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## **Project Evaluation**

**Performance based Budgeting: a tool to  
empower citizens to hold their Local  
Governments accountable**

**Name of the evaluation intervention:** Performance based Budgeting: a tool to empower citizens to hold their LGs accountable

**Implementation period:** June/2009-June/2011

**Timeframe of the evaluation:** November 2011

**Country of the evaluation intervention:** Republic of Moldova

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### **List of acronyms and abbreviations**

LPA	Local Public Administration
SSIB	State Social Insurance Budget
PBB	Performance based Budgeting
SB	State Budget
FME	Framework of the Mid-term Expenditures
GDF	General Direction of Finances
FCMI	Funds of Compulsory Medical Insurance
IMF	International Monetary Fund
LPF	Local Public Finances
LPFA	Local Public Finances Administering
GFS	Governmental Financial Statistics
LLPF	Law on Local Public Finances
MF	Ministry of Finances
LPFM	Local Public Finances Management
OECD	Organization for Economic Cooperation and Development
GDP	Gross Domestic Product
NDS	National Development Strategy
TAU	Territorial Administrative Unit
EU	European Union
ATU	Autonomous Territorial Unit

## **Executive summary**

### **Description of the project that was evaluated:**

The Project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable” was initiated by UNDP Moldova in partnership with the Government in 2008 and was focused on piloting the performance based budgeting in five pilot towns (Balti, Floresti, Ungheni, Comrat, and Stefan Voda) with the scope to empower citizens to demand accountability from their local governments. *The main objective* of the Project was to support Local Public Administration to operate in a more effective and transparent manner. *The Output of the Project* resulted from the Project objective and consisted in the improvement of capacities of LPAs in 5 five pilot towns for strategic and participatory planning, results oriented management, budgeting, implementation, M&E and quality service delivery.

### **Purpose and objectives of the evaluation, including the audience of evaluation and the intended uses:**

The Project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable” was supported financially by the Democratic Governance Thematic Trust Fund (DGTTF) which was created in 2001 to promote a thematic focus around UNDP on democratic governance. One of the requirements of DGTTF addressed to Country Offices was to conduct an independent evaluation of the projects one or two years after the implementation in order to define the lessons learned and generate knowledge.

Based on the above mentioned requirement, the UNDP Moldova office hired an independent expert to evaluate the project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable”. The overall objectives of the evaluation as per the Terms of References are as following:

1. Provide an objective assessment of the achievements, constraints, performance, results, impact, relevance and sustainability of the interventions;
2. Generate lessons from experiences in the respective interventions for the period 2009-2010 to inform current and future programming at the country level;
3. Identify whether past results represent sufficient foundation for future progress;
4. Provide clear and forward-looking recommendations in order to suggest effective and realistic strategies by UNDP and partner;
5. Assess the extent of UNDP commitment to the human development approach.

The primary users of the evaluation would be the main stakeholders: representatives of the Government of Republic of Moldova, representatives of local public administrations, representatives of national NGOs and UNDP country officers. The results of the evaluation would be used for informing the main stakeholders on lessons learned for future programming and policy development.

### **Key aspects of the evaluation approach and methods:**

The evaluator designed a triangulation methodology for the project assessment. Thus, the assessor reviewed the documents, conduct interviews and focus groups discussions and verified contradictions of consensus via further review of documents and interviews.

### **Main findings, conclusions and recommendations**

#### **The Key findings of the assessment were the following:**

- The regulatory framework and legislation is critical for efficient implementation of PBB at local level.
- Involvement of key stakeholders (Ministry of Finances, State Chancery, NGOs, and LPAs) in the development of PBB concept and methodology of implementation is a key factor for increasing the ownership and sustainability of the Project.
- To develop an efficient methodology for PBB piloting it is crucial to use the best experiences and lessons learned of other countries and the particularities and experiences of own country.
- Local Public administration with stronger capacities and commitment should serve as promoters of PBB concept implementation.
- Capacity building and technical assistance of LPAs officials at all stages of project cycle is crucial for successful implementation of PBB.
- The local strategic development plans play an important role in efficient implementation of PBB concept.
- To increase the awareness of local public administration on PBB benefits and citizen participation in the process, there is a need to provide some incentives that will encourage and drive the implementation of PBB approach at local level.
- To increase the accountability of the local governance on the provision of qualitative public services, the PBB implementation needs to be joined with the Participatory Monitoring and Evaluation mechanism.
- The introduction of participatory mechanisms in the implementation of PBB approach increased citizen participation in decision making process.

- The citizen participation in strategic planning and PBB implementation increased the local government effectiveness (measured as improved service delivery that better reflects citizen preferences).
- To increase the participation the clear rules for participation and decision making are required.
- The period of implementation of PBB approach in one community needs to be at least two years to implement the whole project cycle based on participatory framework.
- There is a need for appropriate incentives (material, equipment, software, training in software) to promote the PBB implementation throughout the country.
- Medium term planning is "a forerunner" necessary for introducing the concept of PBB at local public administration level.
- The efficient implementation of PBB approach could be done only in the conditions when the fiscal legislation is predictable and do not bear the amendments on budgetary year.
- In the conditions of local budget austerity the attracted grants through foreign-funded projects represent a good source for supplementing the revenues in the local budgets, thus increasing the possibilities of PBB implementation.
- Public relations campaigns and media involvement are crucial for successful PBB implementation at the local level.

### **The conclusions and the recommendations of the assessment:**

As a result of the assessment of the Project "Performance Based Budgeting: a tool to empower citizen to hold their LGs accountable" we concluded that the project in general achieved its objective. The Project provided efficient support to LPAs from five pilot towns to operate in more effective and transparent manner by strengthening their capacities for strategic and participatory planning, result oriented management, budgeting, implementation, M&E and quality service delivery. Despite the fact that the general elections from 2009 and change in the Government structure have slowed down the implementation process in the first year, afterwards all the project activities were carried out according to the timetable. The planned Project results and activities were achieved 100%.

The project beneficiaries manifested high satisfaction with the project results and mentioned that the project increased the capacities of local public administration to plan and budget for better services, the citizen participation in planning and budgeting process and the accountability of local public administration on the quality of provided services. The LPA representatives expressed their satisfaction with the trainings and workshops received in PBB

and with the on the job technical assistance during the project implementation and manifested the willingness to transfer the PBB knowledge to other communities.

Despite the fact, that in the conditions of lack of legislation and regulatory framework for PBB, the project was mostly an exercise for LPA's in alternative management of public finances, it proved to be sustainable from the perspectives of advancing the decentralization process in the Republic of Moldova. Through the development of PBB concept and methodology and implementation of PBB in five towns, the UNDP created the conditions/opportunities for development of the regulatory framework and legislation for PBB and for expanding the implementation of PBB (100%) throughout the whole country starting with 2014.

The assessment also showed the barriers of the implementation of PBB approach nationwide: lack of the regulatory framework and legislation for PBB implementation; weak administrative, financial and organizational capacities of LPAs; missing strategic development plans in some of the localities, missing medium-term budgetary planning at local level, unpredictable character of fiscal legislation, etc.

To overcome the barriers and to promote and implement the PBB approach nationwide, the following recommendations were suggested:

- a) Establishment of a coordination mechanism for PBB implementation at the national level and development of a joint strategy and action plan for the implementation of PBB concept nationwide;
- b) Development of one legal and regulatory framework for PBB, which will include the both national and local levels, and improvement and adjustment of national legislation (the Law on public administration, the Law on Public Finances and Budgetary and Fiscal Accountability) by taking into consideration the developed legal framework for PBB;
- c) Development of one unified methodology in PBB for both Central Level and LPA level. To increase the participation of citizen in PBB process, it is strongly recommended to apply the Participatory Monitoring and Evaluation;
- d) Development and approval by the national Government of a unique methodology for national and local participatory strategic planning. Capacity building of LPA in participatory strategic planning;
- e) Development of a centralized PBB information system to track central and local budgets, procurement of necessary computer hardware and software for financial departments; development of accountability soft program that will make possible the automatic transfer of the data from linear budgets to PBB;



- j) Strengthening the capacities of all actors involved in PBB implementation in strategic planning, PBB and fund raising;
- i) Expand the medium term budgeting planning at local public administration level by creating adequate premises and necessary legal provisions and link the local medium term budgeting planning with the national one;
- k) Continue to scale up the implementation of improved PBB methodology at LPAs level.

