



**USAID**  
FROM THE AMERICAN PEOPLE

**Local Government Support  
Project in Moldova**

# LOCAL GOVERNMENT SUPPORT PROJECT IN MOLDOVA

**YEAR 4 WORK PLAN, DRAFT  
OCTOBER 1, 2014- SEPTEMBER 30, 2015**

Date of submission:

September 1, 2014

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

# LOCAL GOVERNMENT SUPPORT PROJECT IN MOLDOVA

**YEAR 4 WORK PLAN, DRAFT  
OCTOBER 1, 2014- SEPTEMBER 30, 2015**

**Prime Contractor:**

Chemonics International, Inc.

**Partners:**

VNG International  
Encon Services International LLC  
Urban Development Institute (IDU)  
Magenta Consulting

**Contract No.:**

AID-117-C-12-00001

**Activity Office:**

USAID/Moldova

**Contracting Officer's Representative:**

Diana Cazacu

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## CONTENTS

Acronyms .....	4
<b>Section 1: Overview .....</b>	<b>6</b>
<b>Project Background .....</b>	<b>6</b>
<b>Project Context .....</b>	<b>8</b>
<b>LGSP Work Plan and Performance Monitoring and Evaluation Plan .....</b>	<b>9</b>
<b>Communications and Public Engagement .....</b>	<b>10</b>
<b>Section 2: Technical Activities .....</b>	<b>11</b>
<b>MPI .....</b>	<b>11</b>
<b>EMM Sustainability .....</b>	<b>12</b>
<b>Component 1: Improved Municipal Service Delivery .....</b>	<b>13</b>
<b>Component 2: Increased Local Revenues and Improved Financial Management.....</b>	<b>Error! Bookmark not defined.</b>
<b>Component 3: Improved Municipal Energy Efficiency .....</b>	<b>26</b>
<b>Incentives and Opportunities Fund and Direct Procurement Fund.....</b>	<b>32</b>
<b>Gender .....</b>	<b>32</b>

## **Acronyms**

<b>AEE</b>	<b>Agency for Energy Efficiency</b>
<b>AEER</b>	<b>Alliance for Energy Efficiency and Renewables</b>
<b>APA</b>	<b>Academy of Public Administration</b>
<b>CALM</b>	<b>Congress of Local Authorities from Moldova</b>
<b>DPF</b>	<b>Direct Procurement Fund</b>
<b>EE</b>	<b>Energy Efficiency</b>
<b>EMM</b>	<b>Excellence in Municipal Management</b>
<b>EMMP</b>	<b>Environmental Mitigation and Monitoring Plan</b>
<b>ESD</b>	<b>Energy Services Directive</b>
<b>EU</b>	<b>European Union</b>
<b>GIZ</b>	<b>German Agency for International Cooperation</b>
<b>GoM</b>	<b>Government of Moldova</b>
<b>IDU</b>	<b>Institute for Urban Development</b>
<b>IEE</b>	<b>Initial Environmental Examination</b>
<b>IER</b>	<b>Intermediate expected result</b>
<b>IMC</b>	<b>Inter-municipal or inter-communal cooperation</b>
<b>IOF</b>	<b>Incentives and Opportunities Fund</b>
<b>IPMVP</b>	<b>International Performance Measurement &amp; Verification Protocol</b>
<b>LEEAP</b>	<b>Local energy efficiency action plan</b>
<b>LEEP</b>	<b>Local energy efficiency program</b>
<b>LGSP</b>	<b>Local Government Support Project in Moldova</b>
<b>LPA</b>	<b>Local Public Authority</b>
<b>M&amp;E</b>	<b>Monitoring and evaluation</b>

<b>MoF</b>	<b>Ministry of Finance</b>
<b>MoU</b>	<b>Memorandum of Understanding</b>
<b>MPSCS</b>	<b>Moldova Partnership for Sustainable Civil Society</b>
<b>MPI</b>	<b>Municipal Performance Index</b>
<b>NDS</b>	<b>National Decentralization Strategy</b>
<b>PMEP</b>	<b>Performance Monitoring and Evaluation Plan</b>
<b>PPP</b>	<b>Public-private partnership</b>
<b>RDA</b>	<b>Regional development agency</b>
<b>RIA</b>	<b>Regulatory Impact Assessment</b>
<b>SIDA</b>	<b>Swedish International Development Cooperation Agency</b>
<b>UNDP</b>	<b>United Nations Development Program</b>
<b>USAID</b>	<b>United States Agency for International Development</b>

## Section 1: Overview

### Project Background

USAID/Moldova created and funded the four-year, \$9.3 million LGSP to assist Moldovan local governments to design and implement policies and procedures that contribute to good governance, develop capacity to meet decentralized authorities and responsibilities for services in a transparent manner, and provide basic services that engender growth of local economies and make services more cost effective and efficient.

The LGSP mission is to: *“Improve the lives of people in Moldova through strengthening local governments by mentoring, supporting, and increasing quality and access to public services.”*

LGSP has three interrelated components:

1. **Improve municipal service delivery, including planning, service management and service quality and quantity.** The project assists towns in strategic action planning that supports infrastructure improvements and the extension of more effective and efficient service delivery.
2. **Increase revenues available to local governments and improvements in financial management practices.** The project contributes to strengthening municipal financial management capacities and optimizing municipal revenue generation potential.
3. **Assist with the development and implementation of local energy efficiency plans and practices and support management of municipal energy efficiency projects.** The project is assisting municipalities in the development of local energy efficiency plans, analyzing the feasibility of energy efficiency projects, and the realization of energy efficiency gains.

To measure and promote municipal improvement, LGSP has developed a Municipal Performance Index (MPI) tool. Through collection of quantitative data and in-depth surveys of citizens and local leaders, the MPI measures municipal performance across LGSP’s three components. MPI serves to guide technical assistance delivery, instill competition for improvement, and provide an objective methodology for attribution of LGSP’s impact.

LGSP’s EMM certification program provides core competency training to towns, followed by tailored, demand-driven technical assistance. EMM is structured to provide towns with practical tools that yield tangible results. EMM graduates are eligible for specific technical assistance/service delivery support under the Incentives and Opportunities Fund (IOF). The IOF is carefully restricted to ensure its effectiveness. The initial MPI and town selection assessment provides insight into

how it can be effectively used and the possibility of co-financing with other funding sources in order to stretch the funds available.

In certain situations where there is an urgent and legitimate need identified, LGSP will use a Direct Procurement Fund (DPF) to support partner towns in proposed improvements under each of the project’s components through provision of direct procurements of equipment made on behalf of partner towns and municipal enterprises.

Led by USAID’s implementing partner and prime contractor, Chemonics International, the LGSP team includes subcontractors VNG International, Encon Services International, IDU, and Magenta Consulting. LGSP also coordinates with donors such as the United Nations Development Program (UNDP), GIZ, Swiss Cooperation Office, EU Delegation, Austrian Development Agency, SlovakAid, PolishAid, World Bank, EBRD, and others.

## Results Framework



IER = Intermediate Expected Result

## Project Context

**Demographics:** Moldova is passing through a significant demographic transition, with declining fertility rates and population ageing. This process will continue and even accelerate, which inevitably will shape the economic, social and political landscape.

**Environmental:** In the last 2-3 years, Moldova faced serious environmental challenges. In addition to droughts that have affected agriculture, flooding has caused significant issues in many communities on both sides of the Dniester and Prut rivers. While local governments have been assigned more responsibility in developing local policies for preventing and managing disasters, these governments are unable to enforce environmental law provisions, resulting in polluted open water sources. Improving public services to address water issues is therefore a high priority with Local Public Authorities (LPAs).

