

INTERREG NEXT 2021-2027 ROMANIA - REPUBLIC OF MOLDOVA PROGRAMME

TERRITORIAL ANALYSIS

August 2021

Acronyms

CBC	Cross Border Cooperation
CPR	Common Provision Regulation
EC	European Commission
EEA	European Environmental Agency
EEAS	European External Action Service
ENI	European Neighbourhood Instrument
ENPI	European Neighbourhood and Partnership Instrument
EaP	Eastern Partnership
EUSDR	European Union Strategy for the Danube Region
FDI	Foreign Direct Investments
FRONTEX	European Border and Coast Guard Agency
GDP	Gross domestic product
GII	Global Innovation Index
IMF	International Monetary Fund
ILO	International Labour Organization
IOM	International Organization for Migration
ISO	Interreg Specific Objective
MS	Member States
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGO	Non-Governmental Organisation
NUTS	Nomenclature of Units for Territorial Statistics
OECD	Organisation for Economic Cooperation and Development
PO	Policy Objective
R&D	Research and development
ROM	Results-Oriented Monitoring
SMEs	Small and medium enterprises
SRIA	Strategic Research and Innovation Agenda
SWOT	Strengths, Weaknesses, Opportunities and Threats (Analysis)
TEN-T	Trans-European Transport Network
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe (UNECE)
UNESCO	United Nations Educational, Scientific and Cultural Organisation
	Assessment
WHO	World Health Organisation

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The present document carries out a territorial analysis of the eligible area of the Interreg NEXT Romania-Republic of Moldova Programme 2021-2027, from economic, social, and environmental perspective and identifies the main challenges that are common to both sides of the Romania-Moldova border.

The analysis comprises an overall view of the cooperation area, and a more in-depth analysis focused on the objectives formulated for the area by the Joint Paper on Interreg NEXT Strategic Programming¹, as well as the additional one approved by Decision no.7/28.12.2020 of the Joint Programming Committee, as starting point for this territorial analysis:

- Policy Objective (PO) 1 - A smarter Europe and its neighbourhood;
- Policy Objective (PO) 2- A greener low-carbon Europe and its neighbourhood;
- Policy Objective (PO) 3 - A more connected Europe with its neighbourhood;
- Policy Objective (PO) 4 - A more social Europe and its neighbourhood;

Interreg specific objectives (ISO):

- Interreg Specific Objective ISO 1- A better cooperation governance for Europe and its neighbourhood;
- Interreg Specific Objective ISO 2 - A safer and more secure Europe and its neighbourhood.

Apart from the general chapter, all the other chapters of the document are based on the available data and information for both countries and they cover the main challenges and needs for policy intervention, followed by a SWOT analysis and a set of conclusions and recommendations.

The analysis of the whole area is based on the information obtained from rendering the statistical data provided by international, national and local sources, further complemented by the study of different documents relevant for the respective policy objective.

To the analysis the following sources of information have been used:

- The Joint Paper on Interreg NEXT Strategic Programming 2021-2027
- the territorial analysis of the ROMD ENI CBC 2014-2020 programme;
- statistical information of the national statistical offices of Romania and R.Moldova and the Eurostat;
- further statistical data gathered by the National Authority in R. Moldova and the Managing Authority;
- other available studies and evaluations.

During the elaboration of the analysis, the following methods were applied: desk research; gathering and processing of data (in cooperation with the partner country and TESIM support); textual analysis; SWOT analysis.

Along the process, the document had sometimes to be adapted to the lack of comparable statistical data between the two participating countries, as some indicators are missing or are different in the two states.

Furthermore, the analysis includes the conclusions of the two-step consultations with stakeholders, organised under the form of interviews and focus-groups, so as to identify the financing needs of the eligible area and to prioritize the policy objectives included in Joint Paper on Interreg NEXT Strategic Programming. When existing, complementarities and

¹ EC-EEAS (2020) Joint Paper on Interreg NEXT Strategic Programming

divergences between the outcomes from both interviews and focus groups have been analysed in the present document, considering statistical data of the area and conclusions from the implementation of Romania-Republic of Moldova ENI CBC 2014-2020. Therefore, the conclusions of each PO analysis include an overall view regarding the possibility to finance certain domains in favour of others.

1.1. Cooperation area

The eligible area of Interreg Next 2021-2027 Romania-Republic of Moldova covers the core eligible area of the 2014-2020 programme, specifically the four Romanian counties of Botoşani, Iaşi, Vaslui, and Galaţi, and the whole territory of the Republic of Moldova. Therefore, the present territorial analysis will provide data for this area. The eligible area covers a total area of 54,089.80 km² and a border length of 681.4 km. Of the total core eligible area 37.42% of the area is represented by the four Romanian counties and 62.58% by the territory of the Republic of Moldova.



Figure no.1 - Map of the programme eligible area

The border shared by the two states corresponds to the one of the European Union, as the Romanian North-East and South-East development regions are the outermost Eastern regions of the EU. The current status of this border plays an important role in developing the cross-border infrastructure of the Romanian-Republic of Moldova frontier, especially considering that this is in its entirety a river border (i.e. Prut River).

1.2. Territory and demography

The core eligible area has a total of 5,593,810 inhabitants, out of which 36.7% reside on the Romanian side of the border, while 63.3% on the Moldovan side.

COUNTRY	ELIGIBLE REGIONS	TERRITORY (km ²)	POPULATION ²	URBAN	RURAL	DENSITY (people/km ²)
Republic of Moldova	whole territory	33,843.50	3,542,708.00	1,527,483.00	2,015,225.00	79.30
Romania	4 counties					
	Botoșani	4,986.00	379,622.00	155,423.00	224,199.00	91.30
	Iași	5,476.00	793,559.00	369,557.00	424,002.00	172.40
	Vaslui	5,318.00	373,863.00	153,372.00	220,491.00	93.90
	Galați	4,466.30	504,058.00	273,956.00	230,102.00	140.60
TOTAL		54,089.80	5,593,810.00	2,479,791.00	3,114,019.00	

1.2.1. Territory

Interreg Next 2021-2027 Romania-Republic of Moldova covers a total surface of 54,089.80 sq.km., out of which 62.6% represent Moldovan territory and 37.4% represent Romanian territory.

² Resident population:

https://statbank.statistica.md/PxWeb/pxweb/en/20%20Populatia%20si%20procesele%20demografice/20%20Populatia%20si%20procesele%20demografice_POP_POP010/POP010100.px/table/tableViewLayout1/?rxid=9a62a0d7-86c4-45da-b7e4-fecc26003802

Data are presented at 01.01.2019 and refer to resident population without the left bank of Nistru River and municipality Bender. Usual *resident* population of the Republic of Moldova in 2019 was 2,686,064 inhabitants, according to <https://statbank.statistica.md/> and all indicators are calculated as referred to this value.

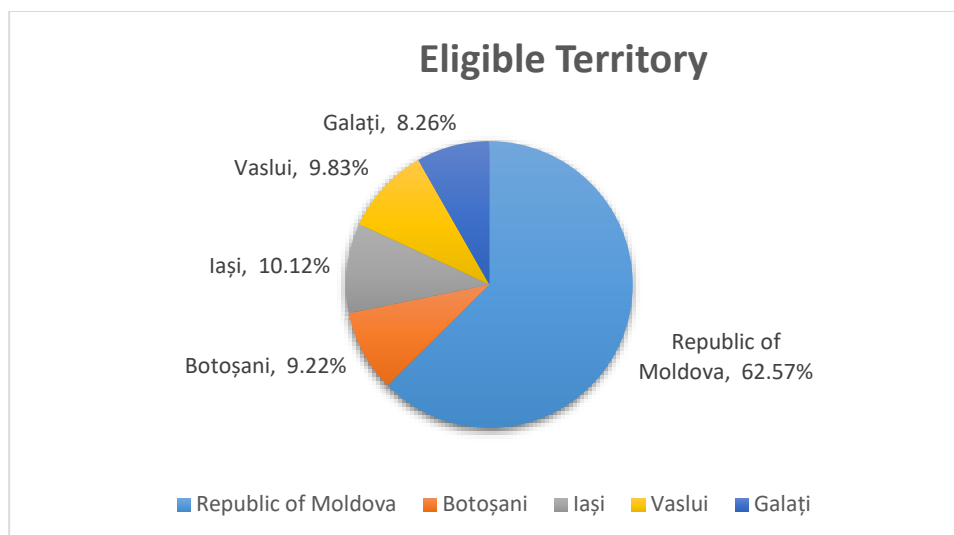


Figure no.2 - Share of the eligible territory (%) by county of total programme area

Romania and the Republic of Moldova register a certain level of similarity regarding the designs of the administrative-territorial systems, however several differences do exist.

The national territory of Romania is divided in 4 macro-regions corresponding to the NUTS level I and 8 development regions corresponding to the NUTS level II. The Romanian administrative-territorial system is structured on several levels. From top to bottom, Romania is divided in 41 counties and Bucharest Municipality; apart from these, the territory is also divided in towns and municipalities, communes and villages.

The territory of the R. of Moldova is structured in 37 main administrative units: 12 municipalities (Chișinău, Bălți, Comrat, Bender, Cahul, Ceadir-Lunga, Comrat, Edinet, Hincești, Orhei, Soroca, Straseni), 32 counties (rayons), the territorial autonomous unit Găgăuzia and the administrative-territorial unit of Transnistria. These units are furthermore divided in cities, localities in the frame of cities (municipalities), villages-residences, and localities in the frame of communes.

The overall level of urbanization in the eligible area is below 50%. The number of urban centres is limited and unevenly distributed, and the most important cities concentrate the major economic activities. Significant development gaps between the urban and rural areas are visible, as the population living in rural areas has a reduced access to public utilities and amenities, with a negative effect on the quality of life and opportunities (including financial).

1.2.2. Demography

The total population of the eligible area is of 5,593,810 people³.

A large part of the population lives in high-density urban centres, like Iași, Galați, and Chișinău municipalities. These urban centres have become gravitational centres for both population and economic flows. The analysis showed that 44.33% of the population in the core eligible area live in urban areas and 55.67% in rural areas.