## Introduction

In the Republic of Moldova the political and administrative decentralization is not matched by sufficient fiscal decentralization. Irrespective of their level of revenue autonomy, local governments have very limited revenue-raising capacities due to poverty and limited economic activity, thus making them highly dependent on central government subsidies. The central government transfer system is complex, unstable and unpredictable. One of the reasons brought by the Government not to proceed with fiscal decentralisation is that local authorities lack capacity to fulfil their responsibilities and provide services in an accountable and transparent manner.

To push forward the fiscal decentralisation and to provide good arguments for fiscal reforms, the UNDP piloted a project focused on introducing the performance budgeting at the local level in five target municipalities<sup>1</sup> with the scope to increase capacities of LPA and make them more accountable and transparent.

The Project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable” was supported financially by the Democratic Governance Thematic Trust Fund (DGTTF) which was created in 2001 to promote a thematic focus around UNDP on democratic governance. Its main function is to provide Country Offices with discretionary funds to explore innovative and catalytic approaches and address issues in political sensitive areas. One of the requirements of DGTTF addressed to Country Offices was to conduct an independent evaluation of the projects one or two years after the implementation in order to define the lessons learned and generate knowledge.

Based on the above mentioned requirement, the UNDP Moldova office hired an independent expert to evaluate the project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable”. The overall objectives of the evaluation as per the Terms of References are as following:

1. Provide an objective assessment of the achievements, constraints, performance, results, impact, relevance and sustainability of the interventions.
2. Generate lessons from experiences in the respective interventions for the period 2009-2010 to inform current and future programming at the country level
3. Identify whether past results represent sufficient foundation for future progress

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<sup>1</sup> Balti, Floresti, Ungheni, Stefan Voda and Comrat

4. Provide clear and forward-looking recommendations in order to suggest effective and realistic strategies by UNDP and partner
5. Assess the extent of UNDP commitment to the human development approach

The evaluation covered the outcome, outputs, activities and inputs of the project and included answers to the following questions:

- Were stated outcomes or outputs achieved?
- What progress toward the outcomes has been made?
- What factors have contributed to achieving or not achieving intended outcomes?
- To what extent has UNDP outputs and assistance contributed to outcomes?
- Has the UNDP partnership strategy been appropriate and effective?
- What factors contributed to effectiveness or ineffectiveness?

As per the TOR, the evaluation was focused on the following categories of analysis: a) **relevance**: the degree to which the purpose of the project was valid and pertinent; b) **efficiency**: the productivity of the implementation process - how good and how cost efficient the process of transforming inputs into outputs and outcomes was; c) **effectiveness**: the extent to which the project has effectively achieved its goals; d) **capacity development**: as a key to **development effectiveness**, the achievement of project sustainability.

The primary users of the evaluation would be the main stakeholders: representatives of the Government of Republic of Moldova, representatives of local public administrations, representatives of national NGOs and UNDP country officers. The results of the evaluation would be used for informing the main stakeholders on lessons learned for future programming and policy development.

The report is based on the analysis of the project results and includes the assessment methodology, the analysis of the situation with the regards to outcomes, outputs, activities and partnership strategies, the analysis of opportunities to provide guidance for future programming, key findings (best practices and lessons learned) and recommendations to suggest effective and realistic strategies by UNDP and partner.

## **Description of the evaluation methodology**

The evaluator designed a triangulation methodology for the project assessment. Thus, the assessor reviewed the documents, conducted interviews and focus groups discussions and verified contradictions of consensus via further review of documents and interviews. The following elements have been taken into account in the assessment:

- Desk study: have been collected and reviewed the DGTTF Guideline, annual reports, project documents, financial reports, country and outcome evaluations and materials produced as outputs of the DGTTF project (Annex 5. List of reviewed materials)
- Interviews with key national and local stakeholders: the evaluator conducted the interviews with the representatives of the Ministry of Finance, representatives of national NGOs involved in the implementation of the building component, representatives of mayoralities from Comrat and Ungheni towns, representatives of UNDP Moldova office, project staff (Annex 4. List of persons met; Annex 2. Guideline for the interview)
- Focus group discussion: the evaluator organized a focus group discussion with the project beneficiaries from Comrat town (Annex 3. Guideline for focus group discussion).
- Site visits: the evaluator organized a site visit to Comrat town with the objective to evaluate the local initiative funded by the DGTTF.

The main issues covered by the evaluation were as following:

- The relevance of the project
- The objectives of the project and the extent to which the objectives have been achieved
- The constraints of the project
- The factors that contributed to successful project implementation and the risks
- The efficiency and the effectiveness of the project
- The impact of the project at the local and national level
- The sustainability of the project
- The best practices and lessons learned
- The stakeholders recommendations for future programming

## **Analysis of the situation with regard to the outcome, the outputs, the activities, the OVI's and the partnership strategy**

### **Project description:**

The Project “Performance based Budgeting: a tool to empower citizens to hold their LGs accountable” was initiated by UNDP Moldova in partnership with the Government in 2008 and was focused on piloting the performance based budgeting in five pilot towns (Balti, Floresti, Ungheni, Comrat, and Stefan Voda) with the scope to empower citizens to demand accountability from their local governments. The Project was supposed to complement the PBB pilots at the central level which started in 2003.

*The main objective* of the Project was to support Local Public Administration to operate in a more effective and transparent manner. *The Outcome of the Project* was relevant to the UNDP Strategic plan for 2008-2011 and falls under the Outcome four of the Strategic plan: national, regional and local levels of governance expand their capacities to reduce conflict and manage the equitable delivery of public services<sup>2</sup>. The Project corresponds also to the UNDP CP Outcome: Local public authorities (LPAs) operate in a more effective and transparent manner.

*The Output of the Project* resulted from the Project objective and consisted in the improvement of capacities of LPAs in 5 five pilot towns for strategic and participatory planning, results oriented management, budgeting, implementation, M&E and quality service delivery.

As per the PBB Project document *the main activities to be implemented by the PBB Project* to achieve the above mentioned objective were the following: a) performance based budgeting system implementation: assessment & concept elaboration; b) capacity development of LPAs in performance budgeting systems; c) implementation of the performance budgeting system in 5

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<sup>2</sup> **The UNDP strategic plan has nine outcome areas, including:**

1. Civil society, including civil society organizations and voluntary associations, and the private sector contribute to the MDGs in support of national planning strategies and policies
  2. Electoral laws, processes and institutions strengthen inclusive participation and professional electoral administration
  3. Access to information policies support accountability and transparency
  4. National, regional and local levels of governance expand their capacities to reduce conflict and manage the equitable delivery of public services
  5. Legislatures, regional elected bodies, and local assemblies have strengthened institutional capacity, enabling them to represent their constituents more effectively
  6. Effective, responsive, accessible and fair justice systems promote the rule of law, including both formal and informal processes, with due consideration on the rights of the poor, women and vulnerable groups.
  7. Strengthened capacities of national human rights institutions
- Strengthened national, regional and local level capacity to mainstream gender equality and women's empowerment in government policies and institutions
9. Strengthened national, regional and local level capacity to implement anti-corruption initiatives

towns and d) project Management & Communication/Awareness

*The following results were expected from the project:* a) increased transparency of the budgeting process in 5 pilot towns; b) greater citizen engagement and increased citizen participation; c) increased confidence of citizens to affect change in the way that resources are allocated, and thereby to hold local government to account for the allocation of resources; e) local authorities of pilot towns more aware of the priorities of the people in terms of service provision; j) local authorities have increased capacity to plan and budget for better services delivery for citizens; i) national legal and regulatory frameworks to streamline local administrative procedures and systems will be improved and k) advocacy activities and best practices shared to influence the fiscal decentralization agenda.

### **Key stakeholders of the Project:**

*The key stakeholders of the Project* are the Ministry of Finance, the State Chancery, the local public authorities, the NGOs and the Working groups on PBB in five towns. The key stakeholders had different roles and responsibilities during the Project implementation.

The UNDP came with the initiative to implement PBB Project at the local level and supported technically and financially the implementation of the Project. The UNDP was also responsible for monitoring and evaluation of the Project implementation. UNDP implemented its role through the Joint/Integrated Local Development Programme.

