Project

Capacities building for implementation of environmental fiscal reform to achieve the national and global environmental priorities

Final Report

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Implementation partners: Ministry of Environment, OECD
## Abbreviations

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<th>Abbreviation</th>
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<tr>
<td>AID</td>
<td>National Agency for Energy Regulation</td>
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<td>NAER</td>
<td>Central Public Administration</td>
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<td>CPA</td>
<td>Local Public Administration</td>
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<td>PBB</td>
<td>Performance-based budgeting</td>
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<td>MTBF</td>
<td>Medium Term Budget Framework</td>
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<td>CC</td>
<td>Constitutional Court</td>
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<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>CET-2</td>
<td>Termoelectrica JSC</td>
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<td>NCSD</td>
<td>National Commission for Sustainable Development</td>
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<td>PB</td>
<td>Project Board</td>
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<td>SC</td>
<td>State Chancellery</td>
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<td>SDPGE</td>
<td>Sustainable Development and Promoting Green Economy</td>
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<td>WEEE</td>
<td>Waste electrical and electronic equipment</td>
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<td>SDGE</td>
<td>Sustainable development and green economy</td>
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<td>LEF</td>
<td>Local Ecological Fund</td>
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<td>NEF</td>
<td>National Ecological Fund</td>
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<td>FES</td>
<td>Friedrich Ebert Stiftung Office</td>
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<td>GEF</td>
<td>Global Environmental Facility</td>
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<td>GIZ</td>
<td>German International Cooperation Agency</td>
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<td>GD</td>
<td>Government Decision</td>
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<td>IDSI</td>
<td>Institute for Development and Social Initiatives</td>
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<td>IUD</td>
<td>Institute for Urban Development</td>
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<td>INRECO</td>
<td>Institute of Conflict Resolution</td>
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<td>MAFI</td>
<td>Ministry of Agriculture and Food Industry</td>
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<td>MRDC</td>
<td>Ministry of Regional Development and Constructions</td>
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<td>MoE</td>
<td>Ministry of Economy</td>
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<td>Minister of Finance</td>
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<td>ME</td>
<td>Ministry of Environment</td>
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<td>MTRI</td>
<td>Ministry of Transport and Roads Infrastructure</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>UNO</td>
<td>United Nations Organization</td>
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<td>JILDP</td>
<td>Joint Integrated Local Development Programme</td>
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<td>PCM</td>
<td>Project Cycle Management</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>EFR</td>
<td>Environmental fiscal reform</td>
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<td>EU</td>
<td>European Union</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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Executive Summary

The project "Environmental Fiscal Reform in the Republic of Moldova" is implemented by the Ministry of Environment with the financial support and assistance of the Global Environment Facility and the UNDP. The project aims to strengthen the Government’s capacities in promoting environmental fiscal reforms which will help to increase both national and global benefits. In order to achieve its goals, the project’s activities were carried out based on three main components: (1) Environmentally harmful subsidies, green subsidies and payments/fees reform, (2) Capacity development for EFR in consensus building among concerned stakeholders; (3) The EFR integration in the local and central planning processes.

The main results of the project implementation are:

- The implemented studies in the subsidy field from the energy and agriculture sectors helps the policy makers in a better understanding of the harmful consequences on environment by supporting fossil fuels policies and energy subsidy schemes in the current agriculture subsidy system. The policy proposals and recommendations for the greening of subsidies is an important step in improving the legal framework in the field.

- The analyse of the existing system of environmental pollution charges and the suggested short and long term reforms along with the draft’s package changes of legislative acts come to adjust the legal framework to the European standards and in accordance with EU-RM Association Agreement.

- The offered support in justifying the need for restructuring, capacity building and elaboration of new legal rules implemented for the National Ecological Fund will lead to operational improvements, performance, transparency and increased financial resources for the environmental sector.

- The improvement of stakeholders abilities involved in the Environment Fiscal Reform was based on the evaluation of the needs assessments, capacity building plan and two workshops held on the use of economic instruments in the promoting the environmental policies subject attended by over 40 representatives of the Central Public Administration, Local Public Administration and civil society. Four study visits were organized to Czech Republic and Poland in order to facilitate the interchange. It were attended by over 30 representatives of Central and Local Public Administrations, who got acquainted to their legal and institutional framework, principles, financing structures, the Environmental Funds governance, as well as accessing, managing and implementing projects financed by EU funds.

- Six local public administrations in regional centres (districts) were involved in the integrating environmental aspects of local planning and budgetary process based on performance. As a result, with the assistance of the consulting companies hired by the project were developed and approved local environmental action plans. Also, there were implemented six local initiatives of environmental protection. The total value of the implemented projects was over 1.5 million MDL, including the 960,000.00 MDL grants and nearly 600,000.00 MDL of local contribution.

- There was created an inter-ministerial platform to ensure the interaction between all the parties involved in the reform. The platform’s website is: www.green.gov.md, and it is maintained by the Project for displaying the efforts made in implementing
policies and promoting the Sustainable Development and Green Economy of all responsible agencies.

- The campaign of awareness and communication made various analysis and informational products as: brochures, documentaries, articles, etc. in order to point out the main target of Environmental Fiscal Reform.

The conclusions and lessons learned from the project implementation are:

- Environmental Fiscal Reform is related to the public finance management field for which are required fiscal measures to reflect socio-economic and political realities. As a result, such a reform is facing an inherent political risk. Three years is not enough time in accomplishing the goals of this extensive project which aims to meet the national needs and priorities.

- Because of the project’s complexity and its inter-sectoral characteristics, Environmental Fiscal Reform has not yet reached a full understanding from the policy makers and local communities.

- For this type of project there are required not only remarkable skills/abilities but also a close collaboration with the stakeholders when evaluating, analysing, studying, recommending or proposing something and further adjusting to the local reality.

- The project uses an adaptive management which is a necessary mechanism for responding to the stakeholder’s needs and priorities. This makes the project very flexible, efficient and effective.

- Additionally to the capacity building and technical assistance, the project relies on tangible results, such as environmental projects launched in 6 (six) selected towns bring tangible results to the stakeholders and beneficiaries, with an immediate positive impact.

- The political crisis may generate incertitude in the process of improving the legal framework, especially in terms of institutional and operational development of the National Ecological Fund. Triggering early parliamentary elections will cause delays or even may have irreversible consequences in the implementation process of the Environmental Fiscal Reform Project’s recommendation.

Although the project has met various problems in the initial stage with the implementation of the planned activities and financial resources capitalization, till the final stage it managed to accomplish its objectives.
I. Background

Introduction

The project “Capacity building for implementation of environmental fiscal reform to achieve the national and global environmental priorities” is implemented by the Ministry of Environment with assistance and financial support from the Global Environment Facility and the UNDP. The project aims to build capacities of implementing environmental fiscal reforms (EFRs), which will produce greater environmental benefits nationally and globally through adoption of some selected subsidies, fees, fines, taxes and other adequate fiscal instruments. The expected outcome of the project is that the EFRs constitute an important element of the development policy of the Republic of Moldova through which improved fiscal and financial instruments and their use would strengthen regulatory approaches and other approaches for a sustainable and safe environmentally friendly development with particular emphasis on the obligations to be fulfilled under the three Rio Conventions. The project will also contribute to implementation of the national decentralization reform, including national policy planning, redesigning the powers and responsibilities of local and sub-national authorities and reforming local systems of public revenues.

The project started in 2012; the general work plan of the project was approved in June 2012. In the period 2012-2013 activities particularly targeted reform of environmentally harmful subsidies, green subsidies and environmental fees, with a focus on agriculture and energy. Initial delay in project implementation was due to complexity and sensitivity of the EFR aspects, lack of specialized expertise in the field of environmental fiscal reform in the country. However, from 2014 a new manager was appointed and project implementation was fully resumed. To make delayed interventions, the Management Board approved the planned project implementation period initially for the end of 2014, subject to extension till September 2015.

Objectives and components of the project

The development objectives of the project are:

- Provision of assistance to the Republic of Moldova in achieving its environmental objectives undertaken by international conventions.
- Creation of a sustainable platform for implementation of the environmental fiscal reform and integration of environmental approach to policies and strategies of different sectors.

To achieve the objectives, the project activities were carried out based on three main components:

Component 1. Reform of environmentally harmful subsidies, green subsidies and environmental charges/fees (energy and agricultural sectors):

a. reform of environmentally harmful subsidy policy, focusing on the agricultural and energy sectors;

b. environmental fiscal reform and facilitation of investments in green technologies;

c. improvement of regulations and operational management of the National Ecological Fund and Local Ecological Funds (NEF/LEFs)
Component 2. Capacity building of environmental fiscal reform and obtaining a consensus among all stakeholders:

a. Establishment of a systematic and substantial format of consultations, involving all stakeholders;
b. Provision of assistance for training of interested constituents and decision makers on greening and reform of subsidies, environmental fees, analysis of financial markets and development of costs;
c. Organization of an information campaign and raising public awareness on the essence and benefits of EFRs;
d. Creation of conditions for a political dialogue about the need for environmental fiscal reform through establishment of an interministerial commission.

Component 3. Integration of EFRs in the local and central planning processes:

a. Creation of a subgroup within the Fiscal Decentralization Group (JILDP) to identify sectoral strategies for collection and distribution of fees at decentralized level to achieve the environmental objectives (currently LPAs collect the tax on land, the real estate tax, the tax on natural resources and partly the road tax);
b. Integration of environmental concerns into local planning by using locally potential fiscal instruments (fees and taxes);
c. Training on green budgeting and planning to integrate environmental priorities from the environmental field and the MTEF;
d. Piloting selected EFR instruments to support the Government's decentralization agenda and ensure that fiscal reforms meet national and global environmental objectives.