CO2 reduction is a major challenge for Moldova with its obsolete and inefficient energy infrastructure. The LGSP project is pursuing this target through its energy efficiency component activities.

**Economics:** In 2013, Moldova's GDP grew by a rapid 8.9%, spurred by strong consumer spending and a good agricultural harvest, as compared to a drought the previous year. The weakening Moldovan currency has also boosted exports. Growth in 2014 is affected by the unstable situation in neighboring Ukraine and also by the Russian ban on Moldovan imports (wine, fruits, etc.). This situation may worsen as a result of the signature on June 27, 2014 of the Association Agreement between the European Union (EU) and the Republic of Moldova. According to the World Bank Annual Doing Business Report, Moldova's business climate is continuing to improve and registers a better country rating. In 2014 the position improved by 8 positions to #78 (in comparison to 2013 # 86). Limited access to finance, corruption, inefficient government bureaucracy, tax regulations, an inadequately educated workforce, and political instability remain challenges for Moldova. Positive changes in the past year include: 1. Moldova strengthened its secured transactions system by introducing new grounds for relief from an automatic stay during insolvency and restructuring proceedings; 2. Moldova made paying taxes easier for companies by introducing an electronic filing and payment system for the value added tax, corporate income tax, land improvement tax, and tax on immovable property; and 3. The Moldovan Government has approved in 2014 the Public Services Reform Program (2014-2016). This reform includes the creation of networks of universal centers for delivering public services, which will ensure the access to the central and local public administration services according to the principle "one –stop-shop". LGSP is helping LPAs to improve administrative services by creating Citizen Information and Service Centers (CISC).

**Politics:** Moldova has signed the Association Agreement with the European Union, part of which is the Deep and Comprehensive Free Trade Area. This was an important step towards country development and modernization. On November 30, 2014, general parliamentary elections will be held. The crisis in Ukraine has had an impact on domestic politics and Moldova's delicate balance between the EU and Russia.

**Legal Framework:** The Law on Local Public Finance (LLPF) was amended on November 01, 2013. However, when the Parliament adopted the amendments, their application was limited to three pilot raions and the municipality of Chisinau for the 2014 budget, with application to the rest of the country to be effective 1 January 2015. The amendments will provide additional local autonomy by removing the raion from the process of approving local budgets. They will further eliminate the disincentive for local authorities to increase own source revenues by removing the practice of reducing inter government transfers by the amount increased in own revenues. Additionally, the amendments will alter the process of local budget preparation. LGSP will be better able to encourage the increase in own revenues, and will be able to assist partner towns with improvements to budget preparation and financial management.

When the Parliament limited application of the amendments, the US Ambassador reacted by limiting LGSP to activities that did not support national institutions charged with implementation of decentralization, specifically the State Chancellery. Several donors suspected this maneuver was designed to permit the government and parliament to repeal the amendments if it became politically expedient. This resulted in the inability of LGSP to continue to provide support to the State Chancellery and Ministry of Finance in assisting towns and villages with their adjustment to the new budget methodology. LGSP had, with the approval of USAID, assisted the State Chancellery and MoF with budget training for towns and villages in addition to those raion center towns for which we are contractually responsible. LGSP was required to deny the request of State Chancellery to train the towns and villages of the remaining raions in preparation for the 2015 budget.

The three pilot raions and Chisinau had no difficulty implementing the new budget methodology for 2014, and there has been no effort to retreat from it in advance of the 2014 parliamentary elections. All remaining raions and local governments have prepared 2015 budgets according to the LLPF amendments. Additional decentralization legislation is under consideration by the Parliament, and if adopted will further improve the ability of local authorities to implement LGSP recommendations.

**Donors:** Moldova continues to receive substantial support from the international community in implementing its ambitious reform agenda, including the decentralization strategy, good governance, improving public service delivery, and the fight against corruption.

Numerous organizations with substantial funding are willing to provide assistance to local authorities, either directly or through the national government. In order to get the best value from the assistance provided, constant coordination of all efforts is needed to reduce the risk of duplicating efforts, or providing conflicting messages to beneficiaries.

## **LGSP Work Plan and Performance Monitoring and Evaluation Plan**

The LGSP Work Plan for Year 4 envisages the continuation of Year 3 Monitoring and Evaluation (M&E) activities for the first cohort towns, as well as the collection of service-specific quarterly data for towns in the second cohort. The data collection process typically involves two to three town halls and two to three municipal enterprise staff in each town in order to build the towns' M&E capacities to self-evaluate and measure their progress.

Based on the recommendations of the Service Improvement Plans, each town hall and municipal enterprise will be assisted in developing their own set of M&E indicators. The M&E/Communications Specialist will continue to assist the towns in selecting a set of indicators from the 140-200 indicators that LGSP is collecting on a quarterly basis. The sets of indicators will be individualized based on each town hall's specific considerations of feasibility and capacity/resources to fulfill the M&E task after LGSP ends.

The second MPI survey is planned for Year 4 and the PMEP MPI-related indicators will be reported. An analysis will be made on the quantitative and qualitative improvements and/or changes in the citizens' satisfaction and perceptions of the services they receive.

### **Communications and Public Engagement**

LGSP activities were regularly featured in the national and local media. LGSP was also actively promoted in the newly established town halls' social media pages. The same approach will be followed in Year 4, with additional effort directed at the new town websites being created. With the implementation of the Service Improvement Plans and with the CISC establishments, a range of success stories is expected.

LGSP will continue to assist local public administration (LPA) institutions to develop their capacities to improve transparency and accountability of their activities. To help partner town halls increase their accountability and transparency, in the upcoming year LGSP will carry out a series of activities directed towards institutionalizing existing practices with regard to accountability and efficient interaction with citizens. This will be accomplished through continuous close cooperation with partner towns in order to assist mayoralities to promote their activities using online as well as offline communication tools, and will also promote citizens' involvement in the local decision-making process.

Special focus will be given to assisting LPAs in organizing public hearings as part of the Strategic Planning and/or Urban planning process and conducting public discussion clubs/focus groups that address important societal issues with the goal of establishing local citizen councils. These citizen councils will act as citizen feedback groups that help mayoralities to better understand community needs in order to better respond to the existing needs. LGSP will assist established citizen councils with working sessions in order to develop recommendations for the local public administration.

In addition, LGSP will organize quarterly meetings for the mayors of the partner towns and local study visits to showcase exemplary achievements. A visit to Taraclia for all Cohort 1 and 2 mayors was organized to demonstrate its asset management

system. LGSP will also provide assistance, when required, in organizing public events (such as Energy Efficiency day, Town Anniversary Day, etc.).

### **Cooperation and Coordination**

Cooperation with partners was emphasized during Year 3, creating opportunities for many joint activities and events. During Year 4, LGSP will continue to collaborate with Regional Authorities, GIZ, EBRD, Swiss Cooperation Office, SlovakAid, Austrian Development Agency, UNDP, CALM, the E-Gov Center, Energy Efficiency Agency (AEE), and others to help create service improvements. Full cooperation with central authorities in Year 4, including the State Chancellery and several ministries involved in promoting the decentralization strategy, will resume as of 1 January 2015 when the LLPF becomes fully effective and the restriction on LGSP activities expires. Year 3 activities included:

## **Section 2: Technical Activities**

### **MPI**

Following the completion of EMM Training with Cohort 2 partner towns, LGSP initiated, organized and delivered detailed presentations of the MPI reports for the employees of town halls and municipal enterprises in the Cohort 2 towns.