The Ministry of Finances and Ministry of Local Public Administration (liquidated in 2009 and its functions were undertaken by the State Chancellery) were the key partners of UNDP at the national level and had the primordial role in development of the concept and methodology of the project, supervision of Project implementation and studying the results and lessons learned during the project implementation for improvement of PBB concept at the national and local government levels and for expanding the PBB approach nation-wide.

The national NGOs (in partnership with foreign partners and national counterparts) were responsible for the assessment of the local public finances management and budgeting, elaboration of the PBB methodology, capacity building of LPAs and community actors in strategic planning and PBB, and technical assistance to LPAs in implementation of PBB concept at the local level.

The LPAs, local NGOs and Working Groups were responsible for the development and

implementation of the PBB project at the town level.

### **The strategy of Project implementation:**

The Project was implemented using a bottom-up approach with the perspectives to pilot the new performance budgeting at the local public administration level and to influence the changes at the macro level (national government). The strategy of Project implementation was an innovative one and contributed essentially to the achievement of Project outputs and outcomes. As per the strategy, the key stakeholders were involved directly in the development of the concept and methodology of implementation of PBB; the methodology of PBB was based on the best experiences of neighborhood countries and on the experiences of program budgeting Moldova line ministries are implementing from 2003; the pilot sites were selected based on their previous experiences in community driven development and in participatory strategic planning; the PBB exercise at the local level was linked to existing municipality strategic plans for social-economic development; the PBB combined the theoretical knowledge with practical exercise (improvement of local public services projects); the capacity building of key stakeholders was focused on beneficiaries needs, passed through the whole project cycle and was based on the learning by doing approach. The limitation of the Project implementation strategy was the partially developed local budget on PBB approach in pilot towns, because for the piloting exercise, several objectives from local development strategies were selected to be connected to local budgets. Due to that it was impossible to have a comprehensive picture on advantages and disadvantages of implementation of PBB and linear budgets in different sites.

### **Stages of Project implementation:**

The process of Project implementation can be divided in three main stages: 1) Development of the concept and methodology of implementation of PBB; 2) Capacity development of national experts and of LPA in PBB; 3) Implementation of PBB at local level through the theoretical and practical exercises. The logical division of the stages of implementation is linked to overall Project output focused on improvement of capacities of LPAs in five pilot towns for strategic and participatory planning, results oriented management, budgeting, implementation, M&E and quality service delivery.

### **The relevance of the project:**

As per the analysis of country strategies and project documents we concluded that the Project outcome and outputs are in line with national and UNDAF priorities. The key objective of the National Development Plan (2008-2011) is *to ensure a better quality of people's life by consolidating the basis for a robust, sustainable and inclusive economic growth*. The main objectives in the budgetary-fiscal policy, highlighted in the National Development Plan are oriented towards *establishment of a modern and effective system of finance management, that would envisage advanced abilities of making forecasts and earmarking resources in line with the priorities of the governmental policy, as well as introduction of modern practices for evaluating and analyzing outputs and performance as a result of using public finance*. The Government of Moldova activity Program for 2009-2013 "European integration: Freedom, Democracy, Wellbeing" stipulates the need to apply the European norms and principles in the field of local governance. As per the Program, the Government should correlate the reforms of central public administration with those of local public administration and transfer the competencies, including in the field of public finances to the local public administration.

The Project is in line also with the UNDAF and UNDP Country Program outcomes. As per the UNDAF outcome, *by 2011, vulnerable groups in poor rural and urban areas take advantage of sustainable socio-economic development opportunities through adequate regional and local policies implemented by LPA and partners*. One of the expected UNDP Country Program outcome is that *LPA operate in a more effective and transparent manner*.

The principle of local self-government is a driving factor in the framework legislation of the Republic of Moldova. As per the Law on transparency in the decision making process (2008), the local government is *responsible for the implementation of the principle of transparency at the local level and must involve community members in the decision making process through the information and consultation processes*.

The Project "Performance based Budgeting: a tool to empower citizens to hold their LGs accountable" complemented the Project in Management of Public Finances implemented by the Ministry of Finances starting with 2006. The Project in Management of Public Finances is focused on improving planning and budgeting system at the central level, developing internal control and auditing system and strengthening capacities of public servants in financial management.

**The objectives of the project and the extent to which the objectives have been achieved:**



As per the analysis of Project documents, reports and discussions with key stakeholders, we concluded that the main objective and outputs of the Project have been fully achieved. The Project provided efficient support to local public administration to operate in more effective and transparent manner by strengthening their capacities for strategic and participatory planning, results oriented management, budgeting, implementation, M&E and quality service delivery. The main results of Project implementation were as following:

- 1. Developed Performance based budgeting concept and methodology.** The Performance based budgeting concept and methodology were developed by Business Consulting Institute NGO and Polish-Ukrainian Cooperation Foundation – PAUCI in partnership and in close consultation with the key stakeholders: representatives of UNDP, Ministry of Finances, Ministry of Local Public Administration (liquidated in 2009 and functions undertaken by the State Chancellery), national NGOs and local public authorities. This approach contributed to the both: transfer of best international practices in PBB to the Republic of Moldova and using the national experiences in the field of program budgeting (the Republic of Moldova uses the program budgeting at the national level from 2003 as a result of the implementation of Project on financial management with the support of the World Bank). The participation of key stakeholders in the process of PBB concept development, as per the opinion of representative of the Ministry of finances *“increased our sense of ownership on the project and strengthened our capacities in PBB”*. The methodology of PBB was piloted in Floresti town, using learning by doing approach and involving the national NGOs, which were selected to assist the pilot towns in PBB, and was improved based on piloting results. As per the opinions of IDU consultants who assisted the LPA to implement the PBB, *“the methodology is a working one, was piloted in five towns and can be applied throughout Moldova with some adjustments”*. The Guide in PBB for LPAs was developed based on the elaborated concept and methodology, and comprises the main methodological steps in PBB. Despite the fact that the Guide was considered very useful in the conditions when there were the limited number of supportive materials in PBB in Romanian, the representatives of LPAs and NGOs mentioned the needs for its improvement, based on the lessons learned from the PBB piloting exercise. *“This Guide shall be used as a supportive material for PBB implementation in other localities, but it is necessary to adjust it by including concrete details on budget cycles and more practical examples on PBB elaboration for LPAs.”*- said the NGO representatives. As per their opinion, the Guide needs to be adjusted to the unified methodology in PBB developed by the MF.
- 2. LPAs in five towns have increased capacity to plan and budget for better services**

**delivery for citizens.** The discussions with the representatives of LPAs from pilot towns show that the local public administration representatives improved significantly their capacities in strategic planning and PBB for better services as a result of Project implementation. The consultant from IDU mentioned during the interview that *“through this project it succeeded in the practical way to create a direct connection between financial resources planned in the budget and strategic development plans of localities”*. One of the factors that contributed to achievement of this output was the successful combination of the capacity building program with the PBB theoretical and practical exercises. Thus, the LPA’s representatives acquired through the workshops theoretical knowledge on participatory strategic planning, participatory budgeting, performance indicators and transferred in practice these knowledge by developing/updating the municipality local strategic plan and implementing the programs and projects based on PBB approach. As per the UNDP reports, 75 persons were capacitated in PBB elaboration. *“The project has provided opportunities not only to develop certain documents, as well as to develop human and institutional capacities. Within the project, the elaborated documents were implemented thus providing a practical approach. This has provided the opportunity to identify gaps that still existed and as well as the strong points “ - said the NGO representative.* Regarding the effectiveness of those trainings, the LPA of all pilot towns implemented additional projects based on PBB approach with other donors support. Thus, in case of Comrat town, the LPA implemented three additional projects based on PBB approach. In Ungheni town, the mayoralty implemented two additional projects based on PBB approach. The vice - mayor from Comrat town, Alexandr Tarnavskii mentioned that *“the process of the project implementation was as an entire training program. Initially, we thought that the implementation of PBB is a very complicated process. But it was not. We understand that by implementing the PBB approach we can link the financial resources and the expenditures with some concrete results, performance indicators and at the end with the priority objectives of the community. And that is wonderful! We can show everyone from the community the concrete results of our efforts and where the money has been spent.”* The mayor from Ungheni town told that despite the fact that he supports the development of the entire budget of the municipality based on PBB approach, it is practically impossible to implement this initiative in the conditions of centralized fiscal policy and of the top to the down planning. *“Meantime, the Ungheni municipality is using the PBB approach when developing and implementing the projects with donors support. The training and technical assistance in PBB was a good practical exercise for all of us”*. All the interviewed persons expressed their willingness to share the acquired knowledge in PBB implementation with the LPAs representatives from other

communities if needed. Despite the fact that all the interviewed persons at the local level expressed the high level of satisfaction with the training program, they said that they need more training and on the job technical assistance to implement the entire LPAs budget on PBB principles. The NGO representatives expressed the need of unification of methodology of participatory strategic planning. *“During the last ten years, several development agencies supported the programs in participatory strategic planning and community development throughout the country. Each agency had his approach and methodology for participatory strategic plan elaboration. In the conditions of PBB implementation at the national level, there is a need for unification of strategic planning methodology and for additional training in the unified methodology”*- told the interviewed persons.

