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REPORT ON THE RESULTS OF CONSULTATIONS

DIALOGUE TO HELP STRENGTHEN CAPACITIES AND BUILD EFFECTIVE INSTITUTIONS FOR POST 2015 AGENDA

INSTITUTIONAL PERSPECTIVE

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1. INTRODUCTION

The Millennium Development Goals are set to expire in the end of 2015 and thus far Moldova has achieved a rather mixed progress. While the country managed to reduce the monetary poverty and child mortality, the situation remained complicated in combatting HIV/AIDS, tuberculosis and other diseases, but also in ensuring sustainable environment, improving maternal health, promoting gender equality and ensuring universal access to general compulsory education¹. The mixed progress at the global level as well as with the desire to increase the shared ownership across the world and to reflect increased complexity and broadness of the current development challenges served as the preconditions for drafting the post-2015 development agenda to be endorsed by the member states at the UN General Assembly in September 2015. In order to ensure an inclusive, efficient and people-centered policy agenda in Moldova, the UN Moldova carried out the national consultations on post-2015 priorities “The Future Moldova Wants” with a follow-up Youth@Work gaming project. Among various development challenges, a transversal issue

of utmost importance appeared to be the efficiency of state institutions and quality of governance.

The crucial role of sound institutions in sustainable development has been revealed at the global level, as well. The report of the UN Secretary-General, launched in 2013, as a follow up to the outcome of the Millennium Summit, emphasized that „Peace and stability, human rights and effective governance based on the rule of law and transparent institutions are outcomes and enablers of development.”² According to the report, „Transparency and accountability are powerful tools for ensuring citizens’ involvement in policymaking and their oversight of the use of public resources, including to prevent waste and corruption. Legal empowerment, access to justice and an independent judiciary and universal legal identification can also be critical for gaining access to public services.” Hence, the report advises that, in order to implement a sustainable development agenda, both national and international institutions need to be strengthened.

¹ „The Third Millennium Development Goals Report. Republic of Moldova”, UNDP Moldova, 2013

² “A life of dignity for all: accelerating progress towards the Millennium Development Goals and advancing the United Nations development agenda beyond 2015”, Secretary-General Ban Ki-moon, UN General Assembly, 2013

Therefore, the main purpose of this report is to identify the most important institutions that should take the lead in fixing Moldova's key development challenges, determine their main weaknesses and provide policy solutions aimed at fostering institutions' role and capacities in promoting the development agenda. This is a follow-up report to the one commissioned by UNDP and ILO Moldova in 2014, which evidenced the development challenges to be met by the country's institutions. The report also identified the first- and second-round effects of these challenges and designed a number of policy proposals of how to implement the country's development goals in the long-term. Based on those findings, we identified three key development challenges:

- (i) labor migration and labor mobility;
- (ii) declining level of trust in the state institutions; and
- (iii) growing political polarization and a more fractured society. The authors analyzes this issue from the institutional perspective.

The report provides an institutional perspective to the identified development challenges, by engaging in the consultation process a broad and diverse group of experts in the country who were asked seven questions:

1. Name the top institutions that should take a lead in dealing with the development challenges.
2. What are the key problems that undermine the efficiency of the selected institutions?
- 3.1 Second round negative effect: what are the implications of `answer provided at Q2`?
- 3.2 Second round positive effect: what are the implications if `answer provided at Q2` is solved?
4. Out of all challenges, name the most crucial ones (up to 3)
5. What should be done in order to enhance the institutional capacities?

6. Assuming these recommendations are implemented, how the institutions should look like in 10 years?
7. How these recommendations will lead to solving the key development challenges?

The consultation process results has been aggregated and processed using the "Futurescaper", a crowdsourcing platform developed at MIT, to collect peoples' opinions and to structure them quickly and effectively. Fifteen experts participated, representing the government, donor institutions and civic society organizations.

The structure of the report follows the structure of the questionnaire. The first one discusses the key institutions that should take the lead in addressing the key development challenges. The second one identifies the most important institutional weaknesses that undermines the capacity of the government to effectively implement the post-2015 agenda. The third section presents the key features the institutions must have in order to deal more effectively with Moldova's development challenges. The last section provides key conclusions and policy messages about achieving a robust institutional framework for post-2015 agenda.

2. WHO SHOULD TAKE THE LEAD?

This chapter underlines the most relevant institutions that should play a bolder role in fixing the key development challenges of Moldova and in promotion of the post-2015 agenda. The analysis results can suggest the priority areas for policy intervention for ensuring a more inclusive and sustainable development of the country.

