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**Swiss Agency for Development and Cooperation SDC**  
Cooperation with Eastern Europe and CIS

# **Cooperation Strategy Special Program Republic of Moldova 2007-2009**

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## Summary

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As part of the Soviet Union, the Republic of Moldova was a relatively well-off region. Following independence (1991) and the collapse of the Soviet Union, the system of secure markets and energy supplies broke down. The consequences for the Republic of Moldova were drastic, and became even more severe during the Russian economic crisis in the second half of the 1990s. The country's economic condition is poor and the situation for most of the population is precarious. Productivity in the agricultural sector, the country's most important economic sector, is too low to serve as a solid basis for economic development. Industry, which is centred primarily in Chisinau and Transnistria, suffers from a lack of innovation and investment. Although the economy has resumed positive growth since 2000, development has been modest and barely sustainable, while dependency on energy imports constitutes a heavy burden for the country. Conditions for investors, both domestic and foreign, are not attractive enough. The rule of law is weak, with little predictability and transparency in decision-making due to corruption and/or vested interests. Imports are booming while exports cannot keep pace. The foreign trade deficit amounts to more than twice the value of exports. After a violent conflict in 1992, the region of Transnistria seceded; the Government of Moldova is still unable to control this part of its national territory.

Since 2000, the Swiss Agency for Development and Cooperation has supported the Republic Moldova primarily through humanitarian aid projects. The most important programs focused on assistance for infrastructure, namely water supply systems in rural areas and refurbishing of social institutions' infrastructure. SDC was one of the first donors to commit itself to prevention and aid for victims of human trafficking.

In 2003 SDC technical cooperation began to complement the program of humanitarian aid. Experience with cooperation in the area of "Maternal and Child Health" laid the initial groundwork for planning and implementation of further projects. These program lines were continued while preliminary action in a second area - "Economic Development" - were prepared and launched (vocational education & training, rural savings and credit associations).

Since 2004, Swiss cooperation contributes to the objectives of the existing national program concerned with poverty (Economic Growth and Poverty Reduction Strategy), as well as the Millennium Development Goals (MDGs). Together with the EU Action Plan, these strategies are an integral part of the Moldovan government program.

Support for the process of transition in the Republic of Moldova, and mitigation of social problems resulting from the process of transition, are an expression of solidarity with the poorest country in Europe and are in Switzerland's best interests. Development in the direction of more democracy, social development, and improvement of economic conditions in the Republic of Moldova – which has become a new neighbour of the EU in 2007 – will help to stabilise the region, reduce irregular migration, and enhance security.

In concrete terms, Swiss support will concentrate its activities in the following sectors:

In the area of **economy and employment** the SDC Program will be concentrated in two main fields:

- Support of vocational education reform: SDC will focus its co-operation with the State administration on the preparation of vocational education profiles and systems of standards in order to develop an appropriate vocational education training curriculum. SDC's support will complement the support of other co-operation agencies engaged in the same activities.

- Improvement of economic conditions for the rural population, especially relating to access to longer term credit and attract saving in order to promote the rural economy as well as related activities in local and regional development.

In the **health sector**, the Program will focus on the following two fields of intervention:

- Peri-natal and mother and child care, by providing equipment on the one hand and training for family doctors, obstetricians, midwives and nurses, on the other.
- Mental health, in the framework of long-term de-institutionalisation of psychiatric institutions. SDC will concentrate its efforts on community care and the development of ergotherapy.

The **rehabilitation** activities will be realised in order to:

- Support the construction and improvement of water supply and sanitation systems in rural areas, with the participation of authorities and active involvement of the population.
- Rehabilitate infrastructure of social institutions:
- Provide humanitarian assistance for vulnerable people and support activities in the field of human trafficking.

**Good Governance** and **Gender** are recognised as transversal issues. SDC contributes, through its activities, to the enforcement of democratic principles with particular attention to improving services to the population and promoting stronger citizen participation. SDC's program favours the promotion of awareness of gender issues and integrates gender concerns at a very early stage of the projects.

The Director of the Swiss Agency for Development and Cooperation approves the present Cooperation Strategy for the Special Program in the Republic of Moldova for the period 2007-2009.