3. **LPAs of five pilot towns more aware of the priorities of the people in terms of service provision.** Another output of the Project was increased level of awareness of LPAs of the priority of the people in terms of services provision. The participatory framework of the project implementation was one of the main factors of increasing the awareness of local public administration regarding the service provision. More than 600 persons participated in public hearings for the consultation of the Strategic plans for social economic development to be implemented in five towns. The community members participated actively in the selection of priority programs and projects, development of outcome, outputs, and performance indicators for services to be improved. The Strategic plans were approved by the local councils. The public hearings and the open meetings of the local councils served and continue to serve as a mechanism of feedback for LPAs on the priorities and qualities of service provision. The community members were involved also in the monitoring and evaluation of the quality of civil works provided by the construction companies. *In case of Comrat town a Committee for monitoring and evaluation was established at the public hearing. The Committee included the representatives of local public administration, local NGOs, project beneficiaries. They monitored the quality of installation of heating system in the kindergarten on a daily basis.* This approach helped them to implement the project in time and in a qualitative way. A launch event was organized at the end of project implementation in all five towns. The LPAs in partnership with the implementation units (specialized units) reported to the community on the implementation of PBB project and get feedback on the work done and on the quality of future service to be provided by the improved social facility. Meantime, the representatives of LPAs expressed their interest in getting more training and technical assistance in development of

*participatory mechanism for monitoring and evaluation of the quality of provided services.*

- 4. Increased transparency and citizen participation of the budgeting process in five pilot towns.** As per the assessment results, the Project increased the transparency and citizen participation in the budgeting process in five towns. *“The project was focused on the participatory method of public involvement in the decision making process and debates. This has ensured the increasing transparency of local public administration authorities, increase local democracy and community role in local development process”*- mentioned the IDU consultant during the interview. The main mechanisms for citizen participation in PBB process were the following: Working groups, public hearings, open council meetings, public reports on the project progress and results and information through the mass media and web pages with the possibility to get feedback. To develop and implement the PBB project in each pilot town was established a Working group which managed the whole process of the project implementation. In some of the towns the members of the Working groups were elected at the public hearings. All in total 35 persons - the representatives of mayoralty, public institutions, accountants, beneficiaries, other trusted persons from the local communities - were members of the Working groups. The Working groups in partnership with the specialists from the town hall developed the PBB for the priority public services. More than 400 persons were involved in the consultation of PBB through the public hearings organized in each pilot town. The community members were informed on the PBB approach and PBB project and came with suggestions and recommendations for improvement of PBB vision, outcomes, outputs, performance indicators and of the process of PBB implementation. In each pilot town the LPAs with Working groups organized meetings with the community members and reported on the results of PBB project implementation. The activities related to PBB Project implementation were disseminated through the organized launch events, open local counsels meetings, national and local media, including the new media, like web pages, discussion forums, and networks for socialization. *To increase the citizen participation in budgeting process, the level of transparency and accountability of local governments in future projects related to PBB, the NGO representatives suggested introducing one more component in the project - the participatory monitoring and evaluation.*
- 5. Advocacy activities and best practices shared to influence the fiscal decentralization agenda.** One of the Project output was influencing the fiscal decentralization agenda through the advocacy activities and sharing the best practices. For this purposes, a study

tour of representatives of national and local governments was organized in Poland to learn the best practices in PBB. The national government representatives were involved directly in the development of project concept and methodology of implementation. A national conference on sharing experiences and lessons learned during the PBB Project implementation was organized with the participation of the national and local governments. The PBB Project activities were disseminated constantly through the national and local mass media. As a result of those advocacy activities, the national government is preparing a decision to implement the PBB approach throughout the country beginning with 2014. The interviewed representative of the Ministry of Finance told us, that *“starting with 2012 the PBB approach will be implemented at the Ministries level, from 2013 - at rayon public administration level and from 2014 - at local public authority level”*.

### **Project efficiency and effectiveness:**

As per the analysis of project documents, reports and discussions with the key stakeholders we can rate the project as highly efficient. The total cost of the project was 300,000.00 USD. As for the implementation of local development initiatives, the communities' contribution exceeded the 20% required contribution to the grants provided by UNDP (app. 20,000.00 USD each grant) and constituted more than 100,000.00 USD per 5 towns in total. The community contribution increased the overall cost of projects and their impact, and the end contributed to improving the quality of life of the population.

#### ***Improving quality of educational services in Comrat town: case study***

*The kindergarten N5 is one of the biggest preschool institutions in Comrat. 26% of children preschool ages from this town are beneficiaries of the kindergarten. The main problem faced by the children was the heating in the winter time. Due to low temperatures in the room, the children get sick very often and the parents took medical leaves. More than 20% of children in 2009 did not attend the kindergarten in the winter time due to their health conditions. The problem consisted in the big distance from the boiler house to the kindergarten (one km). In the conditions of budget austerity, the mayoralty did not have a possibility to solve the problem.*

*When the UNDP JILDP program launched the initiative to implement a PBB project, the LPAs from Comrat town decided to participate in the contest. According to the JILDP program request, the mayoralty organized a public hearing and updated the municipality strategic plan for socio economic development. The participants at the public hearing identified as one of the priority problem for 2010: improving the quality of educational services through the efficient use of public finances. The construction of boiler house for the kindergarten was selected as a project proposal. The updated Municipality strategic plan for socio-economic development was approved by the local counsel.*

*The Working group assigned at the public hearing organized a tender, selected a design company for the design of boiler house and developed a PBB for the new construction. The PBB was elaborated based on the methodology developed by UNDP consultants and included: objectives, activities, risks, expected results, performance indicators, and the project budget. The draft PBB was discussed at the public hearing, where more than 300 persons participated, and was approved by the local counsel. The Monitoring and Evaluation Committee was selected at the public hearing with the scope to monitor the PBB implementation and the quality of civil works provided by the construction company. The total cost of the project was around 40,000 USD, including 20,000 USD – community contribution.*

*As a result of PBB approach, the impact of the project was bigger than planned one: a) the heating expenditures*

Despite the fact that the general elections from 2009 and change in Government structure (liquidation of Ministry of Local Public Administration and change of high officials in other Ministries) have slowed down the implementation process in the 1<sup>st</sup> year, afterwards all the project activities were carried out according to the timetable. The planned Project results and activities were achieved 100%. The main results achieved by the Project are as following: a) Performance based budgeting concept and methodology elaborated; b) Strategic plans for social economic development developed/updated in five towns; c) PBB developed and implemented in five towns; d) 75 persons capacitated in participatory strategic planning and PBB; e) 600 persons involved in consultation of participatory strategic plans; j) 400 persons involved in PBB consultation process; i) 200 persons involved in reporting sessions on PBB implementation results.

The effectiveness of the Project can be measured by the impact the Project have had after its implementation. As per the analysis of project documents, reports and opinions of national government representatives, it can be considered that by the implementation of this project, UNDP Moldova strengthened its leadership role in supporting LGs to implement Performance based budgeting concept and promote the decentralization reform. By piloting PBB in local public administration, the country local governance development agenda gained a new qualitative dimension (considering that starting with 2012, according to the Ministry of Finance, all LPAs will have to include PBB elements in their budgeting processes) and makes a step forward in advancing decentralization process in the country. Being an innovative concept and methodology for LPAs of Moldova and in the same time a Governmental priority and an important element of the fiscal decentralization reform, UNDP has contributed to 'setting the ground' for this by elaborating a PBB concept and methodology, widely consulting it with all

concerned stakeholders and implementing it in pilot towns. Under the Programme “Public Finance for Development - Strengthening Public Finance Capacities in Western Balkans and Commonwealth of Independent States” of UNDP/BRC and Ministry of Finance of the Slovak Republic, the PBB initiative will be adjusted and scaled-up to all local governments of Moldova in the framework of a two-year project (2011-2012). UNDP Moldova will be the focal point for this PBB project.

