

**MODERNIZATION OF THE REPUBLIC OF MOLDOVA WITH THE SUPPORT OF THE DEVELOPMENT PARTNERS' STRATEGIES:
THE ROLE OF THE WORLD BANK
MODERNIZAREA REPUBLICII MOLDOVA CU SPRIJINUL STRATEGIILOR PARTENERILOR DE DEZVOLTARE: ROLUL BĂNCII MONDIALE**

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This paper examines the contribution of the development partners to our country's social and economic development and poverty reduction. In times of pandemic and economic stress, the World Bank has built a more extensive portfolio of support instruments, including analytical, financial, technical assistance activities and advisory services to help the Republic of Moldova. Based on this experience, the World Bank has increased its oversight over the modernization and development of the country.

Keywords: *Development partners, World Bank, technical assistance, modernization.*

Această lucrare examinează contribuția partenerilor de dezvoltare pentru dezvoltarea socială și economică și reducerea sărăciei în țara noastră. În vremuri de pandemie și stres economic, Banca Mondială a construit un portofoliu mai extins de instrumente de sprijin, inclusiv activități analitice, financiare, de asistență tehnică și servicii de consultanță pentru a ajuta Republica Moldova. Pe baza acestei experiențe, Banca Mondială și-a sporit supravegherea asupra modernizării și dezvoltării țării.

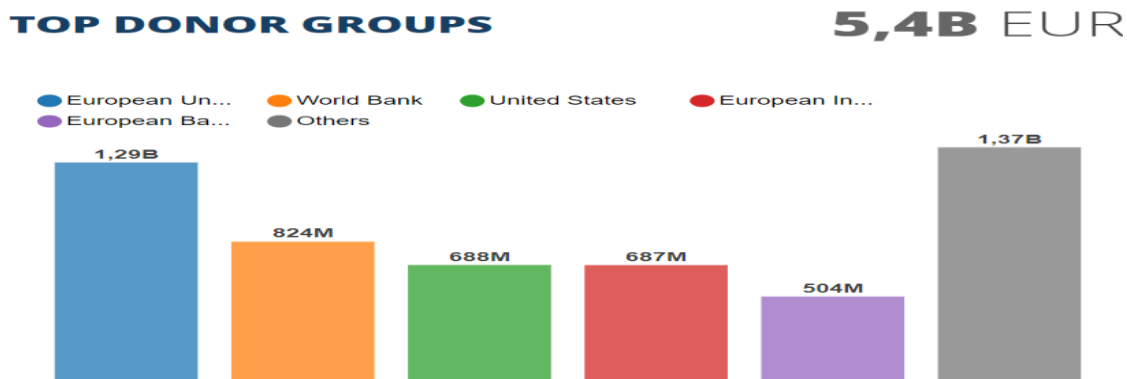
Cuvinte-cheie: *Parteneri de dezvoltare, Banca Mondială, asistență tehnică, modernizare*

JEL Classification: *E02, E60*

Introduction

It has already been 30 years since the independence of the Republic of Moldova, however, public debates on the impact of the official development assistance (hereafter ODA) or donor contribution to the country's modernization processes are still there. ODA represents economic resources provided by the development partners to our country for social and economic development and poverty reduction. Scientific literature emphasizes the role and effectiveness of foreign aid provided to the Republic of Moldova. According to a World Bank report, despite a solid economic performance over the past two decades, Moldova remains among the poorest countries in Europe [2].

According to the data provided by the Aid management platform, a public portal of the Government of Moldova (hereafter AMP), the European Union, the World Bank, the EIB, the EBRD, UN Agencies, and others are currently among the largest development partners of the Republic of Moldova.



Source: Aid Management Platform

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In general, the essence of the discussions on provided external assistance boils down to the following: how have the development partners' strategy and operating model changed in the country? What programs can the World Bank offer to reduce the vulnerabilities created by political instability?

The adoption by the Republic of Moldova of the European development model is a strategic priority and an opportunity, meant to accelerate the modernization of the state and society [1]. The European integration of the Republic of Moldova is the most strategic and the most advantageous option for its long-term development. The largest development partner, namely the European Union, cooperates with the Republic of Moldova within the European Neighborhood Policy and its eastern regional dimension, the Eastern Partnership. The key goal is to bring the Republic of Moldova closer to the European Union. EU assistance to the Republic of Moldova supports the achievement of the objectives set out in the EU- Moldova Association Agreement.

