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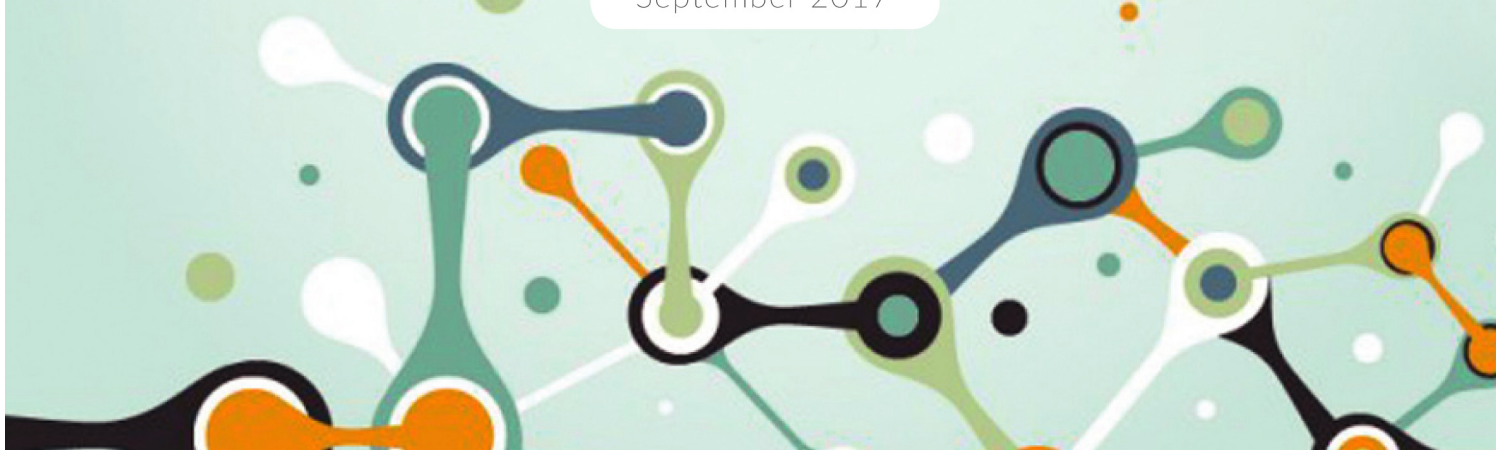
REPORT

Mid-term evaluation
of National Development Strategy

„MOLDOVA 2020”

Key Findings

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The views and opinions expressed in this document are those of the authors and do not necessarily reflect the position of any of the partners.

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Abbreviations

ANRE	National Energy Regulatory Agency
HRBA	Human rights based approach
SSSB	State Social Security Budget
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
WB	World Bank
NBM	National Bank of Moldova
NBS	National Bureau of Statistics
BRD	Diaspora Relations Bureau
HBS	Household Budget Survey
MTBF	Medium-term budgetary framework
CNA	National Anti-corruption Center
CNAS	National Chamber of Social Insurance
CNPF	National Commission for Financial Markets
UNCRPD	UN Convention on the Rights of Persons with Disabilities
CSM	Superior Council of Magistracy
DAJ	Department of Judicial Administration
CLD	Credit Line Directorate
ENTSO-E	European Network of Transmission System Operators for Electricity
BI	Business Incubator
IFAD	International Fund for Agricultural Development
SMEs	Small and medium enterprises
MMPSF	The Ministry of Labour, Family, and Social Protection of Moldova
MTID	Ministry of Transport and Roads Infrastructure
ODIMM	Organization for Small and Medium Enterprises Sector Development
OSCE	Organization for Security and Co-operation in Europe
PARE	Moldova's Remittance-Based Investment Program
GDP	Gross Domestic Product
PNAET	National Programme for Economic Empowerment of Youth
NDS	National Development Strategy
SES	Sectoral expenditures strategy
EU	European Union
SB	Sovereign Bonds

Executive summary

This document presents the results of the evaluation and analysis of the National Development Strategy (NDS) "Moldova 2020" implementation, which is the main national strategic planning document drafted by the Government and adopted by the Parliament in July 2012 for the period until 2020. In accordance with the provisions of the NDS, the Government, with the support of UN Moldova, initiated the process of evaluation of the implementation of the NDS for the period 2012-2015. The objectives of this assessment included: establishing how NDS fulfilled its function as a central strategic planning document in the field of sectoral policies and budgetary allocations; analysing the impact of NDS in areas of priority policies through predetermined monitoring and evaluation indicators; and identifying the lessons learned. All these activities were undertaken in order to design a new national development strategy "Moldova 2030".

The analysis has shown a relatively good synergy between the key elements of the strategic vision laid out in each priority of NDS and the sectoral strategies. These strategies translated and detailed, to a large extent, the development vision pertinent to the 8 analysed priorities. However, the assessment of monitoring indicators shows that over a half of the estimated intermediate targets have not been achieved (53% of the total, or 29 targets out of 55 targets estimated). It can be anticipated that by 2020 the situation will not change significantly, the forecasted level of achievement of the final targets being 48%. In this regard, the most problematic of the eight priorities is the *Judiciary* area, with an implementation level of only 20%. The level of target achievement was better in the case of the *Pension System*. The majority of indicators in this development priority have been achieved. However, it is worth noting that 7 of 63 indicators could not be assessed because of the lack of statistical data (Annex 1).

The progress assessed on two main indicators (GDP and poverty rate) was also modest. Thus, from 2010 to 2015 the economy has advanced by an annual average rate of 3.9%, i.e. 1.6 percentage points less than the growth target set out in the strategy. As a result, in the period of 2010-2015, GDP has grown by 21.1% - a modest result compared to the growth of 30.4% outlined in the strategy. To fulfil the objective set out for 2020, an average annual economic growth of 9% is required. However, there is little probability of this target to be reached. The second indicator monitored, i.e. the poverty rate, showcases a better dynamics. In the period 2010-2015 the rate of poverty estimated at the national threshold decreased from 21.9% to 9.6%. Thus, the objective set for 2020 has been achieved.

However, this progress must be treated with maximum caution, because the indicator only measures monetary poverty. On one hand, the progress is due to a quite low national poverty threshold, and on the other hand, due to a rise in remittances and pensions, which may not necessarily be sustainable sources in the long run. At the same time, there are persistent inequalities based on disaggregated components of the poverty indicator - place of residence, gender, age, disability, education. In this way, the absolute poverty in rural areas is almost five times higher than in urban areas. To compare, in 2012 it was only three times higher. Particularly exposed to poverty are the people who live in households headed by elderly people, as well as rural households composed by lone retired women or elderly people, and families with disabled adult members.

Education: relevant for a career

The objective of this chapter of the NDS "Moldova 2020" is based on the premise that the specialisations and qualifications provided by the educational system do not meet the requirements of the labour market, therefore, the potential of the labour force is not fully explored and the labour force itself is not productive enough. The NDS aims to adjust the education system to labour market requirements and identifies a number of key elements aimed at improving the education system.

Shortly after the approval of the NDS "Moldova 2020", the Ministry of Education has developed two comprehensive policy documents for the achievement of the objectives set out in the priority

"Education: relevant for a career": the Strategy for the Development of Technical Vocational Education 2013-2020, and the Education Development Strategy for 2014-2020 "Education 2020". Both documents are consistent with NDS. Supported by the Education Code approved in 2014, they have provided the policy framework necessary for the full implementation of all the key elements of the vision laid out in the NDS, especially due to the financial coverage allocated through the respective sub-programmes within sectoral strategies on education-related expenses.

Following the analysis of indicators and intermediate targets, we could not evaluate clearly the progress in the implementation of the specific objectives set out in regard to this priority. The identification and evaluation was possible only in the case of two out of four indicators. The intermediate target of unemployment rate has been reached, but less so for the youth exodus indicator. In this way the intermediate targets set for this priority have been achieved in a proportion of 50%. However, the indicator on the unemployment rate is not quite suitable to show the degree of connection between the education system and the labour market. Moreover, against the background of a dropping unemployment rate, the quality of employment presents serious grounds for concern, particularly because there is a growing trend of informality on the labour market. At the same time, there is little progress in terms of reducing youth exodus, and it is unlikely that it will reach the final target. In these conditions, it is necessary to review the priority policy interventions for adjusting the education system to the labour market.

The major issue regarding this development priority is that the established set of monitoring indicators cannot be used to monitor progress in aligning the education system to labour market requirements. Unlike the indicators for other priorities, the ones set for the priority "Education: relevant for a career" mainly describe the labour market, but are more relevant as impact indicators for the education system. However, the developments on the labour market are not influenced by the quality of education only. At the same time, permanent sources have not been provided for 3 out of 4 indicators. During the drafting stage of the NDS, these indicators were established based on surveys that have not been repeated ever since. In these conditions, it is virtually impossible to determine the progress in accordance with the monitoring indicators included in the NDS. And let us reiterate that these indicators do not fully describe the education sector, which is the main focus of the priority.

Another issue is the neglect of human rights and gender equality within this strategic objective, which would bring significant benefits for economic development and social cohesion. These include analyzing and reducing gender inequalities on the labour market, integrating the elderly by means of (i) lifelong learning, (ii) combating discrimination against the elderly on the labour market, (iii) removing barriers to education, vocational guidance, and employment faced by disabled people.