The Project was very effective also at the local level. The majority of interviewed persons were highly satisfied with the project results and mentioned that the Project increased the capacities of local public administration to plan and budget for better services. *The LPA from Ungheni and Comrat towns applied the PBB approach during the implementation of additional projects with donors' sources.* The project beneficiaries mentioned that the project increased the both the citizen participation in planning and budgeting process and the accountability of local public administration regarding the quality of provision of services and at the end improved the quality of provided services. *As a result of implemented project in Stefan Voda town, more than 2000 persons improved their access to educational and public institutions, including 800 children and 28 persons with disabilities. As a result of project implementation in Balti, more than 148 thousands persons living in Balti municipality improved their road security; the expenditures for demarcation of the paved roads decreased with 20%, the sustainability of the effected works (demarcation of roads) increased four time; the profit of the enterprise increased by 12%.*

In Ungheni and Comrat towns, the implementation of projects based on PBB mobilized additional financial resources from other donors that multiplied the effect of the project. *For example, in case of Comrat, in the same kindergarten, the World Bank Project Moldova Social Investment Fund supported the renovation of roof on one of the blocks and the German Embassy supported the renovation of windows and doors. In Ungheni town, during the implementation of PBB Project, the consultants supported the LPAs to develop two projects proposals: 1) the first proposal was focused on the arrangement of the square in the center of Ungheni Town; 2) the second proposal was focused on improving the infrastructure and improving the conditions for rest and relaxation for four large blocks residents in the center of Ungheni town. The first project proposal was financed by UNDP. The second project proposal was funded by the Local Economic Partnerships Program, East Europe Foundation. The East-European Foundation's contribution was 280,000 lei, and the community co- financing - 282,766 lei.*

The representatives of LPA mentioned that they understand the benefits of PBB and are ready

for the implementation of this approach to the entire LPAs budget with the condition of development of the national legal and regulatory framework for the PBB.

***Some opinions of representatives of LPAs on the Project impact***

*“The Project changed our mentality. We understood that there are other mechanisms that can be applied in the management of public finances”*

*“The PBB is a good management tool. It helps to use public money in an efficient way. The PBB is a mechanism for saving money.”*

*“ The PBB can serve as a tool to demonstrate to local counselors that the figures in the budget can be transformed in concrete results”*

*“The implementation of PBB project had a catalytic effect for the mobilization of new investments toward the same objective. The cost of the implemented project was around 40,000 USD and it covered the arrangements of the central part of the public squire. After the implementation of the project we found additional 50,000 USD and invested in the squire improvement. The young people now benefit of WIFI in the squire, like in Chisinau, the capital city, due to the contribution of a private company”*

The national NGOs representatives capacitated in PBB during the Project implementation continue to transfer their knowledge by supporting the local governments from other localities in developing and implementing the PBB. For example, the IDU NGO is assisting the Chisinau municipality with the implementation of the local budget based on the PBB approach, developed during the project.

### **The partnership of the Project:**

Through the implementation of this initiative, strong partnerships (via round table discussions, meetings, study visits, various feedback mechanisms) were created with the Ministry of Finance, national NGOs which were trained in PBB and were implementing PBB, as well as with those CBOs involved in PBB activities at local level. The Ministry of Finance was actively involved in development of the concept and methodology of implementation of PBB at local level and on the assessment of the project results. The UNDP JILDP Project contributed also to strengthening the capacities of the representatives of the Ministry of Finance in PBB through their involvement in training sessions, study tour and national conference for sharing the results and lessons learned. The national NGOs involved in the Project implementation were Business Consulting Institute, Institute for Urban Development and IDIS. The BCI was involved in development of the PBB concept and methodology and in elaboration and implementation of TOT. The IDU and IDIS were involved in capacity building of LPAs and local NGOs in



implementation of PBB concept at the local level and assisted the Working group in development of project proposals to be submitted for financing to UNDP.

The both: the representatives of the Ministry of Finance and the representatives of national NGOs are very satisfied with the UNDP JILDP partnership and expressed their willingness to continue the collaboration for implementation of the PBB concept in other localities. The representatives of national NGOs said that they strengthened their capacities and acquired new knowledge in PBB during the partnership with the UNDP JILDP program. Due to good partnership relations, the IDU NGOs received a new grant from the Poland Embassy for the implementation of PBB concept in Chisinau municipality. The new UNDP Project on capacity building of MF in PBB is the result of good collaboration with UNDP during the implementation of the first project in PBB at the local level.

#### **Human development approach:**

The majority of project activities incorporated the HRBA (participation, transparency, accountability, non-discrimination) & GE principles at all stages of implementation:

- establishment of PBB working groups in the 5 pilot LPAs and their members' participation in capacity building activities (training, study visit), identification of community priorities to be supported, monitoring and evaluation of the PBB process;
- public hearings on Local Development Plans updating and on budget all principles respected with focus on gender balance participation);
- Implemented 'hard' initiatives with communities' and UNDP contribution (local social and educational services improvement – better conditions in school and kindergarten) indirectly facilitated and contributed to women's empowerment in the above-mentioned communities.

#### **Challenges and opportunities of the Project:**

As per the discussion with the Program Director and Project manager and with the representatives of the national government, **the following challenges** of the Project were found:

- The innovative character of the project for the Republic of Moldova, and limited PBB capacity both at national and local levels – it required both local and international expertise in the field, knowledge sharing through series of training programs and study visits, as well as through learning by doing exercises. All these measures were taken by

the Project manager to move the implementation process forward.

- The general elections from 2009 and change in Government structure (liquidation of Ministry of Local Public Administration and change of high officials in other Ministries) led to an insufficient dialogue between main parties involved in the PBB implementation and slowed down the PBB project during the first year of implementation, but despite this fact all activities have been carried out and results achieved.
- The elaboration and execution of local budgets are based on institutional, economic and functional classifications set up by the Central Government. Although at the central level, the practice of program budgeting has already existed for few years, at local level PBB approach is not known. The lack of legal and regulatory framework on decentralized local finances and PBB at local level makes the process of its implementation almost impossible.

**The main opportunities of the Project were as following:**

- Openness of the actual Government (specifically the Ministry of Finance) to promote the fiscal decentralization agenda and implement the PBB both at national and local levels. As stipulated by the representatives of the Ministry of Finance, starting with 2012 it is plan to introduce elements of PBB in all LPAs of Moldova, so that in 2014, 100% of both local and central budgets are performance based.
- Openness and commitment of the LPAs to pilot PBB concept and methodology at local level, to participate in TA and training activities, to dedicate time and effort in doing two parallel things: linear budgets as requested by the Ministry of Finances and PBB on specific objectives from Local Development strategies
- The implementation of 'soft' interventions for strengthening the capacities of the LPAs and 'hard' interventions, priorities from the Local Development Plans connected to the local budgets, served as motivation for the LPAs to participate in this specific and complex exercise.

**Project sustainability:**

In the conditions of lack of legislation and regulatory framework for PBB, the Project was mostly an exercise for LPAs in alternative management of public finances. The applicability of the PBB for the budgeting at local level now is still almost impossible in the Republic of Moldova due to the requirements of the national government (Ministry of Finances) to plan and report based on linear budget. Meantime, the exercise proved to be sustainable from the perspectives of moving forward and advancing the decentralization process in the Republic of

Moldova. Through the development of PBB concept and methodology and implementation of PBB in five towns, the UNDP created the conditions/opportunities for development of the regulatory framework and legislation for PBB and for expanding the implementation of PBB (100%) throughout the whole country starting with 2014. The pilot Project created the opportunities for the implementation of the next Program “Public Finance for Development: Strengthening Public finance Capacities in the Western Balkans and Commonwealth of Independent States”, funded by the Ministry of Finance of the Slovak Republic (MF SR) and implemented by the UNDP Bratislava Regional Centre in partnership with the MF SR, Ministry of Foreign Affairs, the Slovak Agency for International Development Cooperation and with UNDP Country Office. The new Program aims to assist Moldova’s Ministry of Finance (MOF) in scaling up and implementing performance-based budgeting (PBB) system in local governments as well as provide targeted support to the MoF to support the integration of democratic principles in local governance, with an emphasis on and guaranteeing citizens’ participation in decision making processes, in the context of the broader administrative and fiscal decentralization reforms.