³ Resident population

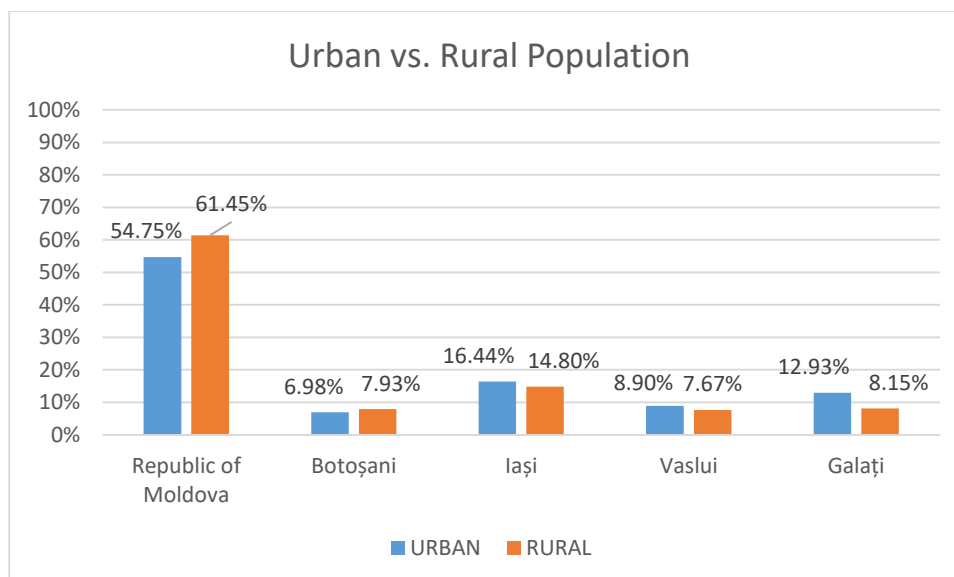


Figure no.3 - Distribution of population in the urban and rural environment

The population of the Republic of Moldova is relatively young⁴, 46.4% of the population being up to 35, while in Romania there is an increase of percentage of the population of 60 years old and above from 21.7% (in 2015) to 23% (in 2018)⁵. The adult population of Romania (15-59) represents 62.3% of the total population, a decrease with 290.2 thousands from 2015.⁶ In Romania, the natural population growth was of -3.9 (rate out of 1,000 inhabitants), while in the Republic of Moldova was of -1.0 in the same reference time.

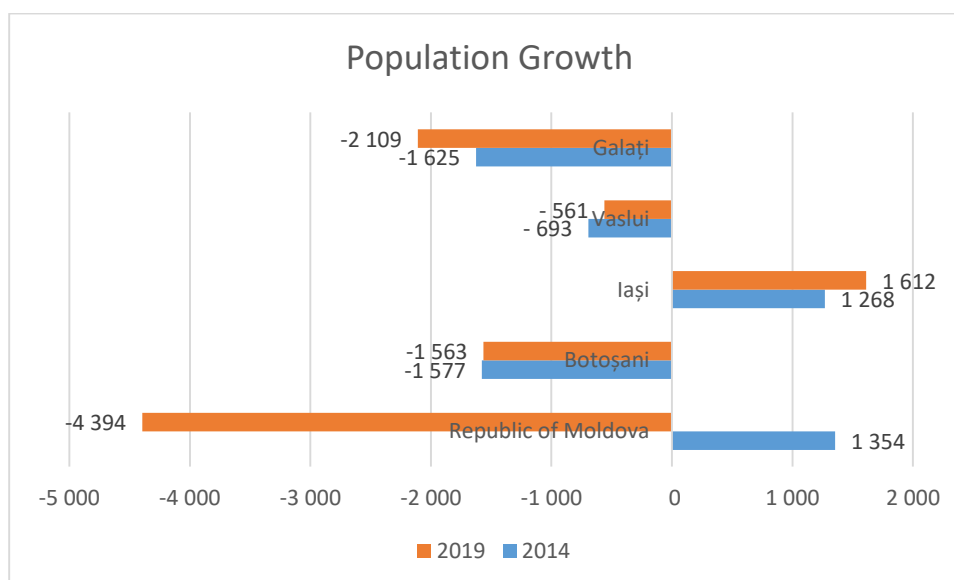


Figure no.4 - Population growth in the years of 2014 and 2019 for Republic of Moldova and Romanian counties

⁴ Source: <https://statistica.gov.md/category.php?l=ro&idc=103>

⁵ Source: <https://ec.europa.eu/eurostat/documents/10186/10990320/RO-RO.pdf>

⁶ Source: https://insse.ro/cms/sites/default/files/field/publicatii/romania_in_cifre_2019_2.pdf

The average age of the resident population of Romania was 41.9 in 2018, as in the Republic of Moldova the same indicator was 38.5.

A major problem in the area is the outward migration trend. Even though large urban centres manage to attract a large portion of the internal and external immigration, outward migration is still significant. In the year of 2017, 23,156 Romanians are registered to have settled their residence abroad, while 2,111 persons from Moldova settled abroad.

1.3. Economic structure

At a first glance, the GDP analysis in both countries may indicate an optimistic increase in figures *per capita*. But correlating GDP growth with birth rate decrease during the recent years, one may draw the conclusion that the population welfare state has not met any improvement, but, on the contrary, there is a decline in both states, more visible in the Republic of Moldova.

While in Moldova the GDP per capita has risen to EUR 3,099 EUR (2019), the same indicator reaches 11,530 EUR in Romania, rate that remains anyway significantly below the EU28 average.

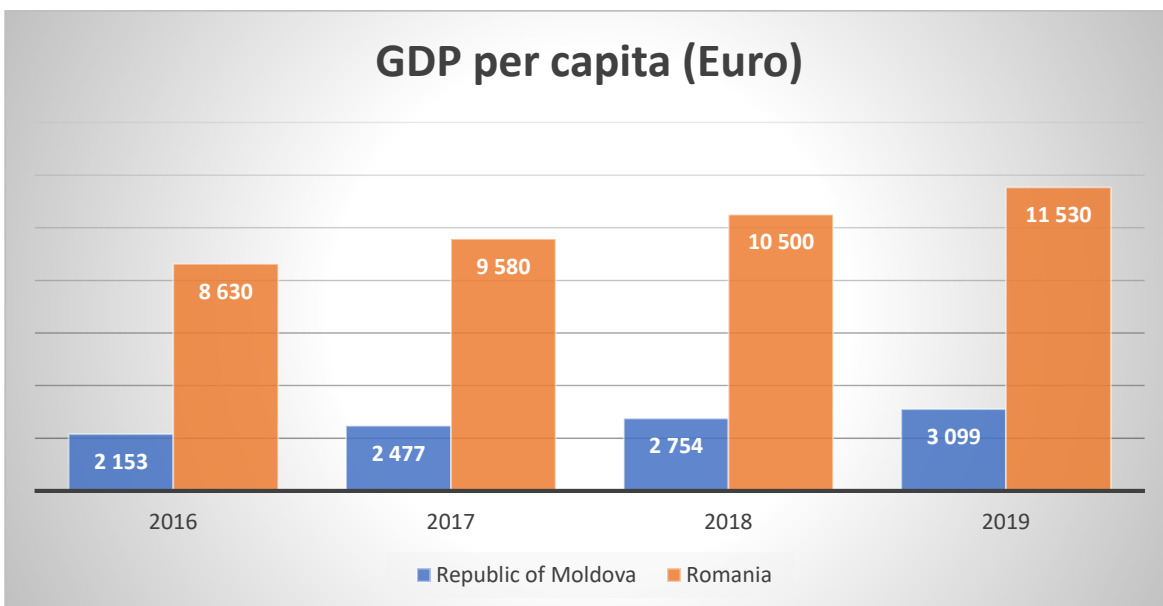


Figure no.5 - GDP per capita (euro), in Romania and Republic of Moldova

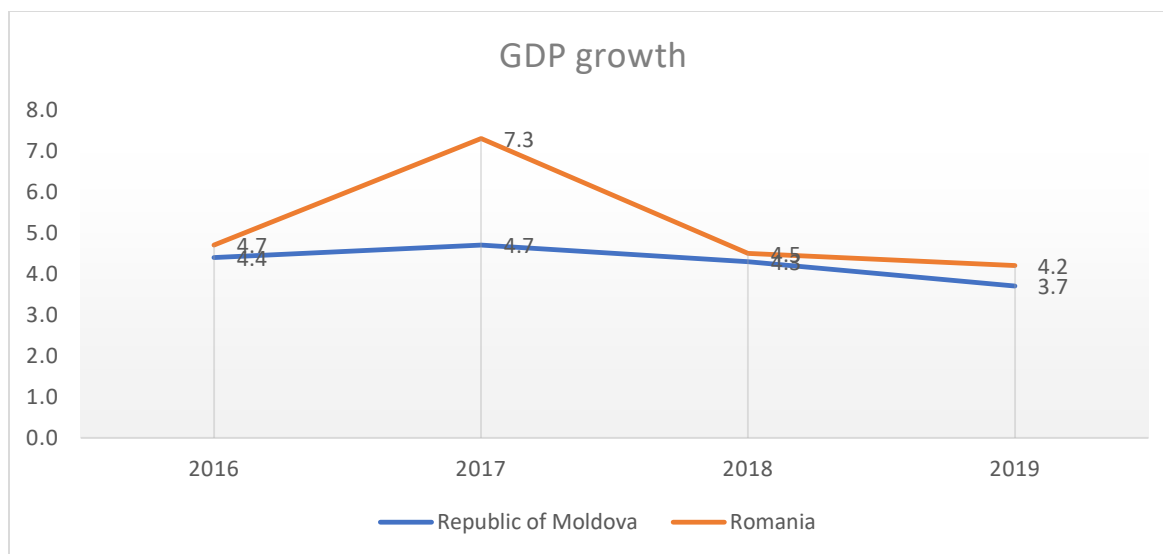


Figure no.6 - GDP growth in Romania and Republic of Moldova

GDP structure is rather similar in both partner countries, with an overwhelming share representing services (above 57%), whereas agriculture has a larger share in the Republic of Moldova, as compared to Romania.

Although traditionally Moldova's economy relies heavily on its agriculture sector, featuring fruits, vegetables, wine, wheat, and tobacco, in recent years the IT sector has become one of the most developed and dynamic sectors of the national economy. The volume of exports of ICT products and services exceeded in 2019 the figure of 5 billion lei, qualitatively changing the structure of exports of the Republic of Moldova. Only IT exports have increased more than 3 times - from 1.1 billion lei in 2015 to 3.5 billion lei in 2019, considerably exceeding traditional export categories, such as exported wines (with over 400 million lei). It is essential to note that the balance between these two sub-sectors - digital content and communications infrastructure - speaks of a qualitative change of this sector from consumption of networks and Internet access services to IT products and services with the highest added value, export-oriented. One of the key projects aimed at stimulating the growth of the IT industry and innovation is the virtual IT park, launched on January 1, 2018. Over two years of activity, over 500 companies have been registered in the park, of which 300 are IT companies with foreign capital.