Bern,

Walter Fust  
General Director

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## 1 Context and Development

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### 1.1 Economic and social situation

As part of the Soviet Union, the Republic of Moldova was a relatively well-off region. Following independence (1991) and the collapse of the Soviet Union, the system of secure markets and energy supplies broke down. The consequences for the Republic of Moldova were drastic, and became even more severe during the Russian economic crisis in the second half of the 1990s. The country's economic condition is poor and the situation for most of the population is precarious. Productivity in the agricultural sector, the country's most important economic sector, is too low to serve as a solid basis for economic development. Industry, which is centred primarily in Chisinau and Transnistria, suffers from a lack of innovation and investment. Although the economy has resumed positive growth since 2000, development has been modest and barely sustainable, while dependency on energy imports constitutes a heavy burden for the country. Conditions for investors, both domestic and foreign, are not attractive enough. The rule of law is weak, with little predictability and transparency in decision-making due to corruption and/or vested interests. Imports are booming while exports cannot keep pace. The foreign trade deficit amounts to more than twice the value of exports.

**Poverty**, which affects most of the population, is the result of poor economic conditions. Today, the Republic of Moldova is the poorest country in Europe. Almost a quarter of its population of 4 million live beneath the poverty line, and many are extremely poor. Poverty especially in rural areas has increased again since 2005. Life expectancy has dropped since independence, and is at present 68 years. In the cities, and especially in Chisinau, poverty is seldom visible at first sight. However, many Moldovans in urban settlements are dependent on second incomes as a result of low salary levels. On one hand, Moldovans have a comparatively high level of education. On the other hand, their relatively good professional and university qualifications are often inadequate to meet demand, as their education and training do not match the requirements of the modern labour market. The situation is particularly difficult among the rural population. Few sustainable jobs are available in rural areas and framework conditions for a competitive agriculture are not favourable; daily life is marked by the struggle for cash income. Rising prices for energy makes the situation of the poor even more acute.

Emigration, particularly among young Moldovans, is one way of dealing with this situation. Up to a third of the active population has abandoned the country for the short or long term, owing to the lack of opportunities to earn income. These people frequently work without legal permits, above all in Russia (58%) and southern European countries (Italy: 19%). Many children grow up without a mother or father or even without both parents, living instead with grandparents, relatives or friends. This can lead to negligence and misguided behaviour and has a serious negative social impact. There are no figures for Moldovan migration to Switzerland but Moldovans are working temporarily above all in prostitution and agriculture. In addition, there were 44 Moldovan asylum-seekers in Switzerland as of May 2006. (Switzerland has signed a repatriation agreement with the Republic of Moldova, covering asylum-seekers denied asylum status in Switzerland; it is being implemented in an exemplary and accommodating fashion by the Moldovan authorities).

Moldovan migrants support their relatives who remain at home, and make a substantial contribution (close to 30%) to the gross domestic product of the Republic of Moldova – the second highest proportion of migrant remittances worldwide. Given the precarious living conditions of most of the population, these remittances are substantial sums of money. Most of this money is used to cover daily necessities, health-care and education, and, increasingly, to buy property. Migration thus constitutes both an opportunity and a necessity. In the country's current condition, it is an important resource and helps to reduce unemployment artificially. Returnees have experience that is beneficial to the development of their country. A policy of incentives could lead to the productive investment of a portion of migrant remittances and entice long-term emigrants with professional qualifications to return home. But migration simultaneously represents a threat as well. Emigration of many young people is a drain that makes development difficult in the medium term. It is a factor that contributes to the country's negative population growth. Human trafficking is a particularly problematic form of migration

which affects the Republic of Moldova as both a transit country and a country of origin. Women and children, emigrate for the most part to western and southern Europe, including Turkey, where they are exploited as domestic employees or in prostitution.

## 1.2 The State

The Republic of Moldova is still partly influenced by living conditions in the former Soviet Union. Even though considerable reforms have been undertaken or will be undertaken soon in some areas – particular the health sector – a centralised system still predominates. The real political power is concentrated in the President and his advisers. Since autumn 2003, a radical shift has taken place in foreign policy, away from Moscow and towards improved relations with the European Union. This new orientation has been responsible for further drives for reform. Following the elections of March 2005, the president announced and subsequently launched a far-reaching reform of the state administrative apparatus. The aim of the reform is to reduce the number of government jobs by more than half; undertake an analysis of government functions; introduce a law governing civil servants; professionalise job profiles (clearer requirements and responsibilities); and raise salaries to a competitive (and less corruption-prone) level – within a period of two years. The results of the reform after more than one year of implementation do not meet the expectations. After some recent economic problems and political disagreement with Russia, the Moldovan Government tries to normalise situation.