Roads: in good condition, anywhere

According to NDS "Moldova 2020", the rehabilitation of roads will contribute to the export-based economic development. In this regard, the following proposal was made: to deploy the potential of public-private partnerships in the field of transport logistics and services related to roads infrastructure, and to enhance the efficiency of the road maintenance system by ensuring a fair market competition.

The priority has been further developed in two strategic planning documents: the Transport and Logistics Strategy for 2013-2022 and the National Road Safety Strategy. Both strategies encompass the vast majority of elements from the relevant chapters of the strategic vision laid out in the NDS, excepting the objective on deployment of public-private partnership that has not been fully explored in sectoral strategies. At the same time, the majority of policy objectives have been reflected in the budget programs, in addition to objectives related to the logistics performance index, calculated by the World Bank.

The intermediate targets that relate to the rehabilitation of national and local roads have been met. However, from 2015 onwards, the situation has changed due to the suspension of financial support from development partners. Overall, the progress on the targets that were possible to evaluate (5 of out of 8) was satisfactory. Up to date the intermediate targets have been achieved in the proportion of

80%. However, the overall impact on the sector appears to be minor, because the situation of the road infrastructure has not improved substantially: according to the Global Competitiveness Report 2015-2016, the Republic of Moldova was ranked number 133 out of 140 states in terms of roads quality, as opposed to the 144th position out of 144 countries according to the same report in 2012-2013. In the absence of substantial improvements in the implementation of the targets in this area, the situation might worsen by 2020. The achievement of the final targets is expected at 56%.

An important lesson learned and to be applied in the next national development strategy is that monitoring indicators need to be more relevant and measurable. At the same time, the indicators should be consistent with the strategic vision of the NDS, while reference values and intermediate targets should be established for each of them. Given the constant constraint on financial resources, a better anchoring of the entire financial/budget planning process in the strategic vision of the NDS is required, which means an upgraded concentration of budgetary programs on the elements of strategic vision of the NDS "Moldova 2020". To enhance the efficiency in objectives' implementation, a more qualitative planning is required, along with the aligning of the public financial resources management in this field to the priorities set out in the NDS "Moldova 2020".

Roads are treated as a goal in themselves, without analysing their impact on people's lives; this was viewed as a major shortcoming of this priority. Attention should be paid to the needs of people and to the impact that roads have on the accessibility of goods and services; this can be done by approaching the matter from the perspective of human rights and gender equality. Besides, this approach would take into account the diversity of people, paying appropriate attention to the accessibility of sidewalks, buildings and information, including for the elderly and the disabled.

Finance: affordable and cheap

The priorities of the NDS in this area were based on the development of the process of financial intermediation for channelling resources efficiently from those who save to those who invest. To achieve the objectives set out in the respective chapter of the NDS "Moldova 2020", authorities have been involved in the elaboration of sectoral strategic planning documents. The National Financial Market Commission drafted the Strategy of development of non-bank financial market for the years 2011-2014 and the Ministry of Economy, as the key institution responsible for the field of SMEs, has drawn up the Strategy of development of small and medium enterprises sector for 2012-2020, to name a few. The National Strategy "Diaspora - 2025" also touches upon enhancing and facilitating access to finance by leveraging the financial resources earned by migrant workers. However, there was no document on planning and strategic development of the banking sector, even if the banking sector is the central element in the achievement of the objective "Affordable and cheap finance". At the same time, the banking crisis of 2014-2015 has dramatically changed the priorities and policies focusing on the stabilization and revival of the sector.

With regard to financial coverage through programs of entrepreneurship support (as it constitutes one of the priorities of the NDS "Moldova 2020"), resources have been allocated both from the state budget and the development partners' funds. Nevertheless, adverse developments in the banking sector have strongly affected the objectives set in the NDS "Moldova 2020". Consequently, the intermediate targets set for 2015 were only met by half. Furthermore, in view of the results generated by financial institutions in recent years, the prospects of achieving the targets set in the NDS "Moldova 2020" by the year 2020 are not very optimistic: we anticipate that only 38% of the ultimate targets will be achieved.

To boost the implementation of strategic priorities in the area of access to affordable finance, the following are required: 1) drafting of a visionary document on strategic planning which will be in synergy with the NDS and ensuring a continuity of priorities set by this visionary document on strategic planning; 2) increasing the sources of funding for state programs that support entrepreneurship and streamlining the process of attracting financial sources from international organizations; 3) boosting the financing of business through alternative tools; 4) enhancing the efficiency of banking activity.

At the same time, the integration of human rights and gender equality in this priority would advance the observance of economic rights in the country. Some groups, by virtue of social vulnerability or historical discrimination, may not be able to benefit from lending opportunities on an equal footing with others, unless they receive a specific support (positive measures). This priority would be able to target better the most disadvantaged groups, including women, citizens from the rural area, persons with disabilities, thus contributing to eradication of poverty.

Business: with clear rules of the game

In the field of business environment, within the framework of the NDS "Moldova 2020", the Government has committed to 7 elements of strategic vision. They are mainly aimed at actions of systemic and institutional framework, including the optimization of the regulatory framework, a more active involvement of the private sector in the decision-making process, strengthening the aspects of rule of law relevant to the business environment, improving competition, promoting entrepreneurship, developing quality infrastructure and implementing the mechanism of regulatory impact assessment.

Overall, the continuity of these priorities is ensured through the documents of sectoral strategic planning. An analysis of the following 4 documents was performed: the Development Strategy of Small and Medium Enterprises Sector for the years 2012-2020, the Strategy on Reform of State Regulation on Entrepreneurship Activity 2013-2020, the Investment Attraction Strategy for the Promotion of Exports for 2016-2020 and the National program in the field of competition and state aid for the period 2015-2020. These documents contain the elements with a relatively high degree of achievement of the above-mentioned strategic vision, that create conditions for the implementation of the relevant objectives set out in the NDS "Moldova 2020".

However, the impact did not occur overnight. Thus, only 41% of the intermediate targets of the NDS "Moldova 2020" set for 2015 were achieved and we anticipate the level of implementation to increase until about 77% by 2020. The most problematic areas are related to the duration and costs of starting and closing a business, obtaining construction permits and the number of reports required. Some progress has been noted in the area of tax payments, cross-border trade, the reduction in the number of state inspections, permits, and the cost of obtaining them.

SND has not achieved most of its intermediate objectives. In addition to the multitude of domestic and foreign shocks which have undermined the impact of the NDS, there is an internal systemic problem. It regards the poor correlation of the priorities of the NDS with budget sectoral objectives reflected in the budgetary programmes and sub-programmes. The evaluation revealed a relatively high dependence of projects on the financial support offered by development partners. This fact reveals certain shortcomings in the sustainability of the funding priorities of the NDS.

To increase the chances of materialization of the strategic vision of this chapter, it is necessary to establish indicators that reflect accurately the strategic vision, ensuring a sustainable framework for monitoring and evaluation, in particular through the inclusion of indicators that are available from public sources, setting realistic targets, and ensuring consistent financing and sustainability, i.e. connecting the best of the budgetary programs to the objectives of the NDS "Moldova 2020".

At the same time, this priority should take account of the barriers faced by different social segments. The integration of gender equality would take into account the obstacles of economic, financial and educational context faced by women. By embedding human rights perspective, it would ensure the inclusion of the elderly, people with disabilities, and Roma people in entrepreneurial activities.

Energy: delivered safely, used efficiently

The priorities of the NDS "Moldova 2020" in the field of energy encompass key issues for the sustainable development of the sector: the interconnection with the European energy system, increasing energy efficiency, harnessing renewable resources, the liberalization of the energy market. These elements were described in 7 sectoral policy documents approved during 2012-2016. The most

comprehensive document is the Energy Strategy 2030; it includes all the elements of the NDS. Other documents cover the NDS partially and target rather narrow priorities.

Budget planning has allowed the allocation of budgetary resources for the fulfilment of the priorities set out in the NDS. The essential financial instrument is the Budget Program for the Development of the Energy Sector, coordinated by the Ministry of Economy. However, there were deficiencies with regard to planning and efficient use of the budgeted sources; these encumbered making the most out of the budgetary funding. The level of dependence on external assistance in the implementation of actions in the energy sector was estimated at 30-50%, reflecting the vulnerability of effective implementation of NDS elements.

About 50% of the targets established for the reference year 2015 were achieved. The major advances include increasing the share of renewable energy in total consumption and the reduction of losses from transportation and distribution of electricity and thermal energy, to mention a few. The results achieved in the interconnection with the European energy system and enhancing the capacity of domestic production of electricity were rather modest. The probability of achieving these indicators by 2020 is even lower, about 42%.

To boost the implementation of the energy sector objectives reflected in the NDS it is necessary to: 1) correlate the public policy documents and to align the common objectives with the performance indicators included in them; 2) map and systematize statistical data in the field of energy; 3) improve the budgetary planning for projects in the energy sector and to empower the relevant institutions in the implementation of energy projects; 4) improve the administration of state-owned enterprises in the energy sector and to optimize the energy consumption in the public sector, along with educating the public about the practical aspects of energy efficiency and renewable energy.