Republic of Moldova depends on annual remittances representing more than 20% of the annual GDP⁷. With few natural energy resources, Moldova imports almost all of its energy supplies from Russia and Ukraine. Moldova and Romania inaugurated the Ungheni-Iasi natural gas interconnector project in August 2014, co-financed by ENPI CBC Romania-Ukraine-Republic of Moldova 2007-2013. The 43-kilometer pipeline between Moldova and Romania allows for both the import and export of natural gas. Several technical and regulatory delays kept gas from flowing into Moldova until March 2015⁸.

⁷ <https://www.economy.com/moldova/indicators#ECONOMY>

⁸ <http://investromania.gov.ro/web/why-invest/economy/>

The EU is Moldova's largest trading partner and biggest investor in the country. In 2020, it accounted for 66.4% of its total exports and 52% of its total trade.⁹

In recent years there was an increase in the share of exports with other product categories than those mentioned above, namely: food, alcoholic beverages, non-alcoholic vinegar, tobacco; textiles and textile articles; machinery and equipment, electrical equipment and parts thereof; equipment for recording or reproducing sound and images.

This indicates that the local industry (light industry, food, machinery/ technical equipment production) is developing and modernizing progressively, and domestic products are becoming increasingly competitive on foreign markets.

Romania's GDP growth was driven by private consumption and an investment rebound. Investment rose strongly, growing at 17.8 percent year-on-year (y-o-y), owing to strong performance in construction. Exports grew by 3.5 percent, reflecting weaker demand in major export markets, while imports remained buoyant (up 7.2 percent). Construction (up 16.8 percent) and information and communications technology (ICT) (up 8.1 percent) were the main drivers of production¹⁰.

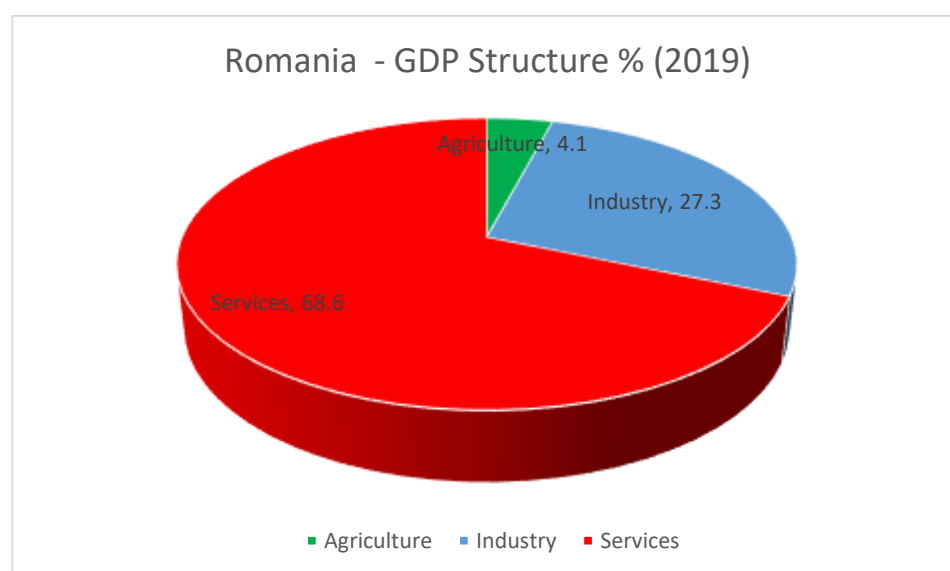


Figure no.7 - GDP structure for Romania (2019)

⁹ https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/eap_factsheet_moldova.pdf

¹⁰ Source: World Bank: <https://www.worldbank.org/en/country/romania/overview#3>

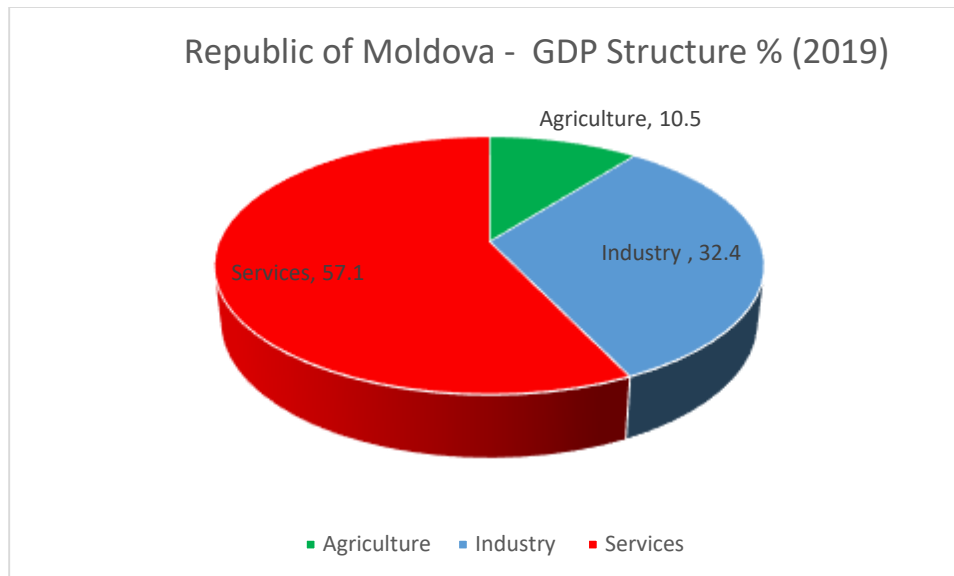


Figure no.8 - GDP structure for R.Moldova (2019)

With a decreasing inflation rate from 6.4 in 2016 to 3.8 in 2020, Moldova follows the general trend of EU member states. Romania registered an inflation rate of 2.6 in 2020, though the COVID-19 pandemic put a high pressure on this economic indicator for the future. The EU is Moldova's largest trading partner and biggest investor in the country. In 2020, it accounted for 66.4% of its total exports and 52% of its total trade.

1.4. Data on the impact of COVID-19 crisis

During the year of 2020 and the beginning of 2021, both Romania and Moldova (as most countries of the world) have registered an economic slowdown and radical budgetary challenges. From increased rate of unemployment and companies closing down, to increased health sector expenditures, an overall shift of the economy has been registered.

According to OECD analysis¹¹, within the first three months of 2020, the novel coronavirus developed into a global pandemic. Schools and universities were closed in spring 2020 for more than one billion students of all ages. By November 2020, COVID-19 spread to almost all countries and affected more than 50 million people around the world, resulting in more than 1.25 million deaths. More than half of the world's population has experienced a lockdown with strong containment measures - the first time in history that such measures are applied on such a large scale.

Apart from the health crisis caused by COVID-19, the pandemic triggered a serious economic crisis which affected all sectors, but most of all the private one (tourism including HORECA industry, transportation etc.), with a huge impact on small enterprises. Unemployment levels reached worrying figures and governments focused on measures of recovery directed to the most exposed ones. Romanian Government provided a fiscal stimulus of 4.4 percent of GDP in 2020 in response to the COVID-19 crisis. This consisted of financial help to small companies during the lockdown period, negotiated bank loan installment suspension for the

¹¹ <https://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government-d3e314e1/>

population. Extra payments were made to the healthcare system and procurement of equipment was financed for hospitals and for schools as well, as the on-line schooling became the only solution since March 2020 to May 2021 to most categories of students. On the other side, the Moldovan Government in order to reduce the COVID-19 impact on the economic sector, especially on SMEs has taken a series of measures, including: suspension or reduction of VAT and other tax obligations payments; implementation of various economic incentives to support national tourism; measures referring to unemployment, specifically, different subsidies for employers and regulation of the remote work.

At present, as the anti-COVID 19 vaccination campaigns have extended to more areas and age groups, most economies have started to open up and focus on recovery and resilience. The European Union member states will benefit of extensive financing under the National Recovery and Resilience Programmes, which may contribute to the sharpening of disparities among EU and its neighboring countries.

The Spring 2021 Economic Forecast¹² projects that the EU economy will expand by 4.2% in 2021 and by 4.4% in 2022. The euro area economy is forecast to grow by 4.3% this year and 4.4% next year. Growth rates will continue to vary across the EU, but all Member States should see their economies return to pre-crisis levels by the end of 2022.

Public investment, as a proportion of GDP, is set to reach its highest level in more than a decade in 2022. This will be driven by the Recovery and Resilience Facility (RRF), the key instrument at the heart of NextGenerationEU.

According to EC estimates¹³ for Romania, the GDP will increase by 5.1% in 2021, respectively by 4.9% in 2022. Regarding inflation, in the case of Romania, in 2021 there will be a slight increase to 2.9%, followed by of a decrease to 2.7% in 2022.

Affected by the pandemic and the severe drought, the economy of the Republic of Moldova contracted in 2020, the GDP registering a decrease of 7%¹⁴. The main factors that determined this decline in GDP were the consumption of the population, which also decreased by 7%, followed by investments and stocks. On the supply side, quarantine measures led to a halt in trade and industrial production, and severe drought affected agriculture. The occupancy level has reached the minimum of the last five years. In 2021, the economy gradually began to recover, but most short-term indicators remain in the negative zone.

The key role of the cooperation programmes with EU neighboring countries is to prevent such disparities and to keep a balance in terms of economic and social development on both sides of EU external border.

During the COVID-19 crisis, Romania provided support to the Republic of Moldova, in the form of medical equipment¹⁵, healthcare workers and also donated thousands of vaccine doses to the Moldovan population. The actions were supported either by Romanian Government funds or by EU Civil Protection Mechanism.

¹² https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2351

¹³ https://ec.europa.eu/romania/news/20210512_previziuni_economice_primavara_romania_ro

¹⁴ <https://www.worldbank.org>

¹⁵ <https://gov.md/ro/content/republica-moldova-primit-ajutor-umanitar-gratuit-din-partea-romaniei-necesar-lupta-cu-covid>

Since the outbreak of the COVID-19 pandemic, the European Union (EU) has demonstrated its solidarity with partners worldwide. In the Republic of Moldova, over €127 million in bilateral grant support¹⁶ has been mobilised in 2020 alone to help the country cope with the initial shock of the crisis.