Living conditions among the Moldovan population are also precarious as a result of the quantitative and qualitative lack of services provided by state institutions. Universal and free access to health care and education are not guaranteed; low salary levels among health-care professionals and teachers are a stimulus to “informal” payments. Social subsidies are still characterised by indiscriminate distribution. Many state facilities that provide social services are also impoverished: shelters, hospitals, schools, etc. are usually at least 40 years old, have not been refurbished and often are in a deplorable condition.

Although independence made formal sovereignty possible for the Republic of Moldova, it also led one year later (1992) to violent internal conflict. And it has since resulted in a parallel form of self-declared and unrecognised sovereignty in the region of Transnistria, which the government in Chisinau has been unable to control. Russian troops continue to be stationed in Transnistria. This political conflict is a severe burden on the young Republic of Moldova. A resolution of this situation will only be possible if the international community, together with Russia, can agree on a model of statehood that respects and guarantees the integral sovereignty of the Republic of Moldova. As other geopolitical interests (e.g. energy from Russia) are at stake and influential circles – above all in the Transnistrian capital city of Tiraspol – benefit from the status quo, negotiations are making little headway. Nevertheless, transfers of power in Kiev and Bucharest at the end of 2004 led to markedly better relations between the Republic of Moldova and the Ukraine and Romania. This has first resulted in a new dynamic and a change of emphasis in discussions on the status of Transnistria; since then, however, negotiations came to a complete standstill in early 2006.

The Republic of Moldova has been governed by the Communist Party since the elections of 2001. New elections were held in March 2005, essentially confirming existing power relations. President Voronin has been elected by Parliament to another four-year term as President of the Republic. The opposition is weak and increasingly divided, split into numerous small parties, often created around one personality. This provides on one side political stability but on the other side a concentration of power and has also led to growing disinterest and abstention among the population.

The problems of governance are considerable. Independent dispensation of justice, decentralised structures to strengthen regional and community authorities, curbing of corruption, better cooperation within the central administration, and independent media are priority areas for reform (periodically, independent journalists find themselves harassed by the state authorities).

Moldova remains a little known country. Media reports about human trafficking and the conflict over Transnistria project a negative image. The political stability of the country does not produce

headlines and does not attract the attention of the international community. However, Moldova's geostrategic position on the outer border of the EU, and its active participation in the GUAM Group (Georgia, Ukraine, Azerbaijan, Moldova). Other regional initiatives, for instance the Stability Pact for South East Europe, have given it a certain importance and allowed Moldova to join networks with Western European and Balkan countries. New EU member states such as the Baltic countries and Romania have shown much interest in assisting Moldova on its way towards European integration.

### **1.3 The private sector and the potential for economic development**

The Republic of Moldova has been on a path of continuous growth since the beginning of the millennium. The sustainability of this growth is not assured, however, as it is based on substantial transfers from abroad as well as on a growing surplus of imports, which now amount to twice the value of exports. The private sector is partially dominated by clans that took advantage of privatisation under weak governments in the 1990s. Although domestic and foreign investment is increasing, it remains at a level that is far too low. This is due in no small measure to the investment climate, which requires solid improvement in terms of legal security, transparency and bureaucracy. This is a major issue to be addressed by the authorities without which economic growth cannot become sustainable. Only few foreign banks are present in Chisinau.

The excesses of liberalisation and privatisation following independence have led to great disparities in levels of income, which is not conducive to sustainable economic development with a focus on poverty alleviation – quite the contrary. In the meantime, Russian and Italian investments have been made, for example in vineyards. New EU member states in the region (e.g. Poland, the Czech Republic, Hungary and Lithuania) are planning active promotion of economic cooperation. Development of enterprises is still hindered by bureaucratic obstacles, although the government has been dismantling such obstacles since 2005. An initial step in this direction is the "Guillotine Law," designed to eliminate unnecessary bureaucratic regulations and fees, which has already had some effect. But because it is essential to have a company lawyer for successful foreign investment and launching of business operations, for example, investors in small and medium enterprises in particular are frequently discouraged.

The Republic of Moldova has traditionally had great economic potential in the rural sector. But a great deal of the infrastructure built in the Soviet era, such as irrigation systems, now lies unused. Much of this equipment needs to be put back into working condition. In the agricultural sector, there is a need to focus on niche products with good prospects for export, such as high-quality organic vegetables and wines. The high level of dependency on Russian markets needs to be reduced through diversification. The plots of land which were re-privatised in the 1990s in an extremely chaotic way should be consolidated; purchase of land by foreigners should be allowed. The construction industry is experiencing a boom as a result of the continuing increase in remittances from Moldovans working abroad. Specific promotion of jobs in the commercial sector has brought more employment and reduced emigration. But there remains a need for thoroughgoing modernisation of vocational training.