From the perspective of the integration of human rights in this priority, a mapping of the number of persons who are not connected to electricity and of the social institutions that have access to thermal energy/quality energy supply should be performed. Support in the recovery problems would contribute to improved access to goods, services and utilities.

Pension system: equitable and sustainable

The chapter "Pension system: equitable and sustainable" has two key elements: first is upgrading the existing pension system, the second refers to making an analysis of the opportunities to implement a cumulative system. Upgrading the system involves the review of principles of the public system of social insurance, improving financial sustainability, linking the contribution with the value of the pension and measures to improve the demographic situation and the labour market. The implementation of the objectives has been ensured partly through the development and implementation of the Concept of reform of the pension system in the Republic of Moldova 2016. The provisions approved in the Concept have led to the achievement of two objectives of the NDS "Moldova 2020": to ensure the principles of equity¹ of the social insurance system, and to correlate the contribution with the value of the pension.

The objectives proposed in the chapter "Pension system: equitable and sustainable" have been submitted for funding, but funds have not been allocated. As a result of the pension reform of 2016, the system suffered some parametric changes which enabled the implementation of certain provisions of the NDS "Moldova 2020" in April 2017. The majority of monitoring indicators have been achieved, but three of these might show other values upon revision of the calculation methodology of the poverty level and of the subsistence minimum for pensioners. The indicator which shows the financial performance of the system cannot be calculated further and should be reviewed.

Following the analysis, we found that the major gap in the implementation of this chapter is the limited financial sustainability of the state social insurance system. The measures required to improve the

¹ Equity has been achieved in the way that was defined by the document of the NDS "Moldova 2020"; the indicators are presented in table 19 of this report.

demographic and labour market situation are missing, and the ability of the system to collect contributions is still flawed. It is not clear to what extent the undertaken actions compensate for these gaps and contribute to the sustainability of the system.

At the same time, the pension system reflects significant discrepancies in salaries based on gender and area of residence. Embedding human rights and gender equality approach could contribute to the identification of these inequalities and their resolution, including the advancement of the right to social security.

Justice: responsible and incorruptible

The implementation of specific objectives laid out in the development priority entitled "Justice: responsible and incorruptible" has not been ensured for the period of evaluation. Out of 7 monitoring indicators, only the court system transparency indicator has been met and appears to be sustainable over time. As for the other 4 indicators, the situation has even worsened compared to 2010. There is a lack of statistical data to allow measuring the progress on the indicators that concern the number of corruption victims and the share of disputes settled out of court.

NDS "Moldova 2020" has had an insignificant impact on the reform of justice, given that the Strategy of Justice Sector Reform for 2011-2016 was already adopted and undergoing implementation at the time of drafting and adoption of the NDS "Moldova 2020".

To meet the justice sector reform objectives, financial resources were planned within budgetary programs supported mainly by the European Union. The allocation of the financial support was planned within the Program on the Support of Justice Sector Reform, amounting to 60 million EUR. After the suspension of tranche disbursement under the EU support program in the context of the political crisis of 2015 and the banking fraud, the execution of the budget against the planned budget has reached the share of 43% in 2015 and 62% in 2014. Following the suspension of the EU support, given the context of political instability, the implementation progress evolved contrary to the expected trajectory.

To implement the strategic vision of the chapter "Justice: responsible and incorruptible", it is necessary to correlate the specific objectives, indicators and monitoring of the vision, taking into account all the stakeholders of the justice sector. At the same time, it is necessary to ensure financial sustainability and ensure synergies between the National Development Strategy, sector strategies and budget programs, so that there is a direct correlation between what is planned and what is realized in expected budget conditions.

Nevertheless, there is room for improvement of justice by applying international standards in matters of human rights, where there are barriers of accessibility, infrastructure, and information. Gender stereotypes are widespread, and people with mental disabilities still face barriers of attitude in the exercise of their right to legal capacity.

Agriculture and rural development: competitiveness of agri-food products and sustainable rural development

In the field of agriculture and rural development, the priorities of the NDS "Moldova 2020" encompass 3 aspects: increasing the competitiveness, ensuring the sustainable management of natural resources in agriculture and improvement of living standards in rural areas. The sectoral document that ensures the implementation of the NDS is the National Agriculture and Rural Development Strategy 2014-2020. The concept of the sectoral strategy is identical with the chapter of NDS dedicated to agriculture and rural development, a synergy between both documents being ensured. The conclusions laid out in the "Report on the implementation of the National Strategy of Agricultural and Rural Development 2014-2020 (for the calendar year 2016)" indicates a satisfactory level of achievement of the policy document.

Between 2014 and 2016, financial resources to support agriculture have been allocated through budget programs.. Although the concept of rural development has been included in policy documents in 2014, a specific budget program for this objective was not. The dynamics of monitoring indicators shows the partial realization of the objectives set out in the Strategy and a low probability of their full achievement set for 2020. Thus, if we refer to all the indicators, only the volume of agricultural production has increased significantly, and there is a high probability that the final target will be reached, and even exceeded. Reaching the targeted values for the area of irrigated land and the number of emigrants from rural areas is unlikely. The lack of intermediate targets caused the impossibility to assess the achievements for the evaluation period. However, based on recent trends, we forecast an approximate achievement level of 33% of the final target by 2020.

The analysis of the chapter "Agriculture and rural development: competitiveness of agri-food products and sustainable rural development" has highlighted a few issues. This chapter was added to the NDS in 2014 without taking into account the requirements set out initially in the drafting of the document. Also, a small number of monitoring indicators has been established in relation to the strategic objectives of this chapter. A part of the monitoring indicators has been set based on erroneous statistical data. Another problem concerns the fact that the strategic objectives are set out formally. No budget was allocated for their implementation. Furthermore, the development of rural areas has been treated from an economic perspective, while the aspects of human development in villages have been granted minor attention. In this respect, the priority has failed to achieve a demonstrable impact on people in rural areas.

To improve the realization of the strategic vision, the following are required: (i) expanding the number of monitoring indicators that would reflect the full strategic vision; (ii) establishing genuine reference values for monitoring indicators based on accurate statistical data; (iii) calibrating performance indicators to allow the achievement of a meaningful evaluation; and (iv) better correlation between the strategic vision and the allocation of budgetary resources.

A human rights and gender equality approach should be taken into account in this priority. The number of people employed in agriculture during the recent years has significantly increased. According to estimates, approximately 77% of the poor are employed in agriculture. Employment in agriculture has increased mainly among young people, men and the elderly. Therefore, efforts are needed to reduce these discrepancies.

The level of correlation of the NDS "Moldova 2020" with the Agenda for Sustainable Development 2030

The comparative analysis of the NDS "Moldova 2020" and the Agenda for Sustainable Development 2030 reveals a relatively weak correlation between the two documents. Out of the 106 Sustainable Development Goals (SDGs) targets that need to be nationalized, only 18 are partially correlated and 5 are correlated with the NDS "Moldova 2020", while the remaining 83 are not correlated in any way with the NDS "Moldova 2020". An analysis at the level of policy areas reveals the largest discrepancy is within Governance and Human Rights" policy area (SDG 5, 10, 16 and 17). The vast majority of its specific objectives (about 92%) are not included in the NDS "Moldova 2020". A better situation is observed in the case of Economic area (SDGs 8, 9, 11 and 12), where a lower share (63%) of targets are missing from the NDS "Moldova 2020". The cause is that the NDS "Moldova 2020" revolved mainly around issues of economic development, and focused less on other policy areas.

The fact that the majority of the 2030 Sustainable Development Agenda's specific objectives are missing from the NDS "Moldova 2020", along with the substantial imbalance within policy priorities revealed by the comparative analysis of the two documents, highlights the necessity of a new strategic planning document. This document should encompass the Agenda 2030 and, particularly, the Sustainable Development Goals that are seen as a priority with the effect of development acceleration. Moreover, the drafting of a new National Development Strategy based on Agenda 2030

shall, by default, integrate the association agenda, given that the majority of the objectives of the SDGs can be found in the Association Agreement RM-EU.

The level of integration of human rights and gender equality in national development strategy "Moldova 2020"

The analysis of the National Development Strategy "Moldova 2020" from a human rights and gender equality perspective reveals that the document is focused on the economic development of the country, without taking account the barriers specific to women and men, the elderly, persons with disabilities, Roma population, minorities and other social segments for a fuller valorisation of the opportunities offered by the NDS "Moldova 2020". The human rights and gender equality approach implies an obligation of the state to take into account the interests, needs and priorities of everybody, including vulnerable groups, recognizing the diversity of people. This implies a shift in the paradigm: from development focused on areas towards an individual-focused approach.

The approach adopted in the NDS "Moldova 2020" has not contributed to improving the situation of all social segments, nor to a significant decrease of inequalities. The elderly were directly involved only in the priority "Pension system: equitable and sustainable", without considering in depth their needs and interests, including life-long learning, the elimination of stigma and discrimination in all areas of life. Persons with disabilities, Roma people and other minority groups were missing from the data submitted by public authorities, fuelling the presumption that these groups have not equally benefited from the opportunities offered by the NDS "Moldova 2020".