MAIN FINDINGS FROM CONSULTATIONS

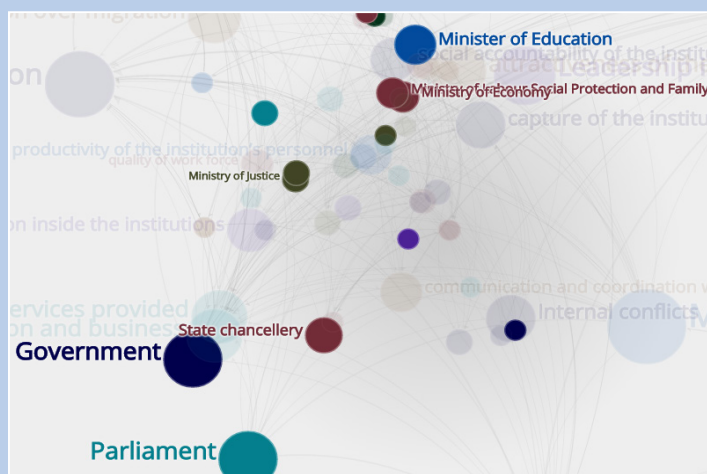
The survey revealed a broad consensus about the strong role of institutions in the development of Moldova and that this role is down to a number of authorities horizontal and sector-based. Unsurprisingly, the key institutions that should take the lead are the Parliament and the Government. These are followed by specific arms of the Government, such as the Ministry of Education, Ministry of Labor, Social Protection and Family, Ministry of Economy, State Chancellery and the Ministry of Justice (figure 1).

Certainly, the distribution of answers differs depending on each development challenge. Thus, the migration issue has to be tackled more boldly by the Ministry of Labor, Social Protection and Family and the Ministry of Economy. It boils down to the push factors of labor migration and underlines both social and economic dimensions of this phenomenon, which are closely interlinked. Particularly, scarce economic and job opportunities as well as high wage gap continue driving migration as business climate remains poor and benefits of economic growth too unevenly spread.

The issue related to the declining trust in public institution is more relevant for the most important authorities: Government and Parliament. It underlines the gravity and depth of disconnect between high political discourse and aspirations of the most of citizens and businesses. Particularly, it translates into low return on taxes, as the public goods and services are perceived to be of poor quality, as well as due to low transparency and deficient governance inside those institutions. Another important public institution that should take more lead in addressing the declining trust in public institutions is the Ministry of Education,

Ministry of Justice and the State Chancellery. This is related to the fact that education is one of the most important public service defining in many instance the trust of the population in the government as a whole. Justice is one of the most problematic areas with high perception of corruption and low political independence that triggers a lot of distrust from the society. A stronger role by the State Chancellery is required in order to foster internal governance in the public institutions and ensure a more efficient communication and coordination within and among institutions regarding policy reforms and development assistance. Unsurprisingly, the issue of political polarization of the society appears to be the core responsibility of political parties and the Parliament. It is mainly related to the discourse of the politicians. Several experts emphasized that political parties in an attempt to allure more electorate votes manipulate with sensitive issues (such as ethnical, geopolitical) dividing Moldovan society in different camps. Moreover, political parties pursue vested party interests, which substitute society's expectations and needs. Therefore, such political discourse is not conducive to the national unity of the country. . For example, the recent parliamentary elections revealed not only deep divide along geopolitical lines, but also regarding some fundamental principles of any society/country (e.g. the importance of democracy, market economy, separation of powers etc.)³. Thus, the lack of a „national idea“ and a „single supreme cause“ that would unite the society is the core responsibility of politicians, who should find the national consensus and mitigate the risks of existing political polarization of the society.

Figure 1. Key public institutions that should take the lead in dealing with the core development challenges of Moldova



Source: FS survey

PRELIMINARY CONCLUSIONS

Unsurprisingly, the Government and the Parliament have the primary responsibility for the current development challenges of the country, the most relevant being low confidence from the population and business in state institutions. Other authorities that should take more lead in fixing existing development challenges are the Ministry of Education, Ministry of Economy, Ministry of Labor, Social Protection and Family, Ministry of Justice and the State Chancellery. Given the fact that most development challenges have a rather transversal character, it is equally important to ensure a proper coordination and communication among these institutions.

³ Political forces advocating for trade protectionism and Russian and Belarussian-style autocracy gained a relatively large popularity before elections.

3. WHAT ARE THE BIGGEST INSTITUTIONAL CHALLENGES?

This section explores the biggest weaknesses of identified institutions, which hamper their capacity to contribute more actively to fixing the key development challenges. Identification and elimination of these weaknesses will enable the Moldovan public authorities to undertake a bolder role in the post-2015 development agenda.