### **1.4 Social potential**

Civil society in the Republic of Moldova is developing, though still largely inarticulate, and scarcely able to play the role of a counterweight to state structures. It is true that the necessary legal framework exists, and there are now more than 3500 registered NGOs in the country. But many of these are small and inactive. Moreover, their cooperation with governmental offices is hampered by officials who frequently display only minimal willingness to accept partnership with civil society. Other NGOs make a conscious effort to avoid such partnerships. Some NGOs in the capital city function as think tanks, and are worthwhile and beneficial partners of the government and of donors. They are capable of exercising expertise that is based on competence in specific areas and is also free from the constraints of administrative responsibility. Given the country's centralised structures, virtually all major NGOs have their

headquarters in Chisinau. Among these are the Moldovan Red Cross, Caritas Moldova, Transparency International, and the Soros Foundation.

The role of NGOs continues to develop. Existing organisations are active in a wide range of areas, from self-help groups to organisations that function like businesses. Some NGOs have specialised in functioning as links between donors and the state, in order to make cooperation possible at all in such areas as health care. The state tolerates and even welcomes this approach, as many of its own offices have neither the experience nor the capacity to implement international offers of cooperation purposefully and independently.

Social partnerships between employer and employee organisations are in the process of newly defining their roles and tasks in society. Employers are so far poorly organised and their associations largely inactive. Trade unions have lost much of the importance they once had in the Soviet era, and are now divided and barely prepared for the tasks they currently face.

Women have particularly large social responsibilities in the Republic of Moldova. Many female relatives make efforts to look after the children of family members working abroad. Women are over-proportionately represented in the educational and health sectors, and are well represented in local administrative bodies and political offices. A number of districts and communities are led by women. However, women constitute a minority in national political bodies.

## 1.5 Poverty alleviation and international cooperation

The first Economic Growth and Poverty Reduction Strategy (EGPRS), valid from 2004-2007, was drawn up in participatory fashion by public authorities, together with civil society and the private sector as well as with donors. Along with the almost simultaneously developed EU Action Plan for Moldova and the Millennium Development Goals, this strategy constitutes a binding framework for all of the country's development concepts and plans. The EGPRS sets priorities on economic and social reform, while the EU Action Plan emphasises political and institutional reform. The new National Development Plan succeeding the EGPRS for the coming years will be elaborated in 2007 by the Government in consultation with civil society and the donors' community.

Multilateral and bilateral donors are in the process of harmonising their efforts and strengthening and formalising their relations with public authorities. The fact that the Republic of Moldova is a small country with a relatively small donor community that meets frequently facilitates coordination and fosters good understanding.

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## 2 Cooperation with the Republic of Moldova in the Past

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### 2.1 Focus and financial commitment

**Humanitarian aid (H-Department):** Since 2000, SDC has supported the Republic of Moldova primarily through humanitarian aid projects, allocating a total of almost CHF 26 million by the end of 2006. The most important programs focused on assistance for infrastructure, namely water supply systems in rural areas and refurbishing of social institutions. SDC, together with the IOM, was one of the first donors to commit itself to prevention and aid for victims of human trafficking. Many other donors have since taken up the issue. Other activities were support for humanitarian NGOs, aid in acute and chronic specific emergencies affecting individuals and families (winter aid project), summer camps for disadvantaged children, delivery of powdered milk to social facilities. In 2004 a Cash for Vulnerable Villagers project was successfully implemented to benefit people particularly affected by the summer drought of 2003.

**Cooperation with Eastern Europe and the CIS (O-Department):** Since 2003, SDC's O-Department has complemented the programme of humanitarian aid. Experience with cooperation in the areas of public health and maternal and child health laid the initial groundwork for planning and implementation of further projects. These program lines were



continued while preliminary actions in a second area, namely, "Economic Development", were prepared and launched (vocational education and training, rural development, saving and credit associations).