MPI assessed four sectors that are of utmost importance for local government: (1) the capacity to organize, operate, and provide administrative services; (2) financial, public property, and external funding project management; (3) legality and transparency of activities and networking capacity; and (4) public services management. LGSP provided valuable recommendations for each of these sectors, including to:

- Develop and implement mechanisms/written procedures for updating the towns' socio-economic development strategies;
- Set up institutional frameworks for monitoring and assessing urban development plans;
- Enhance the accessibility of information on procedures for processing acts and documents issued by the local governments;
- Improve the operation of tax collectors, expand their areas of competence and responsibility, and improve the mechanisms of monitoring income collection;

and  
Use public hearings and debates focusing on the management of public funds on a larger scale.

Beginning in April 2015, LGSP will conduct MPI evaluations in all LGSP partner towns.

The results of this final MPI assessment will be summarized in comprehensive reports for each individual partner town and presented to the local council members and mayoralty staff. The conclusions and recommendations reflected in the MPI report will be used to update the towns' socio-economic development strategies, service improvement plans and annual operational plans at the mayoralty and service provider level. Data will be entered into the LGSP PMP for an analysis and performance report.

Additionally, LGSP will match the MPI with the citizen survey, which will be conducted in all partner towns. The purpose is to determine the satisfaction of the population regarding the public services in each town.

Mayors have been enthusiastic about the results of MPI, and have used it to guide their planning and their operations. If they are able, they will seek to continue to support it and make use of it individually. Initially, it was suggested that CALM take over this activity from LGSP. That does not appear likely, and LGSP will work in Year 4 to institutionalize the activity in individual partner towns. Success will depend in part on the ability of mayors to identify capable staff and to provide funding.

### **EMM Sustainability**

LGSP is committed to the enhanced long-term viability and accountability of its partner towns. As part of this commitment, LGSP, in consultation and collaboration with state institutions, local NGOs and local public authorities, developed and conducted the Excellence in Municipal Management (EMM) training program to ensure the long-term viability of the local governments across the country.

The theoretical knowledge obtained during the trainings was reinforced through study tours organized in 2012 and 2014, a Master Class in 2013 for the Moldovan mayors, and has been sustained through a series of technical assistance meetings in the fields of budget planning and management, implementation of PPPs, local fees and taxes collection, asset management systems, service improvement plans and diagnostic analysis, citizen engagement, and human resource management.

LGSP will support the organization and continuation of the mayors meetings and sharing the good practices achieved by the partner towns while implementing the project, and therefore will empower the LPAs to gain skills through practical application of the knowledge received through the EMM trainings.

Considering the above, LGSP has identified 3 national partners who will contribute to the sustainability of the EMM Program – the State Chancellery of Moldova, Congress of Local Authorities from Moldova, and the Academy of Public Administration.

**State Chancellery of Moldova** – Considering the State Chancellery's role in local public administration, LGSP will conduct working meetings with the State Chancellery to share all documents/deliverables produced as the result of EMM. Afterwards, the State Chancellery can share the information through different means, including their official website, with all public institutions. This has already been done with all deliverables produced for the CISC.

**Congress of Local Authorities from Moldova (CALM)** - One of the activities of CALM is the establishment and maintenance of a specialized information, consultation, expertise, monitoring and research center that focuses on various fields, including public administration, informational support and training for the members of the congress. LGSP will provide CALM with a set of training materials used during the EMM training for future use. To the extent that CALM is willing, LGSP will assist in the development of training programs using EMM materials for organized group training and/or for self-training.

**Academy of Public Administration** – The Academy is responsible for graduate degree-producing programs at the Masters and Doctoral levels for academics and for practitioners. EMM materials provide the opportunity for the Academy to offer coursework in areas for which they do not now have curriculum or reference materials. The Academy is responsible for the education and training of civil servants delegated by central and local government bodies. In addition to teaching, the Academy has a research function. Thus, each specialty has a scientific research and publishing plan, and participates in national and international conferences or symposia.

The Academy develops policy papers and recommendations relating to the legal framework for the public service, and the status and ethics of civil servants. In the process of implementation of the complex reforms in public administration, the teaching and managerial staffs of the Academy develop concepts and national strategies. Four specialized scientific laboratories have been created and presently operate to organize and enhance scientific research in the appropriate fields. Since the foundation of the Academy, more than 4,000 people have become specialists with postgraduate education. From year to year, the number of civil servants in public authorities who have completed professional training courses expands; currently their number is around 21,000 people.

The Academy is interested in making use of EMM materials and methods, since education and training of public administrators is its core mission. LGSP will transfer the training materials to the Academy of Public Administration. In addition, LGSP plans to organize a TOT program for the Academy faculty in topics including urban planning, asset management and other specialties in which the Academy lacks expertise.

## **Component 1: Improved Municipal Service Delivery**

### **Objective 1.1: Improved Local Capacity to Plan for and Manage Municipal Services**

*Strategic Planning (Task 1).* The LGSP assistance towards updating/developing the Strategic Plans is based on an inclusive, participatory approach, ensuring broad LPA ownership in each strategy and action plan through public hearings organized with the support of LGSP's Public Engagement Advisor and citizen participation.

Gender considerations were part of each strategic document in the Cohort 1 partner towns. In the same way, gender considerations will be included in the documents for Cohort 2. The focus groups, as inclusive instruments themselves, are learning tools for the town halls' staff. This is a good practical exercise for the town hall to undertake when organizing inclusive consultations and decision-making processes. Gender disaggregation of the list of participants, as well as other minority groups, including disabled, Roma community, veterans associations, etc., is meant to create a sustainable habit with the town hall.

When the socio-economic development strategies are approved by Local Councils, LGSP will print and assist towns to disseminate a modified, user-friendly version of the strategies for citizens, encouraging their participation in the strategy implementation process. In Year 4, LGSP will continue to support Cohort 2 partner towns (19 towns) to finalize drafting the socio-economic development strategies. The socio-economic development strategies for all Cohort 2 towns will be finalized by December 2014 (Task 1). The main planning stages through which our partners from Cohort 2 will pass in order to develop their socio-economic development strategies are:



Once the Strategic Plans are in place, the Project will assist Cohort 2 partner towns to implement the strategies by developing annual work plans. The objectives of this activity are to strengthen the capacity of the Mayoralty team in understanding how the annual activity plan should be correlated with the objectives established in the socio-economic development strategy, how human resources needs should be assessed in order to perform and implement the strategic documents, and how the performance of the personnel should be assessed upon the objectives established. This activity, which will be actively supported by LGSP staff, will enable local governments to better outline goals and processes, offering LPA staff a descriptive guideline of processes, achievable tasks, and responsibilities in line with their strategic plan. **(Task 1)**

Also, the LGSP team will offer assistance in the strategic planning process to Vulcanesti and Ceadir-Lunga, two towns of UTA Gagauzia. Initially, the LGSP team will assess the situation of these towns related to the needs of drafting/updating the socio-economic development strategies, and based on this will identify the local consultants that will perform these activities.

**Urban Planning (Task 2).** LGSP will continue the assistance for the Cohort 1 towns (Soldanesti, Singerei, Taraclia and Straseneni) in developing the ToR for the companies

that will draft the general urban plans (GUP). The general urban plan will require the following steps according to Moldovan regulations:

- Research and collection of information [sex disaggregation of data and gender analysis];
- Drawing the map of the GUP [including mobility planning for disabled people and for women with baby carriages]; Preparing the regulations and explanation to the GUP;
- Citizens participation [ensuring inclusiveness and access for people with disabilities, special call/invitations and conditions for mothers with children];

Decision making [based upon the gender analysis and gender mainstreaming].