Although the rate of absolute poverty has diminished, significant disparities by residence area, gender, age, disability, and education remain. In rural areas, absolute poverty is almost five times higher than in urban areas. Extreme poverty still persists, its incidence amounts to 0.2%, meaning that still a few thousand people do not have enough resources for food, particularly in rural areas. Particularly exposed to poverty are the people who live in households headed by elderly people, households composed of lone retired women and of elderly people from rural areas, as well as families with disabled adult members. More specifically, the households headed by women have the biggest problems in paying tariffs for public utilities. People with disabilities, the elderly, the Roma population face bigger difficulties in paying for utilities, compared to the general population.

The integration of the human rights and gender equality approach in the NDS "Moldova 2020" should contribute significantly to the advancement of human rights in the Republic of Moldova. Its benefits include, but are not limited to, the following: (i) full participation of society in the elaboration of the strategy, (ii) empowerment of vulnerable groups; (iii) accountability of public authorities, (iv) identifying and removing barriers faced by vulnerable groups in access to education, justice, services including banking, financial, social protection, transport; (v) increased participation of society in the implementation process; (vi) a more equitable and targeted resources distribution; (vii) ensuring equal opportunities for all, including the underprivileged; (viii) increasing social cohesion.

In the context of drafting the NDS "Moldova 2030" it is crucial to make the full use of the human rights and gender equality approach. The strategy must aim at achieving human rights and gender equality, stipulated in the international treaties, and is to be anchored in the principles and standards in the field of human rights. The principles should constitute the conditions for the process of elaboration, implementation and evaluation, and the standards must define the desired results of the NDS "Moldova 2030". To harness the principle of equality and non-discrimination, authorities should review the mechanism of data collection to ensure disaggregation of information, in all areas of life, on the basis of at least the following criteria: gender; age; disability; ethnicity and/or language spoken; residence; social-economic status.

1. Introduction

In 2011, with the expiration of the National Development Strategy (NDS) 2008-2011, the Government started the drafting of the National Development Strategy "Moldova 2020" to insure the continuity of the national strategic planning framework. This was the first national long-term strategic planning document, based on the European Economic Growth Strategy "Europe 2020: A strategy for smart, sustainable and inclusive growth". The planning horizon set for the NDS (year 2020) resulted from the need to align the national framework with the EU financial cycle for the years 2014-2020. Therefore, the National Development Strategy "Moldova 2020" was perceived as a tool used by the Republic of Moldova to secure and benefit from the EU support.

The National Development Strategy "Moldova 2020" was approved by the Law No. 166 of 11.07.2012. The goal of the Strategy was changing the paradigm of economic development, namely replacing the inertial growth model that relies on remittances-based consumption with a dynamic model, built on attracting investment, along with developing export-oriented industries that produce goods and services. The overall objective of the NDS is *to ensure a qualitative economic growth and, implicitly, reduce poverty*. Unlike previous national development strategies, the priorities of the National Development Strategy "Moldova 2020" were narrowly defined, focusing Government's efforts on critical problems. Initially, the NDS included seven priorities, three of which were established as a result of the analysis of constraints to economic growth, carried out following a diagnostic analysis of growth on international level:

1. Aligning the education system to labour market requirements, in order to enhance labour productivity and increase employment;
2. Increasing public investment in national and local roads, in order to reduce transportation costs and decrease access time;
3. Reducing financing costs by increasing competition in the financial sector and developing risk management tools.

The other four priorities were set following a consultation process held by the Government:

4. Improving the business climate, promoting competition policies, streamlining the regulatory framework and implementing information technologies in public services for businesses and citizens;
5. Reducing energy consumption by increasing energy efficiency and use of renewable energy sources;
6. Ensuring the financial sustainability of the pension system to guarantee an appropriate replacement ratio;
7. Enhancing the quality and efficiency of justice and fighting corruption to ensure equitable access to public goods for all citizens.

The eighth, "Increasing competitiveness of agricultural products and sustainable rural development" was introduced in July 2014 based on the provisions of the *National Agriculture and Rural Development Strategy for 2014-2020*, approved in June 2014, to emphasize the importance of agriculture and rural development in the process of negotiation and access to EU funds. However, the approach and structure of this priority are not fully synchronized with the other seven priorities, and its impact on economic growth and poverty reduction has not been quantified.

The expected impact of the implementation of the National Development Strategy "Moldova 2020" was accelerated by cumulative economic growth by 12% until 2020 and the reduction of poverty by 3.3% against the base scenario (continuation of the trends that started in the previous decade).

Even though it is a long-term document, the planning, resources allocation, monitoring and reporting on the actions undertaken were to be carried out annually. *The Consolidated Action Plan* (i.e. Governmental Action Plan) is viewed as the main tool for the implementation of the NDS. It was

drafted based on the structure and provisions of Government's Action Programme, and it encompasses all the commitments made by the Government at national and international levels. The consolidated action plan was perceived as a single planning, monitoring and reporting framework for all central public administration institutions, including the reporting on the implementation of the National Development Strategy "Moldova 2020". Over time, its importance was diminished by the introduction of the National Action Plan for the implementation of the Association Agreement. Moreover, the Governmental Action Plan does not detail the actions that lead directly to the implementation of the NDS, a fact that makes it difficult to monitor their development over time.

The Medium-Term Budget Framework (MTBF) was seen as the general framework by means of which NDS priorities are ranked and financed. Therefore, in the process of drafting such documents as the note on MTBF, the sectoral expenditure plans, and budgetary programmes, NDS priorities should be observed. These documents, as stated in the NDS, are progress assessment tools, because the main indicators of the Strategy must be reflected in budgets according to programmes and sectoral expenditure plans.

According to NDS provisions, the annual planning and reporting cycle would allow not just the continuous monitoring of the Strategy implementation progress, but also making adjustments, where necessary, to the planned measures and activities. This is important because the Strategy is a long-term one, and within this period of time some changes in the internal and external environment may occur, thus triggering the need for certain adjustments. However, until now there has been no clear mechanism for monitoring of the NDS implementation, and throughout the years, annual reports on monitoring of the strategy have not been made, with the exception of the year 2015 (although the report was neither finished, nor made public), and the main indicators of the NDS had not been monitored.

As regards the institutional framework for the operationalization of the NDS, the State Chancellery is the primary institution responsible for the coordination, monitoring and evaluation of the Strategy. Ministries responsible for priorities were to ensure, through the subdivisions of analysis, monitoring and evaluation of public policies, the integration of actions for the implementation of the strategy in the annual cycle of strategic planning, coordination and reporting within the sphere of their competence.

For the alignment of NDS priorities to the budget, the harmonization of the NDS indicators, sectoral expenditure plans and programme-based budgets, the State Chancellery, together with the Ministry of Finance were expected to introduce "a mechanism for the analysis and formulation of comments in order to ensure compliance with the ministerial proposals for the sectoral expenditure plans and budgets of programmes that include NDS priorities".

The Parliament has a special role in the process of NDS implementation, by ensuring the link between the priorities of the Strategy and the budget process. In this regard, the permanent interaction between the Parliament and the Government is essential. The Parliament has an important role in assessing the progress of NDS implementation, although, based on interviews with relevant actors and on the survey evaluation, we found that the members of the Parliament showed a reduced interest for NDS, and the function of parliamentary control has not been exercised as required. Similar conclusions are similarly valid for the role of Parliament in the promotion and implementation of Agenda 2030. The major constraints include the limited communication and coordination with the Government, low level of information and awareness among the members on the Agenda for Sustainable Development 2030, some legal provisions that may undermine the role of Parliament as the supreme legislative body, the lack of discipline with regard to the budget cycle and the underdeveloped function of parliamentary control².

The implementation of the Strategy had to be accompanied by the development of (i) *quarterly progress reports* – based on an online monitoring system for the consolidated Action Plan; (ii) an

² "Parliament's role in the Nationalization, Implementation and Evaluation of the Objectives of Sustainable Development", December 2016, UNDP Moldova.

annual implementation report– results of the continuous monitoring (on quarterly basis) were to be presented in the annual reports on the implementation of the Strategy, which should also include comments regarding indicators of each of the priorities laid in the Strategy; (iii) *thematic evaluation reports*– drafted upon need; (iv) *the interim report of the implementation* – at the expiry of the first stage of Strategy implementation, after 2015, drafted by the State Chancellery; (v) *the final implementation report* – upon completion of Strategy implementation.

With the exception of one monitoring report prepared by the State Chancellery in 2015, as well as reports made by some ministries, there has been no clear and coherent framework for monitoring in accordance with the provisions of the NDS, so there are no quarterly or annual evaluation reports on progress.

This report is prepared for the purpose of a post-2015 interim evaluation of the national development Strategy "Moldova 2020", which contains an assessment of progress in implementation of each priority in the middle term, the lessons learned and the recommendations that will be used in the elaboration of the National Development Strategy "Moldova 2030".

In accordance with the provisions of the Action Plan 2016 - 2018 for the implementation of the Strategy on Public Administration Reform for the years 2016-2020³, the Interim Evaluation of the National Development Strategy "Moldova 2020" is the first step in strengthening the national system of strategic planning, which aims *to harmonize the process of policies planning, in particular those relevant to the process of European integration, and the Agenda for Sustainable Development 2030 in the Medium-Term Budget Framework, aligned to the budget process and public financial resources available*. Therefore, the results of the interim evaluation and the lessons learned will be taken into account in the elaboration of the National Development Strategy "Moldova 2030".