## **2.2 Results and experience**

- The program of SDC has so far been carried out in cooperation with various ministries, local authorities, and local and Swiss NGOs (TdH, Caritas). Building on this experience, SDC's program will continue supporting social and economic transition.
- For a number of years SDC has put an emphasis on programmes concerned with drinking water, sanitary facilities, and rehabilitation of social facilities – areas in which little or no external support has been forthcoming. These activities have a short, medium and long term positive impact on living conditions in rural areas and on disadvantaged population groups in social institutions. Sanitation components should complete infrastructure activities in the future.
- Cooperation with Switzerland is of importance to the Republic of Moldova. With comparatively modest but specifically earmarked contributions, as well as consistent exploitation of synergies with other donors, significant and visible results with a leveraging effect have been achieved in this relatively small country.
- There is a strong desire on the part of bilateral donors to make alliances and harmonise programs; this is further motivated by the fact that there are few discussion partners available within the Government. In the water program, planning and implementation were coordinated with USAID (until phasing out of USAID in June 2007), while the Austrian Development Agency ADA and SDC have signed different co-financing agreements (WatSan Program, Vocational Training). In the area of "Economy and Employment" there is close operational cooperation with a World Bank financed program concerning rural savings and credit associations, and cooperation with SIDA was initiated in the educational sector in 2006.

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## **3 Swiss Cooperation with the Republic of Moldova, 2007-2009**

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### **3.1 Motivation**

Swiss cooperation is undertaken in accordance with the stipulations of the Federal Law on International Cooperation and Humanitarian Aid and the Federal Resolution on Cooperation with Eastern Europe and the CIS. Switzerland supports poverty alleviation in the Republic of Moldova, based on the EGPRS. Poverty alleviation should also reduce the pressure to migrate. Swiss cooperation can build on existing experience with humanitarian aid in the Republic of Moldova and on O-activity in the region. Support for the process of transition in the Republic of Moldova, and mitigation of social problems resulting from the process of transition, are an expression of solidarity with the poorest country in Europe and are in Switzerland's best interests. Political development in the direction of more democracy, social development, and improvement of economic conditions in the Republic of Moldova – which has become a new neighbour of the EU in 2007 – will help to stabilise the region, reduce irregular migration, and enhance security.

### **3.2 Aims**

Swiss cooperation aims to support the process of transition in the Republic of Moldova. This is being done by strengthening a social market economy and providing support for a well-functioning democratic system with a simultaneous focus on poverty alleviation. In concrete terms, Swiss support is helping to upgrade job profiles and professional training as well as making rural savings and credit associations able to face the challenges of the future, and bringing about reforms in the health and social sectors. Disadvantaged groups are given special support through rehabilitation of basic infrastructure. In emergency situations, the Humanitarian Aid will provide targeted assistance to the most vulnerable and affected people. This should

reduce migration and have a positive impact on its manifold social, economic and political consequences.

Since 2004, Swiss cooperation has contributed to the objectives of the existing national program concerned with poverty (Economic Growth and Poverty Reduction Strategy, EGPRS), as well as the Millennium Development Goals (MDGs). Together with the EU Action Plan, these programs are an integral part of the Moldovan Government Program.

In September 2005, SDC's management approved a special program for cooperation with the Republic of Moldova for the period 2006-2008, which has been adjusted to 2007-2009.

### 3.3 Areas of Activity

In order to reach the defined aims, two SDC Departments are active in the Republic of Moldova : the Department of Technical Co-operation with Eastern Europe and CIS (O) and the Department of Humanitarian Aid (H).

<b>Areas of SDC Cooperation, 2007-2009</b>	
<b>Transition Program (O)</b>	<b>Transition (O) and Humanitarian (H) Program</b>
<b>Economy and Employment</b>	<b>Health (O) and Rehabilitation (H)</b>
<i>Swiss cooperation contributes to strengthen and develop the private sector and to create sustainable employment.</i>	<i>Swiss cooperation contributes to promote sustainable development in selected areas in the public health sector (O). It improves basic infrastructure and supports groups of particularly disadvantaged persons (H).</i>
<ul style="list-style-type: none"> <li>• Promotion of access to financial services for the rural population</li> <li>• Support for vocational educational reform</li> <li>• Local socio-economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Support for health-care reform in the following areas:               <ul style="list-style-type: none"> <li>- Maternal and child care</li> <li>- Neonatal care (equipping of maternity clinics)</li> <li>- Mental health (occupational therapy in clinics / introduction of outpatient care)</li> <li>- Training courses in health management</li> </ul> </li> <li>• Construction and improvement of water supply and sanitation systems in rural areas</li> <li>• Rehabilitation of infrastructure of social institutions</li> <li>• Humanitarian Assistance for most vulnerable groups, especially in emergencies</li> <li>• Prevention of child trafficking and reintegration of victims</li> </ul>
<b>Transversal Themes: Governance and Gender</b>	

#### 3.3.1 Economy and Employment

In the area of "Economy and Employment" the Program will be concentrated in two main fields:

- Support of vocational education reform: SDC will focus its activities on the preparation of vocational education profiles and standards systems in order to develop an appropriate vocational education training curriculum. SDC will realise this activity in co-operation with the responsible body of the State administration. SDC's support will complement the support of other co-operation agencies engaged in the same activities.
- Improvement of economic conditions for the rural population, especially relating to access to credit and to extension services for the rural population, in order to promote the rural economy, especially agricultural production, processing and marketing.