The GUPs for the Cohort 1 towns are intended to be drafted by May 2015.

For Cohort 2 towns, LGSP will begin assistance in urban planning as soon as the socio-economic development strategies are drafted. Preliminarily, LGSP will support the towns in drafting the ToR and preparing all the documentation needed for launching the procurement process.

The urban plans will be done in two parts, the narrative descriptive portion, and the maps and graphics. The GUP for the Cohort 2 towns will be drafted by December 2015. In addition to the Cohort 2 towns, the LGSP team will support the towns of UTA Gagauzia- Vulcanesti and Ceadir Lunga in drafting/updating their GUPs.

In two towns, one from Cohort 1 and another from Cohort 2, the LGSP team will use the expertise of an international expert to conduct coaching on-the-job and support the towns through the entire process of GUP development.

**Capital Investment Planning (CIP):** CIP is the third component of comprehensive urban planning, dependent upon the urban land use plan and the strategic plan. Often called a capital investment budget, it is also related to the annual operating budget. It is therefore integral to Component 2, and its development in Year 4 is described there.

**HR Management:** LGSP will also provide focused technical assistance in institutional capacity building for its partner towns. Specifically, LGSP will analyze the current status of human resource management in two towns to be selected based upon their interest and likelihood of success, review current organizational charts and recommend improvements, and review position descriptions for all the positions and incorporate necessary or desirable competencies and aptitudes. LGSP will disseminate deliverables developed during this assignment to all partner towns for their appropriate adaptation and usage. Assistance will then be provided to 15 towns.

**Service Improvement (Task 1 and Task 2):** Following the strategic planning process, LGSP contracts two consulting companies to perform comprehensive diagnostic analysis and develop service improvement plans for communal public service providers in LGSP partner towns (from Cohort 2 and Municipality of Comrat. Nisporeni is not included, since they have already performed diagnostic analysis and developed a service improvement plan). The diagnostic analysis will include, but not be limited to:

- Evaluation of the service provider's financial performance;
- Assessment of the service provider's institutional framework;
- Evaluation of operational efficiency; and

- Development of a service improvement plan.

Based on the diagnostic analysis, the company will provide recommendations to address the identified financial, institutional, and operational issues and improve performance of the service provider.

LGSP will conclude the diagnostic analysis and the development of the service improvement plans for municipal utilities by the end of February 2015. The results of the diagnostic analysis will be presented to the service provider management team, town administration and members of the local council at a round table.

The results of the diagnostic analysis will identify needs for the provision of municipal services (Task 4). In response to this analysis, LGSP will support partner towns in implementing the service improvement plans with specialized technical assistance and training for municipal utility staff, LPA representatives, and other technical support team members. That training will include cost of service analysis, standard setting, competitive bidding, preparation of service agreements, and monitoring of the contracts. Recognizing that project resources are limited, LGSP will actively participate in national/regional coordination activities related to service provision (for example, the Donor Coordination Council on water and sanitation), and work closely with other donors and the Ministry for Regional Development and Construction to coordinate and promote improved services.

Specifically, where other donors, such as EBRD in seven northern raions, intend to establish service providers serving multiple communities, LGSP will coordinate service improvement implementation with them. Current recipients of infrastructure grants, including Telenesti, Singerei and Cantemir will be assisted with implementation as will future grant recipients, some of which will have had assistance in the application process from LGSP.

The Direct Procurement Fund (DPF) is to be supplemented with \$2.7 million in new funding, bringing the total to \$3.3million. Funds will be used for an initial procurement of equipment for partner towns that will produce an immediate improvement in service to the public. Equipment will be selected based upon service improvement plans where they exist, upon consultant knowledge of towns' needs where diagnostic analyses and service improvement plans are under development, and upon priorities of the individual mayors. Equipment from the first procurement is intended to be delivered and improving services prior to the end of November, 2014. A second procurement, extending to the end of Year 4, will also provide equipment based upon requirements of service improvement plans, local energy efficiency plans and other needs identified on an exceptional basis. The second procurement will generally involve equipment that requires a longer lead time, and/or design and construction that will require a source of co-funding since DPF is restricted to equipment.

### **Objective 1.2: New Municipal Service Arrangements Established**

LGSP will work with partner towns to establish new municipal service arrangements that will increase the quality of service provision.

**Citizen Information and Service Center (CISC):** LGSP will continue to provide specialized technical assistance and support to establish the CISC in Year 4. Based on the CISC concept, regulations and guidelines developed in Ungheni, LGSP is providing technical assistance in implementing the Center concept in three partner towns: Singerei, Taraclia, and Orhei.

LGSP will also encourage other partner towns to take over this important concept of streamlining the provision of administrative service, by modeling the service passports, citizen guides, etc. LGSP may provide additional assistance to other partner towns in CISC establishment.

As a result of an open call and analysis of the offers from the applicant partner towns, Singerei, Taraclia, and Orhei have been selected for LGSP's support in the establishment of Citizen Information and Service Centers (CISCs). All three towns have confirmed their availability to co-finance the CISC implementation, by ensuring renovation of space for CISC and availability of town hall staff to actively participate in the reengineering of services. Amendments of Memorandums of Understanding between LGSP on CISC establishment and each of the three partner towns have been signed. LGSP contracted BRC to assist these towns with the CISC establishment. Initial meetings between BRC and the town halls have been conducted and CISC working groups have been established through formal decisions of mayors. BRC conducted preliminary analyses regarding the nature of the services to be delivered. The first service passports are being drafted with cooperation between BRC and the town halls detailing the procedures, responsible institutions, and other relevant details.

CISC is intended to be the LPA unit responsible for providing information to citizens, businesses, and organizations on the activity of the Mayor's Office and for facilitating service provision. The LPA will have an established single location and mechanism which provides standard information and administrative services, such as business licenses, building permits, planning certificates, and location authorizations.

CISC is the means by which local governments will simplify the process of registrations, permitting and licensing for individuals and for businesses, where local governments have direct responsibilities.

In developing the CISC solutions, LGSP will take into consideration the following important issues:

- Solutions will have to be easily replicable and scalable to other local public administrations;
- ICT solutions will be proposed as unified platforms that will be hosted and managed centrally and used/accessed with minimum or no financial investments by any local public administration willing to participate to the improvement of public services. This will primarily apply to an electronic one-stop - shop solution, having a standardized set of services, and will allow a standardized interaction between local and central public administration authorities. Such a solution would allow the mechanism to be quickly expanded to other towns without the need to establish their own IT hardware infrastructure and systems, maintenance and with no need to deal with data protection and security assurance. The solution will be feasible within the

existing regulatory framework, and will be based on the assessment of potential costs and impacts, both for the public and private sector.

- The existing and the upcoming e-Government tools such as electronic identity, authentication, cloud infrastructure, and others will be considered in establishing the CISC solutions. These will ensure the highest integration between systems, national registries and user experience with minimum development and maintenance costs\
- LGSP and the BRITE project collaborated on the CISC concept development in Ungheni. BRITE has since decided to work directly with Chisinau local authorities on its business applications while LGSP works with three towns on CISC development. An exchange of information and progress continues between the two projects. BRITE is working to reform the legal framework of business permits. When the permit process changes, LGSP will assist CISCs to accommodate the changes.