Moldova –situation of the country

Meeting directly to the national environmental priorities, the EFR Project aimed to trigger environmental fiscal reform in Moldova. The reform was launched, but it was affected by several factors such as complexity and sensitivity of reform aspects, decision-making bottlenecks or limited capacities of public finance management.

The project operated under an unstable political climate. Since 2012 Moldova had four governments. Several changes have occurred in the Ministry of Environment as well, which was headed by four different ministers and in which in just 18 months five deputy ministers and two state secretaries changed. Therefore, the project management had to adapt to a constantly changing environment.

The last parliamentary elections in November 2014 were hardly won by the pro-the pro-European coalition. Initially a minority government coalition was created and hardly in early last summer a new alliance between the three traditionally pro-European parties was able to form a slim majority in the parliament.

Despite these conditions of instability, the EFR Project has largely achieved its objectives. Three years ago, the Republic of Moldova did not have a compatible environmental policy with European Union norms. Even today we can not say that the environmental legislation
is complete. But, as for meeting environmental commitments assumed by the Association Agreement with the EU, the government now has environmental expertise and policies developed under the EFR Project.

Reform of environmentally harmful subsidies, introduction of green subsidies, strengthening environmental fees and reform of the National Ecological Fund - all these components of the reform proposed by the Project can become chapters of a national agenda of fiscal reform, with a strong impact on the economy and social stability of the Republic Moldova.

II. Main Results

1. Reform of Environmentally Harmful Subsidies, Green Subsidies and Environmental Fees

Reform of Energy Subsidies

In cooperation with the OECD (Organisation for Economic Co-operation and Development), a team of international and local experts performed a complex evaluation of the energy subsidy system in the Republic of Moldova and its impact on the environment. The study aimed offering to the Moldovan Government a better understanding of the negative consequences for environment of policies supporting fossil fuels and energy subsidy systems, which harm the environment. This was achieved by reviewing the relevant energy schemes, estimating their volume and social-economic and environmental impact. In the study both subsidies granted to consumers and manufacturers, and support provided through budget or as fiscal expenditures, were examined. The analysis was supported by a sample that quantifies several major energy subsidy schemes (VAT, subsidies for gas suppliers) in the Republic of Moldova and their impact on the environment (particularly in terms of CO2 emissions), the economic and social impact. The analysis also took into account the opinions and expectations of key stakeholders, including of state institutions empowered to make energy policies and regulating this sector. Several institutions and companies supported the work of the expert team, including the Ministry of Economy, the National Agency for Energy Regulation, major companies in the field, such as CET-2, Termocom JSC, GazNatural Fenosa JSC. The study was presented to key stakeholders in December 2013. The result of these activities was materialized through specific reform proposals and amendments to the legal and regulatory framework aimed at reducing the impact of energy sector on the environment.

According to estimates exclusion of reduced VAT rates by subsidizing households’ payments for natural gas and electricity would bring a surplus to the annual national Budget of over 700 million MDL. Annual consumption of gas will be reduced by almost 3 million m3 and consumption of electricity – by 31 million kWh. Greenhouse gas emissions will be reduced by over 20 thousand Mg per year.

However, as a result of this reform, the cost of households’ bills could rise by 10%. Therefore a differentiated approach to policies is needed, particularly in providing social assistance to vulnerable groups. Also, the increase in the VAT rate could induce an additional impact on the environment by increasing the use of other fossil fuels for heating as gas substitute, which is more expensive (such as coal of poor quality or wood). Use of such fuels will not only reduce CO2 emissions, but could increase the levels of other pollutants. Although wood (biomass) is considered neutral in terms of CO2 emissions, the
level of emissions of other pollutants (particulate matters, benzopyrene) as a result of burning local boilers is significant.

Based on conducted analyzes, an appropriate package of reforms in energy subsidies in Moldova should include: increasing excise rates for motor fuels, particularly diesel; introduction of excise duty on natural gas, coal and electricity; VAT adjustment for energy (electricity and natural gas) at the standard level of 20%, and implementation of a pricing policy, which would make difference between lower rates for consumers who use gas for heating and higher rates for those connected to the centralized heating system; use of increasing fiscal revenues to create a better targeted subsidy scheme, which would offer the possibility to low-income households to pay energy bills and invest in energy savings.

Reform of environmentally harmful subsidies in agriculture

In order to identify and analyze agricultural subsidies consultations with competent authorities and stakeholders, including the Ministry of Agriculture, the Agency for Payments and Intervention in Agriculture, agricultural companies, have been conducted, which ended with initiation of a study on the analysis, modernization and “greening” of the national system of subsidies and incentives in agricultural sector and promotion of ecological agriculture, in accordance with best European practices. The study includes analysis of the current situation, the European and national good practices on development of ecological agriculture. The current subsidy system was also analyzed and proposals to improve the system by eliminating environmentally harmful subsidies or demotivating proposals and introduction of subsidies on the “smart” market have been made, etc. The study was discussed at a round table on 19 August 2014 with participation of the Ministry of Environment and the Ministry of Agriculture and Food Industry (MAFI), farmers, civil society and the media. Based on the study proposals and discussions, a bill amending the existing legal framework was drafted to support development of ecological agriculture and the subsidy system as well. A working group established at the MAFI is responsible for promoting this regulatory act.

The proposals to amend the existing framework on greening agriculture, which are included in “Greening agriculture in the Republic of Moldova” Study, were submitted to the working group, created under the aegis of the Chairman of the Parliament, to draft the bill on agricultural subsidies.

Reform of environment fee system

Since the start of the project preparatory works for an analysis, including development of funding mechanisms that will address assimilation of eco-technologies, were undertaken. Particular attention is paid to the legal and institutional framework, financial and economic aspects of introduction of eco-technologies and raising awareness of benefits from the use of eco-technologies. A market research and a study are under development that correlate promotion of investments in eco-technologies with other components of the project (ex. energy or agriculture subsidies, spending priorities/ NEF spending programmes, etc).

In 2013 a comprehensive analysis of legislation and system of existing environmental fees was carried out. To assess the system of pollution fees the best practices of the EU and the OECD in terms of environmental fees and the EFRs served as basis, while: legal and institutional framework, efficiency of implementation, environmental, economic and fiscal effects and their link with the provisions of Rio Conventions have been analyzed.

Based on assessment of the existing legal framework, the EU environmental policy requirements and the OECD/EU good practices in the area of environmental fees, the
following options for environmental fees have been proposed: (1) Carbon dioxide fee (2) Vehicle import fees, (3) Packaging material fee, and (4) Waste electrical and electronic equipment fee (WEEE). The four options were subject to a short evaluation according to the following criteria: political feasibility, macroeconomic impact, environmental impact, administrative efficiency and costs and acceptance by industry. For packaging products and WEEE fees: the management system, amount of fees and assessment of the economic, financial and environmental impact were proposed. The study results were presented and discussed in a workshop with participation of representatives of CPAs, business community and environmental NGOs. The Environment Ministry had to decide how to manage these types of wastes and an appropriate legislation had to be developed to implement these instruments.

A concept on organization of implementation of environmental fiscal reform was also developed. The document includes an overview of the essence of EFRs in the context of the EU and OECD approaches, the link between EFRs and the fiscal system in the RM, and recommendations on organization of the EFR implementation. The concept has been discussed in two working sessions with participation of the ME leadership.

Together with the pilot project „Economic instruments for management of environmentally harmful products in the Republic of Moldova” implemented under the „Greening economies in the eastern neighbourhood” programme (EaP GREEN), a workshop on implementation of economic instruments for management of environmentally harmful products has been organized. In the workshop attended by representatives of the Ministries of Environment, Economy, Agriculture, Finance and the civil society existing approaches (proposals of the EFR project and the OECD) on environmental fiscal reform, the waste electronic and electrical equipment and the packaging waste management systems based on application of existing accountability scheme of manufacturer were presented and discussed. It was agreed the developed proposals to be taken into account in drafting the legal and regulatory framework in this area.

At the request of the Ministry of Environment and for implementation of the Government Decision (GD) No. 376 of 16 June 2015, proposals on how to organize development of a new mechanism for calculation and collection of environmental fees were drawn up, according to Art. 195 of the RM-EU Association Agreement and the GD no. 376 of 16 June 2015. It was agreed that the project will provide assistance to revise the legal framework and for regulation of management of packaging and packaging waste.

In the final stage of the project a group of national and international experts were engaged who assisted the working group established within the Ministry to implement the GD No. 376. As a result, the following has been produced:

1. Report on the legal and regulatory framework on pollution charges;
2. Report on the EU good practices of mechanisms for calculation, collection and control of environmental pollution charges;
3. Report on identification and proposal of at least three options for operation of the new mechanism for calculation, collection and control of environmental pollution charges;
4. Preliminary analysis of impact of regulation and monitoring of efficiency of the regulatory act for approval of the new mechanism for calculation, collection and control of environmental pollution charges;
5. Methodology of calculation, collection and control of environmental pollution charges;
6. Draft proposals for amendments to laws and regulations on introduction of a new mechanism for calculation, collection and control of environmental pollution charges;

7. Report for analysis of existing studies and proposals on management system for packaging and packaging waste;

8. Preliminary analysis of the regulatory impact for the draft Government Decision approving the regulation on packaging and packaging waste;


10. Concordance table for the Directive 94/62/EC on packaging and packaging waste. Also, documents produced were presented and discussed at the working group meetings of the ME and at a preliminary approval meeting of „Guillotine“ working group at the Ministry of Economy.

