

# How can Moldova benefit from EUSDR?

Lessons from SE countries

Sorin Ioniță,

[www.expertforum.ro](http://www.expertforum.ro)

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# PUBLIC ADMINISTRATION REFORM (PAR)

PAR = making the state stronger and more efficient in all respects, including:

- The generation of relevant strategies & projects
- Donor coordination

Without PAR, weak ownership of any intervention

PAR could be the subject of assistance by international partners (AP 10)

# PUBLIC ADMINISTRATION REFORM (PAR)

1. Decentralization (D)
2. Civil service reform (CSR)
3. Policy-making process reform (PMR, *“center of government”*)
  - There is no “European model” to transfer copy-paste 1-2-3; no *acquis communautaire*
  - Just principles and good practices that must be adapted locally

# PUBLIC ADMINISTRATION REFORM (PAR)

## 1. Decentralization (D)

- Not just “deconcentration”, but real transfer of decision-making power to elected local governments (LG)
- It does not mean just “more money at local level” (the problem of mandated policies)
- Principles: clear assignment of functions / revenues; good match functions / revenues; incentives for good management built into the system ⇒ real autonomy

# PUBLIC ADMINISTRATION REFORM (PAR)

- Real D = LGs can decide how / how much / or if they supply some services
- Real D  $\Rightarrow$  diversity, territorial imbalances
- Serious debate needed +/-  
descentralization: the impact on costs / capacity / integrity
- Solution: coherent plan about what we do (not) want to decentralize, function by function

# PUBLIC ADMINISTRATION REFORM (PAR)

## 2. Civil service. Real problems:

- No unitary CS: fragmentation, sectoral arrangements (inclusiv payments)
- Poorly defined goals, performance not measured  $\Rightarrow$  no incentives for it
- Proper management tools in short supply
- *Over-staffing* coexists with *under-staffing*
- Dilemma *rigidity* (depoliticization, career) vs. *flexibility* (reforms, penalize inefficiency)

# PUBLIC ADMINISTRATION REFORM (PAR)

- Costs of CS = red herring!  
Cf. WB-PER, costs with CS in Ro, Bg = lowest in EU as % of GDP; Moldova is similar
- Real problem = high turnover & drain of expertise out of the public sector

# PUBLIC ADMINISTRATION REFORM (PAR)

## 3. Policy-making reforms (PM)

PM process = “brain” of the central government

Problems in transition countries:

- Ad hoc agenda, crisis-driven
- The center is burdened with details  $\Leftarrow$  no tradition for filtering / delegation
- Ministries / agencies do not communicate horizontally, projects are strictly sectoral
- Weak capacity to do cost-benefit analysis

# PUBLIC ADMINISTRATION REFORM (PAR)

- Weak mechanisms to reconcile clashes (ex: budget allocations); poor prioritization
- Vanishing institutional memory, poor learning from past experience
- Unstabilă and ambiguous legislation  $\Rightarrow$  flaws in implementation  $\Rightarrow$  hasty corrections (vicious circle)
- Long tradition of selective enforcement of rules

# Remedy = good governance

Addressing with priority the problems of type 3  
(*PM*) – in PA 10?

- “Institutional brain” performing at the top: filtering / aggregating issues *before* the cabinet meeting; identify and address the *trade-offs*; rational and informed allocation of resources; systematic cost-benefit analysis (starting in key areas)
- Stable & contractual relations between the tiers of governance (centre-local), including on funds
- Transparency *ex officio* to the public, in relevant and understandable formats

## Strengths in PAR

- There is a good start on Decentralization / experienced stakeholders / and a comprehensive Strategy legislated a few years ago
- Regional Development Agencies were created and have a mandate to work with international assistance
- Legal framework for the Civil Service is largely in place, including mechanisms to ensure integrity

## Strengths in PAR

- A comprehensive reorganization of the government took place in mid-2017 which create conditions for better Policy Making coordination at the top
- There is determination to benefit from assistance and domestic ownership on most programs

## Weaknesses in PAR

- On all 3 dimensions of PAR, structural problems typical for the transition countries persist: first and foremost, a gap between written norms and strategies and reality
- D: the system of local finance is still unstable, parameters change without much consultation
- CS: performance evaluation / payment remains to be implemented
- Brain drain from the public sector (and the country) is a major challenge

## Weaknesses in PAR

- PM: strategic planning remains weak and disconnected from the budget process; there is little capacity for CB / impact analysis
- Even though external funds are limited (compared with EU members) the domestic coordination of donors remains a challenge

## Opportunities / threats

- Foreign partners are present who understand the importance of institutional building and assistance for the public sector (reforms of type A): dimensions 1-2-3
- Assistance in communities and non-profit sector supports the push in the public sector, on all 3 dimensions
- Private sector assistance (type B) is complementary to the first – but cannot have long term impact if A-type fails

## Lessons from New Member States

- The most relevant period for comparison is pre-accession stage (i.e before 2007 for Bg, Ro)
- *Integrated* projects (hard + soft) are the most difficult to implement, but most successful and sustainable – esp when ‘local action groups’ are involved (CLLD); they create ‘social capital’
- HR projects (ESF-type) are easiest to carry out, but most difficult to assess in terms of impact; in fact many have turned out to be largely useless

## Lessons from New Member States

- Revenue-generation projects (companies) face natural limitations: long learning curve, limited capacity in firms to do project management – special TA assistance must be planned in advance
- And then there is the substitution effect (activities, territorial)
- Business parks / incubators must be very carefully assessed: few successful, some without EU support (= local conditions are more important)

## Lessons from New Member States

- Direct coaching by experienced practitioners from EU can be effective in addressing the shortage of capacity in management authorities, esp at the central level (ministries)
- More trust should be put in local governments (municipalities, rayons), even though they too are weak: in Ro and Bg the rate of absorption in infrastructure projects was consistently higher at sub-national level. This shows that *the right incentives are more important than mere capacity*

## Lessons from New Member States

- Beware of fads: NPM novelties such as PPPs. They are not a solution for weak administrative capacity – on the contrary, require a strong and sophisticated public management!
- Go for simple, transparent contracting
- Beware of fads: bubbles in cyclical sectors (micro-tourism: boom-bust of agro-tourism in Ro, Bg, Pol). Focus on existing patrimony and its activation for community life: destination brand building, destination management structures (mass, eco)

## Action plan

- Assistance for non-profit actors (communities, NGOs): better delegated to experienced and credible grant-givers, esp in specialized areas (watchdogs, media, environment); EU direct assistance to small non-profit social actors has not been very successful in the region
- Assistance coordination (by the national authorities) is crucial. Resources must be invested in it.
- Co-financing / pre-financing rules = crucial!

## Action plan

- Finally, it all boils down to the 3 dimensions of PAR. PA 10 can be helpful in this respect:  
action plan sketched
- If done right: menu of projects for which there is some experience and capacity in the Danube region / Moldova