### **Objective 1.3: Ability of municipalities to access regional and donor funds improved**

LGSP will continue its efforts to identify funding sources for local governments by working through the information center in Ialoveni, Regional Development Agencies, and donors, and by systematically providing information to all partner towns regarding financial opportunities. LGSP is providing consulting assistance to partner towns in developing concept notes (proposals). That is an integral part of our strategic planning process in order to be ready for the next call for proposals from the National Regional Development Fund. Towns will have concept notes ready for the call for proposals. There are currently no calls for proposals open from the National Regional Development Fund. The next call for proposals is expected to be announced by the end of this year or in early spring 2015, but not before parliamentary elections. The priorities which will be financed through the NRDF are not yet known. When they are it will be possible for LGSP to assist partner towns in developing concept notes in support of an application. LGSP is in permanent contact with Ministry of Regional Development and Construction on this matter. There are several steps to be taken by the applicant for these funds:

- Development and submission of concept notes (concept notes must be submitted within 45 days from the launch of the call for proposals);
- Development and submission of detailed applications (in case concept notes are approved); complete/detailed applications must be submitted in 60 days from the approval of the concept notes, thus the total duration of a full submission of a project proposal is 4 months;
- For some of the projects, technical documentation is mandatory (and is valid for up to 24 months);
- Afterward submission, the complete documentation is again reviewed by the Evaluation Committee and then submitted for final approval to the Government of Moldova;

Towns may also request assistance with feasibility studies, engineering studies or environmental studies in the preparation of applications. As availability of funds in the IOF permits, assistance may be provided.

All conditions/terms to apply for the funds from the National Regional Development Fund will be included in the updated Operational Manual of the National Regional Development Fund, including instructions for submissions of project applications. LGSP is in regular contact with Regional Development Authorities in order to stay well-informed of all possible funding opportunities, including the next call for proposals from the National Regional Development Fund. Applications will also be made to the Energy Efficiency Fund. Currently there are two funding opportunities available for local governments (one for street lighting and another one for public buildings). LGSP is now providing assistance to partner towns in accessing the Energy Efficiency Fund and will continue to do so. LGSP recently provided advice and support for partner towns to better understand requirements of the new call for proposals from the Energy Efficiency Fund referring to street lighting and rehabilitation of public buildings. Next, targeted assistance will be provided during the completion of energy audits and concept notes, a mandatory prerequisite for accessing these funds. LGSP will also continue to support partner towns through providing technical assistance, consultancy/capacity building, and training, in searching and accessing other available funds on energy efficiency (e.g. sustainable urban demonstration projects under a program financed by the European Commission, cross border cooperation programs, etc.).

#### **Objective 1.4: Enhanced Transparency and Accountability in Planning and Decision-Making**

In order to attain this objective, LGSP will continue assisting Local Public Administration institutions to develop their capacities to ensure transparency and accountability of their activities. Despite having certain knowledge of these principles, partner towns often still lack a full understanding, which is reflected in the way mayoralties conduct their day-to-day activities.

To help partner town halls increase their accountability and transparency, in the upcoming year LGSP will carry out a series of activities directed towards institutionalizing best practices with regard to accountability and efficient interaction with citizens. This will be accomplished through continuous close cooperation with project partner towns in order to assist mayoralties in promoting their activities using online as well as offline communication tools, while also involving citizens in the local decision-making process.

Building on the means of communications already implemented by each of the partner towns, LGSP will offer on-site coaching sessions to the partner towns to develop action plans on communication and citizen engagement for 2015. LGSP will assist mayoralties in implementing communication and citizen participation action plans for 2015, through promoting efficient communication and public engagement activities, and assisting the mayoralties in increasing their efficiency in online communication by means of town halls' official websites and/or Facebook pages. LGSP will continue

to provide assistance to partner towns in developing and using public outreach materials, including newsletters and info-leaflets on local finances.

Special focus will be given to assisting LPAs in organizing public hearings as part of the strategic planning and/or urban planning process, and to conducting public discussion clubs/focus groups on important societal issues with the goal of establishing local citizen councils. These citizen councils will have the goal of acting as citizen feedback groups that will help mayoralities better understand community needs in order to better adapt their activities to the existing needs. As a follow-up on the establishment of the citizen councils, when required, LGSP will assist them with conducting working sessions in order to develop recommendations for the local public administration.

In addition, LGSP will organize a series of quarterly meetings for the mayors of the partner towns, local study visits, and will provide assistance when required in organizing public events, such as Energy Efficiency Day, Town Anniversary Day, etc.

### **Assumptions for the Successful Implementation of Component 1 Activities**

Our assumptions under Component 1 include the following:

- Local administrations, having completed the EMM program, will actively cooperate with technical assistance offered by LGSP and participate in additional LGSP training programs;
- Local Councils have the authority to make decisions related to all matters of local interest. Local Councils will support the activities implemented within the Project: e.g. socio-economic development strategies; urban plans and supportive documents; diagnostic analyses and service improvement plans; CISC establishment; and PPP/IMC project ideas/pre-feasibility studies.
- Local Public Administrations will identify necessary resources to co-finance the implementation of complex projects (such as CISC establishment and development of General Urban Plans.);
- The legal framework related to local public administration will be improved by legislation and regulation consistent with the GoM decentralization policy (e.g. local public finances, inter-municipal cooperation, PPP implementation, etc.);
- National and international funds for infrastructure development will be available for local governments; and
- Local governments (partner towns) are committed to implement proposed operational/strategic plans.
- LGSP has been prohibited from supporting the Government of Moldova, its State Chancellery, ministries and other central government entities as to their activities related to its Decentralization Strategy. This prohibition expires on 1 January 2015.
- Development and implementation of capital investment projects to improve services called for in service improvement plans will continue to be restricted by the absence of a capital investment and financing program in Moldova until there is government action on a capital investment methodology. (See Objective 2.1)

## **Component 2: Increased Local Revenues and Improved Financial Management**

The current financial legislation and regulation specific to local public finance issues, such as accounting rules, capital investment development and control regulations, and local government competencies still remain inadequate for the effective operation of local authorities. Although improvements have not taken place as rapidly as expected at the beginning of the project, the situation is dynamic and changing positively.

On November 01, 2013 the Parliament of Moldova approved the Law nr. 267 on Local Public Finances (the Amendments of Law # 397-XV of October 16, 2003). These amendments to the Law on Local Public Finances are in line with the National Decentralization Strategy and respond to the issues identified within local public finances and financial autonomy. Beginning on January 01, 2015, local government expenditure will be determined by the level of collected revenues, and not upon Central Government estimates, which was the previous practice. Thus, each LPA will be directly motivated to collect as much revenue as possible to meet its specific needs.

The Law on Public Finance and Budgetary and Fiscal Responsibility was passed on the second reading in June 2013 by the Parliament of Moldova. As the following description demonstrates, the law is necessary and vital for the whole system of local public finance. This law was drafted to be one of the bases for the next 10-15 years, with the approved Law on Local Public Finances. This draft law is necessary since some indicators need to adjust the budget forecasts to updated macroeconomic indicators, taking into account economic developments. This law was drawn up as a follow-up measure aimed at reforming the public finance management system in order to consolidate the fiscal discipline by identifying budget principles and rules for all components of the national public budget. It also makes the public finance management system more transparent by adopting international best practices in this domain. The measures provided by the law are designed to facilitate budget management and to simplify budget decision-making. Better budget administration rules and procedures, especially those concerning external financial aid, are expected to help attract more foreign investments.

Enhancing own source revenues and increasing transparency through the implementation of international and local best practices are the primary objectives to accomplish during Year 4. To achieve these objectives, LGSP will continue to provide training and technical assistance to partner towns, tailored to individual needs and goals.