### 3.3.2 Health (O) and Rehabilitation (H)

The O-Department will concentrate its activities in support of the health sector, focusing on two main fields :

- Peri-natal and mother and child care, by providing equipment on the one hand and training for family doctors, obstetricians, midwives and nurses, on the other hand, in order to ensure better protection of pregnant women, safe birth, and new-born child and maternal care. Close co-operation with UNICEF is sought in this area.
- Mental health, in the framework of long-term de-institutionalisation of psychiatric institutions. SDC will concentrate its efforts on community care and the development of ergotherapy, for both in- and out-patients.
- Training of Moldovan health managers and administrators will be provided as a complementary activity.

The H-Department will focus its activities on:

- Support for the construction and improvement of water supply and sanitation systems in rural areas, with the collaboration and participation of the local and central authorities and the active involvement of the population.
- Rehabilitation of infrastructure of social institutions (psycho-neurological institutions, prisons, boarding schools).
- Humanitarian assistance for vulnerable people, especially in emergency situations, and support in the field of human trafficking.

O- and H-Department of SDC have a joint planning and monitoring process and their activities are implemented according to the contiguum<sup>1</sup> approach. The O-Department will take over the Water and Sanitation program from H-Department at the end of 2008.

### 3.3.3 Transversal Themes

**Governance:** SDC contributes, through its activities, to the enforcement of democratic principles (Accountability, Transparency and Information, The Rule of Law, Non-discrimination, Participation and Efficiency) with particular attention to improving services to the population and promoting stronger citizen participation. SDC aims at more transparency and better information with regard to work with the public administration. It intends to improve the relationship between the various participants. SDC's support to transition must be accompanied by an increased participation by civil society and the private sector.

**Gender:** On the one hand, the SDC programme favours the promotion of awareness of gender issues within the programme, and integrates gender concerns at a very early stage of the projects. It also promotes gender balance in participatory decision-making processes. The relevance of all projects with regard to the transversal themes is systematically analysed. Based on these analyses, specific objectives are defined and the activities accordingly adjusted. The transversal themes are implemented in close cooperation with the F-Department, Governance Division.

On the other hand, it considers gender-specific aspects such as maternal health.

## 3.4 Framework Conditions

The Republic of Moldova is a small country with relatively few external donors who are largely co-ordinating their efforts, a situation which supports the effect and the visibility of Swiss cooperation. In the area of public health, for instance, approaches to partnership programs with Moldovan authorities already exist; this will facilitate the jointly planned and specifically directed use of resources. This is a favourable environment for a special program of limited volume, with specifically directed and well-integrated action which will achieve considerable impact.

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<sup>1</sup> Coordinated and complementary development of activities within SDC's program in the Republic of Moldova

## 4 Additional Dimensions of Cooperation

**Harmonisation and Alignment:** The EG-PRSP (Economic Growth and Poverty Reduction Strategy Paper), the MDGs, and the European Union Action Plan (EUAP) constitute the framework for cooperation among donors and between donors and the government. Close cooperation with other donors is being actively sought for SDC projects (SIDA, UNICEF, UNDP, the World Bank, ADA, DFID, others). SDC has signed an agreement on donor harmonisation in October 2006 with the Moldovan Government, which shows a great interest in this process, and the main donors active in the country. Participation in joint programs is also a part of SDC's commitment. Experience indicates that the desire for close coordination and cooperation is strong among many donors, even though it is clear that it is a big step from signed declarations to concrete action. The fact that the Swiss Cooperation Office in Chisinau subleases an office to ADA and has also entered into co-financing agreements, fosters good cooperation with this donor. On the other hand, approaches such as budget support or sector-wide approach programs cannot be considered by SDC as long as its resources for Moldova have not reached the critical mass that such programs require.

**Millennium Development Goals:** Achieving the MDGs was a high priority for the Moldavian government within the EG-PRSP 2004-2007. An initial national report on this subject was issued in autumn of 2005. SDC will advocate for continuation of the efforts within the new National Development Plan towards reaching the MDGs in Moldova. The priorities of SDC's program in the Republic of Moldova directly address Goal 4 (Reduce Child Mortality), Goal 5 (Improve Maternal Health) and Goal 7 (Ensure Environmental Sustainability and Access to Drinking Water), as well as Goal 1 (Eradicate Extreme Poverty and Hunger) both directly and indirectly.