MAIN FINDINGS FROM CONSULTATIONS

The consultations revealed a broad consensus among experts about the most crucial challenges faced by the Moldovan institutions:

- (i) low political independence;
- (ii) high corruption;
- (iii) low transparency;
- (iv) low technical capacity;
- (v) poor communication and coordination with other institutions;
- (vi) capture of the institution by vested interests;
- (vii) low governance efficiency;

- (viii) low attractiveness of the institution for highly skilled personnel.

Obviously, they can be closely interlinked. Thus, capture of the institution by vested interest undermines its political independence, which, along with low transparency, fuels corruption. It also undermines the attractiveness of the institution for highly skilled personal, causing low technical capacities and low governance efficiency. Moreover, low political independence, coupled with poor technical capacities lead to poor communication and coordination with other institutions.

Low political independence denotes the problem of poor separation among the legislative, executive and judicial powers. It is related to the strong influence of politicians on the government as a whole, as well as on the most important ministries and on the justice system. As a result, it explains the low quality and efficiency of public policies and reforms, undermines the public confidence in state institutions and fuels the risky phenomenon when people and firms are seeking alternative, bypassing justice system, ways to solve their disputes. Another problem is the relatively high political exposure of the

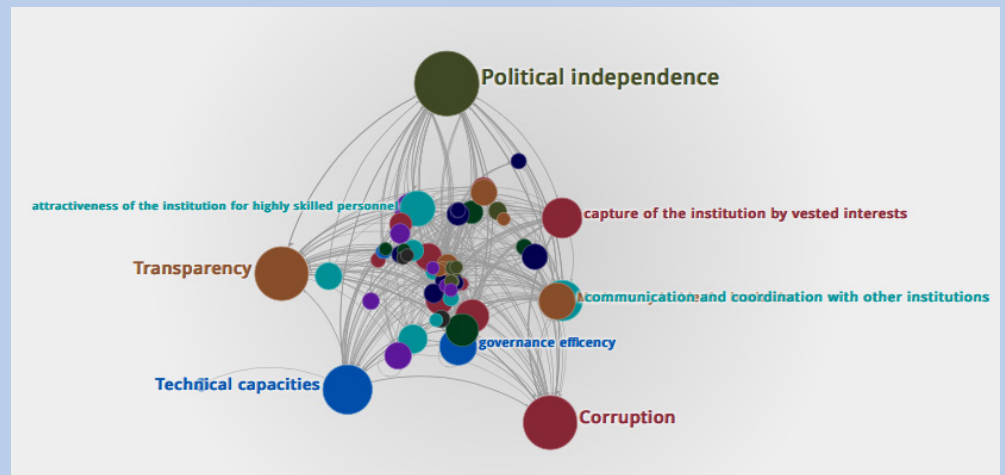
National Bank of Moldova, which, according to the legislation, should be politically, operationally and financially independent. It limits the efficiency of its inflation-targeting strategy and its capacity to ensure a stable currency and a sound banking system. The institutions aimed at

fighting corruption (National Commission for Integrity and National Anticorruption Center) are also perceived to be undermined by low political independence, which undercuts policies to fight corruption.

High corruption is both a by-product of other institutional weaknesses and, at the same time, a triggering factor for other problems. Thus, it is mainly fueled by the capture of institutions by vested interests, which undermines the political independence, as well as by low governance efficiency and low meritocracy. Corruption is also closely linked with low transparency, which doesn't appear to be an important asset for many institutions. High corruption is an important triggering factor for low public trust in state institutions, low quality of laws, regulations and public services and it undermines the communication and coordination inside and with other institutions.

Low technical capacities determine low productivity of state institutions, which is closely linked to their low attractiveness for highly skilled personnel. Low wages are an important, but not the most fundamental factor explaining this institutional weakness. As survey shows, a crucial role is played by the weak meritocracy inside state institutions.

Figure 2. Key institutional weaknesses



Source: FS survey

Particularly, the institutions do not have a proper-functioning performance management system, the recruiting criteria are too lenient, while the recruiting process is often not transparent. Another interlinked problem is lack of ownership and awareness of the many public employees of the ongoing reform process. These issues undermine the motivation of public servants and the capacity of the state institutions to attract highly skilled personnel, affecting negatively their technical capacities and the quality of laws and regulations. It also limits the institutions' capacities to enforce the laws, which fuels corruption, tax evasion and population's distrust in the government.

One explanation of the capture of institutions by vested interests, which proved to be very popular among interviewed experts, is the low quality of political parties' internal governance. According to the interviewed experts, instead of being vehicles for transporting the best professionals into the high-level government positions (that would attract other technocrats into institutions' implementation units/departments), the political parties are dependent on a small number of people who ensure financing and expect returns from their "investments". Hence, the cooptation process within

government institutions is frequently not determined by meritocratic principles, but by internal considerations aimed at extracting administrative rents. It explains the high level of political exposure of most government institutions, low attractiveness of the state institutions for highly skilled personnel and low transparency. As a result, the governance efficiency is low and the communication and coordination with other institutions is poor. In its turn, it undermines the quality of laws, regulations and public services and the capacity of state institutions to implement the development agenda.