To cover the objectives of improved budgeting, financial reporting processes and public financial management, training and technical assistance including, but not limited to, the following topics will be provided:

- Public property/asset management system, including capital investment plan;
- Public-Private Partnerships and Inter-Municipal Cooperation;
- The annual budget development: techniques, practices and Moldovan requirements according to the new Law on Public Finance;
- Liquidity management of financial flows;

- Revenue Enhancement: the local fees and taxes collection management system;
- Program and performance-based budgeting practices; and
- Budgeting practices: techniques, best practices and Moldovan requirements according to the new Law on Public Finance for Local Governance officials on the first mandate

All the activities under Component 2 will be in line with the new legal framework and institutional principles regulating public financial management at the local level. Partner towns will be assisted with implementation and compliance with new legislation, as and when it becomes effective.

### **Objective 2.1: Cost and Management Efficiencies Identified and Adopted**

*Asset Management* has been identified and remains a high priority of the National Decentralization Strategy, with buy-in from the State Chancellery, Ministry of Economy, and donors such as UNDP and GIZ. In order to implement the Action Plan of the National Decentralization Strategy, the Ministry of Economy appointed a working group that is responsible for patrimony decentralization. This working group is identifying solutions to ensure the completion of the public and private property delimitation. Also, it is expecting the GoM to provide the full public property management mechanisms, efficient, effective and responsible legal and institutional frameworks at the national level, the public property law, and the necessary instructions for inventory and records of the public property at the national and local levels.

Because LGSP has done pioneering work with several partner towns on asset management, LGSP was asked to serve on the working group. LGSP assisted several meetings of the working group on patrimony decentralization and was requested to continue to support local authorities in developing their capacities on public asset management systems. Additionally, LGSP was requested by the Ministry of Economy to continue providing and disseminating the concept of the modern methodology framework on public asset management system at the local level, based on European experience and best practices described in the manual on the public property asset management system, which was shared and consulted with the working group representatives and other cooperating partners. LGSP will continue to participate and to share the results of its work with partner towns.

In Year 4, LGSP will continue to work with local partners and in cooperation with an international expert to follow up on the specialized technical assistance provided in the establishment and implementation of the public property/asset management system. This effort will include the development of the first draft of the municipal asset management strategy, municipal asset management plan and action (implementation) plan. After obtaining the comments and proposals to improve the first draft of the document, the final version will be developed and submitted to LPAs.

The objectives of the assistance provided on municipal asset management to LGSP partner towns are:

- To create an effective municipal asset management planning process;
- To modernize property management working practices and to improve service quality; and

- To manage and maintain all municipal fixed assets in order to preserve and secure best property value.

LGSP developed and disseminated to all LGSP partner towns a Manual on Municipal Asset Management System that provides guidance to LPAs on methods and techniques that can be used to accommodate the individual circumstances of each partner town and to address public asset management issues (Task 1).

For Component 2, LGSP will continue supporting the local partners on PPP development. Based on the results of the PPP assessment report, developed for all Cohort 2 and one Cohort 1 (Telenești) partner towns, LGSP plans to provide follow up technical assistance for at least 1-2 recommended concepts of PPP initiation, supporting pre-feasibility study development for PPP projects submitted by the local councils, (Tasks 1, 2, 3 and 5).

The public capital investment system in most countries is programmatic in nature with national and local government co-financing, while in Moldova there is no permanent capital investment programming or financing framework. This limits the ability of local governments to improve and deliver public services to citizens. The establishment of public capital investment policy and priorities guidelines (the amendments of Government Decision # 1029 of December 19, 2013) was introduced by the GoM in the State strategic plan for public finance development as a short-term activity. The guidelines aim to establish transparent and efficient preparation, approval, implementation, and monitoring and evaluation of public capital investment projects financed from the national budget and other financial sources.

In Year 4, assuming that the capital investment methodology is developed and approved by the end of 2014, LGSP will assist all partner towns on implementing the capital investment methodology and plans. The capital investment plan is related to the other LPA plans (strategic plans and urban plans) and is dependent on them. Thus, it is necessary for them to be current. Consequently, LGSP drafted a concept of capital investment plan development that is described in the property asset management plan template, Chapter 10 *Capital Investment Projects* (Task 1). Until there is government and parliamentary action to correct this deficiency, any implementation of capital investment projects must come from current existing local resources, possibly supplemented by GoM or foreign donor assistance.

**Objective 2.2: Improved Collection Rates for Local Fees and Taxes &  
Objective 2.3: Service Fees Based on Full Cost Recovery Adopted**

In Year 4, LGSP will focus on local governments' capability to improve collection rates for local fees and taxes, and plans to support partner towns with the revenue generation process, integrating these activities in the strategic planning and service improvement processes by introducing efficiencies and by improving collection of existing sources of revenue and identification of additional revenue sources.

Local governments have been collecting land use tax with revenue agents in each Town Hall since authority was decentralized. Tax collection has been effective, in part because of the low rates. The rates are low because appraisals are typically 20-30 years old. A regular reappraisal and market based value system which differentiates among residential, commercial, industrial and agricultural uses would effectively increase revenue. Some towns have had declining revenues because they have not

been able to afford the staff to do the collection and therefore must rely on citizens to pay. With increasing ability to manage own finances, towns will be able to prioritize a staff salary for a position that produces revenue.

LGSP plans to deliver a tailored training on liquidity management solutions with the support of international and local expertise, aimed at assisting LGSP partner towns to meet their immediate and short-term obligations under the new provisions of the Law on Local Public Finances.

After the training, to address these challenges, LGSP plans to develop a guide on revenue enhancement at the local level with the assistance of international and local experts. Also, based on partner towns' requests, LGSP will provide practical, comprehensive technical assistance on revenue enhancement that will enable partner towns to identify appropriate interventions that can immediately improve the liquidity management of financial flows and revenue enhancement for 2015 and moving forward.

Under these two objectives, and mentioned above under Objective 1.1 of Component 1, based on the results of diagnostic analysis and the resulting service improvement plans, LGSP will support partner towns to implement those service improvement plans. This may involve providing LPAs with specialized assistance and trainings to implement billing, reporting and accounting systems to their relevant technical staff responsible for the public service delivery (Tasks 4, 7, 8 and 12).

#### **Objective 2.4: Improved Budgeting and Reporting**

Based on feedback received from partner towns and lessons learned from the previously delivered trainings and technical assistance related to budget process improvement, LGSP will continue to provide support on budget practices to local partners (developing annual budgets and budget proposals and internal budgeting regulations improvement) while adjusting assistance to the needs of each town.

Based on partner towns' requests, at the beginning of Year 4 (after the parliamentary election), LGSP will first support LPAs in identifying appropriate interventions that can immediately improve and correct the drafted annual budget for 2015, and will then assist towns with implementing the budget. The timing for this technical assistance is due to the fact that general parliamentary elections will take place in November 2014, and local governments were required to prepare their budgets earlier than this date.

After the local elections that will take place in June 2015, LGSP plans to deliver a tailored training on budgeting practices improvements under the new provisions of the Law on Local Public Finances for newly elected officials, aimed at assisting the participants in promoting best practices for improving their public financial management.

Lastly, LGSP, in partnership with short-term local consultants, and based on partner towns' requests, will provide practical comprehensive technical assistance to improve partner towns budgeting and reporting skills in order to draft the annual budget for 2016 (Tasks 6, 9 and 12).