Furthermore, EU Economic Recovery Plan for Moldova is setting out plans for investments of up to €600 million between 2021 and 2024, in close cooperation with EU Member States and International Financial Institutions as part of a “Team Europe” approach, as well as with private investors.

The Economic Recovery Plan is subject to strict conditionality. Investments will be made based on a ‘more-for-more’ approach, with progress on structural reforms, in the field of justice and fight against corruption notably, as a prerequisite for financial assistance.

¹⁶ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2712

A major challenge¹⁷ for Romania-Republic of Moldova eligible area is to promote socio-economic development, creating economic opportunities and reducing unemployment rates, for instance via innovation, education, business and SMEs development, in particular for the youth. Increasing cooperation between businesses, supporting startup enterprises and enhancing cross border value chains can be important for the sustained development of the economic base of border regions, improving the use of existing resources and better exploitation of the market potential, for instance encouraging sustainable agro-food and sustainable tourism initiatives and promoting technological transfer.

2.1. Research and development

For many years now, research and development (R&D) has been a priority for the European Union. In the 2021-2027 programming period a higher importance will be given to this field, as it is the engine of development for many economic sectors.

In the 2014-2020 budgetary cycle, Romania was allocated 973,404,255 Euro for research and innovation and 744,680,850 Euro for SME competitiveness¹⁸ from ERDF.

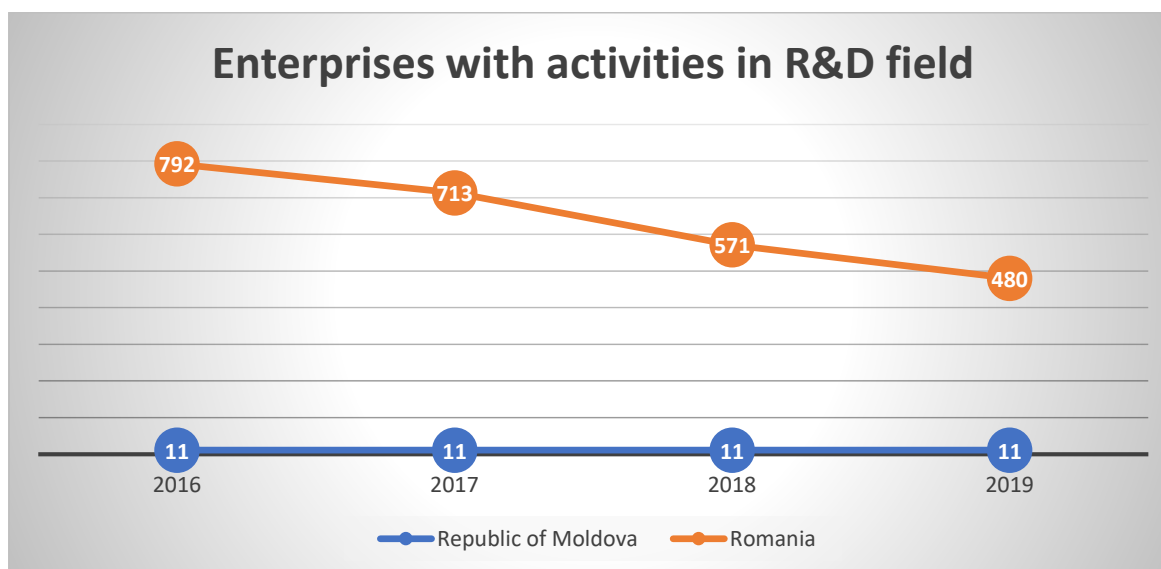


Figure no.9 - Number of enterprises with activities in R&D field

R&D expenditure in Romania, for 2019, represented 0.48% of the GDP, out of which 0.28% were destined to the private sector, whereas 0.20 was the percentage for the public sector¹⁹.

¹⁷ EC-EEAS (2020) Joint Paper on Interreg NEXT Strategic Programming

¹⁸ https://ec.europa.eu/regional_policy/ro/policy/themes/research-innovation/

¹⁹ <https://insse.ro/cms/ro/tags/comunicat-cercetare-dezvoltare>

In the Republic of Moldova, the research, innovation and development budgetary expenses for 2018 (last available data²⁰) represented 0.23% of the GDP.

2.2. Entrepreneurship

Statistically, there is an increasing number of active economic entities with legal personality in both partner countries, which indicates a degree of maturity of the economy, correlated to the freedom of doing business. Furthermore, there are several governmental programmes and EU funded opportunities dedicated to SMEs in the member state, as well as in R. Moldova.

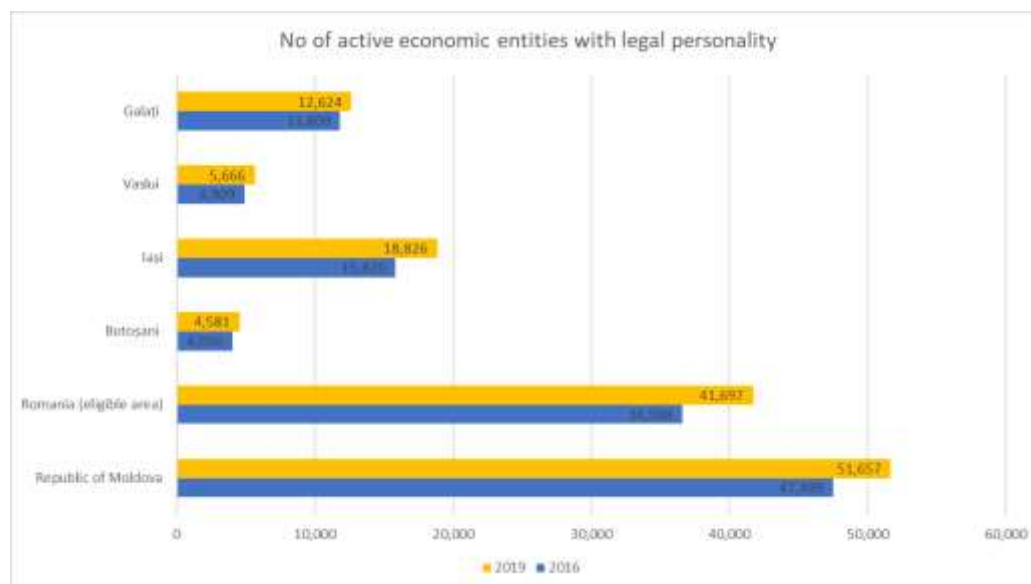


Figure no.10 - Number of active economic entities with legal personality

Business density²¹ is higher than the EU average in Romania (5.6), with three regions performing much better than national level: **Botosani** (4.6%), **Tulcea** (5.4%), and **Iasi** (4.7%). **Vaslui** is below the national performance and **Galati** has the lowest value, 1.8%. In R. Moldova business density is 1.8, a figure that has fallen since 2014: -2.3%.

The capacity to create new business is closely related to characteristics of the business environment. This is captured by the World Bank ease of doing business index provided by the World Bank, which scores 47 for R. Moldova and 52 for Romania.

So far, the EU estimates that since 2009, more than 19,531 Moldovan SMEs benefitted from EU support for access to finance in Moldova under the EU4Business programme. 10 business incubators have been set up with EU support²².

The European Commission announced an Economic Recovery Plan for the Republic of Moldova, which will mobilise up to €600 million in macro-financial assistance, grants and investments, supported by blending and financial guarantees. This new funding will be mobilised over the period of 2021-2024 to promote investment that underpin a sustainable and inclusive recovery from the COVID-19 crisis in the country.

²⁰ http://indicator.idsi.md/ro/categories_ind_list/E-RD

²¹ EC EAS (2020) Joint Paper on Interreg Next Strategic Programming

²² https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/eap_factsheet_moldova.pdf

As part of Team Europe initiative, a new ICT Innovation Centre in Cahul for innovative SMEs and a seed-fund for innovative companies in Moldova is being set up. Furthermore, a Virtual Entrepreneur Academy supporting SMEs in rural areas has been launched.

2.3. Digitisation

Both countries have registered an increase in the use of Internet by citizens from 2016 to 2019, with Republic of Moldova having a sharper expansion from 53% (2016) to 89% (2019) usage. In Romania, the percentage of those using the Internet increased from 66% in 2016 to 80% in 2019. Considering the number of households having access to the Internet, Romania²³ (whole territory) registered 84%, while in the Republic of Moldova 61% of the total number of households had access to the Internet, in 2019.

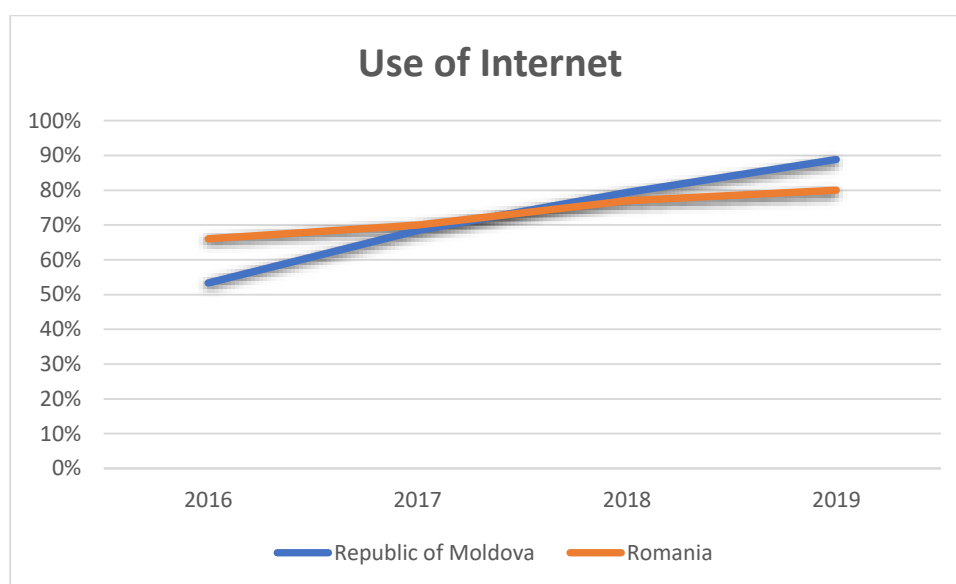


Figure no.11 - Use of Internet by citizens

An important element for providing good quality territorial governance is the level of transformation of public services through digitisation. The framework of e-government includes from 'online government services' to 'exchange of information and services electronically with citizens, businesses, and other arms of government'. The governments make use of ICT to conduct a wide range of interactions with citizens and businesses as well as open government data and use of ICTs to enable innovation in governance²⁴. The index of government e-participation was lower in the Republic of Moldova, i.e. 37 in 2018, while in Romania the same index was 69 in the same reference year.