**Moldovan Partners:** Local partners are public authorities (at the central national level as well as in regions and communities), organisations in civil society, and the private sector. The choice of partners is determined by the respective project approach and by available capacity and experience. Capacity development of local partners is an important concern of cooperation in all projects.

**Cooperation with the Swiss Embassy (Kiev) and other Federal Offices:** The Swiss Cooperation Office regularly carries out the tasks assigned to it in the name of and under the mandate of the Swiss Embassy in Kiev. In addition, it carries out mandates given to it by the Swiss Ministry of Foreign Affairs or by other federal offices (e.g. SECO, Federal Office for Migration), either through the Embassy or in agreement with it.

**SECO** (Federal Office for Economic Affairs) finances the inclusion of the Republic of Moldova in an existing regional program for 2006/2007, concerned with promotion of the private sector (A project to improve the investment climate in the framework of the OECD Investment Compact (part of the Stability Pact) which began in June 2005 and is expected to run for 30 months).

## 5 Financial resources (projected budget)

in CHF mio	2007	2008	2009	Total
<b>O-Department</b>	<b>3.5</b>	<b>4.7</b>	<b>5.2</b>	<b>13.4</b>
<b>H-Department</b>	<b>2.2</b>	<b>1.0</b>	<b>0.5</b>	<b>3.7</b>
<b>Total</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>17.1</b>

The H and O Departments collaborate jointly on a program in the Republic of Moldova. However, the humanitarian activities will gradually phase out until the end of 2009, while O-Department resources will increase. There is a cooperation office in Chisinau under the direction of the O Department. Given the limited scope and the fact that it is involved in pilot projects, SECO will not be directly represented in the Republic of Moldova for the foreseeable

future. ADA will contribute 400,000 Euros annually to SDC's water and sanitation program for the period 2007-2009. This contribution is not included in the budget presented above.

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## **6 Monitoring and Controlling**

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In order to identify changes in the implementation context, the program will be steered on the basis of the existing system of monitoring of the environmental and development-relevant contexts (MERV).

The cooperation programme is implemented with the aid of Project Cycle Management instruments. Annual programming and mid-term reviews are fixed points in management of cooperation with the Republic of Moldova, and make purposeful implementation of the program possible.

The internal procedures and activities of the Cooperation Office will also be monitored in order to improve its ability to implement the SDC program in Moldova.

The results of these processes will consist of a monitoring system providing specific instruments to follow up objectives over a longer period of time. This will provide a view of the broad outcomes of the program by domain of intervention, as well as a sense of whether implementation is on track in light of the overall set of objectives. Special attention will be paid to the effectiveness of the activities supported.

The result of the monitoring will be reflected in the annual programs.

A first review of the Mid Term Concept will be organised mid-2007.

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## **7 Risk Assessment**

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The Republic of Moldova offers a stable context, even though certain situations harbour the risk of instability. These include, in particular, the unresolved political conflict over the secessionist region of Transnistria, the status of which has been the subject of negotiations for 15 years. The key to resolution of this situation, however, lies in Moscow, Brussels and Washington rather than in Chisinau and Tiraspol.

Widespread poverty, a problem that did not exist in this dimension in the Soviet era, represents a general form of risk in the country. It cannot be assumed that the population is prepared to accept this situation in the long term should poverty alleviation fail to have a concrete and sustainable effect. The Republic of Moldova is also periodically affected by drought, which makes the situation even more acute, above all among the rural population. Among Moldovans, emigration is a reaction to these risks, and it is likely to continue or increase if the country's situation worsens.

As Chisinau lies in a seismically active zone centred in Romania, earthquakes are a force to be reckoned with. It is thus possible that humanitarian action may be necessary on short notice.