The sustainability of the pilot Project consists also in the replication of the PBB Project in Chisinau municipality. The IDU consultants assisted Chisinau mayorality to obtain financial support from the Poland Embassy for the implementation of PBB concept based on methodology developed with UNDP support.

## Key findings (the best practices and lessons learned)

- **The regulatory framework and legislation is critical for efficient implementation of PBB at local level.** For an efficient formulation and implementation of PBB at local level, an enabling national policy environment, like laws, regulations and appropriate monitoring and reporting systems, ensuring a functional local public financial management, is critical. Otherwise, in the conditions of lack of administrative and financial local autonomy, only enthusiasts can continue implementing PBB in parallel with the linear budgets as per Ministry of Finance requests. A unified methodology for both central and local governments' authorities would be an asset, activities that are undertaken by the Ministry of Finance.
- **Involvement of key stakeholders (Ministry of Finances, State Chancery, NGOs, and LPAs) in the development of PBB concept and methodology of implementation is a key factor for increasing the ownership and sustainability of the Project.** Participation of key stakeholders in the development of PBB concept and methodology improved their knowledge on PBB concept, increased their level of understanding of PBB benefits and made them active supporters of PBB implementation. The decision to implement the PBB approach throughout the country starting with 2014 is a result of active participation of key stakeholders in development and implementation of PBB concept in five pilot towns.
- **To develop an efficient methodology for PBB piloting it is crucial to use the best experiences and lessons learned of other countries and the particularities and experiences of own country.** In the Republic of Moldova case, the methodology of PBB was based on the best experiences of neighborhood countries (Poland) and on the experiences of program budgeting Moldova line ministries are implementing from 2003. The consultants took into consideration also the previous experience of LPAs in participatory strategic planning and in community driven development. When combining all these aspects, the methodology proved to be an efficient one for piloting the PBB approach.
- **Local Public administration with stronger capacities and commitment should serve as promoters of PBB concept implementation.** Considering the complexity and innovation of the PBB concept and its goal to make 'demonstration sites', it was obvious that LPAs with weak administrative, financial and organizational capacities would not be

able to perform in this piloting exercise. LGs with stronger capacities (human, technical and financial) and commitment should be involved at the pilot stage of PBB implementation. They better understand the benefits of this type of budgeting and should serve as 'promoters and champions of the cause' of the PBB concept implementation in our country.

- **Capacity building and technical assistance of LPAs officials at all stages of project cycle is crucial for successful implementation of PBB.** For such an innovative concept for the Republic of Moldova and for its further scaling-up, the main focus should be put on capacity building and technical assistance to LPAs officials at all stages of PBB implementation: planning, implementing, monitoring and evaluation, all these coupled with the provision of necessary tools for ensuring public information, consultations and engagement. Subsequently, those LPAs which piloted PBB may be involved in the process of scaling-up PBB to the country level, together with Ministry of Finance specialized staff, as per the suggestion of the Deputy Minister of Finance.
- **The local strategic development plans play an important role in efficient implementation of PBB concept.** The implementation of PBB in 5 pilot LPAs demonstrated the critical role of the Local Development Plans in the local budgeting process. For a smooth implementation of PBB, as, according to the PBB concept and methodology, the objectives from the Local Plans are linked to the available financial resources, all LPAs should have updated and realistic Local Development Plans.
- **To increase the awareness of local public administration on PBB benefits and citizen participation in the process, there is a need to provide some incentives that will encourage and drive the implementation of PBB approach at local level.** In the Republic of Moldova the UNDP support for the implementation of local projects based on PBB approach served as an incentive. The implementation of PBB approach in the conditions of lack of financial resources for solving a concrete problem could end in discouraging the LPA and citizens in further participation.
- **To increase the accountability of the local governance on the provision of qualitative public services, the PBB implementation needs to be joined with the Participatory Monitoring and Evaluation mechanism.** Active involvement of citizen in monitoring and evaluation of PBB implementation increase their input in project effectiveness and the accountability and transparency of the local government.

- **The introduction of participatory mechanisms in the implementation of PBB approach increased citizen participation in decision making process.** The citizen participation resulted in real changes at the local level: increased level of ownership, better quality of provided services, and better quality of provided construction works, increased project efficiency and effectiveness, improved partnerships among the LPA and community actors and increased level of project sustainability.
- **The citizen participation in strategic planning and PBB implementation increased the local government effectiveness (measured as improved service delivery that better reflects citizen preferences).** Through their participation, the citizen have the possibility to identify the most priority problem to be solved and to participate in the development of objectives, results and performance indicators to be achieved as a result of project implementation. Being involved in the process and being aware on the results to be achieved by the Project, the citizen will require the local government to keep promises.
- **To increase the participation the clear rules for participation and decision making are required.** The analysis of PBB pilot in five towns showed that to increase participation there is a need for articulation of clear rules and make them publicly before the initiation of consultation process. These rules must cover the following issues: who will initiate the strategic planning process and PBB? What are the roles and responsibilities of different actors? What are the criteria for selection of the priority problem? What is the time frame for the participation process? How the citizen will be involved in the process of project implementation? etc.
- **Partnerships contribute to more efficient arrangements.** The pilot project showed that in towns where a good partnership among the LPAs and local NGOs existed, it was easier to organize a participation process and to implement the project in an efficient way. For example, in Ungheni town, the local NGO was selected in the role of Working Group (implementing agency) and organized the participatory process for updating the municipality Strategy for local development.
- **The period of implementation of PBB approach in one community needs to be at least two years to implement the whole project cycle based on participatory framework.** This was a lesson learned by local public administration representatives from five pilot towns and NGO implementing the capacity building component. The first year the focus must be on capacity building, participatory consultations to update the strategic

plan and to identify the priority problems, development of PBB budget and consultation with the population, development of participatory M&E framework for the PBB implementation and follow-up. The second year must be focused on concrete project implementation and on participatory M&E of the process and results.

- **There is a need for appropriate incentives (material, equipment, software, training in software) to promote the PBB implementation throughout the country.** The PBB implementation in parallel with existing linear budgeting doubles the financial managers work which in the absence of some appropriate incentives is not perceived as very attractive and necessary.
- **Medium term planning is "a forerunner" necessary for introducing the concept of PBB at local public administration level.** Currently, the medium-term budgetary planning is not applied at LPAs level. The Ministry of Finances is informing the LPA on an annual basis regarding the basic principles of state policy on budget revenues and expenditures, forecasts of the deduction norms from the general state revenues to local budgets, specific aspects of the transfers calculation that are supposed to be allocated from the state budget. Consequently, the budgeting process at the local level cannot be predictable, and stable. To implement the PBB approach there is a need for a medium term planning at the both national and local levels.
- **The efficient implementation of PBB approach could be done only in the conditions when the fiscal legislation is predictable and do not bear the amendments on budgetary year.** The amendment of fiscal legislation throughout the year and exclusion of some income sources of the local budgets that are not accompanied by the revenues offsetting from the state budget determine the reluctance beside the PBB application. Carrying out of some reliable and real fiscal predictions is subject by the fact that the fiscal legislation should not bear the amendments on budgetary year.
- **In the conditions of local budget austerity the attracted grants through foreign-funded projects represent a good source for supplementing the revenues in the local budgets, thus increasing the possibilities of PBB implementation.** To capitalize this opportunity there is a need to strengthen local capacities for attracting external resources.
- **Public relations campaigns and media involvement are crucial for successful PBB implementation at the local level.** In all of the pilot towns, the local government and NGOs considered as important to inform the citizens about the initiative and used the

media to elicit participation and publish the results of the process. Independent, qualitative media institutions are needed to promote the PBB and build trust in such kind of initiatives.