³ Government Decision no. 1351 of 15 December 2016.

2. The objectives of the evaluation

The evaluation of the National Development Strategy "Moldova 2020" implementation in the period 2012-2015 aims to identify achievements and deficiencies in its implementation, assessment of the likelihood of achieving the targets and final offering recommendations appropriate to enhance the relevance and effectiveness of the National Development Strategy "Moldova 2030".

Taking into account the implementation and monitoring framework set out in the NDS "Moldova 2020", the mid-term evaluation has the following objectives:

- Assessment of the extent to which the Strategy achieved the goal of changing the paradigm of economic development and the general goal of qualitative economic growth and poverty reduction;
- Identification of the correlation degree between the NDS and sectoral strategies;
- Identification of the level of financial coverage through the sector expenditure strategies and budgetary programmes of NDS objectives;
- Determination of the implementation level of specific objectives, particularly of the intermediate targets;
- Identification of the causes of implementation or non-implementation of NDS provisions;
- Analysis of the main shortcomings in the implementation of the NDS;
- Determination of the relevance of the objectives set out in the NDS for the next period and the probability of their achievement in 2020;
- Analysis of the correlation level of NDS "Moldova 2020" priorities with the Agenda of Sustainable Development 2030 and, implicitly, of the Moldova – EU Association Agreement;
- Analysis of the level of integration in the NDS of the principles of respect for human rights and gender equality;
- Outlining the lessons learned and formulating recommendations to be taken into account in the process of elaboration of the National Development Strategy "Moldova 2030".

3. The methodology and evaluation tools

The interim evaluation of the National Development Strategy "Moldova 2020" was carried out by a team of independent experts with relevant experience in the areas covered by the priorities of the Strategy in the field of human rights and gender equality, as well as in the field of development, monitoring and evaluation of the documents of public policies. Throughout the process, the evaluation team has worked with UN Agencies in the Republic of Moldova and with the subdivision responsible for coordination of the implementation of the NDS "Moldova 2020" in the State Chancellery.

The mid-term review of the NDS "Moldova 2020" was carried out for the period 2012-2016, being performed for each of the eight priorities and taking into account the intermediate targets for the year 2015 included in the Strategy. The task has been approached from the perspective of monitoring and evaluation based on the results and recommendations of the Methodological Guide for the mid-term and ex-post evaluation of public policies, elaborated by the State Chancellery.

At the initial stage, working meetings with representatives of the UN Agencies in the Republic of Moldova and the State Chancellery were organized, during which the inception report was presented and the methodology and tools for mid-term evaluation of the NDS were approved.

The evaluation methodology proposed by the team includes the following techniques, tools and steps of evaluation:

- **Data collection and analysis.** First and foremost, the information and relevant data for the period 2010-2016 has been collected from public sources of the National Bureau of Statistics, international institutions (UN, World Bank, OECD, European Commission), central administrative authorities and the reports of the civil society and international organizations. The data were analysed upon collection in accordance with the structure of the assessment report, which in turn reflects the implementation mechanism described by the NDS. Thus, the documents of sectoral policies were analysed for the purpose of implementing the provisions of the NDS "Moldova 2020", their correlation with the NDS at the level of objectives and degree of their achievement, based on the reports of existing monitoring. Subsequently, the sector expenditure strategies and budget programmes that correspond to NDS priorities were analysed, examining the degree of correlation of the objectives (Annex 1). Finally, the dynamics of monitoring indicators was analysed, particularly the targets set for 2015, the level of their achievement and their main determinants. The indicators were evaluated in comparison with the reference level set in the NDS and it the probability of their achievement in 2020 was estimated. Based on the information analysed, findings and lessons learned for each specific priority have been formulated.
- **The launch of the evaluation process:** On July 4, 2017, with the support of the State Chancellery, a meeting was organized to launch the process of evaluation of the NDS "Moldova 2020", in which the methodology of the assessment was presented, together with the deadlines and the subsequent steps for their achievement. The meeting was attended by 48 participants out of 91 invited, representatives of 36 entities of the public administration, social partners, civil society, academia, private sector and development partners (Annex 2).
- **Official request of information and data.** With the support of the State Chancellery, on July 7, 2017 an official request for publicly unavailable information and relevant data, disaggregated to the extent of availability, according to the criteria of gender, age, area of residence, disability, ethnicity etc. has been submitted to the central public authorities. At the same time, given the short time limits, in order to establish an appropriate organizational framework, the team requested the nomination of at least one person responsible for the process of mid-term evaluation of the Strategy "Moldova 2020" within each authority in order to offer the necessary support to the State Chancellery and to the team of evaluators throughout the process, particularly in obtaining data and information necessary for the evaluation. On July 11, 2017 a meeting between the evaluation team and the persons nominated at the level of each authority

was held in order to discuss every stage of the evaluation process, the involvement required from the central public authorities and the information required. The information and data requested have been submitted by the authorities on July 14, 2017.

- **Consultation workshops.** Based on the preliminary results of data analysis, four consultation workshops were organized for their presentation and discussion with the relevant persons. Four workshops were organized on 18 and 21 July 2017 (2 workshops per day), with the participation of the target groups based on the role of institutions represented: (i) *the central and local administrative authorities workshops* were attended by 52 participants out of the 71 invited; (ii) *civil society and academia workshops* were attended by 17 people out of 54 invited; (iii) *development partners* – 11 organizations participated from 37 that had been invited; (iv) *private sector* – 12 from 35 attended the workshops. The content of workshops was tailored to the composition of the working groups created in 2011 for drafting of the NDS "Moldova 2020", the composition of the working groups created in 2016 in the process of adaptation of the Agenda for Sustainable Development 2030 and of individuals, including the vulnerable ones, following a suggestion of the UN Agencies (Annex 3).
- **Assessment questionnaires.** The team prepared a questionnaire for collecting quantitative and qualitative data about the process of elaboration, implementation and monitoring of the NDS "Moldova 2020". The questionnaire was intended for the general public, being placed and filled electronically on the Google Forms platform. The questionnaire was distributed both in a targeted way (by all the people who were invited and those who participated in the launch meeting of the assessment process and the workshops of the consultation, as well as by the hospital staff suggested by the UN Agencies), and to the general public, through social networks. Thus, in the period of 21-27 July 2017, 76 answers were collected, which represent the Parliament, central public administration authorities and local governments, civil society, academia, the private sector, development partners and individuals. (Annex 4).

The following labels were applied to the level of specific objectives' achievement (intermediary targets):

"high level of achievement"	80% - 100%;
"medium level of achievement"	30% - 80%;
"low level of achievement"	0% - 30%.

Limitations and constraints of the assessment

- **A relatively short period of time available for the collection and analysis of information and data.** The evaluation took place over a period of less than a month, while assessments of such complex documents last at least 3-4 months.⁴
- **The lack of intermediate targets, clear measurable indicators and benchmarks.** In general, the monitoring indicators are not very well correlated with the elements of the strategic vision laid out in the NDS priorities, a fact that has greatly complicated the process of evaluation, experts resorting to additional/alternative indicators. Moreover, for many priorities the reference values and the intermediate targets have not been specified (Priority 8: Agriculture and rural development), and for many indicators statistical data was not identified (13 of the 57 indicators).

The lack of information necessary in the process of the evaluation, as well as monitoring reports, budget programmes. In addition to the lack of quarterly reports and annual monitoring of the implementation of the NDS, in many cases the lack of sectoral strategies and budgetary programmes implementation reports was identified. This has complicated the analytical evaluation exercise of the impact of NDS on the structural changes in the sectors of intervention.

⁴ In the process of drawing this document, the EU launched the tender for the interim evaluation of the implementation of the national Strategy for Agricultural and Rural Development 2014-2020 (<http://lex.justice.md/md/353310/>), which corresponds to only one of the 8 priorities set out in the NDS.

4. The main findings of the evaluation

4.1. General overview: assessing the impact on economic development, incomes and poverty

The rationale of the strategy

The starting point of the NDS was the finding of the fact that the economic growth model based on consumption fuelled and covered from external sources is not sustainable. Particularly, revenues of working migrants fed the disposable income of households, which fuelled the increase in consumption and aggregate demand. However, due to the limited capacities of production inside the country, this demand was satisfied, to a great extent, by imported products. The national public budget benefited from this situation, but the trade balance deteriorated continuously.

The increase based on consumption has certain advantages. However, this model is vulnerable because of the uncertain dynamics of migrant remittances, which is dependent on the economic developments of the states in which migrants are working and which are not sustainable by definition, since migrants tend to reunite with their families in the countries where they emigrate. In this way, the greatest danger associated with this paradigm refers to the fact that the volume of remittances, at some point, will begin to decline.