Facilitation of investments in eco-technologies

As part of the project the Study “Analysis of the market of financial instruments to facilitate green technologies in the Republic Moldova” was developed. The study includes the classification of eco-technologies, analysis of the institutional and legal framework in the RM, challenges and barriers for the implementation of green technologies. The study also includes good practices and financial mechanisms promoting eco-technologies. The conclusions and recommendations of the study were presented at a round table attended by over 40 representatives of the CPA, the civil society and the private sector. The study also was published and distributed to key public institutions.

Improvement of the NEF management

Raising awareness and increasing outreach efforts regarding the need to reform the National Ecological Fund (NEF) has been a permanent priority throughout the project.

In 2012, the Project supported the preparation of the draft decision of the Government on the new Regulation of operation of the NEF and coordination with empowered institutions. The draft regulation provides for institutional restructuring of the NEF, improvement of management and accounting, improvement of transparency of activity and coordination with related sectoral policies and strategies, as well as much more clear spending priorities. A three-year spending strategy that reflects the principles of development of a spending strategy for the NEF was developed and included in the draft Operational Manual for the NEF.

In 2013, the Project provided support to the Ministry of Environment in the parliamentary consultations to review the bill on public finances, which directly impacts the revenues allocated to the National Ecological Fund.

Following the initiative of the Prime Minister on the need and urgency of a revised regulation for the NEF and a request from the Ministry of Environment, the Project assisted in coordination of the draft Government Decision on the new regulation of the National Ecological Fund. Unfortunately, the political crisis triggered after the parliamentary elections of 30 November 2014 (delayed inauguration (18 February 2015) of the Government and resignation of 16 June 2015), as well as lack of political will, did not allow approval of the NEF reform documents.

However, by approving the Law on public finances and budget and fiscal responsibility no. 181 of 25 July 2014, the risk of some circumstances that will influence the activity of the NEF and its efficient management by the Ministry of Environment arose. Thus, along with
the entry into force in 2016 of the Law No. 181, the NEF activity will undergo major changes in the following areas: full autonomy, accounting management (bank accounts), keeping unused balances, etc.

In the context of risks recorded by the entry into force of the Law No. 181 of 25 July 2014 and implementation of the Government Decision No. 376, the Ministry of Environment requested from the Project expert assistance in finalizing the initial draft regulation of the NEF and finalizing the development of draft proposals on how to organize activities for development of the new mechanism for calculation and collection of environmental fees in accordance with Art. 195 of the RM-EU Association Agreement. In this context, a draft Law amending and supplementing certain legal acts has been developed. This bill proposed amendments to the Law No. 151-XII of 16 June 1993 on Environmental Protection, the Law No. 1540-XIII of 25 February 1998 on Environmental Pollution and the Law on public finances and budgetary and fiscal responsibilities No. 181 of 25 July 2014. These amendments aimed to institutionalize the National Ecological Fund as a separate and autonomous legal institution.

Also, a training workshop was organized for the ME, MF, SC and environmental NGOs in order to familiarize them with the procedure of operation (access to funding, accreditation, project cycle, etc.) of the Global Environmental Fund, which shall become the main environment funding instrument, with an expected budget of US 100 billion USD per year by 2020.

2. Capacity Building and Reaching a Consensus among all Stakeholders

Capacity building

In order to build capacities of the key beneficiaries involved in the EFR decision-making, a planning has been carried out and stakeholders/interested beneficiaries have been identified. Both relevant public authorities (ministries/agencies) and representatives of the association environment (public associations) have been identified as beneficiaries that are directly related to the project theme and that could provide value to objectivity of evaluation.

Another important step was organization of an international mission that facilitated the dialogue between stakeholders involved in the environmental fiscal reform. The international expert from Slovakia Marian Mraz, in the period 09 February 2015 - 12 February 2015, had meetings with government officials and representatives of public associations who expressed their willingness to be involved in the project. Following this mission, a Questionnaire that helped to assess the beneficiaries’ capacities to reform taxation in the context of environmental policy has been developed. As a result of information obtained from completed questionnaires and information collected from various relevant sources, a Report on Assessment of Needs for Capacity and a Capacity Building Plan have been developed.

From 22 to 23 April 2015, in Chisinau, Moldova, the second mission of the international expert was held. On this occasion, a workshop on the “Context of economic instruments of the environmental policy” was organized.

Since 2 to 3 July 2015 the international mission attended a new workshop within the Project, at which environmental fiscal revenues, the share of environmental fees in the national public finances, use of economic instruments in implementation of commitments
under international environmental instruments, the role of local authorities in the national environmental policy, the environmental policy and the regional economic instruments were discussed.

As part of the training seminars a comprehensive evaluation of project beneficiaries in terms of knowledge gained throughout the project implementation was performed. Also, for this mission two training materials - the Role of economic instruments in environmental policy and the Ecological funds – were developed within the project. The materials include guiding information on economic instruments and relevant practices from the European Union in the environmental policies that would provide an impetus to perception of characteristic features of environment fiscal reform in the Republic of Moldova.

At the time of initiation of the project a preliminary assessment of training needs was made, with emphasis on capacity building for the NEF and directly the Ministry of Environment. Proposals on short trainings and exchange of experience in countries of the Central and Eastern Europe, the EU member states have been developed and included in the training programme of the Ministry of Environment. Thus, in the context of achieving this objective, we organized three study visits to the Czech Republic and Poland.

In collaboration with the Czech Trust Fund, a visit to the Czech Republic was made in order to enhance capacities of personnel of the NEF and the Ministry of Environment in reforming the NEF and application of management and improved operational procedures. The group of participants in the study visit was made up of representatives of the NEF, the Ministry of Finance, the State Chancellery and the EFR Project. The agenda of the study visit included meetings and discussions at the ME, FES, MF from the Czech Republic and workshops on the legal and institutional framework, principles, funding, structure of FES programmes in the Czech Republic and management and implementation of projects funded by the NEF and the EU funds.

The Project also supported the organization of a visit of the Minister of Environment for high level meetings in the Czech Republic. As a result a memorandum of interministerial cooperation between the Republic of Moldova and the Czech Republic was prepared and signed.

In collaboration with the Solidarity Fund (Poland) a series of study visits to Poland have been organized to strengthen institutional capacities of the project beneficiaries. The second visit was made to Poland, which has been structured in two phases. The first visit was made on 16-22 August 2015. The group was composed of representatives of local public authorities (Cahul, Ungheni, Calarasi, Telenesti, Floresti, Soroca) and representatives of the Ministry of Environment (the National Ecological Fund). The second group made the visit in the period from 6 to 11 September 2015. The group was composed of representatives of the central public authorities (the State Chancellery, the Ministry of Environment, the Ministry of Economy, the Ministry of Transport and Roads Infrastructure, the Ministry of Finance).

Given the national trends of harmonization with the Community standards in this area and in particular the institutionalization of the National Ecological Fund in Moldova, a high attention was paid to the work of the Polish National Ecological Fund. During these visits, meetings were held with local public authorities in Poland (Lower Silesia) in which the role of local public authorities in environmental protection was discussed. Initiatives to sign a
memorandum between the National Ecological Fund from Moldova and the National Fund for Environmental Protection and Water Management in Poland also started.

**Communication and awareness**

Along with the launch of the EFR Project, the information and awareness campaign was launched and the activities undertaken initially were preparatory in nature. The EFR Project team made efforts to promote the need for an EFR through seminars, discussions, round tables.

Subsequently, a more detailed communication plan has been developed and largely consulted with representatives of the beneficiary institutions and the international development organizations, who have expressed their willingness to participate in planned outreach actions, and to provide materials and informational support for the web page that was to be developed.

In the first phase of the Project, the communication and awareness campaign focused on promotion of the need for better management of the National Ecological Fund. As a result, the Ministry of Environment has initiated a comprehensive reform of the National Ecological Fund to ensure sustainability and functionality of the Fund as an efficient instrument for funding and implementation of environmental policies and strategic priorities in Moldova. A new draft regulation and an operational manual was developed for the National Ecological Fund, which include international best practices for public environmental expenditures and project cycle management.

The Project experts created the concept of an interministerial platform. The concept provides for a mechanism of regular meetings between representatives of the institutions responsible for the areas covered by the SDPGE and launching the web platform www.green.gov.md to illustrate efforts of all agencies responsible for policies and implementation in the field of SDPGE. The concept has been consulted with the beneficiary institutions, including the Office of the Presidency, the Prime Minister’s Office, the Ministry of Economy, the Ministry of Finance and the Ministry of Environment, and was approved in principle by the parties. Although much larger than thematic context of environmental fiscal reform, such a mechanism is an appropriate institutional instrument for policy coordination of all actors in the environment and sustainable green development in Moldova.

The project, in partnership with the Government of Moldova and with the financial support of the Government of Denmark, held a high-level international conference dedicated to sustainable development and green economy of Moldova. The EFR participated, along with other programs, in organization of the conference, in which Moldovan Ministers of Economy, Agriculture and Environment signed a Declaration of Intent on promoting the SDPGE. The widely publicized Declaration of Intent confirms the intention of government institutions to coordinate efforts in the SDPGE area and constitutes a starting point for launching and implementing a common platform on sustainable development and green economy in Moldova.