The Republic of Moldova still gets a chance from the EU to return to normalcy, after being stolen by oligarchic clans previously and economically ruined by the pandemic. In this context, the EU's economic recovery plan for the Republic of Moldova, which is aimed at stimulating structural reforms, especially in the rule of law, justice reform and anti-corruption, to unblock its sustainable economic recovery was approved this autumn of 2021. It follows the EU's strict conditionality approach. The budget is estimated at EUR 600 million, of which approximately EUR 150 million will be mobilized for short-term measures using cooperation programs and agreements that are already in place. Meanwhile, EUR 450 million will be made available under the 2021-2027 Multiannual Indicative Program. The EU will also have to recognize that due to the political instability of the last years, it will take time for economic reforms to yield results. Unfortunately, the expected reforms cannot be accelerated with huge amounts of financial support. Technical assistance faces absorptive capacity limits that must be recognized. There has been a lot of speculation on this subject in the public space, which indicates that the donors' contribution is always in the attention of political science experts. According to analyst Dionis Cenușă [3], speculations in the public space should be avoided, as assistance does not come for a particular politician, and the EU will generate such aid packages for other countries in the region, not only for Moldova. However, supporters of the government's opposition accuse the EU and the West of wanting to flatter citizens electorally, which, in their opinion, means meddling in the internal affairs of the state.

However, time will demonstrate whether EU assistance, which is aligned with the country's development priorities, will successfully implement programs aimed at supporting the reforms needed for Moldova's development. Still, it is expected to face a number of challenges such as strengthening transparency and visibility, as well as raising awareness of the structure of external assistance to our country. But at the same time, it would be welcome for the Ministry of Finance (the national coordinating authority for external assistance) to carry out semestrial research and evaluation activities to ensure that the aid is used effectively.

Another significant development partner is the World Bank, an international financial institution that provides loans and grants, and is increasingly engaged in works in every major area of development of the Republic of Moldova.

The Country Partnership Framework (hereafter the CPF) is the key document which guides the World Bank Group's country program for Moldova. The CPF identifies the main goals and development results. The main purpose of the CPF is to support Moldova's transition towards a new, more sustainable and inclusive development and growth model [4]. Through the Country Partnership Framework, the World Bank is building on its existing collaboration and partnership with the Republic of Moldova in development cooperation and is responding to the country's needs and development priorities. The existing CPF for Moldova covers the 4-year period from 2017 to 2021.

The CPF is built around three focus areas: economic governance, service governance, and skills development, which are supplemented by climate change, a World Bank Group corporate priority as a

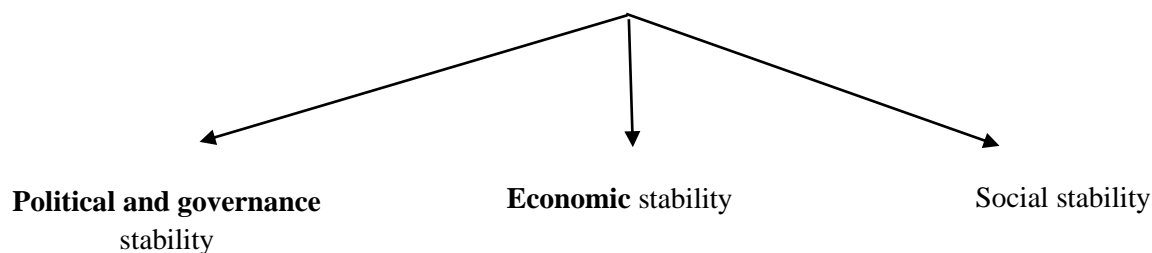
cross-cutting theme [4]. The CPF is lined up with the objectives of *Moldova's 2020 National Development Strategy*, as outlined and presented by the authorities, and is established in the findings and recommendations of the World Bank Group systematic country diagnostic (SCD) for Moldova, which contains an analysis of key constraints for inclusive and sustainable growth. Through the CPF the World Bank supports the country in making further progress on the goals of eliminating extreme poverty and boosting shared prosperity. Periodically to identify any changes in country priorities or conditions that have implications for the World Bank’s operations including an update the CPF if necessary, the World Bank is using the Performance and Learning Review (hereafter PLR). According to the PLR of the World Bank Country Partnership Framework, some initial assumptions were challenged shortly after the CPF approval. However, some changes in the Government's priorities were challenged shortly after the CPF's approval. Due to delays in decision making, vacillating commitments to sensitive reforms and shifting government priorities, important projects and technical assistance were cancelled and/or did not materialize in three out of four CPF focus areas [5].

We created a table with the list of the World Bank programs, which were initially agreed, and then declined from the Government's priorities. The government has indicated a focus on lending priorities for infrastructure investment and budget support at the expense of human capital and capacity building interventions.