At the time of drafting the NDS "Moldova 2020", the risks referred to above were taken into account and it was found that the consumption-based development paradigm limits the potential of average annual growth rhythms to 4.5–5.0%, which is insufficient to ensure income convergence with comparable countries in the region. Based on these observations, several conclusions were made: (i) it will be difficult to maintain rhythms sufficient for long-term growth; (ii) the pattern of growth is not acceptable from the perspective of the development agenda; (iii) to ensure the country's prosperity it is necessary to change the economic paradigm. The transition from the consumption-based growth model towards a dynamic growth, which focused on attracting investment and developing export industries, has become the core priority in the NDS "Moldova 2020". Basically, ensuring qualitative economic development and, implicitly, poverty reduction represent the paramount objectives of the NDS "Moldova 2020".

Taking into consideration the aspects mentioned in the quality indicators that reflect the overall impact of the strategy 2 aspects have been selected: (i) economic growth and (ii) the poverty rate. Based on the analysis we find that the objective of economic growth is basically compromised, and the progress in poverty reduction is not sustainable.

Economic growth

During the elaboration of the NDS "Moldova 2020" it was anticipated that its implementation will lead to an acceleration of economic growth. Thus, the annual growth rates of GDP should increase gradually from 5% in 2012 to around 6.8% in 2020. In the period 2010-2015, the average annual rate of growth was supposed to be around 5.5%, and between 2010 and 2020 this indicator had to reach a value of 5.9%. Also, by the year 2015, compared with 2010, GDP had to grow by 30.4%, and till 2020 - by 78.2%. The analysis of the actual GDP, recorded in the period 2010-2016, clearly shows that the interim growth target for 2015 has not been achieved, and achieving the expected GDP growth of over 78% in 2020 compared to 2010 is virtually impossible. In this way, during the period of 2010-2015, the economy has advanced by an annual average rate of 3.9%, i.e. 1.6 percentage points less than the growth target set out in the strategy. As a result, in 2015, compared to 2010, the GDP has increased by 21.1% - a modest result compared to the growth of 30.4% set out in the strategy. The economic situation in 2016 did not do more than preserving the gap between the actual increase of economic growth and the increase projected in the NDS "Moldova 2020". Thus, in 2016 the GDP increased by

4.3%, while the growth planned in NDS was about 6%. Even if in the period of 2017 to 2020 the economy will register growth rates similar to the values set out in the NDS "Moldova 2020", by 2020 the GDP will be higher than in 2010 by 47.7% – a reasonable progress, but still lower than the target of 78.2% foreseen in the strategy. To fulfil the objective set out for 2020, an average annual economic growth of 9% is required during 2017-2020. However, there is little probability of this target to be reached (see Table 1).

Table 1. Economic growth, the objectives set in the NDS "Moldova 2020" and the actual values, %

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>The objectives of the NDS</i>											
Annual growth	7.1	5.6	5	5.2	5.5	5.9	6	6.4	6.6	6.5	6.8
Cumulative increase against 2010	0	5.6	10.9	16.7	23.2	30.4	38.2	47	56.7	66.9	78.2
Average annual growth 2010-2015	5.5						-				
Average annual growth 2010-2020	5.9						-				
<i>Actual value + growth forecasted for 2017-2020 base on MTBF</i>											
Annual growth	7.1	6.8	-0.7	9.4	4.8	-0.4	4.3	4.5	3.5	4	4
Cumulative increase against 2010	0	6.8	6.1	16	21.6	21.1	26.2	31.9	36.5	42	47.7
Average annual growth 2010-2015	3.9						-				
Average annual growth 2010-2020	4						-				

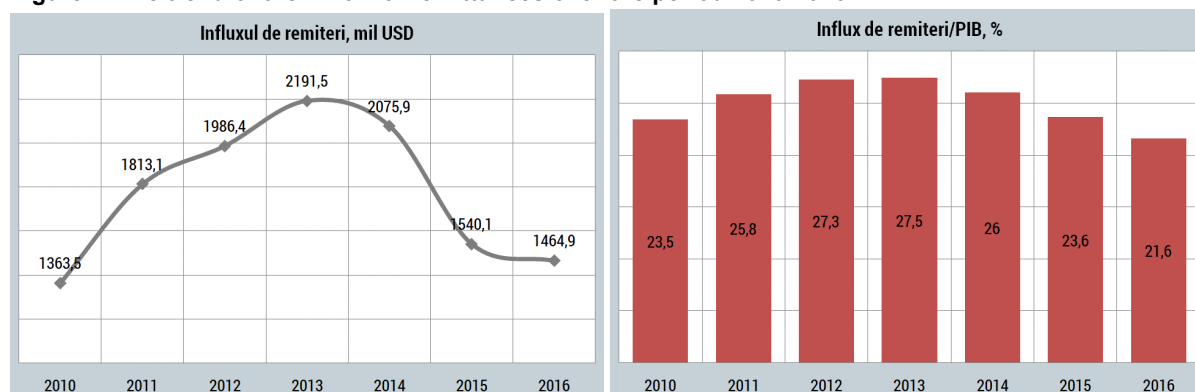
Source: the NDS "Moldova 2020", NBS, authors' calculations

Note: green – meeting or exceeding objective; red – not meeting the objective

In the period 2010-2016, the economic development has been characterized by a high volatility . During the period under review the highest growth in the history of the Republic of Moldova was recorded with 9.4% in 2013, but there were 2 years in which the economy has experienced a mild decrease: -0.7% in 2012 and -0.4% in 2015. The recorded oscillations emphasize the fact that there have been deep structural changes and the economy continues to be vulnerable. The reduction of agricultural production caused by drought resulted in a decline in 2012, and has partly determined the decrease in 2015. The agriculture still has a substantial weight in GDP (over 10%), but this sector is sensitive to unfavourable climate conditions. Typically, in dry years, agriculture contributes negatively to GDP growth. Also, it should be noted that the rise of over 9% in 2013 was due to growth recovery in agriculture, which has occurred after the decline in 2012.

Another factor that affected the increase is the dynamics of remittances. The recession in 2015 has been driven by the crisis in the banking sector, but the unfavourable dynamics in agriculture and reduction in remittances, too, have had a negative impact on the economy. From 2010 to 2013 the volume of inflow of remittances went up. However, during 2014-2016, because of negative economic developments in Russia, remittances decreased significantly. The developments of 2015, once again, showed one of the risks associated with remittances, namely, the instability of these revenues (Figure 1).

Figure 1. The trend of the inflow of remittances over the period 2010-2016

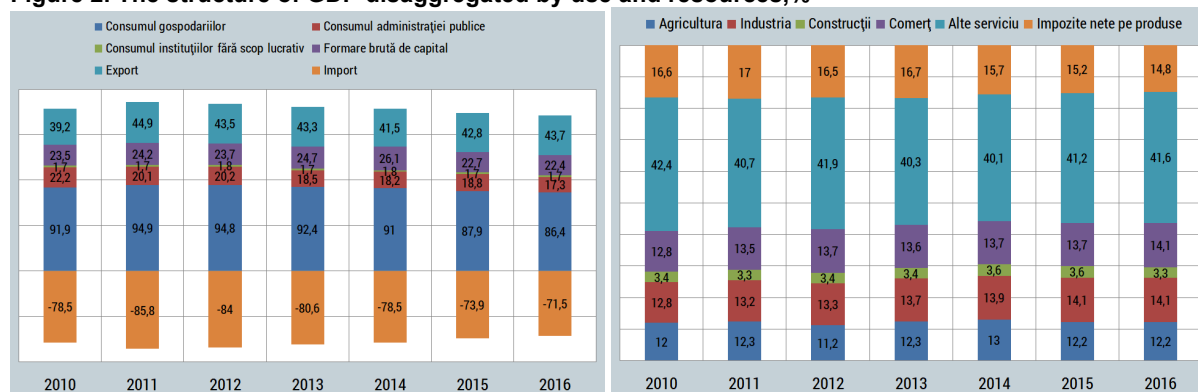


Source: NBM, NBS, authors' calculations.

Although some changes have taken place, the economy has not experienced a significant structural change. Speaking of resources, a relatively constant evolution of GDP components was noticed,

although it may be related to a slight increase of the share of the industrial sector. Thus, between 2010 and 2016 the share of industry in GDP increased from 12.8% to 14.1%. A factor that determined the expansion of the industry relates to the development of businesses based on *processing agreements* – the import of materials or raw material, the processing in the Republic of Moldova and then the export of the finished goods. Due to low wage costs in the Republic of Moldova, *processing agreements* are used in labour intensive industries, such as manufacture of footwear, clothing or wire assembly jobs. This fact points out to a rather rudimentary character of the industry, as the economy does not have the technological and human potential needed for the development of more advanced industries. At the same time, *processing agreements* represent certain risks, since the reduction in orders from outside the country can affect the domestic companies that process the imported materials (Figure 2).