The Project also participated, along with other programmes, in organization of the International Conference „Environment and climate change: from vision to action”, held on 5 June 2015, on the World Environment Day. The event was attended by the Prime Minister, the Minister of Environment and other government members, the UN resident coordinator and the UNDP permanent representative in Moldova, representatives of development partners, as well as a large number of local and foreign experts.
At the International Conference mentioned above, the www.green.gov.md portal created and maintained by the EFR Project experts was launched and presented. The website is a platform promoting the environmental fiscal reform, concepts of sustainable environmental development and green economy, decentralization policies and other sectoral reforms, which aim to ensure sustainable and green development of Moldova. However, the website is a platform for communication and information about the work of all partners constituting the institutional framework for sustainable development and greening of the economy, and a library of legal and regulatory acts governing greening of the sector policies. Since its launch, the website has almost ten thousand visitors.

The Project, in coordination with the Energy and Biomass Project, has also contributed logistically and financially to the organization of the European Sustainable Energy Week and Sun-Da-i Fest. This event, held in Stefan cel Mare Central Park in Chisinau, was attended by thousands of people, and Sun-Da-I Fest was a genuine exhibition center in the open air, in which modern technologies for generation of solar, wind, geothermal or biomass based energy were presented. On this occasion, the Project presented a poster about its activities and distributed informative materials about benefits of the environmental fiscal reform.

As part of the Project the studies „Analysis of the market of financial instruments to facilitate green technologies in the Republic of Moldova“, and „Greening agriculture in the Republic of Moldova“ were developed and printed. The presentation of these works was largely covered in the press, including in articles of print media and online and electronic media interviews on the findings and recommendations of the relevant studies. Studies in Romanian and English have been published on the website www.green.gov.md and distributed to the beneficiaries to provide a practical working instrument for professionals and decision makers in the respective fields.

Three video productions were made about benefits of the environmental fiscal reform: sustainable business, sustainable communities, sustainable consumption. The three films target different audiences: local authorities and decision makers in central administration, business people, large public and explain in simple terms how improved national and local fiscal mechanisms can boost local greening efforts and contribute to environmental protection, business and community development locally. The films have been uploaded on YouTube and broadcasted on social networks and TV channels in the period from August till September 2015.

The Project activities were also covered by dozens of articles published in print and electronic media.

Building a public dialogue

At the project start-up phase, the Management Board made up of representatives of ministries and key government agencies formed the institutional interministerial structure of discussions and promotion of EFRs. However this format failed to endure promotion of the EFR initiatives. In this context, in 2014 the consultations and discussions on the interministerial platform of SDPGE continued to create the National Commission for Sustainable Development (NCSD) at the level of the Office of the RM President, the Office of the Prime Minister, the Ministry of Environment, the National Ecological Fund, the Ministry of Economy, the Ministry of Agriculture and Food Industry. The discussions covered the following options: 1) the NCSD under the aegides of Presidency (2) the NCSD under the aegides of the Prime Minister, (3) the NCSD under the aegides of the Minister of Economy or the Minister of Environment. A decision on the most suitable option is to be made. An interministerial working group was also established to develop proposals on SDPGE, which
could then be turned into an Interministerial Commission addressing EFR issues. A concept note was developed together with draft decisions of the Government (Prime Minister order) on establishment of the Commission.

3. Integration of EFR in Local and Central Planning Processes

The project supported the working group in the ME in development of Spending Strategies for sectors „Environment Protection” and „Water Supply and Sewerage” in the planning of medium-term budgetary framework (MTBF) 2016-2018. In this context, existing policies and strategies relevant for the environment sector were evaluated and budget of previous programmes and sub-programmes were analysed, priorities for the sector spending strategies for the period 2016-2018 were formulated. Also 3 budget programmes (Environmental protection, Water supply and sanitation, Extraction of mineral resources), which include 10 sub-areas, were developed.

In order to integrate environmental aspects into local planning 6 pilot towns (Cahul, Calarasi, Ungheni, Soroca and Telenesti) and 2 consulting companies (HDI and IDSI) were selected, which facilitated the process. The national consultant, who assisted the ME in planning the MTBF, conducted training for representatives of pilot towns and consulting companies to ensure common understanding of the methodology integrating environmental priorities into strategic planning and performance based budgeting at the local level. As a result, at least 12 local initiatives related to addressing environmental problems were identified and integrated into local development plans and budget. Thus synergy of planning and budget policies was ensured to implement environment priorities at central and local levels. However, 6 local projects were supported through offering grants amounting to 160 thousand MDL each. LPA contributions in implementation of these projects made up 20% - 100%.

Due to the partnership established between the EFR Project and the Joint Integrated Local Development Programme, and to ensure synergies between the EFR and the decentralization reform, at the request of the ME working group a study was developed on revising the system of fees for natural resources. The study includes international experience on systems of taxation of natural resources, examples of good practice in the Baltic countries, analysis of the current situation in the field in the RM, proposals to improve the system, the action plan and environmental impact assessment. The study was presented at a workshop attended by representatives of the ME, MoE, MF, MAIA and dependent agencies in the field, and local governments and civil society. Also study recommendations and debates enabled development of proposals to amend the legislation for fiscal environmental resources.

IV. Cooperation and Partnerships

The EFR Project was designed under the sign of partnership and cooperation, without which such a complex reform, which aims much of central administration and local authorities, would not be possible. Moreover, such a reform requires support of the population and civil society organizations.

During the project implementation, several ministries and government agencies were involved in an expanding partnership. A fruitful relationship of cooperation continued with the State Chancellery, the Ministry of Finance, the Ministry of Economy, the Ministry of
Agriculture and Food Industry, the Ministry of Transport and Roads, the NAER and other government institutions.

A special collaboration was ensured by the Local Public Authorities in Moldova. In particular it was shown in participation of the APL representatives to events organized by project related to debate of the study of the system of fees for natural resources and integration of environmental aspects into local strategic planning.

The EFR Project engaged in an active dialogue with other donors and ensured cooperation with them to successfully achieve its goals. Thus, in cooperation with the OECD, a team of international and local experts carried out an extensive evaluation of the energy subsidy system in Moldova and its impact on the environment. It is expected that the study results will be presented at the COP21 meeting in December in Paris. The project cooperated with the pilot project “Economic instruments for management of environmentally harmful products in the Republic of Moldova” performed under the „Greening economies in the eastern neighbourhood” programme (EaP GREEN) to organize some workshops on implementation of economic instruments for management of environmentally harmful products. Also, a complementary and synergetic cooperation was ensured with the Office of Pollution Prevention for development of waste management regulatory acts.

In the area of policies, the project has built partnerships with leading NGOs in the environmental sector and thinking groups (Environmental movement, IDSI Future, HDI, InReCo, AID, Fast training (Romania), Ecotax Management (Romania), Aequilibrium Consulting (Switzerland) etc.) to perform market studies, analyze the legal framework, develop reform proposals and assess the impact of their implementation. Also, discussions on environmental fiscal reform involved private sector representatives.

V. Management, Monitoring and Evaluation Commitments

The Environmental Fiscal Reform Project is run by the UNDP development agency and the Government of the Republic of Moldova. The Ministry of Environment is the National Implementation Partner. Cooperation relationships between domestic and international partners were established through the following institutional management structures (1) Project Board, and (2) the Team responsible for management of the EFRP.

In the period 2012-2015, the Project Board (PB) consisting of representatives of 7 ministries, government agencies and environmental NGOs, met usually twice a year, in total - 9 times. The outcome of these meetings was development and approval of progress reports, work plans, semester and annual budgets and decisions on specific aspects of project implementation, determination of the amount of grants awarded to support local initiatives, extension of the implementation period of the project and many others.

The EFR project team consisted of: (a) Team Management: Manager and administrative and financial assistant and (b) national and international team of experts - specialists in various fields of environmental fiscal reform.

The project manager was responsible for facilitation and coordination of the project and implementation of planned activities, interaction with government agencies, as well as reporting, monitoring and evaluation of implementation.

Project assistant ensured financial transactions and logistic activities of the project.
Monitoring of implementation of project activities was carried out through: semester activity reports, operative meetings and mission of project activity evaluation. Semester reporting was carried out by producing reports on achieved progress, with comments on obtained results and performance indicators. These reports were approved at the meetings of the CC. Annually a report was presented in a predetermined format online by the NEF. The operative meetings were organized in a planned or ad hoc manner, in order to assess interim results and final implementation of certain activities, such as submission of studies, supporting local initiatives, etc.

Evaluation of the results of project implementation was carried out by an international and a national evaluator and was accompanied by a final report. A summary of the evaluation report is attached to this report.

VI. Lessons Learned and Conclusions

The main conclusions and lessons from the project implementation are: the Environmental fiscal reform relates to the public finance management and needs fiscal measures, which would reflect social-economic and political realities. As a result, such a reform faces an inherent political risk. Three years is a too short period for the project; it provides no respite for overcoming some political risks related to elections, change of government or change of ministers.

A project that is highly relevant and meets the national needs and priorities is often very effective to implement.

Given that highly specialized skills are required for this type of project, it is also important that evaluations, analyzes, studies, recommendations and proposals are developed in close collaboration with and participation of stakeholders and are adjusted to local realities.

Performance indicators (with their basic objectives and guidelines) are particularly needed at the level of results and objectives. They guide the project monitoring function and help project implementation team to focus on high-level expected results and are more favorable for a results-based management, as opposed to an activity management.