In 2020, Romania set up the Authority for Digitisation of Romania, which aims at digital transformation of the Romanian economy and society. This public institution will put into place technical standards and interoperability of IT systems for public administration so as

²³ <https://ec.europa.eu/eurostat>

²⁴ Source: <https://publicadministration.un.org/egovkb/en-us/About/UNeGovDD-Framework>

to implement the principles of 'eGovernment Declaration' in Tallin, i.e. digital interaction, reduction of the administrative burden, digital delivery of public services, citizens' engagement, redress and complaint mechanisms.

The Government of the R. of Moldova has set up the e-Government Agency (eGA), a high capacity institution responsible for implementing digital governance, which put in place an enabling legal and regulatory framework and established a robust world class ICT infrastructure, allowing for further public modernization and enhanced service delivery. This public institution is fully involved in creation and continuous development of e-government architecture; promoting innovations and e-government products in the public sector and society; modernization of public services through reengineering and digitization; facilitating the development of sectoral services and state information systems; elaboration, implementation and continuous development of common government technology platforms; implementation of the interoperability framework and cyber security audit.

In July 2020, the Ministry of Economy and Infrastructure in the Republic of Moldova publicly presented the first draft roadmap²⁵ for the digitalization of the Moldovan economy and development of e-commerce. The document came up as an urgent need for structural changes caused also by the COVID-19 pandemic. Among the main points to be tackled, there can be mentioned: facilitation and promotion of digital services for business environment, e-commerce use for companies and consumers, simplification of customs procedures for online export and for post and delivery services, national and international e-commerce platforms promotion.

2.4. Lessons learnt

Under Romania-Republic of Moldova 2014-2020, support for innovation and research domains was provided under priority *Priority 1.2 - Promotion and support to research and innovation* (Thematic objective 2 - Support to education, research, technological development and innovation). With an allocation of 2 million Euro, 25 projects were submitted, having a total grant of 4.5 million euro, while 10 projects were contracted, with a total grant value of 1.85 million Euro. There is a certain degree of interest in innovation and research proved by the applicants, distributed mainly between fields as: health, environment and renewable energy.

As regards digitalization, a large infrastructure project was financed in the framework of the Programme Romania-Republic of Moldova 2014-2020, i.e. *Communication infrastructure*, aiming at improving the exchange of information between the two partner states, by developing the communication infrastructure. The main activities financed are the following: building and operating a police centre in the Republic of Moldova; installing optical cable equipment on Iasi-Chisinau route; connecting the Police Departments in the Republic of Moldova and procurement of radio-IT equipment. At the date of programming process, the mentioned project is in implementation. Significant delays have been registered in implementation of the project as a result of lack of full documentation (including documents proving the rights over the land/building where certain equipment must be installed).

²⁵ https://mei.gov.md/sites/default/files/foia_de_parcurs.pdf

The current Romania-Republic of Moldova programme has not financed actions of direct support for enterprises.

2.5. SWOT ANALYSIS - A MORE COMPETITIVE AND SMARTER COOPERATION EUROPE

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • A flow of EU funds for R&D companies and public institutions during 2014-2020, which will also be maintained during 2021-2027 period. • An increase in the number of active companies in both Republic of Moldova and eligible area of Romania, meaning that the business environment is quite favourable. • A recent and high-performing Internet network. • A high rate of Internet usage 89% in Republic of Moldova and 80% in Romania. • A high number of households having access to Internet. 	<ul style="list-style-type: none"> • Very few R&D companies in Republic of Moldova • Low public expenditures allocated for Research&Innovation and Development both in Romania and Republic of Moldova
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Development of new products launched in production. • Increase of the Romanian SMEs competitiveness following the R&D EU funded projects. • Internalisation of the Romanian SMEs that received EU funds. • Developing dedicated tools for financing the competitiveness of the Republic of Moldova companies, especially SMEs. • E-administration can be developed having a fast Internet connection. • E-healthcare development bringing healthcare in the remote areas and solving the lack of qualified medical staff. • Online schooling to be conducted in good conditions in case of COVID-19 pandemic next waves. • Increasing competitiveness, productivity, employment and boosting industrialization by developing business support infrastructure with an emphasis on creating multifunctional industrial platforms 	<ul style="list-style-type: none"> • No access for technical universities in EU funded R&D projects, since they have a low scoring, as they have no R&D track record. • Lack of interest for partnerships from other partner universities, in the absence of a proper R&D infrastructure. • Polarization of the R&D European market on active companies. • Cyber threat attacks of the e-tools for public administration. • Increasing prices for cloud solutions on the market, affecting the future development of the national infrastructure. • COVID-19 pandemic future waves.

2.6. CONCLUSIONS AND RECOMMENDATIONS

During the interviews held as part of the consultation process, PO1 was ranked as the 2nd most important PO, with the specific Objectives ranked as follows (1 being the most important and 4 the least important):

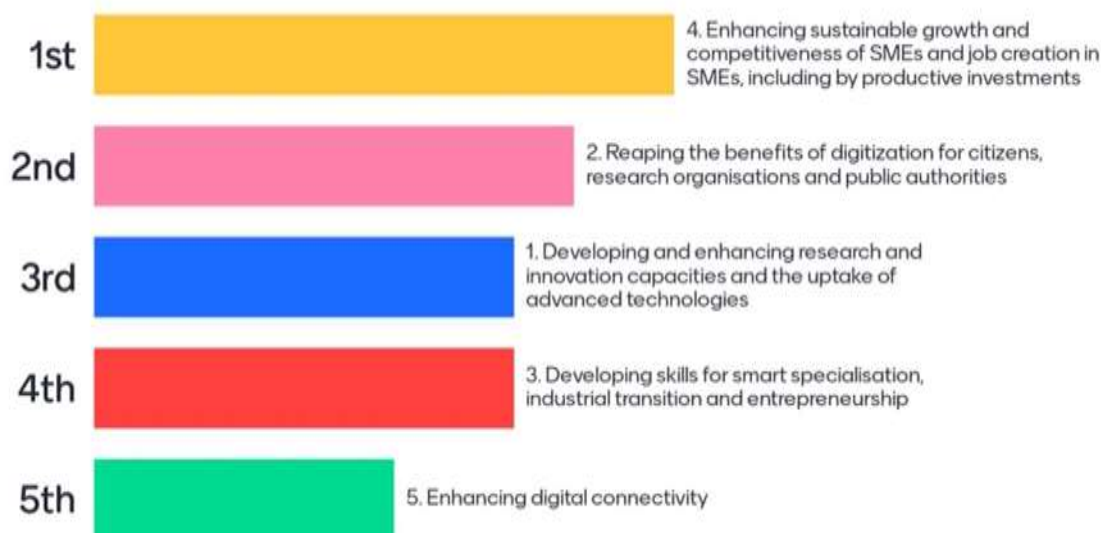
PO1 A smarter Europe and its neighbourhood	Score
Developing and enhancing research and innovation capacities and the uptake of advanced technologies;	2
Reaping the benefits of digitization for citizens, research organisations and public authorities;	1
Developing skills for smart specialisation, industrial transition and entrepreneurship;	4
Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments;	1

Rank of the Specific Objectives according to interviews

During the focus group organised with programme stakeholders²⁶, participants placed PO1 on the 5th position. In terms of the relevance of the specific objectives belonging to PO1, participants to the focus group voted the following ranking (from the most important to the least important):

- *enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments;*
- *reaping the benefits of digitisation for citizens, companies and governments;*
- *developing and enhancing research and innovation capacities and the uptake of advanced technologies;*
- *developing skills for smart specialisation, industrial transition and entrepreneurship;*
- *enhancing digital connectivity.*

²⁶ See Chapter 8 - Qualitative Research



Rank of the Specific Objectives for PO1

Although participants placed the objective specific to SMEs on the 1st position, implementing such investment projects is quite challenging since any funding scheme should be subject to the approval of the national competition authorities in both countries. The state aid schemes may differ from one state to another in terms of the state aid intensity and implementing rules.

The experiences revealed during COVID-19 pandemic and the good foundation of the Internet network corroborated with the high rate of Internet usage have proven that investing in e-governance tools represents the future solution to any other similar situation. Moreover, such investments will benefit both countries in the programme in terms of bringing administration, healthcare and school closer to the population/citizens.

However, this type of actions is already supported by other financial instruments, such as EU main stream programmes for the member state and programmes such as Horizon, where both countries may apply. World Bank is also financing Second Competitiveness Enhancement Project for Moldova²⁷ (with a budget of 45 million USD) having one component focused on strengthening Moldovan SMEs' linkages to markets and ability to compete in those markets. Enhancement of the competitiveness of the ICT sector in the Republic of Moldova has also been approached by other financing schemes, such as Government of Sweden through Sida/Swedish International Development Agency together with the United States Agency for International Development (USAID).

EU Economic Recovery Plan for Moldova foresees investments of up to €600 million between 2021 and 2024, focusing on several intervention fields, among which competitive economy, trade & SMEs stands out.

Furthermore, Romania is currently implementing several financial state aid dedicated to SMEs, i.e. IMM Invest Romania, IMM Leasing, with a total allocated budget exceeding 1 billion Euro. The main stream EU funded programmes for 2021-2027 together with Romania's National Recovery and Resilience Plan also foresee 6.6 billion Euro dedicated to the SME's sector.

²⁷ [Development Projects : MD Second Competitiveness Enhancement Project - P144103 \(worldbank.org\)](https://www.worldbank.org/)

Financing this type of actions and aiming at a considerable impact in the region would require a considerable budget allocation.

Having in mind that in accordance with the thematic concentration at least 60% of the ERDF contribution has to be allocated to PO2, and maximum other 2 POs, including PO1 as an eligible policy objective with a reduced allocation is not recommended for Interreg NEXT Romania-Republic of Moldova.

In line with the European Green Deal, launched by the Commission in December 2019, cooperation actions supporting this policy objective should promote among others: energy efficiency, clean renewable energy, climate change adaptation, risk prevention and disaster resilience, sustainable water management and the transition towards a circular economy in both the Union and the partner countries. They can also contribute to the development of smart energy systems, grids and storage at local level²⁸.

