments to the Budget Classification and the Chart of Accounts were operated in time. This fact allowed all budgetary institutions and public organizations to keep an accounting record in accordance with the approved changes and to report the execution of the budget according to the new requirements. Therefore, this medium-term objective was achieved.
Debt Management Financial Analysis System (DMFAS 6.0) maintenance	DMFAS is maintained by CITF but is populated by MoF staff from Public debt division. MoF use DMFAS 6.1 version for external and internal public sector debt payments monitoring and accounting. The reports are operated automatically from the system. This medium-term objective was achieved
Hardware and network continuous modernization	The target has been slightly revised. The process of re-engineering and digitization of public services is performed in order to streamline operational processes and reduce costs. In this sense, the purchase of

	<p>hardware has stopped. The modernization is carried out by procuring licenses for telecommunication equipment to ensure a modern networking. It allows to use the information systems from MCloud without communication problems.</p> <p><u>This medium-term objective was achieved</u></p>
<p>Migration of information systems on the MCloud government platform</p>	<p><u>Still in the process</u></p> <p>The IS migration to MCloud was performed to ensure the information security of the technical infrastructure, IT systems and managed data. The IT migration planned for 2021 was carried out in the established terms. The process is not complete. The Custom Service e-mails and web-pages trade.gov.md and customs.gov.md are in the process of migration</p> <p><u>This medium-term objective is partially achieved</u></p>

Principle 7.2: Implementing and developing Public Finance Management Informational System

7.2 Public Finance Management Information System is characterized as:

- **Integrated system capable for progressive modernization to adapt to future needs**
- **Common platform and user interface for stakeholders from different financial management authorities**
- **Operations management is performed within the Single Treasury Account (E-Docplata and TREZ)**
- **Ensuring the main functions of public finance management, namely: preparation and approval of the budget, management of budget allocations, management of commitments, management of payments and receipts, management of cash flows, financial reports, storage and analysis of information**
- **Allowing real-time transactions.**

This result was achieved.

The measures taken by I.P. "Center for Information Technology in Finance" have contributed to the provision of services for the administration and development of information systems of the Ministry of Finance, Public Procurement Agency, State Tax Service, Custom Service and fully execute contractual obligations to these entities and other customers and partners. In this regard:

- i) **administrative measures were taken**, including the increase of staff up to 502 units, ensured the implementation of the IT System for document management "e-Management", development and maintenance of IS, administration of computer network, servers and databases, ensuring information security within the mentioned institutions;
- ii) **administration of information systems in the field of public finance (MoF)**, of which
 - budget planning, execution and reporting developing and supporting AIS "Planning, monitoring and reporting", IS "State budget planning", IS "Unified budget accounting", etc.
 - the procedures for closing / opening the budget year were ensured
 - the annual reports on the execution of the state budget and local budgets are adjusted each year according to the new requirements
 - technological support for the generalization of the information presented by the budgetary authorities regarding the monthly calculation under the conditions of the new salary law no. 270/2018, including starting work on new IS "Salary drafting for public sector"
 - developed and implemented the External Assistance Management Platform for Debt Management Department
- iii) **State Treasury Department was supported** with day-by-day assistance in budget execution requirements, including:
 - IS "E-docplat" have been adjusted, some of them are:
 - ✓ system changes and errors received by letters or phone calls via Call Center;
 - ✓ the possibility of processing payment orders in foreign currency for the NBM was introduced;
 - ✓ the possibility of processing the foreign exchange demand for the NBM was introduced;
 - ✓ the report on balances for medical institutions was developed
 - ✓ etc.
 - IS "Trezorerie" have been adjusted too:
 - ✓ budget classification and chart of account changes included in real time;
 - ✓ the data structures and calculation algorithms were created that allows the processing of data on the requests for compensation received from SI "Prima Casa", the record of allowances and the generation of payment orders;

7.2 Public Finance Management Information System is characterized as:

- **Integrated system capable for progressive modernization to adapt to future needs**
- **Common platform and user interface for stakeholders from different financial management authorities**
- **Operations management is performed within the Single Treasury Account (E-Docplata and TREZ)**
- **Ensuring the main functions of public finance management, namely: preparation and approval of the budget, management of budget allocations, management of commitments, management of payments and receipts, management of cash flows, financial reports, storage and analysis of information**
- **Allowing real-time transactions.**