Interim evaluation is particularly useful when there are some problems in a project, but less useful when implementation of the project goes well. This provides an opportunity to the project leadership to review progress as it is seen by independent reviewers.

A flexible project that uses adaptive management is a management mechanism necessary to meet the needs and priorities of stakeholders. This enables the project to adapt to changes, while maintaining the efficiency and efficacy. Besides capacity building and technical assistance, a project that relies on tangible results, such as environmental projects launched in the 6 selected towns, bring tangible results to stakeholders and beneficiaries, with a direct and immediate positive impact.

The political crisis may generate uncertainty in improvement of the legal framework, particularly in terms of the institutional and operational development of the National Ecological Fund.

Triggering early parliamentary elections will cause delays in implementation of the EFR project recommendations.
Due to complexity of the project and its inter-sectoral characteristics the environmental fiscal reform has not yet reached full understanding on the part of policy makers and local communities.

**VII. Financial Report**

The project implementation budget is funded from the following sources, as shown below:

**Funding sources, USD**

<table>
<thead>
<tr>
<th>Funding sources</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Environmental Fund</td>
<td>510,450</td>
</tr>
<tr>
<td>UNDP TRAC*</td>
<td>110,000</td>
</tr>
<tr>
<td><strong>Total received</strong></td>
<td><strong>620,450</strong></td>
</tr>
</tbody>
</table>

*TRAC UNDP (TRAC = target for allocation of resources from the basic budget)

Incurred project implementation costs in 2012-2015 made up:

**EFR project expenditures for 2012-2015, USD**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Total</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>155,706</td>
<td>0</td>
<td>98,784</td>
<td>27,032</td>
<td>29,890</td>
</tr>
<tr>
<td>Component 2</td>
<td>138,286</td>
<td>83,503</td>
<td>51,616</td>
<td>1,713</td>
<td>1,454</td>
</tr>
<tr>
<td>Component 3</td>
<td>190,801</td>
<td>179,896</td>
<td>5,084</td>
<td>0</td>
<td>5,821</td>
</tr>
<tr>
<td>Management</td>
<td>135,657</td>
<td>46,505</td>
<td>23,434</td>
<td>28,861</td>
<td>36,857</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>620,450</strong></td>
<td><strong>309,904</strong></td>
<td><strong>178,918</strong></td>
<td><strong>57,606</strong></td>
<td><strong>74,022</strong></td>
</tr>
</tbody>
</table>

Data on dynamics of use of project budget and structure of expenditures are shown respectively in the following two figures:

**Dynamics and structure of expenditures by objectives are presented in the following figures:**
These financial data show that equal parts of the FGM grant were used between the 3 components of the project, respectively 31%, 26% and 34%, and 9% for project management. Almost 20 thousand USD were saved in the management component (lack of manager in 2013, hiring of a new manager and a part-time assistant in 2014-2015) and redirection towards component 1 “environmental fee reform”.

The graph shows that 9.9% of project implementation were capitalized in the first year (2012), 7.4% - in Year 2 (2013), 31.6% - in Year 3 (2014), and 51.2% in the last 9 months of 2015.
Annex

Annex 1. Brief Project Description

**Purpose:** The Project aims to build capacities of implementation of environmental fiscal reform (EFR), which will produce greater environmental benefits nationally and globally through introduction of some subsidies, fees, fines, taxes and other appropriate fiscal instruments.

**Implementing Agency:** UNDP. **Budget:** 620,450 USD. **Donors:** Global Environment Fund, UNDP. **Co-Donors:** OECD, Ministry of Environment

<table>
<thead>
<tr>
<th>1</th>
<th>Reform of environmentally harmful subsidies, green subsidies and environmental fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Reform of policy on environmentally harmful subsidies</td>
</tr>
<tr>
<td>1.2</td>
<td>Reform of environmental fees and facilitation of eco-technology investments</td>
</tr>
<tr>
<td>1.3</td>
<td>Improvement of management and operational procedures of the NEF and LEF</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Capacity building and achieving a consensus among all stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Capacity building for EFRs</td>
</tr>
<tr>
<td>2.2</td>
<td>Communication and awareness</td>
</tr>
<tr>
<td>2.3</td>
<td>Establishment of a political dialogue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Integration of EFR in central and local planning processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>EFR instruments are integrated into the decentralization process</td>
</tr>
<tr>
<td>3.2</td>
<td>EFR instruments integrated into the government budget and the MTBF</td>
</tr>
</tbody>
</table>
### Annex 2. List of results obtained in the Project of Environmental Fiscal Reform

<table>
<thead>
<tr>
<th>Provided for results</th>
<th>Project objectives</th>
<th>Obtained Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Objective:</strong> Creation of conditions required for implementation of environmental fiscal reform (EFR), which will bring benefits to the environment by adopting at national and global levels subsidies, fees, fines and other similar procedures.</td>
<td></td>
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</tr>
</tbody>
</table>
| **Result 1** – Reform of environmentally harmful subsidies, greening both subsidies and environmental fees | **Objectives (Year 1):**  
- Identification of fees and debts for energy and agricultural products  
- Analysis of the market for eco-technological solutions  
- Procedures for expenditure areas of the PCM and the NEF/LEF | Study on organic agriculture and compiling a set of proposals to optimize the agriculture subsidy system.  
Based on this study a proposal that provides legal amendments for greening existing agriculture subsidies was submitted.  
The study was presented and discussed at a round table with participation of several delegates of the Ministry of Environment, the Ministry of Agriculture, farmers, representatives of civil society and the media.  
Based on the study findings were made and proposals made were discussed, a bill was drawn up, the existing legal framework was amended, which was prepared with the aim to support the development of ecological agriculture and the subsidy system.  
A group that dealt with promotion of the approval of this law has been created at the Ministry of Agriculture and Food Industry.  
A comprehensive assessment of the energy subsidy scheme in Moldova was developed and its impact on the environment was established with the support of the OECD team made up of local and international experts to understand the nature and extent of policies implemented by the Moldovan Government to support schemes of fossil fuels and environmentally harmful energy subsidies. The analysis was supported by a model that quantifies several schemes of major energy subsidies (VAT, subsidies for natural gas suppliers) in Moldova and their environment (especially CO2 emissions), the country’s economic and social impacts. Some institutions and companies have offered to help the group of experts, such as: the Ministry of Economy, the National Agency for Energy Regulation and major energy companies such as: CHP2, Termocom JSC, GazNatural Fenosa JSC.  
The study was presented to stakeholders. The final result consists in proposing some specific legal reforms or and specific regulation reforms aimed to reduce environmental impact of the energy sector.  
The current system of environmental fees was evaluated and proposals to reform the pollutant charging system were made.  
Based on this evaluation and the best European methods several options for environmental fees have been proposed. The four options proposed served as a subject for a short assessment with regard to: political feasibility, macroeconomic impact, environmental impact, cost and administrative efficiency and acceptance by industry. For packaging and WEEE fees a management system along with the fees and economic, financial and environmental impact assessments was proposed.  
Final decisions were presented and discussed in a workshop with participation of CPAs, business community and environmental NGOs.  
A ministerial group was created to develop some environmental fees, regulations and legal frameworks in compliance with the national policy. This group supported by project experts, dealt with the proposal, promotion and approval of the package of amendments to the legal acts on environmental fees and the EU requirements.  
A market analysis of financial eco-technological instruments in Moldova was performed. The study presents specific recommendations for improvement of the legal framework and promotional activities by enhancing basilar knowledge and use of solutions and funding of eco-technological mechanisms.  
The findings and recommendations of the study were presented at a round table attended by over 40 representatives of the... |
| **Output 1.1:**  
Introduction of political reform in environmentally harmful subsidies | **Objectives (Year 2)**  
- Identification of options for greening and reform of subsidies and fees  
- Spending strategies of the NEF/LEF for short and long terms |  |
| **Output 1.2:**  
Environmental fee reform and facilitation of eco-technological investments | **Objectives (Year 3)**  
- Recommendations for legislation and technical guidelines developed and submitted for adoption |  |
| **Output 1.3:**  
Improvement of regulation and operational management of the National and Local Ecological Funds (NEF/LEF) |  |  |
The project provided the required support in justifying and strengthening the skills and developing new legal regulations to restructure the National Ecological Fund (NEF). A triennial spending strategy that reflects the principles of development of the NEF’s spending strategy was developed and included in the operational manual. Unfortunately, insufficient political support and usual parliamentary elections of 30 November 2014 followed by a long period (nearly 3 months) to form a new government delayed approval of the NEF documents. At the time of the assessment, it appears that the new leadership of the Ministry of Environment is ready to expedite the approval of these documents by the end of the current year.