3.1. Energy transition

3.1.1. CO2 emissions

The use of solid fuel and waste combustion for domestic heating and to industry in R. Moldova, together with a low use of energy efficiency, is the main cause for air pollution.

If in Romania (eligible area), there are 14 public systems installed for monitoring air quality, on the whole territory of R. Moldova there are 9 manual monitoring systems in place.

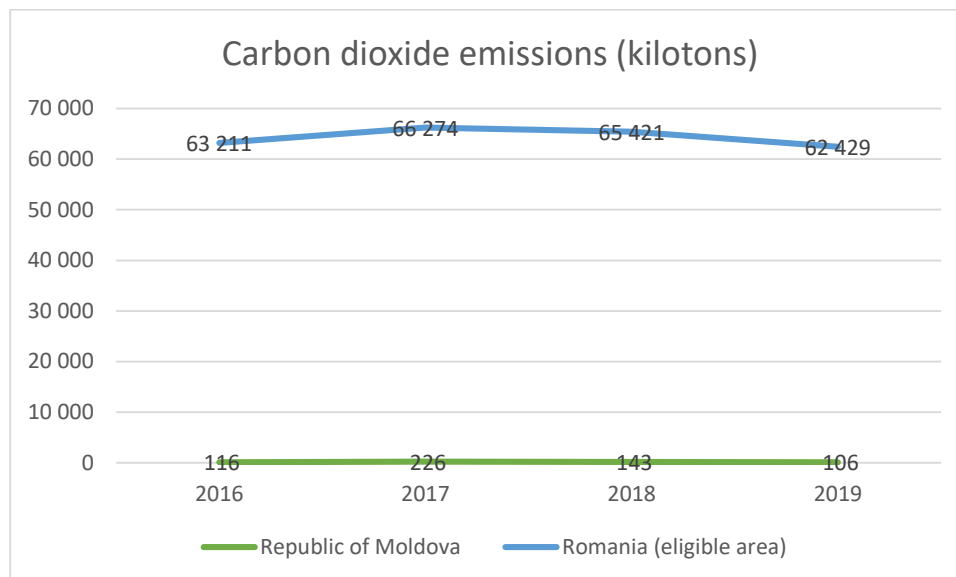


Figure no.12 - Carbon dioxide emissions from fuel combustion (kilotons)

The difference between Romania and Republic of Moldova can be explained by the difference in the economy structure. While in Romania industry and services count for nearly 96% of the economy structure, in the Republic of Moldova they reach nearly 90%. Moreover, another solid explanation of the considerable difference between Romania and Republic of Moldova resides in the population segmentation, with the urban population in Romania which is around 10.5 mil. inhabitants, while in Republic of Moldova is 1.7 mil. inhabitants.

²⁸ EC EAS (2020) Joint Paper on Interreg Next Strategic Programming

The governmental policies implemented by both countries positively impacted the reduction of the Carbon emissions, being in line with the European Union measures to meet the targets by 2030.

A closer monitoring of air quality in both countries would help take up the measures to reduce air pollution and, therefore, improve life quality, especially in the main urban centres.

3.1.2. Renewable energies

In 2017, the share of renewable energy for Romania was of 39.40, while Moldova had a share of 27.84. Both countries may focus on increasing this share and identifying sources of new energies for the use of public buildings as well as for population's use. As in both countries the growing trend of energy consumption per capita was around 10% in 2017 compared to 2016, this should determine national authorities to enhance the measures related to increase the share of renewable energy.

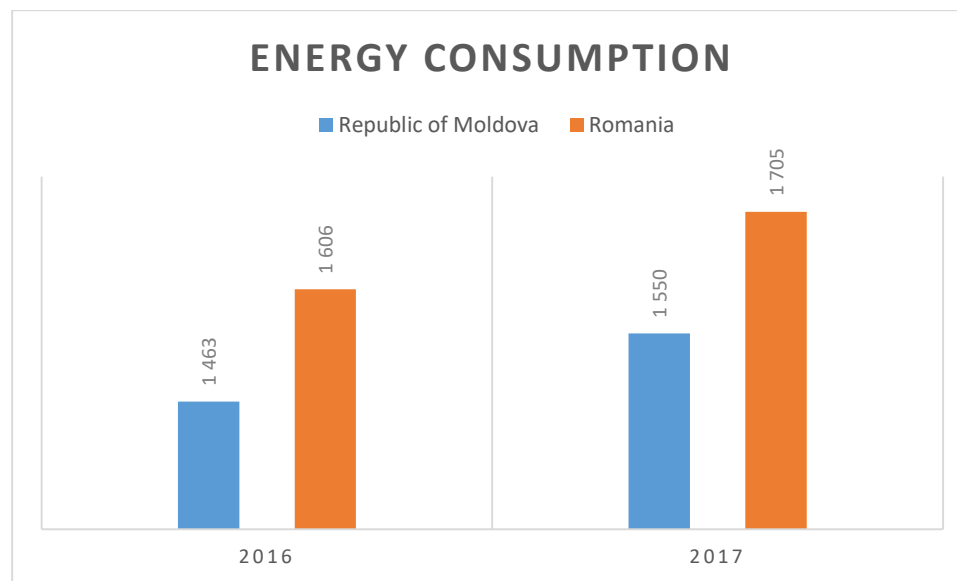


Figure no.13 - Energy consumption per capita (watts)

The EU designed, under Team Europe initiative, together with the EIB and EBRD, an Energy Efficiency programme in R. Moldova, totalling over €50 million of grants and preferential loans, promoting energy efficiency in public buildings, with a focus on hospital renovations. According to the conclusions of the consultations held by the Managing Authority, renewable energy is a topic of interest for stakeholders of the Interreg NEXT programme,

3.1.3. Gas and electricity connectivity

Among the commitments of Republic of Moldova in the Association Agreement there are provisions regarding the development of electricity and gas markets, based on EU energy acquis, investments in interconnection infrastructure aimed to diversify sources and routes for gas and electricity supply and gradual integration into the EU internal energy market based on the new interconnections.

The ENPI CBC Programme Romania-Ukraine-Republic of Moldova 2007-2013 financed the pipeline for interconnection of the natural gas transmission system in Romania with the natural gas transmission system in the Republic of Moldova on the direction of Iasi - Ungheni. Since then, the investment was completed with a new section Ungheni-Chisinau, ensuring the energy security of Republic of Moldova and creating premises for a better socio-economic development.

Moreover, the same ENPI CBC programme financed a Feasibility Study for the Interconnection of the Republic of Moldova and Ukraine to the European Network of Electricity Transmission System Operators (ENTSO-E) aiming to provide support in order to connect the electricity transmission networks in Ukraine and the Republic of Moldova to the European ENTSO-E network, by analyzing the potential technical, organizational and legal obstacles.

Other interconnection on electricity and further extensions on gas are envisaged in Republic of Moldova. But connection in what concerns energy networks, mainly electricity and gas is only one initial step towards the final goal, market integration. In order to achieve the market integration, new market rules were developed in Moldova based on Romanian electricity and gas market rules. A Nominated Electricity Market Operator in Republic of Moldova similar with the existent operator in Romania it is intended to be created, with the purpose of facilitating the interconnection of the electricity and gas markets of both countries.

3.2. Climate change

Climate change is showing its impact on the programme area through an increase in the average temperature and changes in the precipitation regime, both with high regional and seasonal variability. Consequences can be more floods and drought distributed over the year with potential damage to human infrastructure, more heat waves (with impact on human health) and higher risks of forest fires in Continental zones²⁹.

As indicated in the chart below, the share of renewable energy consumption is rather low in both countries, with Romanian eligible territory having still a better rate.

²⁹EC EAS (2020) Joint Paper on Interreg Strategic Programming

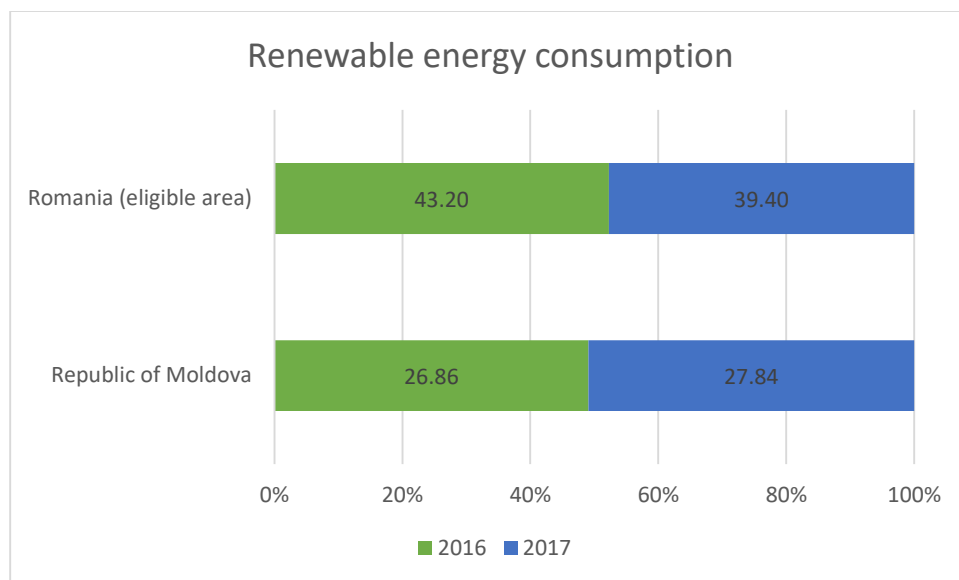


Figure no.14 - Share of renewable energy consumption

Both countries should take up necessary steps to increase the use of renewable energy, both in the private as well as in the industry sector. Financial schemes together with incentives should be provided so as to motivate companies and population towards a higher rate of use renewable energy.

3.3. Water management

The hydrographical network of the eligible area is extremely complex. The three main rivers that cross through the area are Siret on the Western limit, Nistru on the Eastern limit, Prut in the centre, coinciding with the Romania-Republic of Moldovan border, and for a short distance the Danube in the Southern extremity of the Galați county. The Danube part that crosses through Galați County is also the point on the river from which the naval traffic becomes maritime.

According to available data³⁰, the ecological status of Siret basin is a good one (85.58% of the river's length), while for 14.42% the status is rather moderate. For Prut river basin, approximately 60% registers a good and moderate ecological condition, as about 40% of the river registers a weak ecological condition.