Economic Governance	Service Governance	Skills Development
<p>2nd Competitiveness Enhancement Agriculture Competitiveness</p> <p>✓ Economic Governance (DPO)</p> <p>Economic Rule of Law (EC-financed TA)</p>	<p>Health Transformation District Heating Efficiency Local Roads Tax Administration Modernization</p> <p>✓ Modernization of Government Services</p> <p>✓ Land Registration/Valuation</p> <p>Competitive Power Market</p> <p>Climate Adaptation Project</p>	<p>Education Reform</p> <p>✓ Education Reform – AF</p> <p>Skills for Jobs</p> <p>High Education</p>

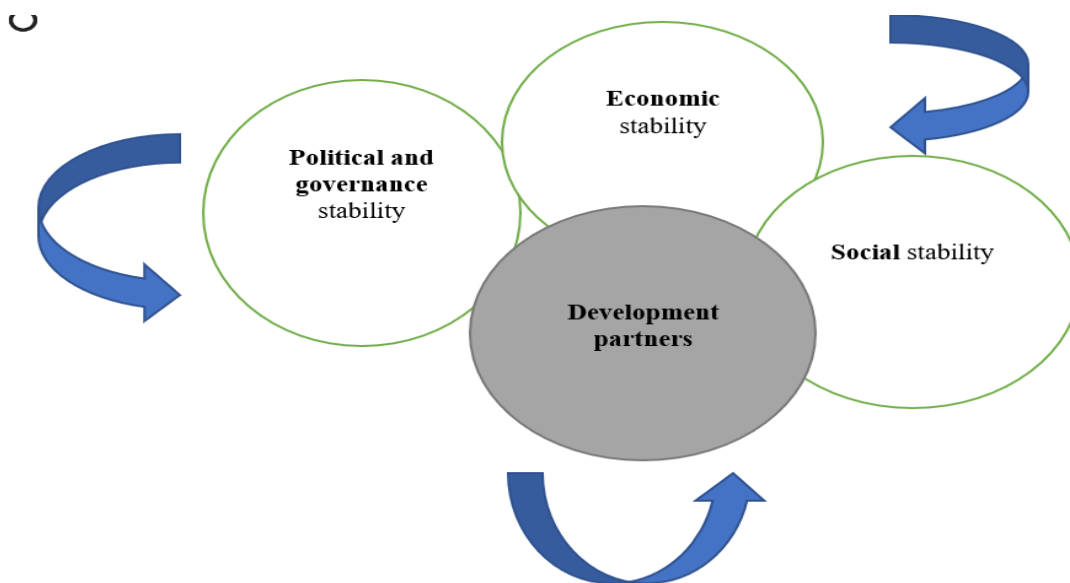
The World Bank has consistently engaged with each government in turn on the development agenda grounded in the “Moldova 2020” strategy, government action plans, supported by portfolio reviews. This international organization justifies its apolitical approach by arguing that technical improvements can, over time, contribute to improved governance, without being diluted or neutralized by political risks. It is important to mention that the new changes in political structure mark the beginning of a new political phase in the country. It is assumed that the economic, political, and social stability, that is currently trying to prevail in the country, will continue at least until the next parliamentary elections and will gradually reduce the risks to the implementation of the World Bank programs.

In summary, result-based approaches can be developed to address the three factors: secure political and governance, economic and social stability. The scheme below shows how simultaneous interventions on these three fronts can fuel progress in the programs implemented by the development partners.



The largest increases in World Bank lending commitments in Moldova are in the financial, energy, public, education, health and social protection sectors. Investment lending remained the main form of lending during the pandemic period. The World Bank's active portfolio includes 12 investment projects. Total investment project commitments amount to US \$ 431.3 million, soon to reach US \$ 470 million with a new intervention in Higher Education Project [6].

Drawing on this experience, the World Bank has enhanced its surveillance on the modernization and development of Moldova. These efforts have built a more extensive portfolio of support instruments to help our country in times of pandemic and economic stress, some directly through the reduction of crisis risk and impact, and others by helping to build longer-term resilience.



The arguments presented *above* lead to the *following* outlines:

- i. to increase the transparency of the use of external assistance, the management or capitalization of the resources that benefit our country, as well as to ensure a better information of society on the results achieved, it is advisable to regularly (quarterly summaries) collect information from development partners and the Aid Management Platform.
- ii. collaboration with the World Bank depends very much on the political stability or instability. Unfortunately, among the major risks that may undermine the objectives of the programs are political and governance risks.
- iii. high political instability in Moldova has hampered efforts to support a long-term sustainable and inclusive growth agenda of development partners. Unfortunately, the following issues such as the coordination of foreign aid, institutional and absorptive capacity remain an issue.

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