Objectives (Year 1):
- Assessment of training needs
- Designing a comprehensive information campaign
- Creation of an EFR website put online and updated

Objectives (Year 2):
- Implementation of a set of training sessions according to training needs assessment
- Implementation of a comprehensive information campaign

Objectives (Year 3):
- Publication of three case studies based on lessons learned about optimization of funding for the implementation of CBD, CCD and FCCC in EFR in Moldova
- Index of skill rankings shows improved final assessment
<table>
<thead>
<tr>
<th>Provided for results</th>
<th>Project objectives</th>
<th>Obtained Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>local level. The videos were broadcasted on several TV stations.</td>
<td><strong>As part of the project two well-known studies about the financial instruments for promotion of eco-technologies, organical farms and ecological agriculture were published in Romanian and in English that have been distributed to beneficiaries.</strong></td>
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<tr>
<td></td>
<td><strong>At least 7 articles have been published in the national media about the EFR benefits as well as promotion pages have been published in the journal <em>Natura</em> entitled &quot;Ce este Reforma Fiscală a Mediului&quot; (What is Environmental Fiscal Reform?)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Many national and international events were organized involving the EFR project. On 8 August 2014, the UNDP in partnership with the Moldovan Government and with the financial support from the Government of Denmark held an international conference with the title &quot;Sustainable environmental growth: Moldova’s offer&quot; dedicated to sustainable development and green economy of the country. The EFR project participated in organization of conference throughout which, under the aegis of the President, the Ministry of Economy of Moldova, the Ministry of Agriculture and the Ministry of Environment signed a declaration of intent promoting the SDPGE. This declaration was disseminated in the media, which confirms the intent of government institution to focus on the SDPGE and is a successful starting point for launching and implementation of a common platform in sustainable development and green economy in Moldova.</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>The project, along with other programmes, organized an international conference entitled &quot;Climate and environmental changes: from vision to action&quot; held on 5 June 2015, on the World Environment Day.</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>The project also helped to organize the European Sustainable Energy Week and SUN DA-I fest that took place on 15-21 June 2015. The event was held in Stefan cel Mare Central Park and was attended by several thousand people. Sun DA-I Fest was a genuine exhibition center for various modern technologies based on renewable, wind, geothermal or biomass energy.</strong></td>
<td></td>
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<td></td>
<td><strong>The idea of creating an interministerial SDGE platform was widely exposed and discussed that includes creation of a National Commission for Sustainable Development (NCSD). Discussions were focused on the following: 1) the NCSD under the aegides of Presidency (2) the NCSD under the aegides of the Prime Minister, (3) the NCSD under the aegides of the Minister of Economy or the Minister of Environment.</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>A working group was created jointly by order of the Ministry of Economy and the Ministry of Environment. This working group aimed to analyze all issues regarding promotion of SDPGE and EFR issues.</strong></td>
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</tbody>
</table>

**Result 3:**
EFR integration in local and central planning

- **Output 3.1:** Sub-component 3.1: EFR’s tools integrated into the decentralization process
- **Output 3.2:** Sub-component 3.2: EFR’s tools integrated into the government on

| Objectives (Year 1): |
|----------------------|------------------|
| - Annual joint work plan between the EFR project of the UNDP/ the GEF and the JILDP |
| - Assessment of the environmental management priorities within the Local Development Strategies |
| - Initiation of a study and funding strategies for the implementation of the Rio Conventions |

<p>| Objectives (Year 2): |
|----------------------|------------------|
| - A study was developed at the request of the Ministry of Environment about improvement of the system of fiscal environment fees for natural resources, created based on the partnership between the EFR project and the Integrated Local Joint Development Programme to ensure synergy between the EFR and the fiscal decentralization reform. The study was conducted based on the international experience of a charging system for natural resources, examples of good practices of Baltic countries, analysis of the current situation in Moldova, proposals for improvement of the system, action plan and environmental impact assessment. |
| - The study was presented during a workshop with participation of representatives from the Ministry of Environment, the Ministry of Economy, the Ministry of Finance, the MAFI and other relevant subordinate agencies, LPAs and civil society. Moreover, proposals have been submitted to amend legislation on natural resources based on the recommendations of the study and subsequent discussions. |
| - The project supported the working group of the ME in developing spending strategies within the MTEF 2016-2018. In this context, the most relevant existing policies and strategies for the environment sector were assessed, and previous programmes and sub-programmes were analyzed by setting spending priorities for the spending strategy 2016-2018. Also, three budget programmes comprising 10 sub-areas were implemented such as: Environmental Protection, Water Supply, Service and Sanitation, Exploitation of Mineral Resources. The draft sector spending strategies with the content of |</p>
<table>
<thead>
<tr>
<th>Provided for results</th>
<th>Project objectives</th>
<th>Obtained Results</th>
</tr>
</thead>
</table>
| budget and the MTEF processes        | • Identification of fiscal reforms for local environmental fees that can be integrated into the PBB  
• Completion of the study and funding strategies for implementation of the Rio Conventions  
**Objectives (Year 3):**  
• Identification of fiscal reforms for local environmental fees that can be integrated into the PBB  
• Comparative analysis of the past MTEF with the newly prepared MTEF ready until the end of the project to achieve the objectives of the Rio Convention | • In order to integrate environmental aspects into local planning six pilot towns (Cahul, Calarasi, Ungheni, Soroca and Telenesti) and 2 consulting companies were selected for facilitation of this process. The introductory training for LPA representatives and other companies was performed to ensure common understanding of the methodology of environment integration priorities into a local strategic performance and based on budgeting planning. For the development plans and local development plans at least 12 local initiatives addressing environmental problems have been identified and integrated. As a result these 6 pilot-towns participated in integration of environmental priorities into the local planning. The value for each project amounted to 160,000 MDL each. The contributions of local government made up between 20% and 100%. |

Introduction

This report presents the results of the final evaluation of the UNDP project, funded by the GEF „Capacity building for implementation of environmental fiscal reform to achieve national and global environment priorities“ (Moldova). This final evaluation was conducted by a team of evaluators consisting of Jean-Joseph Bellamy and Dr. Victor Cotruta for the United Nations Development Programme (UNDP).

The budget for the environment sector in the Republic of Moldova was very limited; it was made up of just 0.5% of the total national budget in 2009 and 2010 as compared to 2011 when it made up 0.69%. Most of these findings covered personnel expenditures and allowed the Ministry of Environment (ME) neither to implement its core activities, nor to promote the necessary policies. In other sectors, environmental concerns virtually lacked. Although the agricultural sector has benefited of 3.1% of the national budget in 2009, there are many environmental problems in the sector development plan. In addition, existing environmental pollution fees allocated in the Law on environmental pollution charges that are revenues of the national ecological funds brought only about 15.6 million USD from revenues of the NEF, and around 685,000 USD of revenues to the Local Ecological Funds for 2009. These limited resources did not allow important environmental investments in Moldova, in order to support implementation of national and local environmental policies that have proven benefits for the environment throughout the world. It was found that this lack of allocation of resources for the environment sector was attributed to three main causes:

- Inability/Failure to integrate environmental concerns into sectoral and planning policies;
- Inability/Failure to allocate resources for environmental protection; and
- Cooperation and weak national partnership on the EFR.

One of the main priorities identified by the National Capacity Self-Assessment (NCSA), conducted in Moldova during 2004-2005 consisted of a call to launch an economic programme of fiscal reform for national and global commitments of connection to the environmental commitments at the global level. This assessment revealed four main constraints: (i) a fiscal system through which payment of fees for environmental pollution was not specified in the Tax Code; (ii) an assessment of natural resources that are underdeveloped, through which the market price does not reflect the real economic value of land lots; (iii) a weak system of penalties and damages in the environment that prevent to be a disincentive factor to reduce pollution, degradation or over-exploitation; and (iv) an inadequate environmental funding.

Based on these evaluations 3 main areas for priority development objectives of capacity have been identified:

- Development of economic instruments to generate income from activities, which have a negative environmental impact;
- Development of financial instruments for establishment of some new sources for environment funding and for strengthening the National Ecological Fund (NEF);
- Strengthening of the investment climate in order to identify investments for environmental protection activities.
In response to these problems/challenges, constraints and priorities, this project was initiated to create conditions, financial incentives and disincentives and reduced opportunity costs to undertake actions that offer environment results globally. The Project consisted in initiating and guiding EFR tools intended to meet the objectives of the Rio Conventions, and to ensure their integration into the national plans and policies, especially in taxation at national level and in the decentralization process in the Republic of Moldova. The Project aimed to create a solid base for institutionalization of a EFR programme nationally with the support of government institutions such as the Ministry of Economy, the Ministry of Finance and other relevant ministries through establishment of an EFR Commission in the Republic of Moldova that initially would have been established as a project steering committee and eventually to evolve as the EFR Commission of the Republic of Moldova.

The Project of the Environmental Fiscal Reform (EFR) was a project supported and funded by UNDP, the GEF and the Government of the Republic of Moldova. It was funded by a GEF grant of 510,450 USD, a UNDP subsidy of 110,000 USD and a contribution in kind estimated at 500,000 USD from the Government of the Republic of Moldova, the OECD and the UNDP. The project started in November 2011 and will end in late September 2015 after a 9 month extended period. The Ministry of Environment and the OECD have been implementing partners of this project.

The project objective was to create capacities for implementation of environmental fiscal reforms (EFRs), which would make increased benefits at national and global levels in the field of environment by selected adoption of subsidies, payments, fines, fees and other appropriate fiscal instruments. This objective was to be achieved through three outputs (and 8 coefficients):

1. Reform of environmentally harmful subsidies, green subsidies and environmental fees in the agriculture and energy sectors: a) Introduction of policy reform in the area of environmentally harmful subsidies; b) Environmental fiscal reform and facilitation of Eco-technological investments; and c) Strengthening of regulations and operational management of the National and Local Ecological Funds (NEF/LEF);
2. Development of the EFR capacity to achieve a consensus among stakeholders: a) capacity building for EFR; b) communication and awareness; and c) a stable political dialogue;
3. Integration of EFRs in local and central planning processes: a) EFR tools integrated into the decentralization process; and b) the EFR tools integrated in governmental budgeting and MTBF processes.