Figure 2. The structure of GDP disaggregated by use and resources, %



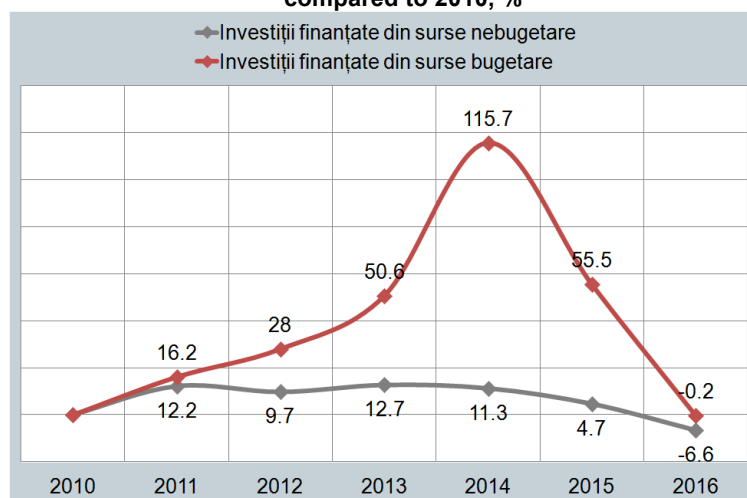
Source: NBS, authors' calculations.

Although there have been certain adjustments, no essential structural changes have occurred within the expenditures structure of GDP. The share of household consumption remains very high, although after 2014 a certain decrease is being recorded. There was an increase in the supply of goods and services abroad, which generated an increase of the share of exports in GDP from 39.2 to 43.7% between 2010 and 2016. At the same time, in 2014 the share of capital formation in GDP decreased. Public investment has grown until 2014, following a sharp decrease in 2015 and 2016. As a consequence, the indicator in 2016 showed a downslide back to the level of 2010. The reduction in 2015 and 2016 has been caused by the economic decline in 2015 and the blocking of external financing. Basically, the dynamics of investments financed from budgetary sources is closely correlated with external financing. Also, as shown by the experience of 2015, public finances can be balanced in the absence of external support, but public resources are directed towards current expenditures (including the social ones) crowding out budgetary investment⁵. The risk associated with external financing refers to its variable or even unpredictable character. Thus, a weakening of external funding would jeopardize the achievement of public investment, at least for a period, during which the state would have to identify budget sources for investment in capital formation.

At the same time, a negative trend in the case of private investment is noticeable. If there was a positive dynamics in 2010-2013, then in 2013 the business sector has constantly shrunk its investment activity. As a result, in 2016 the capital formation financed from non-budgetary sources decreased by 6.6%, compared to 2010. The reduction in private investment has been driven by both cyclical factors, such as the financial crisis and the tightening of monetary policy of 2014-2015, as well as cases of a systemic nature that relate to the shortcomings of the business environment (Figure 3).

⁵ A. Lupusor, A. Fala, A. Popa, D. Pinte, I. Morcotilo, V. Gumene, "MEGA 14. The analysis of Economic Growth in Moldova. The economy "reap the benefits" of the bank fraud", the Independent Think-Tank "Expert-Grup", Chisinau, 2016, p. 19

Figure 3. The evolution of investments in long term tangible assets in the period 2010-2016, according to sources of funding, the cumulative increase compared to 2010, %



Source: NBS, authors' calculations.

Poverty reduction

The Republic of Moldova has registered progress in poverty reduction. In the period 2010-2015 the national threshold poverty rate decreased from 21.9% to 9.6%, and positive developments were noted for disaggregated components of the indicator (urban/rural areas and households headed by women / households headed by men). The value 9.6% is much lower than the final target of 12.7% set for the year 2020. However, it should be noted that certain discrepancies in the evolution of poverty remain. In this way, the poverty rate in rural areas is much higher than in cities. For instance, in 2015 this gap constituted 11.4 percentage points. Also, the phenomenon of poverty is more pronounced in households headed by men compared with those headed by women, although the differences are not very large (Table 2).

Table 2. The evolution of the poverty rate, the objectives set in the NDS "Moldova 2020" and the actual value, %

	2010	2011	2012	2013	2014	2015	2020
Poverty rate, NDS "Moldova 2020"	21.9	20.9	20.1	19.2	18.4	17.5	12.7
Poverty rate, actual values	21.9	17.5	16.6	12.7	11.4	9.6	High probability of meeting the objective
Disaggregation by urban/rural area, actual value	10.4/30.3	7.4/25	8.2/22.8	4.6/18.8	5/16.4	3.1/14.5	-
Disaggregation by women-headed / men-headed household, actual values	21.6/22.1	15.4/18.6	16.9/16.4	10.9/13.6	10.2/12.1	-	-

Source: the NDS "Moldova 2020", NBS.

Note: green – meeting or exceeding objective; red – not meeting the objective.

The statistical data on poverty should be treated with caution. In 2016 the NBS initiated the process of review of the methodology for measuring poverty. Changing the methodology could lead to a modification of the perception on the phenomenon of poverty in the Republic of Moldova. Also, when we look at poverty from the perspective of the present methodology, it should be noted that the

previous progress has been determined mainly by pensions and remittances⁶, but there are concerns on the sustainability of these achievements in the future. Further progress is encumbered by enormous risks due to fiscal pressures and increased long-term volatility of the economy⁷. Moldova's population is decreasing and aging, and employment is low. In this context, the reduction of social contributions caused risks in the sustainability of the pension system, and this fact can jeopardize the income of retirees. The rate of remittances growth is expected to be slower than in the past. This determines households to rely less on this source of income to support their consumption⁸. Also, the poor receive significant revenues from agricultural activities, and any adverse fluctuations in agriculture affects their well-being.

Although the rate of absolute poverty has diminished, significant disparities by residence area, gender, age, disability, and education remain. Extreme poverty still persists in rural areas, constituting about 0.3%, i.e. at least nine thousand people. In rural areas the absolute poverty rate constitutes 14.5 percent, compared with 3.1% in urban areas. Particularly exposed to poverty are the people who live in households headed by elderly people, lone retired women, elderly people from rural areas, and families with disabled adult members.

⁶ The World Bank, "Poverty reduction and shared prosperity in Moldova: progress and prospects". Report No. 105722-MD, Chisinau, 2016, p. xi.

⁷ *Ibid*, p. xii.

⁸ *Ibid*, p. xii.

5. General conclusions

The National Development Strategy "Moldova 2020" is the most important strategic planning document, which is meant to guide the sectoral policies and budgetary allocations, so that the efforts of decision makers are consistent, mutually complementary and effective. However, the interim evaluation revealed a number of shortcomings that have marginalized the Strategy over the years, transforming the visionary document into a rather formal one. Consequently, the assessment revealed a modest progress in implementation: more than half of the intermediate targets that were possible to estimate have not been achieved (53% of the total, or 29 targets out of 55 targets), and the probability of achieving them by 2020 is estimated at only 48% (i.e., we anticipate only 48% of the final targets to be achieved by 2020). Furthermore, we will identify the main causes that have led to such a modest impact of such an important document.

Limitation no. 1. Limited quality and relevance of monitoring indicators, and the ambiguity of the entire monitoring and evaluation framework of the NDS

- For most of the priorities of the NDS, an insufficient link between strategic vision and sectoral monitoring indicators was observed: the indicators either do not reflect in full measure the strategic vision, or address issues which are not mentioned in the strategic vision.
- For 15 out of 70 indicators of the NDS the intermediate progress could not be calculated because of the lack of statistical data (data are either not available or are available occasionally following the publication of relevant reports), not setting out the intermediate targets (e.g.: the priority "Agriculture and rural development), or not setting out at all or setting out of erroneous reference values, but also because of irrelevance of some indicators (e.g. the unemployment rate is not relevant for the Republic of Moldova, as it is very low due to emigration) and the omission of other relevant indicators (e.g.: a more relevant indicator than unemployment rate is the rate of employment).
- Some indicators are formulated ambiguously, combining several indicators into one. For instance, the indicator of transparency in the courts includes at least 2 sub-indicators: publication of judicial decisions and audio-video recording of court hearings. Another example is related to the indicators on cross-border trade, which include both imports and exports at the same time.
- Some development priorities (the "Business with clear rules of the game" and "Energy delivered safely, used efficiently") do not provide reference years.
- The mechanism of coordination, monitoring, and evaluation of the implementation of the NDS has not been fully applied. As a result, to date the Government has not developed any integrated progress report on the NDS.

Lesson learnt no. 1. It is necessary to pay special attention to monitoring indicators, as well as to intermediate and final targets

- The indicators need to reflect accurately the strategic vision and objectives, so that subsequently it would be possible to evaluate the level of their achievement. The synergy of these should be ensured by the fact that each element of the vision and each goal is expected to be translated into relevant indicators.
- The indicators must be available from sustainable sources, i.e. to be calculated in a systematic way by national public authorities or reliable external actors. In this regard, the full implementation of the Strategy of Development of the National Statistical System 2016-2020 is crucial⁹.
- Targets must be set in order to reflect in the most complete and unbiased way the progress in the implementation of the vision and objectives, and not in order to ensure their achievement at any cost. This means that the targets must reflect certain qualitative improvements in the

⁹ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=368820>.

areas addressed, not inertial trends that would lead to their achievement without the implementation of the NDS priorities (a relevant example is the priority "Pension system: equitable and sustainable", where most of the targets have been achieved without substantial improvements in accordance to the strategic vision).

- It is necessary to avoid as much as possible indicators that communicate the same message (e.g. investment / GDP, investment / capita, investment / gross value added etc.), but rather to focus on the complementary indicators (e.g.: private investment / capita, public investment / capita).
- It is necessary to define clear indicators, targets and reference values, to minimize the discretion of the entities that monitor and assess progress.