Considering heavily modified water body for Prut river basin, 20% of the total length evaluated has a good ecological potential, while 80% of it has a moderate ecological potential. Similar values have been registered for Siret river basin.

³⁰ Source: Ministry of Environment, Waters and Forests in Romania

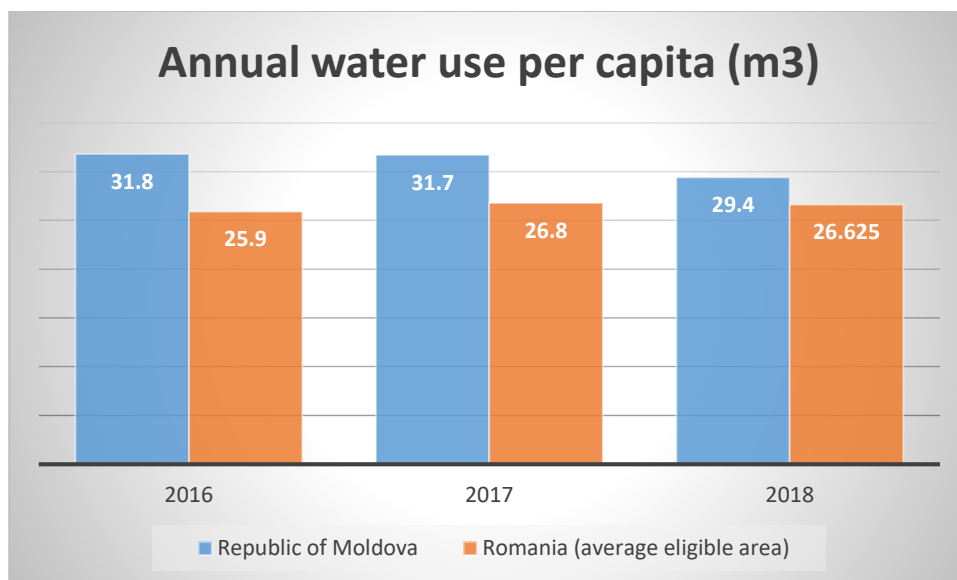


Figure no.15 - Annual water use per capita (m³)

In Romania (eligible territory), the rate of connection of inhabitants to safe drinking water was of 54.7% in 2019, increasing from 50.9% in the year of 2016. Speaking about the share of inhabitants in the Republic of Moldova connected to public water supply systems (calculated as per the 2, 59 mln. of *usual resident population*) in 2019 the percentage is 83.17, according to the *National Agency for Public Health under the Ministry of Health, Labour and Social Protection*. A share of 68.8% of dwellings were connected public water supply systems.

3.4. Circular economy

3.4.1. Waste management

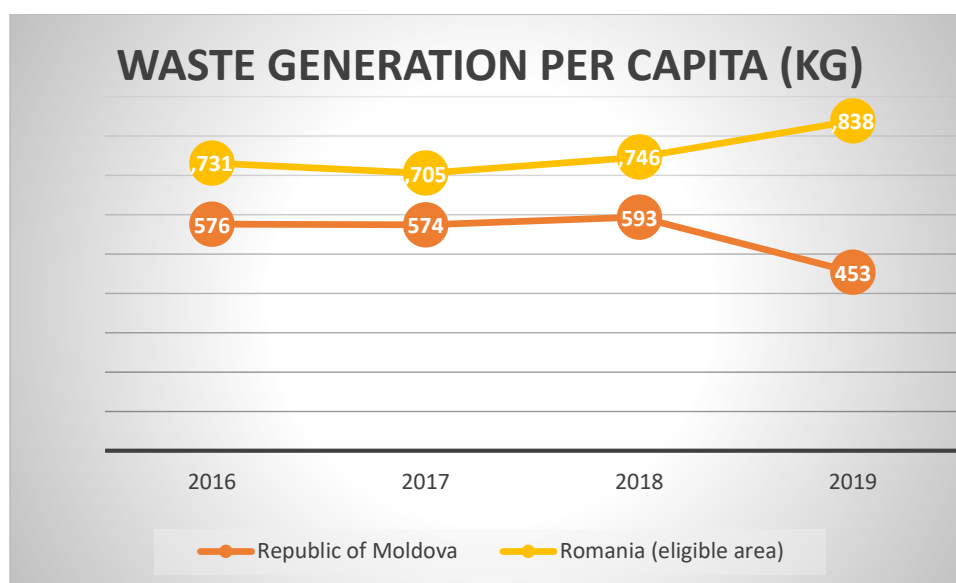


Figure no.16 - Waste generation per capita (kg)

In terms of waste generated by the population, official figures indicate 453 kg per capita in the Republic of Moldova, in 2019. For the Romanian counties, the average value is of 210 kg per capita of waste generated per capita, with a lower value in Vaslui (144 kg/capita) and close values in Botoșani (201 kg/capita), Iași (241 kg/capita) and Galați (252 kg/capita). Under these circumstances, municipal waste collection becomes an area of interest in order to develop adequate services to collect and to recycle the growing quantity of municipal and industrial waste produced.

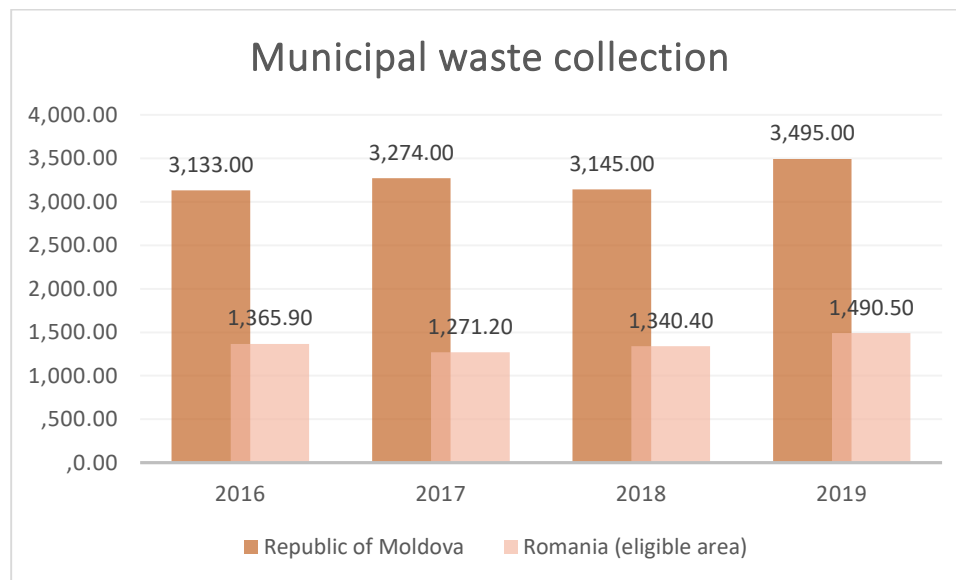


Figure no. 17 - Municipal waste collection (thousand cubic meters)

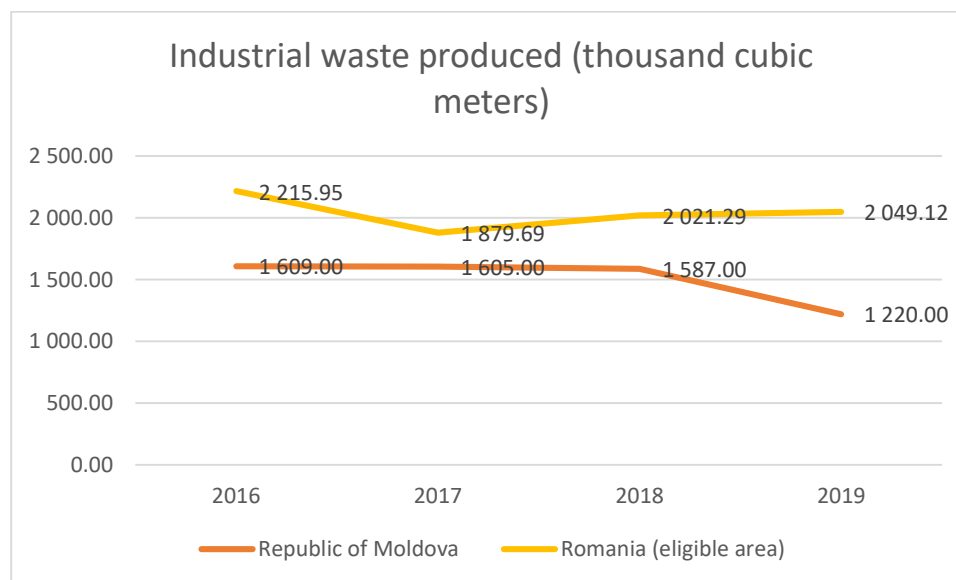


Figure no. 18 - Industrial waste produced (thousand tons)

With EU support, biomass heating systems have been installed in more than 225 schools, kindergartens, community centres and village halls in R.Moldova, making heating cheaper

and diversifying the country's energy sources. 47 of these sites were also equipped with solar hot water systems. 35 new biomass businesses were set up and over 400 new jobs have been created.

3.5. Biodiversity and green infrastructures

The area covered by forest in the Republic of Moldova is nearly 2 times larger than the one in the eligible area of the program in Romania.