#### ***The Program and Performance-Based Budgeting (BPP in Romanian)***

The implementation of BPP results from the provisions of section 2.3.5 action plan on the implementation of the National Decentralization Strategy for the years 2012 – 2015, approved by Law No. 68 of April 5, 2012, and the strategy for development of public finance management for the years 2013-2020, approved by Government Decision nr.573 of August 6, 2013. The medium-term program performance budgeting will be required on January 01, 2015 for raions and municipalities and on January 01, 2016 for towns and villages. LGSP partner towns will require improved capacities to formulate realistic budget proposals within certain strict budget ceilings, as well as to formulate, implement and report on the programs' budget based on performance and results. In order to ensure that public budgets are executed as planned, information systems must be able to provide timely and reliable budgetary data, and enhanced capacities must be available to handle the more demanding analysis that program-based budgeting requires. The improved methodologies for medium-term budget planning, and based on programs and performance, implementation of modern financial control and internal audit practices shall create support to ensure efficient and sustainable management of local public financial resources.

Concurrent with the above activities, LGSP will focus on developing modules focusing on BPP, which will be delivered in Year 4 and will include training and hands-on technical assistance in the following areas:

- The legal and methodology framework of program budgeting and performance;
- The structure and elements of program budgeting;
- The organization of BPP budget development process;
- The programs classification;
- The rules on establishing goals, objectives and performance indicators;
- Examples for local governments establishing goals, objectives, indicators;
- Concrete examples and specific preparation of a model for implementing a traditional budget (or part thereof) into the format of program budgeting;
- Policy on the allocation of costs;
- The evaluation and monitoring system; and
- Roles and responsibilities of stakeholders in the process.

Program/performance budgeting supports the GoM decentralization strategy, but it has not been developed with LGSP assistance. LGSP will assist partner towns and the MoF and State Chancellery with preparation of program/performance budgets.

### ***The new budget classification and accounting standards***

As mentioned above, legislation which would positively impact local government compliance with international accounting and reporting standards is awaiting action by the GoM. This objective was introduced in the State Strategic Plan for Public Finance Development, but apparently will not be acted upon until 2015 or later. The new National Accounting Standards (NAS) and the General Plan of Accounts for Public Authorities of Moldova are at the very initial stage of study and evaluation. There is a need for additional efforts to improve, finalize and implement new budget classification and accounting systems.

In Year 4, presuming that the new National Accounting Standards are approved by the Parliament of Moldova, LGSP plans to assist partner towns to meet the new budget classification and accounting systems requirements (Task 9).

## **Objective 2.5: Increased Citizens' Access to Information on Available Financial Resources**

In order to help partner towns increase the transparency of local finances, LGSP will assist mayoralities in developing informational materials on local finances and publishing them to be distributed to citizens, as well as published online. This combined approach will help mayoralities increase citizen access to local government financial plans, budgets and other public financial information.

To ensure the sustainability of these practices in the activities of the local public administration, LGSP will encourage its partner towns to institutionalize the most efficient tools, such as through inclusion in the town-hall's annual action plans on communication and citizen engagement.

### **Assumptions for the Successful Implementation of Component 2 Activities:**

- The legal framework and regulation is consistent with the GoM decentralization policy (e.g. new National Accounting Standards, public property: delimitation, evaluation and registration, PPP implementation and capital investment development) for local public administration will be improved and create a more favorable climate;
- Sufficient information and openness will be available from the local governments and service providers to allow for comprehensive and informative assessments;
- Local administrations will actively participate in the LGSP trainings, and will fully cooperate with LGSP's on-site consulting services and technical assistance;
- Local Councils have more authority to make decisions related to all matters of local interest. Local Councils will support the activities implemented within the project: e.g. property/asset management, service improvement plans and PPP/IMC projects; and
- Local Public Administrations will identify necessary resources to co-finance the implementation of complex projects (property/asset management and capital investment plans).

## **Component 3: Improved Municipal Energy Efficiency**

The energy efficiency sector has been identified by the GoM as a priority because currently 94 percent of all energy consumed is imported. Energy cost is a significant burden on scarce local government resources, and that cost is subject to political manipulation through the Russian supplier. As a member of the EU's Energy Community Treaty, Moldova passed the Law on Energy Efficiency in 2010, which requires conformity with the EU Energy Services Directive (ESD). The Law requires the raion councils to hire energy managers to perform energy management within their territory; develop Local Energy Efficiency Programs (LEEPs) every three years; draft Municipal (local) Energy Efficiency Action Plans (LEEAPs) annually; and, based on the LEEAPs, prepare Energy Efficiency progress reports.

The National Program on Energy Efficiency was approved in 2011 and contains the basic tasks and indicators to be achieved by 2020, including a 25 percent reduction in CO<sub>2</sub> gas emissions. The GoM established the Agency for Energy Efficiency (AEE) to facilitate the implementation of this national program. A National Fund on Energy Efficiency was also created to finance projects in the energy efficiency field that are in line with the national program.

The majority of donor organizations active in Moldova are heavily involved in energy efficiency efforts, including:

- SIDA, which acts as the leading donor in the energy efficiency sector, concentrating its efforts on adapting energy efficiency legislation to European standards and to the development of a National Energy Efficiency Action Plan;
- GIZ, which is providing support to Regional Development Agencies to update regional development strategies with energy efficiency components and develop operational plans at the regional level (in the North, Center, and South), including providing training for the Regional Development Agencies staff in energy efficiency;
- UNDP, which is implementing a biogas component in its energy efficiency program; and
- The EU, which is providing budgetary support for the development of the National Energy Efficiency Action Plan.

### **Objective 3.1: Develop and Implement Energy Efficiency Programs and Action Plans**

In Year 4, LGSP will continue its assistance for building the capacity of local-level energy efficiency managers. For this, and in order to improve knowledge about good practices in the domain of EE from neighbor countries (such as Bulgaria), a study tour to Bulgaria for energy efficiency managers and other relevant staff from Cohort 1 and 2 partner towns will be organized in Year 4 (Tasks 1 and 2).

The following organizational, technical, and financial best practices will be presented to the participants, included, but not limited to:

- EE planning and budgeting, including procedures to access funds;
- PPP in energy projects;
- District and internal heating systems;
- Building insulation technologies;
- Street lighting;
- Public transport; and
- The use of renewable sources of energy.

Under the relatively new (2010) Law on Energy Efficiency, raions are required to create Local Energy Efficiency Programs (LEEPs). LGSP, in collaboration with subcontractor EnCon, will work with Cohort 2 partner towns to develop three-year LEEPs, as well as one-year action plans (LEEAPs). These local programs and action plans will be a substantial contribution to the raions' documents.

Similar to the LEEP development process for Cohort 1, EnCon local consultants will visit each Cohort 2 partner town and, in cooperation with the local EE manager, will develop the first draft of LEEP/APs. After obtaining the comments and proposals to improve the first draft of the document, the final version will be developed and submitted to LPAs, raion EE managers, and the AEE. After the LEEP/APs for Cohort 2 have been developed, local governments will select at least one priority activity from the LEEP, for which LGSP will provide support in developing a Project Application and Energy Audit. These documents are mandatory in order for towns to be eligible to receive National EE Funds. The EE Fund is available to finance EE measures for the public sector (public buildings and street lighting) in the total amount of 150 million MDL. In Year 4, LGSP will assist the partner towns with facilitating and monitoring project implementation through providing technical supervision (Tasks 3 and 4).

In addition to the activities mentioned above, LGSP will continue to facilitate and guide LPAs in the process of correctly completing the mandatory forms needed to apply for funding in accordance with the EE Fund's regulations.

The supplementary funds provided to the Direct Procurement Fund will be used in part to provide equipment necessary to implement Energy Efficiency Plans, as they are completed as a result of the Local Energy Efficiency Action Plans being completed during Year 3 for all partner towns.

### **Objective 3.2: Establish and Utilize Energy Efficiency M&E Plans and Systems**

Activities under this objective are aimed at equipping partner towns with the tools and skills necessary to utilize energy efficiency monitoring and evaluation (M&E) systems. This will be a key initial step to ensuring the development of meaningful LEEP and LEEAP planning processes, which will be continued in Year 4.