**Annex 1 : Map of The Republic of Moldova**



**Annex 2 : Moldova at a Glance**

<b>1. Population</b>	2000	2003	2005
Population (millions)	4.3	4.3	4.2
Population growth (annual %)	-0.3	-0.1	-0.3
Life expectancy at birth	67.9	67.9	68.1
Infant mortality rate, (per 1,000 live births)	29.0	nd	23.0
School enrolment (%)	85.1	nd	82.8

Source: World Bank

<b>2. Main economic indicators</b> (excl. Transnistria)	2002	2003	2004	2005
GDP (per capita, in US\$ in 2000 prices)	346	370	398	425
GDP growth (%)	7.8	6.6	7.4	7.1
Consumer price inflation (av; %)	5.2	11.6	12.4	11.9
External debt/GDP	100.8	88.7	63.8	54.7
Poverty Rate (PPP : 2.15 \$ / day)	40.4	29.0	26.5	29.0

Source: World Bank

<b>3. Employment by sector</b> (excl. Transnistria)	2004 (1000)	2004 (%)
Agriculture and related	132	19.8
Manufacturing	108	16.2
Electricity, gas, water	18	2.7
Construction	16	2.4
Wholesale and retail	36	5.4
Transport & communication	49	7.4
Real Estate	27	4.1
State Administration	58	4.1
Education	125	18.8
Health and Social Services	62	9.3
Others	35	5.2
<b>Total (incl. others)</b>	<b>666</b>	<b>100</b>

Source: Economist Intelligence Unit, Country Data

<b>4. Poverty Rate by Region</b>	1997	2002	2005
Larges cities	32.1	28.6	14.7
Small towns	62.5	62.3	48.5
Rural	51.9	51.0	42.5

Source: World Bank

<b>5. Unemployment rate</b>	<b>2004</b>	<b>2005</b>
%, ILO Methodology	7.9	8.1

Source: Economist Intelligence Unit, Country Data

<b>6. Progress towards Achieving MDGs – Selected Targets and indicators 2000-2005</b>	<b>2000</b>	<b>2005</b>
<b><i>Goal 1 : Halve between 1990 and 2025 the proportion of people whose income is less than \$ 2.15 a day</i></b>		
Proportion of population living on less \$ 2.15 a day (PPP; % of population)	45	29
<b><i>Goal 2 : Universal secondary education</i></b>		
Enrolment rate in gymnasium education (net %)	87	84.5
Rate of literacy of population aged 15-24 years (%)	98.9	99.9
<b><i>Goal 3 : Gender equity – Advance women's participation in social and political life</i></b>		
Share of women as leaders and high officials in public administration, economic and social units	33.2	38.8
Share of seats held by women in national parliaments	7.9	22
<b><i>Goal 4 : Child mortality</i></b>		
Under 5 years mortality rate (per 1000)	23.3	15.7
<b><i>Goal 5 : Maternal mortality</i></b>		
Maternal mortality ratio (per 10000 live births)	27.1	18.6
<b><i>Goal 6 : Halt and begin to reverse the spread of HIV/AIDS and other major diseases</i></b>		
Incidence of HIV/AIDS	4.1	13.3
New cases of active tuberculosis ( per 100,000 people)	69.9	130.5
<b><i>Goal 7: Halve the proportion of people without sustainable access to basic needs</i></b>		
Access to an improved water source (% of population)	37.8	44.5 (2004)
Access to improved sanitation facilities (% of population)	41..1	43.6 (2004)
<b><i>Goal 8 : Develop a global partnership for development</i></b>		
Fixed/mobile telephone lines (per 100 people)	16.6/3.3	27.3/32.2
Internet users (per 100 people)	1.2	12.3 (2004)

Source: The Republic of Moldova; The Quality of Economic Growth and its Impact of Human Development UNDP 2006



**Annex 3 : List of Abbreviations**

<b>ADA</b>	<b>Austrian Development Agency</b>
<b>CIS</b>	<b>Commonwealth of Independent States</b>
<b>EG-PRSP</b>	<b>Economic Growth - Poverty Reduction Strategy Program</b>
<b>EU</b>	<b>European Union</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GUAM</b>	<b>Georgia, Ukraine, Azerbaijan, Moldova</b>
<b>H</b>	<b>Humanitarian Aid (SDC Domain)</b>
<b>ICS</b>	<b>International Consortium of Solidarity</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>IOM</b>	<b>International Organisation for Migration</b>
<b>MDG</b>	<b>Millennium Development Goals</b>
<b>NGO</b>	<b>Non-Governmental Organisation</b>
<b>OSCE</b>	<b>Organisation for Security and Cooperation in Europe</b>
<b>O or OZA</b>	<b>Ost ZusammenArbeit (SDC Domain)</b>
<b>PCM</b>	<b>Project Cycle Management</b>
<b>SDC</b>	<b>Swiss Agency for Development and Cooperation</b>
<b>SECO</b>	<b>Secrétariat d'Etat à l'Economie</b>
<b>SIDA</b>	<b>Swedish International Development Agency</b>
<b>UNICEF</b>	<b>United Nations Children's Fund</b>
<b>USAID</b>	<b>United States Agency for International Development</b>