PRELIMINARY CONCLUSIONS

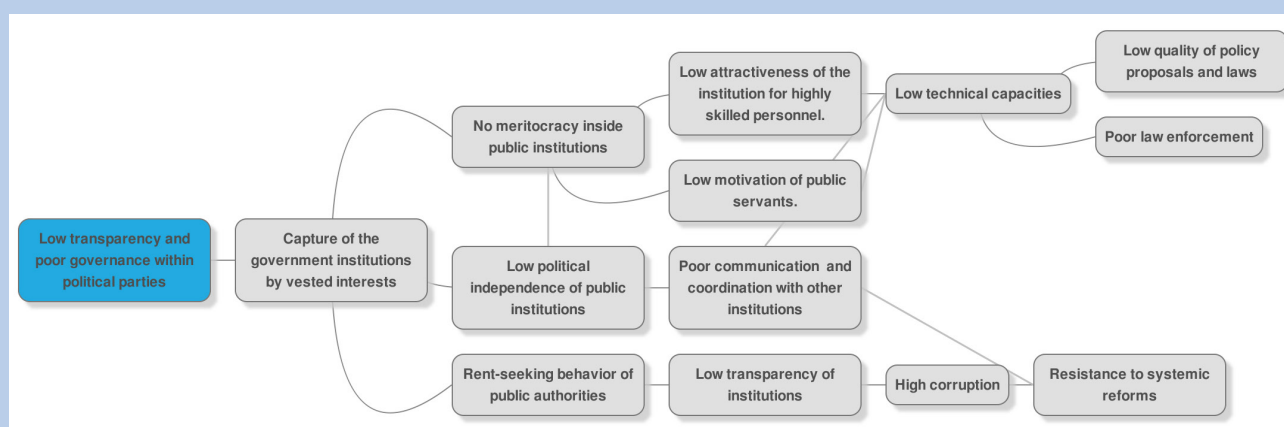
The implementation of the development agenda is undermined primarily by poor technical capacities of Moldovan state institutions, that lead to low quality of laws, regulations, public services and weak law enforcement. Along with that, it is undermined by corruption, which is perceived to have reached an endemic level, and explains the resistance of the state institutions to systemic reforms. Consequently, it weakens social cohesion in the society, people lose confidence

in key state institutions and choose to migrate abroad.

However, there are deeper roots of these phenomena. Thus, low technical capacities are explained by the lack of any motivation mechanisms for public servants and low attractiveness of state institutions for highly skilled personnel. This is the by-product of no meritocracy inside public institutions and their low political independence, which often makes the appointment and promotion decisions to be non-transparent, based on political affiliation and personal connections, rather than on performance indicators. A key factor explaining the high levels of corruption is the low transparency of the decision-making process induced by rent-seeking behavior of part of decision-makers.

This institutional weaknesses stem from the capture of government institutions by vested interests. One of the key drivers behind that capture is the low transparency and poor governance within most political parties. As survey shows, Moldovan political parties are perceived to serve the interests of a small number of businessmen (or, even oligarchs), seeking to expand and to re-affirm their influence in the political realm. Therefore, fostering the transparency of financing the political parties and their internal governance will indirectly bolster the agenda of institutional reform and modernization of the Republic of Moldova.

Figure 3. Cause-effect relations among the key institutional weaknesses and development challenges



Source: FS survey

4. POLICY RECOMMENDATIONS TO FOSTER MOLDOVAN INSTITUTIONS

After analyzing the key institutional weaknesses from Moldova, it is necessary to identify proper policy recommendations for addressing them. Before that, it is worthy looking at the features that a robust institution should have in order to be able to effectively address the key institutional challenges Moldova is facing. Policy recommendations will build on these features, as well as on the causal relations among key institutional weaknesses described in the previous chapter.