The final evaluation report documents the achievements of the project and includes five chapters. Chapter 1 presents the main findings and recommendations; Chapter 2 provides an overview of the project; Chapter 3 describes briefly the objectives, scope, methodology, evaluation users and evaluation limits; Chapter 4 presents the evaluation results. Lessons learned are given in Chapter 5 and relevant annexes are at the end of the report.
Conclusions

Project Design / Formulation

a) The project was highly relevant for Moldova to support the development of a national EFR agenda.

Its timing was good; it provided the Government of Moldova with additional resources to develop an EFR agenda at a time when it was needed. The project was a direct response to a national priority that was identified during the National Capacity Self-Assessment (NCSA) conducted in 2004-2005 in Moldova, which was calling for the launch of an economic fiscal reform programme for global environmental management meeting national and global environmental commitments. Three main priority capacity development needs were identified: (a) implement economic instruments to generate additional revenues for the environmental sector; (b) implement financial instruments to establish additional sources of funding for the environmental sector; and (c) improve the investment climate to increase investments for protecting the environment. As a result, this project was conceptualized to create conditions, financial incentives and disincentives, and decreased opportunity costs to undertake actions to meet Rio Convention objectives and ensure their integration within national plans and policies, especially in national taxation and within the decentralization process in Moldova.

The project has also been part of the green growth and sustainable development roadmap of Moldova and was implemented within the context of the Association Agreement (AA) with the EU that was signed in June 2014, to promote economic integration and political association. Under this agreement, Moldova must harmonize/approximate its environmental legislation with the EU Directives (Acts) and international agreements (AA: Article 91 and Article 97) but also other Articles such as Article 195 on Fees and Charges that needs to be taken into account when reforming the NEF, Annex XI to Chapter 16 (Environment) and Annex XII to Chapter 17 (Climate Action) stipulating a full range of conditions to be met in the environmental area. The project has been very relevant to support the government in implementing its Action Plan 2014-2018 that is part of this AA in areas such as environmental legislation related to environmental taxation and regulations.

b) The project had a good and logical strategy (Strategic Results Framework) but necessitated a strong political commitment to be fully successful.

The project was a coherent model that was developed to “build capacities for implementing environmental fiscal reforms (EFR) that will produce increased national and global environmental benefits through the adoption of selected subsidies, fees, fines, taxes and other appropriate fiscal instruments”. It included a good set of expected results with a logical “chain of results” – 8 Outputs - 3 Outcome - Objective.

However, the nature of this project is such that from the outset it implied a strong political
commitment from the government for the project to be fully successful and produce changes in the EFR area. Reforming environmentally harmful subsidies, introducing green subsidies, strengthening environmental charges and reforming an environmental fund are part of a complicated national fiscal reform agenda that may impact the economy and the social stability of Moldova. Therefore, as much as this coherent project was a direct response to national priorities, from a political point of view it was an ambitious project to kick-start the environmental fiscal reform process in Moldova and its progress was hampered by the political uncertainty of the last 18 months: three governments, four different Ministers of Environment, 5 Deputy Ministers and two State Secretaries.

**Project Implementation**

**c) Key stakeholders have been engaged from the outset of the project, providing a good country ownership and efficient management arrangements.**

Project stakeholders, including their roles and responsibilities, were clearly identified during the formulation phase of the project under the leadership of ME and stayed engaged throughout the implementation. It also provided a good participation of stakeholders to capacity development activities supported by the project and adequate management arrangements for an effective implementation of the project.

The project benefited from a valuable partnership between the project Team, ME, MF and MoE; leading project activities in their respective areas. They participated actively to the Project Board and provided overall guidance to the implementation of project activities. Considering the nature of this project – environmental fiscal reform – any proposals had a political side to be approved and implemented; these stakeholders provided the necessary political links between project activities and higher levels of government. They provided the project with a good “conduit” to communicate and collaborate with key government services.

However, the project document was developed with the concept that all these partners will be brought together in a national commission on EFR. Despite a good stakeholder engagement, discussions and development of proposals to set up this commission, the political instability of the last few years in Moldova has so far prevented the creation of such body. Nevertheless, the concept is not “buried” and the topic of EFR should end up in a new commission or in an existing body in the near future to carry out the necessary reforms to comply with EU regulations in the context of implementing the Association Agreement (AA).

**d) The project used adaptive management extensively to secure project deliverables while maintaining adherence to the overall project design.**

Adaptive management was used as a management approach to particularly allocate effectively and efficiently project financial resources, including the provision of international and national technical expertise. On one hand, the log-frame gave the project team an overall plan to guide the implementation and on the other hand the project management team used adaptive management to properly allocate the financial resources available and find ways to stay on time.

Following a difficult first half with very limited progress made, a new Project Manager (PM) was hired in January 2014 with excellent credentials, including experience as a Deputy Minister of Economy in the government and also as a highly performing PM for another
UNDP funded project. It was one of the most critical decisions made on this project that allowed the project implementation to get back on track and catch up with the planned implementation timeline. As a result, the project delivered most of the planned activities. The project did not succeed yet to get the proposed reforms approved and endorsed by the government and Parliament but an Environmental Fiscal Reform (EFR) process has been definitely launched in Moldova as a result of the project. It has been a catalyst to put EFR on the national agenda.

Adaptive management was also used regularly to adapt to a constantly changing environment, particularly the political environment with four different governments over the lifetime of the project, and including several changes at the Ministry of Environment with four different Ministers, 5 Deputy Ministers and two State Secretaries in the last 18 months. Finally, adaptive management was used when the Project Board (PB) decided to request a time extension of 9 months for the project at its June 20, 2014 meeting. This request was based on a very low financial disbursement during the first 2 years of the project and a risk of delays for some project activities such as those related to the reform of the NEF and the reform of the agriculture and energy subsidies due to the November 2014 Parliamentary election. The decision to request a 9-month time extension to end of September 2015 allowed the Project Team to complete the project implementation plan.

e) The monitoring and evaluation (M&E) function of the project was marginally satisfactory due mostly to a weak set of indicators and targets to measure the performance of the project.

A comprehensive M&E plan was developed during the formulation of the project with a budget of USD 25,000 representing about 4.9% of the GEF grant. It included a set of 24 indicators and 20 targets to monitor the performance of the project. However, these indicators were not really SMART indicators; in most cases, these indicators were somewhat ambiguous and not specific enough. There were also difficult to measure and not relevant enough to monitor the performance of the project; some of them were too focused on activities to be conducted – such as indicators to monitor the second outcome - and not enough on expected development results. Furthermore, indicators at the objective level were somewhat too general and in most cases difficult to be attained during the lifetime of the project. Finally, the targets identified in this M&E plan were not fully related to the list of indicators, but could be seen as another set of indicators to be monitored.

Using this monitoring framework, PIRs reported progress against identified targets but not against indicators; additionally, since no targets existed at the objective level, no progress reporting was done at this level. As a result, annual progress reports were produced timely but somewhat cumbersome to complete and not focused enough on the measurement of progress made at the strategic level: outcomes and objective.

Project Results

f) An effective project that delivered key outputs for developing an EFR agenda in Moldova.

The project delivered a rather long list of deliverables. It provided support to a broad range of activities that include several assessments, analyses, studies, stakeholder consultations, development of proposals, collaboration mechanisms (working groups, committees,
commissions), as well as training, information material and study tours to raise skills and knowledge of relevant stakeholders, and finally technical assistance to ME to implement the MTEF guidelines and the related three-year budget system at both the central level and local levels with the support to 6 towns, including the granting of one priority project per town.

As a result of this support, Moldova is now better equipped with more valid information on EFR, relevant stakeholders – particularly staff at ME, MF and MoE – with better skills and knowledge on EFR and environmental fiscal instruments available to the government to move the EFR agenda forward. The project certainly delivered critical results against its expected outputs and outcomes. It provided assessments, analyses, studies and proposals necessary to “reform environmentally harmful subsidies, green subsidies, environmental charges and a better functioning NEF” (outcome 1); it supported the implementation of “capacity development (activities) to engage and build consensus among all stakeholders” (outcome 2); and finally it supported activities to “integrate EFR in local and central planning processes” (outcome 3).

g) Two main “Impact Drivers” impacted positively the project but the overall success of the project was hampered by two main factors.

The EFR agenda on Moldova was greatly strengthened with more information available, better access to environmental economic instruments, and better skills and knowledge of key stakeholders to undertake environmental fiscal reform activities. Using the Theory of Change approach to analyze the progress made by the project, two “drivers for change” contributed to the achievement of these results:

- The existence of the Association Agreement (AA) between Moldova and the EU that was signed in June 2014. In order to comply with this agreement, which is to promote economic integration and political association, Moldova must align the country's policies, legislation, standards, norms, etc. with those of the EU. EFR has been part of the process to harmonize/approximate its environmental legislation with the EU Directives and international agreements.
- Moldova made EU integration a priority, which implies that the government of Moldova must align its environmental management framework with the EU, including its environmental fiscal area.