## Conclusions and recommendations

As a result of the assessment of the Project “Performance Based Budgeting: a tool to empower citizen to hold their LGs accountable” we can conclude that the project fully achieved its objective. The Project provided efficient support to LPAs from five pilot towns to operate in more effective and transparent manner by strengthening their capacities for strategic and participatory planning, result oriented management, budgeting, implementation, M&E and quality service delivery.

Despite the fact that the general elections from 2009 and change in the Government structure have slowed down the implementation process in the first year, afterwards all the project activities were carried out according to the timetable. The planned Project results and activities were achieved 100%. The main results achieved by the Project are as following: a) Performance based budgeting concept and methodology elaborated; b) Strategic plans for social economic development developed/updated in five towns; c) PBB developed and implemented in five towns; d) 75 persons capacitated in participatory strategic planning and PBB; e) 600 persons involved in consultation of participatory strategic plans; j) 400 persons involved in PBB consultation process; i) 200 persons involved in reporting sessions on PBB implementation results.

The project beneficiaries manifested high satisfaction with the project results and mentioned that the project increased the capacities of local public administration to plan and budget for better services, the citizen participation in planning and budgeting process and the accountability of local public administration on the quality of provided services. In some pilot towns, the implementation of the Project based on PBB approach mobilized additional financial resources from local stakeholders and other donors that multiplied the effect of the project. The LPA representatives expressed their satisfaction with the trainings and workshops received in PBB and with the on the job technical assistance during the project implementation and manifested the willingness to transfer the PBB knowledge to other communities.

The Project strengthened the partnership relations among LPAs and other community actors, like public institutions, NGOs, community leaders.

The assessment show that the Project also contributed to strengthening the capacities of key national stakeholders in PBB (Ministry of finances, NGOs) by involving them in the development of concept and methodology for PBB implementation, trainings and study tours. The involvement of governmental representatives in the project implementation increased their

level of understanding of PBB benefits and made them active supporters of PBB implementation.

Despite the fact, that in the conditions of lack of legislation and regulatory framework for PBB, the project was mostly an exercise for LPA's in alternative management of public finances, it proved to be sustainable from the perspectives of advancing the decentralization process in the Republic of Moldova. Through the development of PBB concept and methodology and implementation of PBB in five towns, the UNDP created the conditions/opportunities for development of the regulatory framework and legislation for PBB and for expanding the implementation of PBB (100%) throughout the whole country starting with 2014. The pilot Project created the opportunities for the implementation of the next Program "Public Finance for Development: Strengthening Public finance Capacities in the Western Balkans and Commonwealth of Independent States", funded by the Ministry of Finance of the Slovak Republic, which aims to assist the Ministry of Finance in scaling up and implementing PBB system in local governments.

The assessment also showed the barriers of the implementation of PBB approach nationwide: lack of the regulatory framework and legislation for PBB implementation; weak administrative, financial and organizational capacities of LPAs; missing strategic development plans in some of the localities, missing medium-term budgetary planning at local level, unpredictable character of fiscal legislation, etc.

To overcome the barriers and to promote and implement the PBB approach nationwide we suggest the following recommendations:

1. **Establishment of a coordination mechanism for PBB implementation at the national level. UNDP can support this process.** Development of a joint strategy and action plan for the implementation of PBB concept nationwide, as a part of the broad decentralization agenda and particularly, the fiscal decentralization reform through the established Working group on fiscal decentralization. Development of a monitoring and evaluation mechanism for implementation of the strategy and action plan.
2. **Development of one legal and regulatory framework for PBB, which will include the both national and local level; its consultation with line ministries and NGOs capacitated in the field and its approval by the national government.** Improvement and adjustment of national legislation by taking into consideration the developed legal framework for PBB. In this context there is a need to improve the Law on public

administration, the Law on Public Finances and Budgetary and Fiscal Accountability.

3. **Development of one unified methodology in PBB for both Central Level and LPA level.**  
The PBB methodology must include the participatory framework of the process and the M&E methodology to increase the PBB efficiency. To increase the participation of citizen in PBB process, it is strongly recommended to apply the Participatory Monitoring and Evaluation.
4. **Development and approval by the national Government of a unique methodology for national and local participatory strategic planning.** It is evident the link among the participatory strategic planning and the PBB. Unfortunately at the country level different approaches of developing the strategic plans exist, which is an impediment in the implementation of PBB nationwide. Due to weak capacities of LPA in strategic planning there is a need to develop training modules in strategic planning and to provide trainings to LPA nationwide. For efficient use of public money, the training in strategic planning can be provided simultaneously with the training in PBB.
5. **Development of a centralized PBB information system to track central and local budgets.** For the effective implementation of the PBB information system, there is a need to procure the necessary computer hardware and software for financial departments. To support the transition from linear budgets to PBB there is a need for the development of accountability soft program that will make possible the automatic transfer of the data.
6. **Development of a capacity building system at the national level to strengthen the capacities of all actors involved in PBB implementation.** Providing training in strategic planning and PBB to all actors involved in PBB implementation. To increase the budgets revenues at the local level there is a need to strengthen the capacities of local actors in fund raising.
7. **Expand the medium term budgeting planning at local public administration level** by creating adequate premises and necessary legal provisions and link the local medium term budgeting planning with the national one.
8. **Continue to scale up the implementation of improved PBB methodology at LPAs level.**

## **Annex 1. Terms of Reference**

### **Consultant to carry out the Evaluation of the Performance based Budgeting Project**

**1. Job Title:** Project Evaluation Consultant

**2. Duty Station:** CHISINAU, MOLDOVA

**3. Project:** Performance Budgeting: A tool to empower citizens to hold their local governments accountable

**4. Working days:** 20 days

### **5. Project Background**

In the Republic of Moldova the political and administrative decentralization was not matched by sufficient fiscal decentralization. Irrespective of their level of revenue autonomy, local governments have very limited revenue-raising capacities due to poverty and limited economic activity, thus making them highly dependent on central government subsidies. The central government transfer system is complex, unstable and unpredictable. One of the reasons brought by the Government not to proceed with fiscal decentralisation is that local authorities lack capacity to fulfil their responsibilities and provide services in an accountable and transparent manner. Therefore, introducing the performance budgeting at the local level in target municipalities, were supposed to increase capacities of LPA and make them more accountable and transparent; thus providing good arguments to push forward the fiscal decentralization.

The project piloted performance based budgeting in 5 pilot towns aiming at empowering citizens to demand accountability from their local governments. Human, institutional and financial management capacities were developed in the selected towns, as well as systems and procedures were developed and adopted by local governments to plan, budget, implement, monitor and evaluate development activities in a participatory manner. The helped local authorities to build upon and maintain the democratic principles of local governance, with an emphasis on and guaranteeing citizens participation in decision making processes. ***The objective of the project is to support Local Public Administration to operate in a more effective and transparent manner.***

**Output:** Capacities of LPAs in 5 pilot towns improved to plan, implement, and monitor in a participatory manner.

***Results:***

- Increased transparency of the budgeting process in 5 pilot towns
- Increased confidence of citizens to affect change in the way that resources are allocated, and thereby to hold local government to account for the allocation of resources.
- Local authorities of pilot towns more aware of the priorities of the people in terms of service provision
- Pilot local authorities have increased capacity to plan and budget for better services delivery for citizens
- National legal and regulatory frameworks to streamline local administrative procedures and systems will be improved
- Advocacy activities and best practices shared to influence the fiscal decentralization agenda.

More detailed background and context information is to be provided in annexes. Project implementation period was 2009-2010 with a budget of 400,000.00 USD and seeks an evaluation upon implementation.

## **6. Purpose of the evaluation**

The overall objectives of the evaluation are the following:

1. Provide an objective assessment of the achievements, constraints, performance, results, impact, relevance and sustainability of the interventions.
2. Generate lessons from experiences in the respective interventions for the period 2009-2010 to inform current and future programming at the country level
3. Identify whether past results represent sufficient foundation for future progress
4. Provide clear and forward-looking recommendations in order to suggest effective and realistic strategies by UNDP and partner
5. Assess the extent of UNDP commitment to the human development approach

## **7. General terms of evaluation**

The evaluation should be comprehensive and cover the outcome, outputs, activities and inputs of the project and include answers to the following questions:

- Were stated outcomes or outputs achieved?
- What progress toward the outcomes has been made?