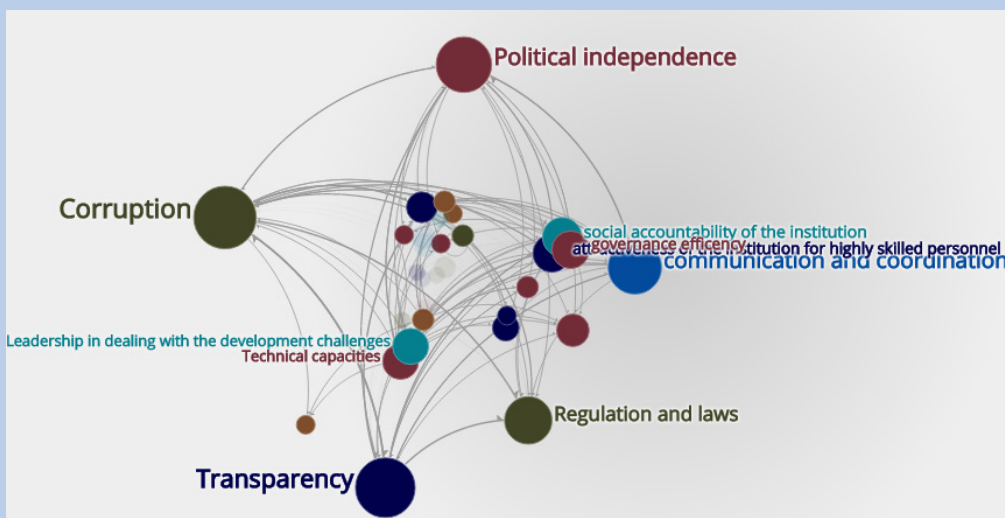
TEN FEATURES THE ROBUST INSTITUTION SHOULD HAVE

Largely, the features that define a robust institution in Moldova derive from the key institutional weaknesses. Thus, the consultation results revealed that the institutions should meet the following ten criteria:

1. No corruption
2. High transparency
3. Political independence
4. Promotion of efficient regulations and laws
5. Close communication and coordination closely other institutions
6. High technical capacities
7. Social accountability
8. Follow high internal governance standards
9. Leadership in dealing with relevant development challenges
10. Attractiveness for highly skilled personnel.

The consulted experts expect from Moldovan state institutions to serve wider interests, by being less corrupt and more politically independent. The institutions should also follow the highest standards of governance, ensuring higher transparency in their activity and decision-making, ensuring an efficient communication and coordination with other institutions and be socially responsible. Moreover, they should attract more highly skilled personnel and, hence, have high technical capacities and promote high quality laws and regulations. Finally, yet importantly, the relevant Moldovan institutions should be

Figure 4. Main features defining the robust institutions



Source: FS survey

active leaders in addressing country’s development challenges.

POLICY RECOMMENDATIONS

Policy priority no. 1: Emphasizing quality over quantity of human resources in state institutions

After agriculture, the public sector is the biggest employer in Moldova, with 235.6 thousand workers, representing about 20% of total employment in the country (2013). Nevertheless, the consultation results revealed a low motivation of employees and low attractiveness of the sector for highly skilled personnel. It explains poor technical capacities of state institutions, low quality of policy proposals, laws, regulations and public services, as well as high corruption. Thereafter, the population and businesses tend not to trust these institutions, are

reluctant to pay taxes because of low returns received and, subsequently, people have a strong propensity to migrate⁴. In order to solve these issues, the following policy actions are recommended:

- **Streamlining wage fund structure and delegating more autonomy in defining personnel structure.** The wage fund of each state institution should be distributed to as much employees as it really needs and the institution’s management should have the autonomy in deciding on the number and structure of the personnel. It will create the necessary incentives for the management to attract the most skilled employees and be more concerned about the productivity within state institutions. Moreover, in many cases, it will lead to reducing the number of employees, and eventually accumulated resources will allow increasing the wages of the most skilled personnel.
- **Tightening the entry requirements into the public service.** The recruiting process in state institutions should be more exigent and transparent. It should

⁴ This finding corroborates with the statements of the focus-group participants who debated in 2014 about the post 2015 agenda – organized as part of the same project.

be based on a clear set of criteria, which should be well communicated to all stakeholders. Similarly, the promotion of employees should be based entirely on meritocratic principles.

- **Adjusting the university curriculum to the real needs and realities of the public sector.** A particular role should be taken by the Ministry of Education – university curricula for public servants should be revised and improved in order to develop more practical skills at young professionals such as an ability of public policies elaboration. Along with that, existing methodology of compulsory university internships should be rethought to allow young professional nurturing genuine hands-on skills.
- **Ensuring an efficient functioning of the collective performance evaluation and management system of state institutions,** which should be closely linked with individual performance of public servants. It should serve as the most important criteria for setting the levels of wages and bonuses in state institutions. Hence, it is necessary to enforce more effectively the Government Decision no. 94 of 01.02.2013 about adopting the Regulation on collective performances evaluation.
- **The labor legislation should ensure a proper flexecurity: flexibility for the employer (state institutions) and security for the employees.** The Labor Code should ensure more flexibility in order to allow the state institutions to faster replace the inefficient employees with the most efficient and skilled personnel. Obviously, it should not come at the expense of lower social security for the employees. Still, Labor Code, in its current version, has been often complained during the consultations as one of the most significant obstacles for reforming the state institutions.