- ✓ the web-data exchange service with the State Tax Service was created in order to implement the IS "Management of treasury information";
 - ✓ the report forms have been adjusted to collect information on local budget project estimates;
 - ✓ the algorithms for maintaining the same IBANs for new budget year to ensure the continuity in accounting.
- iv) Public Procurement Agency – administration and maintenance IS M-Tender and development of the version II, after the technical proposal approval;
- v) State Tax Service (STS) was supported 96% from the requested time for data flow within the IS, of which:
- ✓ IS Tax Reports – website reports.fisc.md
 - ✓ IS „One-stop shop for electronic reporting - raportare.gov.md”
 - ✓ "Current account of the taxpayer";
 - ✓ „Creation and circulation of electronic documents” v2.0;
 - ✓ “e-Invoice”, stage III;
 - ✓ "Collection of information from indirect sources" that foresee inter-communication with a series of database;
 - ✓ „Fiscal Cadastre” v2.0
 - ✓ "Electronic File of the Taxpayer"
 - ✓ "e-Commerce-VAT";
 - ✓ Integration of the "Personal Cabinet of the taxpayer" with the State Tax Service infrastructure of electronic services, that allows to follow
- vi) Customs Service was supported 96% from requests for administrated IT systems (105 systems) and web-services (100 servers), 12 massive storages.

After the merger (2018), a common platform was created for the users of the services provided. The Catalogue of services and the Catalogue of products of the Institution and have updated and placed on the portal www.ctif.gov.md in its new version.

7.3 Supporting the process of elaborating the multiannual budgetary framework and the annual budget, elaborating macroeconomic scenarios based on macroeconomic forecasts.

- **Supporting policy impact analysis and developing spending limits.**
- **Providing tools for planning, management and performance reporting in the spending programs of budgetary authorities**

This result was partially achieved because the planned work was not finalised. Separate targets for these results are not identified. The medium-term budget planning is the strategic stage of budgeting process. The establishment of the baseline and the spending limits calculation is the one of the important part of work. Not only the political environment but also the calculation tools are vital for planning process. Their approval in time is an indicator that is currently evaluated by PEFA at level C (PI 14.3 Macro-fiscal sensitivity analysis) and D (PI 16.3 Medium-term expenditure ceilings).

The part regarding the performance budgets indicators reporting is not implemented yet. The 6-month and annual reports on performance program budgeting is done manually. This part from FMIS foresees only the incorporation of the draft and approved budgets (all budget levels) and planned performance indicators.

Although the work on improving the SIA "State Budget Planning" ver. 2.0 is in the process, the objective needs to be part of the next strategy.

7.4 Providing the possibility to generate a historical database of budgetary limits and expenditures; transaction data, at the highest level of detail; cash flows and banking operations. Provide integrated analytical tools to provide analysis of trends in various elements of fiscal operations to enable a future perspective.

This result was partially achieved because the work is in the process. The database is created and it need to be integrated in IT system. The analytical tool used by the respective division (Macroeconomic analysis unit) of the MoF is not totally automated. In the future strategy it should be included as a short-term target. In the evaluated strategy it is missing

7.5 The flexibility to provide information for user-defined management purposes, aggregated to the desired level of detail in the database.

Provide easy access to auditors and supervisors to financial transaction data for audit and control purposes.

This result was partially achieved. Although the Court of Account auditors and Financial Inspection inspectors have complete access to the MoF reports (even if a specific transaction needs to be verified the temporary access is allowed), requests for new types of presentation of budgetary, accounting, fiscal, and customs information cannot always be automatically extracted using databases. Operational IS can release reports only in predefined forms. Requests for new types of presentation of budgetary, accounting, fiscal, and customs information cannot always be automatically extracted using databases. Operational ISs can release reports only in predefined forms. As targets on this topic were not identified, no reporting was done. It is recommended to include them in the future strategy.

7.6 Ensuring the interoperability of the Public Finance Management Information System (PFMIS) with other information systems and the assimilation of electronic services and digital platforms of the Government (M-Connect, M-Pay, M-Cloud).

This result was achieved because the Interoperability of the PFMIS with other information system is implemented based on strategic goals of the e-Transformation process to streamline the governance through intensive use of information technology. It foresees increase governance efficiency by ensuring data exchange between public service providers. Migration of products from PFMIS is done based on signed agreement with E-Governance Agency.