It is worth noting that a large part of the respondents to the evaluation survey have emphasized the need to review the current set of indicators, in order to establish clear, measurable and relevant indicators and targets.

Limitation no. 2. The low level of budget allocation to NDS development priorities

- NDS has been designed to guide the planning process and, respectively, the prioritization of the budget. Although most of the budget programs reflect the views of the strategic sectors of the NDS, a synergy between the strategic planning process and budgetary allocations is missing. In particular, we have identified frequent cases when some elements of the strategic vision were not reflected in budget programmes. However, the biggest problem is the fact that the frequent references to the NDS in the programmes budget are rather formal, and actual budget allocations are poorly anchored in the objectives of the NDS.
- The evaluation survey confirmed this limitation. In particular, the poor correlation between the NDS and the budgeting process, and the insufficient financial coverage of the NDS were identified by many respondents as the main constraints for the implementation of the NDS.

Lesson learnt no. 2. It is necessary to strengthen the synergy between the NDS and the budgeting process by ensuring a transparent and participatory budgeting process at the level of ministries

- Medium-Term Budgetary Framework, Sectoral Expenditure Strategies, the national public budget and budgetary programs should be better anchored in the strategic vision and objectives of the NDS. In fact, this Strategy needs to be the only anchor to guide the process of planning and prioritization in the medium and long term. This implies that the objectives, indicators and targets established in these documents must be consistent with the NDS, and the selection of priorities with regard to budget allocations need to respond strictly to the vision and objectives of the NDS. The ministries responsible for the implementation of the NDS priorities should ensure this synergy within relevant policy sectors.
- It is important that the above-mentioned competent authorities inform and consult civil society throughout the process of setting priorities for sectoral budget allocations. Ensuring that the process is transparent and participatory in this regard is crucial to empower decision-makers as to the efficiency and effectiveness of the public money use, maintaining synergy with the priorities of NDS and minimizing the allocation of budgetary resources on the basis of political, individual or institutional interest.

Limitation no. 3. Insufficient Government accountability in the implementation of the NDS "Moldova 2020"

- This constraint was determined mainly by the passive participation of the actors which, as a rule, should exercise this function, i.e. the Parliament and the civil society. Thus, since the adoption of the NDS "Moldova 2020", the Parliament has not fully exercised the function of parliamentary control, consisting of requesting annual and/or quarterly reports, and the civil society did not carry out any independent assessment studies on the level of implementation of the NDS. As a result, the Government has not published quarterly and annual reports on the implementation of the NDS to date, with the exception of sectoral reports prepared by

some ministries. The lack of such government reports, in fact, is one of the main symptoms of diminished relevance and usefulness of the current NDS.

Lesson learnt no. 3. The success of the implementation of the NDS depends on the active involvement of Parliament and civil society in the monitoring and evaluation of progress

- Parliament must exercise more actively the function of parliamentary control through the application and analysis of progress reports and periodical hearing of the Government representatives in parliamentary committees (at least quarterly) and in Parliament (at least annually). The hearings are expected to be based on the implementation of the NDS, inter-institutional coordination, synergy between the NDS and the budget process, the continuity of the NDS in sectoral policies and, possibly, the analysis of the relevance of the NDS depending on the dynamics of the internal and external environment. At the same time, the Parliament should give priority in the legislative process to draft laws that would contribute to the implementation of the NDS.
- Civil society and the donor community should grant more attention to monitoring and independent evaluation of the NDS, in order to provide the Government, Parliament and the public with an alternative opinion on the implementation progress, recommendations on accelerating the implementation, and maintaining of strategic relevance.

Limitation no. 4. Diminishing relevance of the NDS "Moldova 2020" over time

- Since the adoption of the NDS "Moldova 2020", the Republic of Moldova has committed to 2 additional strategic development agendas: the Association Agreement with the EU signed in September 2014, and Agenda for Sustainable Development 2030 adopted in November 2015. Although both agendas, the Association Agreement and the Agenda 2030, correlate with each other (in fact, most of the SDGs targets are found in the Association Agreement RM-EU¹⁰), we find a major discrepancy between the latter and the NDS "Moldova 2020". In this way, out of the 106 Sustainable Development Goals (SDGs) that need to be nationalized, only 18 are partially correlated and 5 are correlated with the NDS "Moldova 2020", the remaining 83 are not correlated in any way. These findings are supported by respondents of the evaluation survey. Thus, 45% of respondents said that the NDS "Moldova 2020" reflects only partially the basic components of sustainable development (economic, social, environmental and governance) according to the Agenda for Sustainable Development 2030, and 6.6% of the respondents said it does not reflect the components at all. A similar distribution is noted in the perception of the Association Agreement provisions coverage: 48% and 5% respectively.

Lesson learnt no. 4. It is necessary to integrate the Agenda 2030 and, implicitly, to integrate the association agenda in the NDS

- The relevance and usefulness of the NDS "Moldova 2020" is expected to increase significantly as a result of the integration of the 4 elements of sustainable development: (i) economic; (ii) social; (iii) environmental; (iv) governance and human rights. In this regard, it is necessary to extend the scope of the NDS in line with the Agenda for Sustainable Development 2030 and to focus on the specific objectives of the SDGS, which are expected to have the greatest impact on the rest of the objectives (the objectives should act as accelerators of development).

Limitation no. 5. Ignoring policies priorities that are important for the sustainable development of any country (the perspective of human rights and gender equality, population health, and demographic situation)

¹⁰ Annex 3 of the study "Adaptation of the Sustainable Development Agenda 2030 to the context of the Republic of Moldova", UN Moldova, 2017.

- NDS "Moldova 2020" was based on a utilitarian hypothesis, according to which ensuring sustainable economic development will implicitly solve issues of social inclusion and other forms of discrimination, health, demographic issues and other development constraints. Ignoring these perspectives has undermined the consultative process at the stage of drafting and approving of the NDS, has reduced the quality of the document and the support from the society. In turn, this affected its implementation. This problem is confirmed by the evaluation survey, according to which the main categories of people whose needs were not sufficiently reflected in the NDS are young people (46% of respondents), people with disabilities (42% of respondents) and the elderly (32% of respondents)¹¹.

Lesson learnt no. 5. For a state so poor in resources as the Republic of Moldova, the main strategic planning document should be based on developing and harnessing the potential of human capital. Therefore, compliance with the principle of human rights and gender equality, demography and health must be key element of the NDS.

- A human rights-based and gender equality approach accounts for specific barriers faced by people from various social segments, contributing to the inclusiveness of the development process. Harnessing this approach in the process of drafting of the NDS would contribute to the improvement of this policy document. Making full use of this approach in the process of implementation of the NDS would strengthen public confidence and contribute to the accountability of state institutions to advance the implementation process.
- The NDS must be anchored in the objectives of enhancing the health of the population. The development and economic welfare of the country is directly correlated with the health of population. Therefore, the NDS should include a vision on how to decrease the mortality among men, to boost life expectancy, to prevent the youth from being exposed to risky behaviours that might result in diseases, unwanted expenditure in this sector and a decline in labour productivity.
- Moldova has an opportunity for a demographic dividend, which should be prioritized by the new strategic document, in particular in terms of reducing inequalities in the health system, reconciliation of family and professional life, and harnessing the potential of migration.

Therefore, on the basis of constraints identified and lessons learnt following the evaluation of the NDS "Moldova 2020", we need to develop a new National Development Strategy that targets the year 2030 ("Moldova 2030"). It is necessary to note that this conclusion is supported by the evaluation survey, according to which 68% of respondents said that it is necessary to develop a new National Development Strategy.

The new National Development Strategy should:

- Be based on updated analytical framework, which should take into account the trends and forecasts at national, regional and international levels.
- Include the review of progress indicators in different areas based on economic, social and demographic indicators recalculated while taking into account the actual resident population.
- Integrate organically the Agenda for Sustainable Development 2030 and, implicitly, the association agenda.
- Have a people-oriented approach and be based on the principles of human rights and gender equality, as well as strengthening of human potential, with a focus on increasing the population education level and on improving health indicators.
- Be based on a clear framework of monitoring and evaluation, containing indicators and targets that are relevant, measurable and very clearly defined.
- Be developed, approved and implemented with the active involvement of the Parliament and civil society.

¹¹ It was a multiple choice question.

- Be based on an intense and robust inter-institutional communication and coordination under the leadership of the State Chancellery.
- Undertake a process of reporting mid-term progress (ex: once in 3 years) of the cumulated impact of different areas on the target indicators.
- Be sufficiently flexible to allow adjustment of priorities to any new circumstances/constraints at the national, regional or international level.
- Anchor the process of sectoral policies and the budget: after the adoption of the NDS, each ministry is expected to reassess the framework of the sectoral strategic planning by reducing the number of sectoral strategies and enhance their quality and relevance. Therefore, the NDS should serve as an anchor for the definition of sector strategies which will be designed to implement the specified sectoral vision and objectives.
- Anchor the process of budget planning: after the adoption of the NDS, in parallel with the process of re-evaluation of the framework of strategic planning, the Government and relevant ministries will define the sector expenditure strategies and budget programs in accordance with the vision, goals and indicators set in the sectoral strategies and the NDS.