Policy priority no. 2: Increasing the social accountability of state institutions

Allowing more autonomy for state institutions to manage their wage and composition of personnel could be beneficial only if the management will be socially accountable for their actions and for the activity outputs and outcomes of their institutions. The consultation results revealed the fact that most state institutions have a low social accountability, which does not ensure the necessary incentives to be efficient and, hence, undermines their collective performance of the institution. In order to solve these issues, the following policy actions are recommended:

- **Ensure a proper reporting and monitoring framework for the state institutions' activity.** The activity of each state institution should be based on the sector development programs that should be transparent and based on well-defined and measureable performance criteria. The managers of state institution should publicly report their activity based on these programs. Besides the official reporting, there should exist the possibility for the civil society to evaluate independently the performance of state institutions, based on the implementation of sector development programs.
- **The elaboration of government programs, strategies, roadmaps and other documents of strategic planning, should be more inclusive.** They have to involve more actively relevant institutions, CSO representatives, interest groups and general public. Moreover, the process of elaboration of these documents, especially the government programs, should be depoliticized in order to ensure that they are aligned with the real needs and capacities (it is better to have less ambitious goals realized, rather than over-estimated goals which cannot be

achieved with existing capacities). Importantly, the documents should include a set measurable and well-defined monitoring indicators, action plan, breakdown of responsibilities per institutions and funding sources for each activity.

- **Promotion of evidence based public policies.** All laws and regulations developed by each state institution should come up with appropriate ex-ante analyses and, after implementation, should include ex-post assessment of the impact. The assessment results should be well-communicated to the stakeholders and the public. In order to ensure an effective enforcement of this requirement, the role and competences of the state chancellery should be strengthened.
- **The state institutions providing services to the population and firms should consider implementing stakeholder report cards.** This social accountability tool could be used in order to collect feedback from beneficiaries about the quality of services, their satisfaction about the communication with the institutions' representatives and provide their insights about measures to improve the institutions' activity.

Policy priority no. 3: Strengthening the internal governance of state institutions

The poor internal governance is a major cause explaining the low operational efficiency of most state institutions. In order to solve these issues, the following policy actions are recommended:

- **Increasing the level of awareness inside institutions about the need for more transparency.** The importance of robust internal governance should be better communicated to the employees of state institutions. Additionally, each institution should develop action plans for strengthening their governance systems.

- **Fostering the communication within institutions and minimization the transaction costs.** The state institutions should have well-trained state secretaries, responsible for ensuring a proper internal flow of documents and the communication among departments, as well as with other institutions.
- **Many state institutions should be freed from their non-core activities in order to be able to concentrate on the most appropriate once.** Particularly, the ministries should not be responsible any more for activities that could be easily allocated through competitive tenders to the private sector (e.g. organization of concerts) and focus instead on promoting efficient public policies. Additionally, many ministries have under their subordination a large network of state-owned enterprises, many of which are in default (e.g. 11 out of 55 state-owned enterprises subordinated to the Ministry of Agriculture and Food Industry are in default). Managing these non-core activities consumes resources, undermines the efficiency of institutions' core activities and distorts the market competition.
- **Implementation of ITC solutions in order to smooth the internal flow of documents and communication.** One particular option would be an integrated platform that would track, in real time, the status of each document (e.g. in elaboration, in modification, in consultations etc.), the entity responsible for it, the entity where it is under review at a given point of time and other useful information. For an easier identification of documents, individual identification codes should be assigned. It would improve the understanding among public servants about the internal flow of documents, increase the transparency of the policy making process, improve the efficiency of communication inside the institution and with other institutions, as well as diminish the transaction costs.

Policy priority no. 4: Increase the transparency of state institutions

High transparency is at the core of both internal governance and social accountability of the institution. Importantly, the legal framework ensuring the decision-making transparency is in place and is an appropriate one. Still, its enforcement is the biggest issue. For example, in 2013, 47% of all policy topics discussed by all ministries did not comply with the legal requirements⁵ on decision-making transparency⁶. Budgetary transparency is a particular issue: according to the Budgetary Transparency Index 2012⁷, Moldova scored 59 points out of a maximum of 100, which qualifies as “low transparency”. Besides hampering accountability and internal governance of state institutions, low transparency undermines their credibility for the population and firms. In order to solve these issues, the following policy actions are recommended:

- **Increasing the intrinsic commitment of state institutions’ personnel to this principle of decision-making transparency.** Firstly, the management of each institution should be responsible for informing and increasing the awareness of public servants about the importance of transparency. Secondly, the legal framework should contain proper incentives in this regard: the performance criteria of each employee, based on which the wages and bonuses could be calculated, should include the indicators about the compliance with transparency requirements. Thirdly, the “carrot” measures should be supplemented with “stick” measures: the legal framework should include individual sanctions against public servants who do not comply with the transparency principles in their activity. Rewarding transparency

and penalizing the opposite in relation to individuals, rather than to the whole institutions, will increase the motivation of employees to promote transparency inside the institutions. Additionally, it could create the necessary pressures “from the bottom”, on the managers of state institutions.