In Year 3, LGSP developed a simple energy efficiency M&E tool (in Excel format) for reporting and evaluating EE activities (projects) foreseen in the LEEPs. Additionally, this tool is able to estimate the amount of reduced CO<sub>2</sub> when EE measures are implemented.

This simple tool will help the mayors and the municipal EE manager analyze and answer the following questions related to Energy Efficiency:

- The rate of municipal energy expenses compared to the yearly municipal budget and the historical trend of energy expenses;
- The list of municipal objects and the energy consumption rates for each object;
- The list of implemented EE measures out of those indicated in the LEEP (year of implementation and investment costs included); and
- The saving rates (MWh/year, MDL/year, tCO<sub>2</sub>/year) foreseen after the implementation of EE measures (data from LEEP).

LGSP's assistance program will include training and assistance to the Local Governments from Cohort 2 partner towns to use the M&E module on a permanent basis. It will consist of:

- Using a simple energy efficiency monitoring tool/table; and  
Calculating indicators needed for donors and GoM investments (Tasks 4, 5, and 6).

In addition, LGSP will organize round tables in the Cohort 1 partner towns to discuss the findings of the local EE monitoring and evaluation process and define the necessary follow up activities.

### **Objective 3.3: Improve Citizen's Understanding of Energy Efficiency**

In order to support the local governments in their public awareness campaign to inform the local population about the benefits of energy efficiency, LGSP, in cooperation with AEE, will assist Cohort 2 partner towns organize local "Energy Efficiency Days" using the EE Guide, EE posters and EE leaflets (Task 5). LGSP will assist LPAs in including energy efficiency as a permanent issue for the local and national mass media, as was done for Cohort 1 towns.

As a follow-up activity, the LGSP team will assist partner towns with including an energy efficiency component in their communication strategies/plans, including specific tools for improving citizens' understanding of energy efficiency's importance and usefulness.

### **Assumptions for Successful Implementation of Component 3 Activities**

Our overall assumptions under Component 3 include the following:

- The template of LEEP/AP is approved by the AEE and there is "no objection" to continue the development of LEEP/APs for the partner towns;
- The project applications and energy audits are accepted by AEE and EE fund as eligible for financing;
- The M&E plans and systems will be approved by the AEE and will support their use by the Local Governments;

- The Local Governments will include an EE component in their communication plans.

## **Environment Mitigation and Monitoring**

All three project components include activities which will have environmental implications: under Component 1, strategic planning, service improvement plans, and land use plans; under Component 2, capital investment plans; and under Component 3, energy efficiency improvement through feasibility studies and training. While all planned Year 4 activities are deemed categorical exclusion and therefore require no official mitigation by USAID, LGSP is still conscious of the impact a long-term plan or the training content can have on the environment based on how each is taken into account concerning environmental impact.

Based on the IEE included in the contract, LGSP will develop an Environmental Mitigation and Monitoring Plan to detail how we will comply with USAID environmental regulations and to integrate environmental mitigation and monitoring into project activities that may have environmental implications.

While many of the activities labeled as negative determination in the IEE are no longer applicable to the project, LGSP recognizes that there are still some components with negative determination, and even those labeled as categorical exclusion may have an indirect environmental impact. For those with negative determination, an Environmental Determination Review Checklist will be completed and counterparts will be required to complete specific actions to offset the environmental impact of the work. For example, equipment to be purchased under the Direct Procurement Fund designed to improve services will require an environmental determination review checklist to be completed for each service since these activities were deemed “negative determination with conditions.” For those with categorical exclusion, we will take steps to ensure that environmental concerns are integrated into the activity as noted above. For example, as the EMM curriculum is developed, training modules will explicitly address environmental concerns associated with the content of each (e.g., land use and service delivery), and will include steps to ensure long-term municipal environmental compliance. Information regarding actions taken to address environmental issues will be included in project quarterly and annual performance reports, and mitigation steps will be monitored to gauge their effectiveness.

The environment audits and the implementation of certain energy efficiency measures mentioned in the LEEPs and LEEAPs are expected to decrease, to a certain extent, the CO2 emissions. LGSP has targets for 2015 to accomplish this in its PMEP.

## **Incentives and Opportunities Fund and Direct Procurement Fund**

LGSP will support partner towns in pursuing proposed improvements under each component through the provision of direct procurements of equipment made on behalf of partner towns through the project's Direct Procurement Fund (DPF). These procurements will be based on needs assessments and service delivery improvement plans for the partner towns.

Additional funding of \$3.2 million will permit rapid procurement of equipment for the improvement of services in the final months of Year 3 and the first months of Year 4. A second round of procurement will involve the purchase of equipment requiring longer lead times during the remainder of Year 4.

These procurements will contribute to the achievement of objectives under Component 1 (1.1, 1.2 and 1.3); Component 2 (2.1, 2.2, 2.3, 2.4, and 2.5), and Component 3(3.1).

The Incentives and Opportunities Fund (IOF) is a tool that LGSP will use to stimulate partner towns in their development goals. From this fund, LGSP is already implementing subcontracts to conduct technical assistance or assistance that supports investments to improve services or local capacity to deliver services, generate and manage revenues. The IOF fund is contributing to the achievement of LGSP objectives. It will serve as an important resource in support of town administrations' efforts to access domestic and foreign funds for local development and implement priority improvements identified as a result of technical assistance.

The IOF will be an important contribution to the achievement of objectives 1.1, 1.2, 1.3, and 1.4 under Component 1; 2.1, 2.2, 2.3, 2.4, and 2.5 under Component 2; and 3.2 and 3.3 under Component 3.

## **Gender**

Gender is a cross-cutting objective, thus it is part of all LGSP components and activities. During the Year 2-Year 3 period, LGSP convinced town halls to establish gender focal persons. Gender considerations were part of all documents (strategic plans, LEEPs, LEEAPs, and service improvement plans) and publications (communications guide and energy efficiency guide). EMM trainings included gender aspects under each specific domain. Gender presentations were made for mayors during two Quarterly Mayors meetings. Regional presentations were made in towns for the town halls' and municipal enterprises staff. For Year 4, more efforts shall be dedicated towards gender mainstreaming at the local level. The first and most simple way to start thinking in terms of "gender" is the disaggregation of data and its analysis and use in local decision-making. This may refer to the lists of participants at the public hearings and consultations, to search for the inclusive presence of women,

socially vulnerable groups, people with disabilities, and other community groups. Access to local decision-making is very important. LGSP's gender efforts will include some extra measures, as follows:

- Motivating women (mothers and women entrepreneurs) and other community groups' representatives (associations of veterans, Roma community, disabled, etc.) to express themselves during consultations;
- Individual invitations to consultations and public hearings for specific community groups;
- Special conditions (e.g. ramp slopes) for the elderly and the disabled; and
- Kids' Corner to allow mothers with small children to attend local decision making processes.

Signs of changes in the local level mindset started being visible during Year 3, after the gender presentations in towns. The next step is to detect the gender considerations in local processes and decision-making. Measures to achieve this will be undertaken in Year 4, such as:

- Trainings for the gender focal persons appointed in the town halls, using local and international expertise;
- Disseminating the gender guidelines and assisting the LPAs in developing ToRs for the Gender Focal Persons (considering the specifics of each town's resources: *some towns have the possibility to cover 0,5 position, many towns don't, so the position will be merely voluntary*);
- Gender-based performance budgeting;
- Gender in energy efficiency; and
- Cooperation with GIZ, UNDP, CALM and other partners on gender mainstreaming.