- What factors have contributed to achieving or not achieving intended outcomes?
- To what extents have UNDP outputs and assistance contributed to outcomes?
- Has the UNDP partnership strategy been appropriate and effective?
- What factors contributed to effectiveness or ineffectiveness?

Incorporating the following categories of analysis:

- Relevance:** the degree to which the purpose of the project was valid and pertinent.
- Efficiency:** the productivity of the implementation process - how good and how cost efficient the process of transforming inputs into outputs and outcomes was.
- Effectiveness:** the extent to which the project has effectively achieved its goals.
- Capacity development:** as a key to **development effectiveness**, the achievement of project sustainability.

## 8. Methodology:

The evaluator is expected to provide the evaluation methodology which will include, but will not be limited to the following approaches for data collection and analysis:

- Desk review of relevant documents (project document, review reports -midterm/final, donor-specific, etc);
- Discussions with the UNDP Moldova management;
- Interviews with partners and stakeholders (including gathering the information on what the partners have achieved with regard to the outcome and what strategies they have used): Government representatives, implementing NGOs, 2 pilot towns, etc.
- Field visits to selected project sites and discussions with project teams, project beneficiaries;
- Consultation meetings, if appropriate.

## 9. Evaluation timetable (all activities shall be concluded by December 1, 2011)

Activity	Timeframe
Evaluation design and work plan. Discussed with Project Manager	2 days
Desk review of existing documents	2 days

Field visits, interviews with partners and key stakeholders	9 days
Drafting of the evaluation report	4 days
Validation meetings	1 day
Finalization of the evaluation report (incorporating comments received on first drafts)	2 days

## 10. Deliverables

The key product expected from this evaluation is a comprehensive analytical report in English that should, as a minimum, include the following contents as per attached supporting documents:

1. Executive summary;
2. Introduction;
3. Description of the evaluation methodology;
4. Analysis of the situation with regard to the outcome, the outputs, the activities, the OVIs and the partnership strategy;
5. Analysis of opportunities to provide guidance for the future programming;
6. Key findings (including best practices and lessons learned)
7. Conclusions and recommendations
8. Annexes: ToRs, field visits, people interviewed, documents reviewed, etc as per provided sample.

## 11. Qualifications and skills

- Advanced university degree in international development studies, law or other related areas;
- at least eight years of work experience in the field of development (local development, participatory planning for sustainable development, including participatory monitoring and evaluation
- sound knowledge about results-based management (especially results-oriented monitoring and evaluation);

- demonstrated relevant experience in the review, evaluation and assessment of development projects, preferably focusing on confidence building (sensitive to post conflict environments)

#### **Qualifications:**

- excellent communication skills;
- excellent knowledge of English, both written and verbal;
- knowledge of Romanian or Russian would be an asset;

#### **Personal Qualities:**

- Good interpersonal skills, solid judgment/ decision making, initiative, creativity and team player; self-starter and results-oriented.

#### **❖ Evaluation ethics**

The evaluation will be conducted in accordance with the principles outlined in the UNEG 'Ethical Guidelines for Evaluation' and should describe critical issues evaluators must address in the design and implementation of the evaluation, including evaluation ethics and procedures to safeguard the rights and confidentiality of information providers, for example: measures to ensure compliance with legal codes governing areas such as provisions to collect and report data, particularly permissions needed to interview or obtain information about children and young people; provisions to store and maintain security of collected information; and protocols to ensure anonymity and confidentiality.



## **Annex 2. Interview guide for national/local stakeholders**

1. What do you know about the UNDP PBB Project?
2. How important was the implementation of the PBB Project at the national/ community level? How relevant was the project implementation to the country policies/strategies?
3. What are the advantages and disadvantages of the implementation of PBB approach?
4. To what extent and how the national and local stakeholders (MoF, NGO, LPAs) were involved in the development and implementation of the Project?
5. To what extent the Project achieved its objectives? In what way is the project innovative? Please explain. Which innovative approaches proved to be most effective? What types of internal and external problems has the project faced and how has it coped with them?
6. What were the challenges and the opportunities of project implementation? What were the constraints of project implementation? Please explain.
7. How were involved the local citizen in project development, implementation and M&E? What was the framework for citizen participation? How active were the citizen? What factors contributed to citizen participation? To what extent was ensured the citizen participation in the project implementation? What were the barriers for citizen involvement in the project development and implementation? What was the impact of citizen participation at project output and outcomes?
8. How efficient was the project implementation? What was the project cost? What was the community contribution? Have the project been finished in time? What are the main results of the project? To what extent the achieved result correspond with the expected result? If to a big/small extent, please explain?
9. What was the effectiveness of the project at the national/ local level? What are the performances of the project? What is the impact of the Project at the national / local level?
10. To what extent the project is sustainable? Please explain. What measures have been taken to ensure the sustainability of the achievements of the project? How will be ensured the sustainability of the project at the national/local level?
11. What are the lessons learned during the project implementation?

12. What are the suggestions and recommendation for further improvement of the design of similar projects?
13. What are the suggestions and recommendations for implementation of PBB approach nationwide?

### **Annex 3. Focus group discussion guide**

1. How important was the implementation of the PBB Project at community level?
2. What are the advantages and disadvantages of the implementation of PBB approach at the local level?
3. How were involved the local stakeholders (MoF, NGO, LPAs) in the implementation of the Project?
4. How were involved the local citizen in project development, implementation and M&E? What was the framework for citizen participation? How active were the citizen? What factors contributed to citizen participation? To what extent was ensured the citizen participation in the project implementation? What were the barriers for citizen involvement in the project development and implementation? What was the impact of citizen participation at project output and outcomes?
5. To what extent the Project achieved its objectives? In what way is the project innovative? Please explain.
6. What types of internal and external problems has the project faced and how you coped with them?
7. How efficient was the project implementation at the local level? What are the main results of the project? To what extent the achieved result correspond with the expected result? If to a big/small extent, please explain?
8. What is the impact of the Project at the local level?
9. To what extent the project is sustainable? Please explain. How will be ensured the sustainability of the project at the local level?
10. What are the lessons learned during the project implementation?
11. What are the suggestions and recommendation for efficient implementation of PBB approach at community level?

#### **Annex 4. List of interviewed persons**

1. Niculita Aliona, Assistant Resident Representative, UNDP Moldova;
2. Ieseanu Valeria, Program manager, UNDP Moldova;
3. Cislaru Ala , Chief of Local Budgets Division, Ministry of Finances;
4. Tarnavskii Alexandru, vice mayor, Comrat town, Comrat district;
5. Vilciu Tatiana, deputy chief accountant, Town Hall, Comrat town, Comrat district;
6. Patraman Elena, director of kindergarten n5, Comrat town, Comrat district;
7. Jelezova Olga, Director of parents' association, kindergarten n5, Comrat town, Comrat district;
8. Kinali Maria, teacher of the kindergarten n5, Comrat town, Comrat district;
9. Toaku Ivan, deputy chief of the technical networks, Comrat town, Comrat district;
10. Ambros Alexandru, mayor of Ungheni town, Ungheni district;
11. Ciobanu Svetlana, Center for Resources in Sustainable Development, Ungheni town, Ungheni distgrict;
12. Bulat Veaceslav, Executive director, Institute for Urban Development, NGO;
13. Ivanov Octavian, consultant, IDIS Viitorul, NGO;
14. Arachelov Vladimir, consultant, Institute for Urban Development, NGO;
15. Petroia Andrei, consultant, IDIS Viitorul, NGO.

## **Annex 5. List of supporting documents reviewed**

- PBB Project Document
- Final report on PBB Project
- Performance based budgeting (Guide for LPAs)
- Report on consulting services to elaborate and implement PBB concept in Local Governments' operations in Moldova (developed by BCI)
- Final report regarding provision of technical assistance in implementing PBB concept in Balti Municipality' and Ungheni town' public administration operations (developed by IDU)
- Report on the assessment of management of local public finances and budget (developed by BCI-PAUCI Foundation)
- Performance based budgets of the 5 towns (elaborated by LPAs in cooperation with the NGOs)
- Presentations made by the LPAs from five towns at the final conference on the project results (developed by LPAs representatives)
- Project proposals submitted by five pilot towns (developed by LPAs representatives in cooperation with the NGOS)
- Capacity assessment report on capacity development for PBB in Moldova (developed by UNDP Bratislava Regional Center)