- **Fostering the incentives of institutions’ managers to be more opened and transparent.** In this regard, the level of openness and transparency has to be assessed periodically by the State Chancellery and should be taken into account at the institutional performance assessment. The monitoring results should be publicly available, so that any interested person could track what are the most transparent and non-transparent institutions.
- **The state institutions should have a clear consolidated commitment to transparency principles.** All ministries, regulatory agencies, the Parliament, the central bank and other key institutions, should undertake clear pro-active policies to promote open data, budgetary and decision-making transparency. Particularly, the institutions should have clear policies about public consultations, their objectives, timeline and monitoring reports about the contribution of external stakeholders to the policy document.
- **The legal framework about decision-making transparency should be extended in order to cover the Government’s policies initiated by the Members of Parliament.** There were many cases when transparency requirements were sidetracked for important policy decisions implemented after the initiatives of the Members of Parliament⁸.
- **Implementation at a wider scale the ITC tools in order to promote transparency.** It implies opening the data about the budgets and activity of institutions, uploading online the draft of

5 Law no. 239 from 2008 about the transparency in the decision-making process and the Regulation on ensuring transparency, approved by the Government Decision no. 34 of 2001.

6 National Participation Council, 2014

7 “Budgetary Transparency Index of Moldova”, Expert-Grup, 2012

8 National Participation Council, 2014

policy documents and laws for public review and consultations, organizing online public hearings etc.

- **It is necessary to eliminate political discretion in allocation of public money to different state institution and to tie it, instead, to well-defined criteria.** The financing of state institutions from the state budget should be made exclusively according to the indicators and needs stipulated and explained in the sectorial development programs. These documents should be developed for each state institution and should be publicly available. Additionally, the employees should receive a proper training and external technical assistance about the methodology of development of robust and well-grounded sector development programs.
- **Increasing transparency should imply fostering the public understanding about the budgetary system.** Hence, it is necessary to implement the “Citizens’ Budget” principle. It implies presenting the state, local and individual institutions’ budgets in a user-friendly way, so that non-professionals could understand better how the taxpayers’ money is being managed.
- **The process of elaboration of the Medium-Term Expenditures Framework (MTBF) should be more inclusive.** It should involve more state institutions, as well as representatives of other stakeholders (e.g. private sector, CSOs etc.). Hence, it is necessary to better communicate and raise the awareness among a larger group of actors about the importance of MTBF as a strategic planning document. Moreover, in order to increase the incentives of other actors to take a more active part in this process, the authorities should closely follow this document when promoting their policies and drafting their sector development programs.

Policy priority no. 5: Fighting corruption within state institutions

The consultations identified corruption as one of the main weaknesses of the Moldovan public institutions. It undermines their efficiency, meritocracy, attractiveness for highly skilled personnel and fuels resistance to systemic reforms. Some of the measures outlined above (e.g. increasing the transparency and social accountability, strengthening internal governance, raising wages, promoting meritocracy etc.) should contribute to downsizing this phenomenon. Still, additional measures are necessary in order to fight more efficiently with corruption:

- **Limiting the discretion of public officials.** Unaccountable public servants with a large margin of discretion and many attributions serve as a major source of corruption. Besides the measures to strengthen the accountability, described above, it is necessary to limit the discretion of state institutions’ officials, especially in case of those responsible for issuing various permissive documents. It can be done by digitalizing these processes by implementation of ITC tools that would allow the applicants for permissive documents to track in real time the status of their applications. It is important to have, also, clear rules and requirements for issuing the necessary documents, in order to avoid any forms of interpretation of the legal framework by public officials.
- **Diminishing the bureaucracy in state institutions.** Corruption is closely linked to the level of bureaucracy inside the institution. Hence, downsizing the administrative apparatus in most institutions, implementation of one-stop shops and simplification of the procedures necessary to obtain specific documents or other public services, could contract the level of corruption as well.

- **Raising the costs of corruption.** Removing incentives for corruption should be complemented with increasing the penalties for such activities and strengthening the capacities of relevant institutions to identify and penalize the corrupt public servants. Particularly, the cases of “big corruption” should be investigated closer by the anti-corruption prosecutor office, which should be the single institution responsible for investigation of such cases. Thus, the investigation responsibilities should be transferred from the National Anticorruption Center, which should be primarily responsible for prevention measures, to the anti-corruption prosecutor office. This delegation of responsibilities should be also aligned with more technical assistance and strengthening the human resources and technical capacities of this institution. A large-scale corruption could be shrunk only with a robust anti-corruption prosecutor office that would be the single institution responsible for investigation and filling the cases to the court.