However, to be fully successful, the project needed to achieve “the adoption of selected subsidies, fees, fines, taxes and other appropriate fiscal instruments”. Instead, key deliverables ended up as proposals that were submitted to the relevant government authorities for approval and endorsement; there are not adopted yet. It is due to two main factors:

- The implementation of the project during the first half was very slow with only 17% of the budget disbursed during the first 2 years (66% of the time). The volume of activities increased substantially in 2014 following the hiring of a new Project Manager. The project was able to catch up on most of its deadlines but it did not have enough time to “push” further the proposals developed.
- The nature of this project implied a strong political commitment from the government to produce significant changes in the EFR area. Reforming environmentally harmful subsidies, introducing green subsidies, strengthen environmental charges and reforming an environmental fund are part of a complicated national fiscal reform agenda that may impact the economy and the social stability of Moldova. Despite that the project was successful in initiating an environmental fiscal reform process in
Moldova, the political uncertainty of the last 18 months: three governments, four different Ministers of Environment, 5 Deputy Ministers and two State Secretaries hampered the progress to adopt these proposals at the political level during the timeframe of the project.

**h) The prospect for the long-term sustainability of project achievements is good.**

The project was a direct response to national priorities and highly relevant in the context of an overall government strategy to promote a green economy and sustainable development in Moldova. It definitely contributed to moving the EFR agenda forward; it strengthened Moldova’s capacity with more information available on EFR, access to environmental economic instruments, and better skills and knowledge of key stakeholders to pursue environmental fiscal reform activities. It is anticipated that the government will continue with its EFR agenda in the foreseeable future using the various outputs of the project as a basis for implementing these reforms. Therefore, project achievements should be sustained in the medium-term and used as a base to continue the reform process of environmental taxation, charges and regulations of the NEF.

A good sustainability strategy was developed in the project document. It recognized from the outset that environmental fiscal reform falls within the field of public finance management, requiring very specialized skills. As a result, in order for the project to achieve sustainable results, the project was to institutionalize the availability and access to this expertise within key organizations such as ME, MF, MoE, MAFI and NAER as well as Local Administrations, as well as developing fiscal measures that will be applied and tested in two particular sectors and a particular sub-region in Moldova. It was also anticipated that the project would support the sharing of similar experiences with other countries in the region and the development of user-friendly manuals and guidelines on EFR, which were used to provide training to a large complement of staff that was responsible for EFR in their respective organizations. This sustainability strategy was adopted by the project and will certainly contribute to the long-term sustainability of project achievements. The EFR project facilitated the government’s long-term commitment to environmental fiscal reform, including the development of the supporting policy/programmatic framework. Capacities were strengthened and should be used in the future to pursue reforms of environmental taxation, charges as well as regulations of NEF.

**i) The project had a catalytic role to initiate an EFR agenda in Moldova.**

Using the interpretation of the catalytic role of projects of the Global Environment Facility (GEF), the achievements of this project will attract additional resources and greater results are expected in the foreseeable future. The EFR project produced public goods with the provision of assessments, analyses, studies, recommendations, proposals, support to develop a new budget system aligned with the MTEF guidelines, capacity development activities, etc. It initiated a national EFR agenda; it contributed to building foundations for reforming environmental taxation, environmental charges and reforming the NEF regulations. Moldova is now equipped with more valid information on EFR, relevant stakeholders – particularly staff at ME, MF and MoE – with better skills and knowledge on EFR and environmental fiscal instruments available to the government to move the EFR agenda forward.

The project is ending but the EFR agenda is well positioned within key government
organizations and will continue to move forward. A good example is the recent Cabinet Decision No 376 of June 16, 2015 that created an inter-ministerial working group to review the Law 1540 on environmental charges, including the environmental pollution payments and the regulations of NEF. This working group was tasked to propose to the government necessary changes to update the Law 1540 with a 4-month timeframe and including the necessity that these proposed changes be aligned/comply with Article 195 on “Fees and Charges” of the Association Agreement with the EU. This process was ongoing at the time of this evaluation.

1.1. Recommendations

Based on the findings of this terminal evaluation, the following recommendations are suggested.

**Recommandation 1:** It is recommended to explore opportunities to incorporate the EFR agenda in another project or to find funds for a new project to provide more support to the government in this area.

**Issue to Address**

The EFR project delivered a long list of deliverables. As a result, Moldova is now better equipped with more valid information on EFR, relevant stakeholders – particularly staff at ME, MF and MoE – with better skills and knowledge on EFR and environmental fiscal instruments available to the government to move the EFR agenda forward. The project had a definite catalytic role in establishing an EFR agenda in Moldova and this agenda is well positioned within key government organizations. However, it is still a work in progress and more activities need to be implemented in the years to come for fulfilling this EFR agenda. The government has now a better capacity to continue this EFR agenda but still lacks extra resources to access technical assistance, develop proposals and implement capacity development activities. The government needs additional support to move this EFR agenda forward.

**Recommandation 2:** It is recommended to transfer the ownership and future maintenance of the website www.green.gov.md to a government entity to sustain its operations.

**Issue to Address**

This website was created with the support of the UNDP/GEF Project "Environmental Fiscal Reform" and represents a platform to promote the concepts of sustainable development and green economy, decentralization policies and other sectoral reforms, all together with the aim to ensure sustainable and green development of the Republic of Moldova. The site is also used to popularize the "green concept"; it is a platform for communication and information about the efforts of all partners constituting the institutional framework for sustainable development and greening the economy. It is a library of legal and normative acts regulating the "greening" of fiscal and sectoral policies; including the draft legislation that are under public review. It is a library of relevant studies and analyses, a virtual support for the national coverage of "green" public events, such as conferences, seminars, public consultations, and round tables; and a database of useful and frequently updated information for local authorities and local initiative groups.
It is already set up with a government domain name (gov.md) and hosted on a government server. However, a full transfer of ownership and future maintenance is needed; preferably within the ministry of environment.

**Recommendation 3:** It is recommended that the revised regulations for the NEF be compliant with the possibility of NEF to be accredited as a *National Implementing Entity (NIE)* in order to be able to receive external funds such as the recently set up green climate fund (GCF), the Adaptation Fund and other funds such as possibly EU funds.

**Issue to Address**

To access these funds directly, a national entity needs to be accredited as an NIE through an assessment against a set of criteria, which are often around fiduciary standards, environmental and social safeguards and gender policy. Each fund would have its own set of criteria; however, a review of all these criteria would reveal that lots of them are similar.

It is recommended that such a review be conducted before any revisions are made to the regulations of NEF, in order for this entity to also be able to apply for any of these accreditations and access directly these funds.

**Recommendation 4:** The Evaluation Team supports the Project Team to present the project achievements at the international conference on decentralization planned in November 2015.

**Issue to Address**

It is not a recommendation as such but based on the review conducted by the Evaluation Team, it supports the existing plan to present the project achievements at the international conference on decentralization planned in November 2015. It will be a good opportunity to showcase these achievements; particularly the achievements made at the local level. It is a good opportunity to seek replication and scaling up of project achievements to other local public administrations throughout Moldova.

**Recommendation 5:** It is recommended to showcase the achievements made in the 6 towns through national bodies such as the Congress of Local Authorities that includes 600 Mayor members (out of 898 municipalities) and the Convention (Assembly) of Mayors.

**Issue to Address**

Similar to the previous recommendation, there are other opportunities to showcase project achievements – mostly the integration of environmental considerations in local plans and budgets according to MTEF guidelines - made at the local level and seek their replication and scaling-up throughout Moldova. Local administrations have at least 2 processes where they come together. The Congress of Local Authorities regrouping 600 Mayors and the Convention (Assembly) of Mayors. These entities are meeting regularly and regular communications happened among their members through networks. The Congress of Local Authorities organizes 2-3 seminars per year on different topics of interest to Mayors and regularly sends relevant information to members by email. This entity is also used to consult Mayors on national and local issues. They are, therefore, relevant entities that should be used to channel project achievements to local public administrations.
Recommendation 6: It is recommended to establish a national action plan to integrate environmental considerations in local plans and budgets according to MTEF guidelines in order to replicate the project achievements in the 6 towns.

Issue to Address

The project supported the mainstreaming of environmental programmes into local public budgets in 6 towns across Moldova within the context of the new three-year budget system according to MTEF guidelines. These achievements were a successful demonstration of this new budgetary approach at the local level, including the implementation of environment projects. However, it is only the first step of a process that will take a longer time to be completed/mainstreamed throughout the local government system in Moldova. Using the opportunity of presenting these achievements to all Mayors in Moldova (see Recommendation #5 above), it is recommended to formulate an action plan to replicate/mainstream these achievements throughout the country. It is suggested that during a seminar organized by either the Congress of Local Authorities or the Convention of Mayors, project achievements be presented and an initial debate/consultation be conducted on the formulation of such an action plan.

1.2. Rating Table

Below is the rating table as requested in the TORs. It includes all the required performance criteria rated as per the rating scales presented in the TORs. Supportive information is provided throughout this report in the respective sections.

<table>
<thead>
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<th>Evaluation Ratings:</th>
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<td>3. Assessment of Outcomes</td>
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<td>Overall likelihood of sustainability:</td>
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### Rating Scales

#### Outcomes, Effectiveness, Efficiency, M&E, & I&E Execution ratings:

- Highly Satisfactory (HS): no shortcomings
- Satisfactory (S): minor shortcomings
- Moderately Satisfactory (MS)
- Moderately Unsatisfactory (MU): significant shortcomings
- Unsatisfactory (U): major problems
- Highly Unsatisfactory (HU): severe problems

#### Sustainability ratings:

- Likely (L): negligible risks to sustainability
- Moderately Likely (ML): moderate risks
- Moderately Unlikely (MU): significant risks
- Unlikely (U): severe risks

#### Relevance ratings:

- Relevant (R)
- Not relevant (NR)

#### Impact Ratings:

- Significant (S)
- Minimal (M)
- Negligible (N)