In 2021, on the MCloud governmental platform the following information systems were migrated:

MoF

- support services (active directory, dns);
- module „Instituția-Trezoreria” (service e-Docplat);
- module „CNFD”(Non-financial reports) from the SIGFP (Public Finance Management Informational System);
- module „Budget planning” from the SIGFP Public Finance Management Informational System);
- Information system „Credits-2000”;
- Information system „Statistics”;
- MoF IT archive;
- Accounting 1C informational system: SIECAP (MoF Accounting for public authorities/institutions Information system);
- Support system (Active Directory, DNS, SafeQ etc – fmis.internal).

State Tax Service (STS)

- STS official page www.sfs.md;
- IS „Case management system”;
- IS „Tax cadaster”;
- IS „On-line programming register”;
- sub-system „One-stop shop for reporting” (webpage www.raportare.gov.md);
- sub-system for training „e-Learning”;
- IS „Tax payer current account”.

For Custom Service the process of migration was done for e-mails, webpages trade.gov.md and customs.gov.md.

The following table presents the correlation between medium-term objectives and achievements.

Contribution to the Medium-term targets	
Medium-term objective	Correlation to achievements
Continuous development of the Public Finance Management Information System within the Ministry of Finance / budgetary authorities / institutions	<p>This medium-term objective can be considered as achieved.</p> <p>Centre for Information Technologies in Finance (CITF) maintains the IT systems and the FM info-communication infrastructure ensuring the better digitization of the entire budgetary process (planning, approval, execution and reporting stage). The good functioning of the information systems in the field of public finances, public procurement, fiscal and customs was ensured. After the migration of the information systems on MCloud, they operated without interruption and ensured the activity of the administrative institutions at a level of 96%.</p> <p>Thus, during the reporting period, the specialists of the CITF jointly with the beneficiaries of IT services focused not only on the equipment and system maintenance and administration, but also on their development and improvement. In this sense, the new systems were developed such as:</p> <ul style="list-style-type: none"> - "MTender" stage II, - "Planning, monitoring and reporting", - "State budget planning" ver.2.0, stage I,
IT System „State budget planning” development	
Development and launch of the information system for financial reporting of budgetary authorities / institutions	
Piloting the information services for keeping the accounting records of the budgetary authorities / institutions on the common platform of the	

Government	<ul style="list-style-type: none"> - "Single treasure accounting", - for STS "Electronic sales monitoring "stage III and" Register of contraventional fines ", - IT System" Electronic register of employees ", stage II, - etc.
Strengthening the capacity of the Call Center, which provides user support to the Public Finance Management Information System and the Accounting Information System for budgetary authorities / institutions	<p><u>This medium-term objective can be considered as achieved.</u> because was ensured 96% availability of IP telephony service using 100 telecommunication nodes and routing equipment, 3 PBX platforms, 1 GSM gateway device.</p>
Training needs assessment of the MoF staff, budgetary authorities and public institutions that use Single Treasury Account within the Public Finance Management Information System, as well as SIECAP (Accounting Information System for Public Authorities / budgetary institutions)	<p><u>This medium-term objective can be considered as achieved.</u> An essential progress was registered. Trainings was provided for:</p> <ul style="list-style-type: none"> • specialists in the field of public finance, IT, public procurement, other priority areas set by the MoF based on contract signed with MoF); • specialist, FMIS users (contract with the STS); • paid courses for specialists in the field of public finance; • customs brokerage companies or customs declarants <p>Some of the trainings topics that are provided each year are:</p> <ul style="list-style-type: none"> ✓ Information systems within SIGFP ("Budget Planning" (BPS) module, "Treasury" module (TREZ) ") - training for MoF staff; ✓ The comprehensive information system for public authorities accounting records (SIECAP) for accountants from budgetary authorities / institutions; ✓ The M-Tender system and its integration with the "Treasury" module for treasure staff and procurement specialist from budgetary institutions / authorities ✓ IS „e-Invoice" ✓ budget planning for local public administration ✓ etc.
Increasing the number of budgetary authorities and public institutions that keep accounting records in the Accounting Information System for budgetary authorities/ institutions	<p><u>This medium-term objective can be considered as achieved.</u> as the number of users of the 1C accounting system for public institutions increased from 908 authorities in 2018 to 1128 institutions at the end of 2021.</p>