Policy priority no. 6: Strengthening the political independence of institutions

High political dependence of most state institutions, as revealed by the consultations, is one of the most important factors undermining the efficiency of public policies and the institutional capacities to manage the development challenges. It also limits the meritocracy inside the institutions and, hence, their attractiveness for highly skilled personnel, and complicates the communication with other institutions controlled by different political parties. In order to solve these issues, the following policy actions are recommended:

- **The policy measures should target the poor transparency and governance inside the political parties, which are key sources of high political dependence of state institutions.** Thus, it is necessary to ensure an effective

enforcement of the legislation related to the transparency of financing the political parties. Moreover, the legislation should allow the financing of political parties from the state budget, which should be conditional on fulfilling certain transparency and governance requirements (e.g. full disclosure of financial statements and balance-sheets, performance indicators, meritocracy in selecting and promotion the personnel etc.).

- **The policy-making process should start from the bottom of institutions’ hierarchy, by involving more actively the technocrats (public servants with no political affiliations) at all stages public policies’ development.**

Moreover, the technocrats should have a larger stake in defining public policies, as well as in conducting ex-ante and ex-post analyses. Moreover, law should prohibit the appointment of technocrats according to political preferences. Instead, there should be clear criteria for employing and performance evaluation of public servants.

- **It is necessary to foster the central bank independence.** The political exposure of the National Bank of Moldova is of primary concern, as it undermines the capacity of this institution to keep the inflation and currency exchange rate at bay and the banking sector – sound. In order to consolidate the central bank’s independence it is necessary to stipulate clearer rules under which it interacts with other institutions. Moreover, it is necessary to eliminate the existing legal tools by which the politicians can exert pressures on the bank. Particularly, the institution should be autonomous in deciding on the structure of its expenditures; the courts should not be allowed to suspend NBM’s decisions related to monetary and exchange rate policies and banking sector stability; there should be removed the legal obligation of NBM to request the approval from the Ministry of Justice for each legal act adopted. Moreover, the legislation

should explicitly prohibit any current and past political affiliations (e.g. membership in a political party or holding a high-level Governmental position) of central bank's managers. Obviously, these measures should be supplemented with higher accountability of NBM, by increasing its transparency, better communication with the public and fostering the internal governance of this institution.

In conclusion, the institutional competitiveness is instrumental in promoting an effective, people-centered post-2015 agenda. The proposed policy mix for strengthening the Moldovan state institutions consists of 6 priority areas of intervention:

1. Emphasizing quality over quantity of human resources in state institutions
2. Increasing the social accountability of state institutions
3. Strengthening the internal governance within state institutions
4. Increase the transparency of state institutions
5. Fighting corruption within state institutions
6. Strengthening the political independence of institutions

All in all, the policies should ensure more operational and political autonomy to state institutions, which should be counterbalanced with stronger accountability. Hence, on the one hand, it is necessary to delegate to the institutions' managers more autonomy in deciding on the personnel structure and public money distribution; on the other hand, we need proper independent monitoring and evaluation mechanisms in place for public policies. A particular attention should be given to making the civil service more attractive for the best talents and professionals, who could raise the competitiveness and technical capacities of state institutions.

An important component of fostering the accountability of state institutions is increasing their transparency and openness. It should be done by making the decision-making process more inclusive, by involving more broadly the technocrats, CSOs, relevant stakeholders and the public. Implementation at a broader scale the ITC tools is instrumental in raising the transparency, as well as in limiting the discretion of public officials, which could downsize the bureaucratic barriers and diminish corruption. The issue of high political exposure of state institutions' managers could be addressed by fostering the internal governance within political parties, who appoint the high-level decision makers, as well as by involving more actively the technocrats in the policy making process.

Obviously, the implementation of this policy mix is conditional upon a strong political back up and a broad commitment of the government high-level officials to these "self-reforming" processes. Moreover, in order to make this reform feasible the strong support from the donor community and development partners is necessary, which could provide proper technical and financial assistance. As a result, the Moldovan state institutions could comply with the 10 features that are necessary for a successful implementation of the post-2015 agenda, identified in this report:

1. No corruption
2. High transparency
3. Political independence
4. Promotion of efficient regulations and laws
5. Close communication and coordination closely other institutions
6. High technical capacities
7. Social accountability
8. Follow high internal governance standards
9. Leadership in dealing with relevant development challenges
10. Attractiveness for highly skilled personnel.