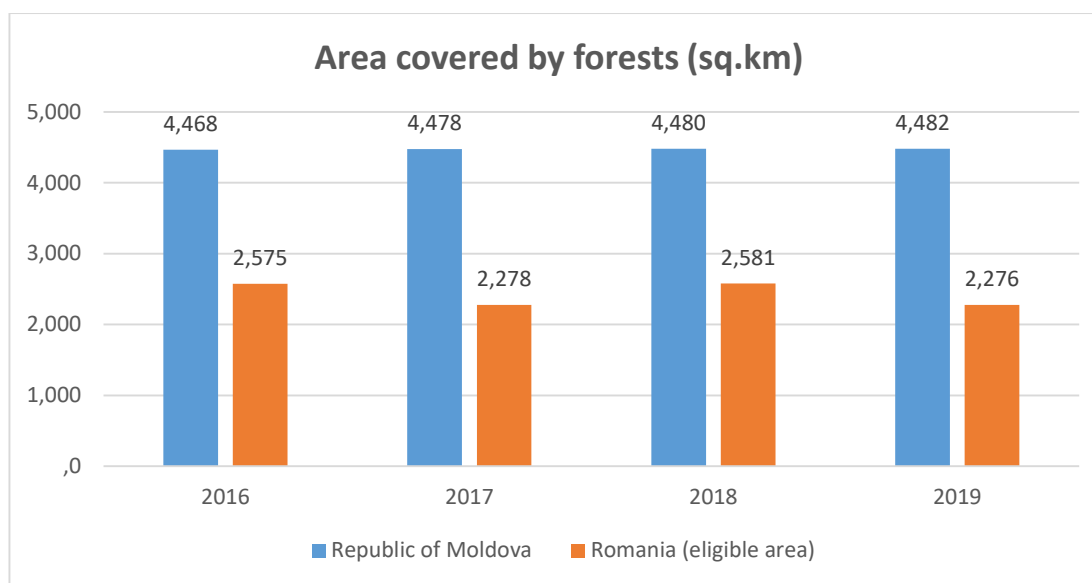


Figure no. 19 - Area covered by forests (sq.km)

In terms of intensity of the use of forests resources from the clearing point of view, figures indicate quite a stable trend in the Republic of Moldova from 250 ha in 2016 to the same figure in 2019, while in the eligible area of Romania no clearing of the forests resources were reported during 2015-2019. When talking about the use of the forests resources related to timber authorized for harvesting, while in the eligible area of Romania there were no authorizations granted, in the Republic of Moldova the figures vary from 576 ha. In 2016 to 567 ha. in 2019.

In 2019 the areas in the Republic of Moldova under the risk of flood are amounting 2,315 sq. km, whereas in Romania the figure is 14,564 sq.km. (no data available for the individual counties located in the eligible area of Romania).

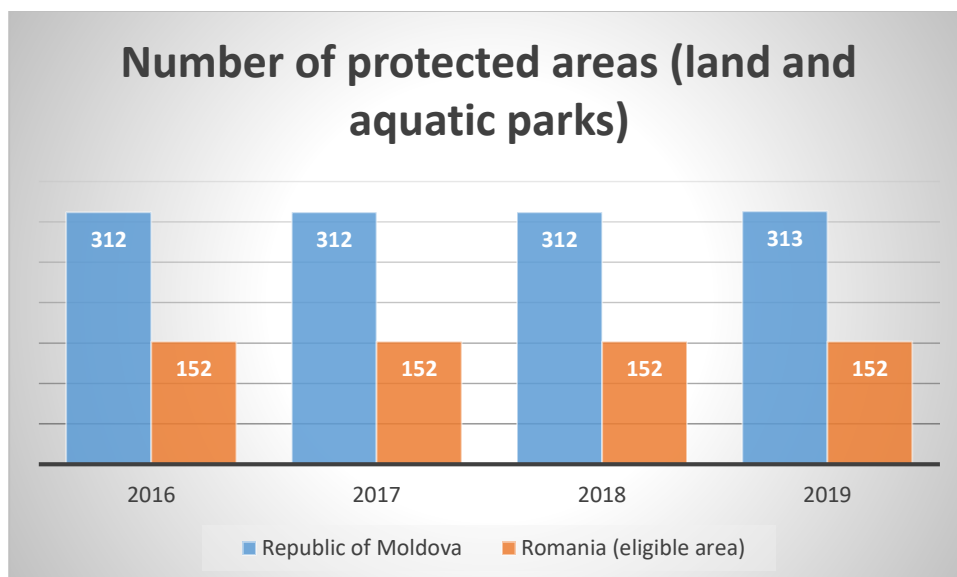


Figure no.20 - Number of protected areas (land and aquatic parks)

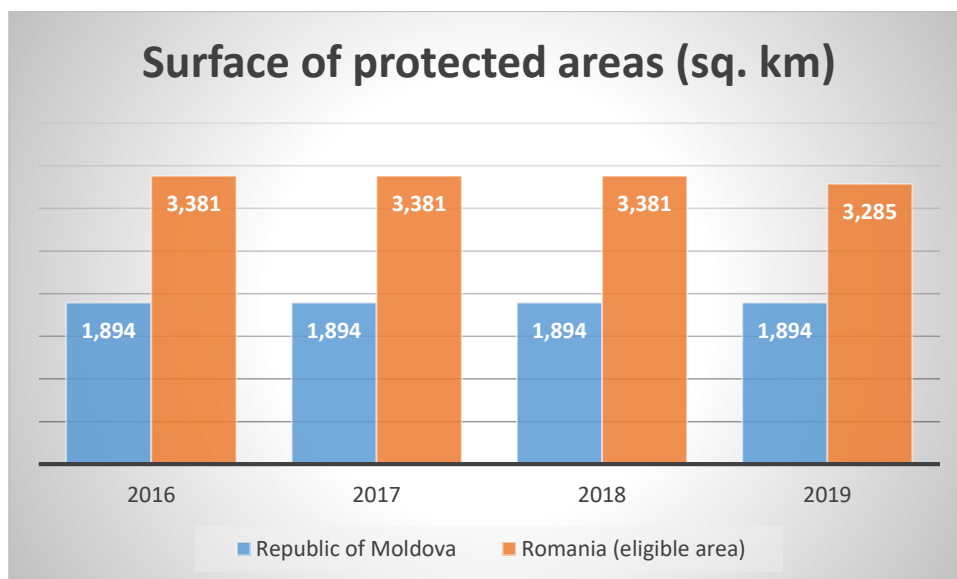


Figure no.21 - Surface of protected areas (sq.km)

Although the number of the protected areas in the Republic of Moldova is 2 times higher than the one in the eligible area of the Romanian territory, in terms of surface, protected areas in Romania are by far vaster than the ones in the Republic of Moldova. However, the surface of the Romanian protected areas included in the eligible area of the programme, only represents 5.4% of the total protected area in Romania.

3.6. Functional area(s) on green cooperation

Between the two countries there is a functional cooperation under the following initiatives:

- Upper Prut Euroregion, consisting of entities from both Romania and Republic of Moldova, and also Ukraine. In the programme area, Romania is represented by Botoşani county, while Republic of Moldova by 8 rayons. The green cooperation

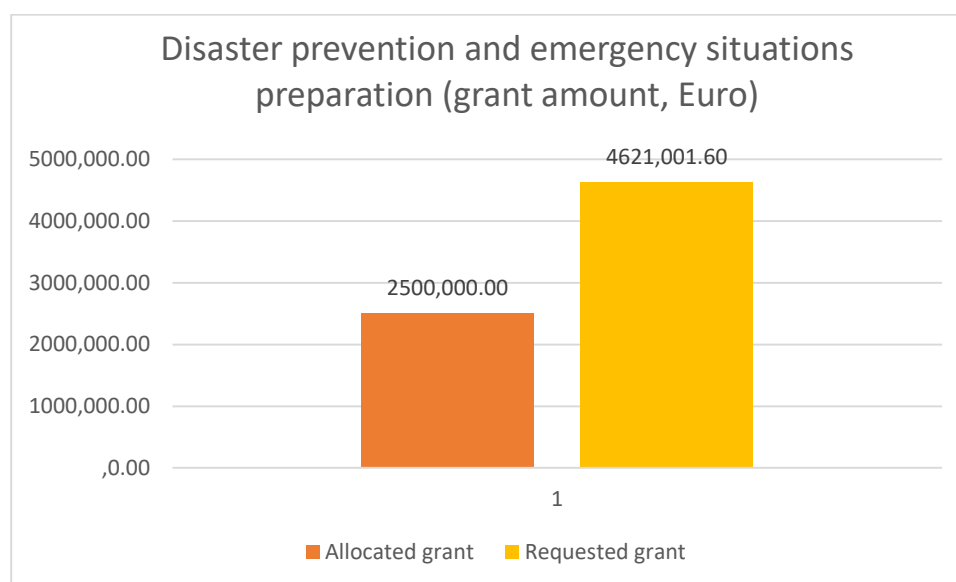
covers mainly the joint management of the middle part of Prut river, protection of the air quality and reduction of the waste impact on environment.

- Lower Danube Euroregion, consisting of entities from Romania, Republic of Moldova and Ukraine. In the program area, Romania is represented by Galati county, while Republic of Moldova by Cahul and Cantemir rayons. The green cooperation was conducted around the pollution sources in the Lower Danube region.

Both interactions and dynamics were enhanced during EU funded projects, while the constant rhythm of cooperation between the 2 countries is led by the main public institutions in the environment field.

3.7. Lessons learnt

Romania-Republic of Moldova 2014-2020 ENI CBC Programme allocated 2.5 million Euro for the prevention of man-made disasters and preparation for emergency situations, by means of *Priority 4.2 - Support to joint activities for the prevention of natural and man-made disasters as well as joint actions during emergency situations* (Thematic objective 8 - Common challenges in the field of safety and security). The total grant value of the projects submitted reached almost double of the allocated amount:



However, as the future PO2 covers a larger area of intervention fields than the current one, more varied projects can be submitted so as to address the needs of the area, i.e. green infrastructure, flood protection, investments in disaster preparedness systems.

3.8. SWOT ANALYSIS - A GREENER EUROPE

STRENGTHS	WEAKNESSES
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<ul style="list-style-type: none"> • Low Carbon emissions level in Republic of Moldova • High rate of connection to safe drinking water of 99% in Republic of Moldova. • Vast area of forests in Republic of Moldova. • A constant number of protected areas in both countries of the program. • New interconnections on electricity and gas built or under development 	<ul style="list-style-type: none"> • High Carbon emissions level in Romania • Low rate of renewable energies in Republic of Moldova. • Lack of qualitative raw material for production of solid biofuels • Reduced area of forests in the 4 eligible counties in Romania. • Intensive timber harvesting in Republic of Moldova. • No Energy Market Operator in Moldova (NEMO); • Low competition on gas and electricity markets.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • The governmental policies impacted the reduction of the Carbon emissions, being in line with the European Union measures to meet the targets by 2030. • Alignment to European Green Deal policy. • Capitalisation of the previous cross-border EU funded programmes in the field of environment and emergency situations. • Energy market coupling of Moldova and Romania, EU market integration of Moldova; 	<ul style="list-style-type: none"> • Penalties applied by European Commission for Romania not meeting the Carbon emissions long term effect on the national budget • Increase cost for energy consumption at the European level or by the current providers. • Insolvency or bankruptcy of the current water operator company in case big losses are generated by the aging water network in Republic of Moldova. • Natural calamities (landslide) caused by timber harvesting in Republic of Moldova. • Floods produced by heavy waterfalls, aggravated by the lack of proper protection works performed in advance.

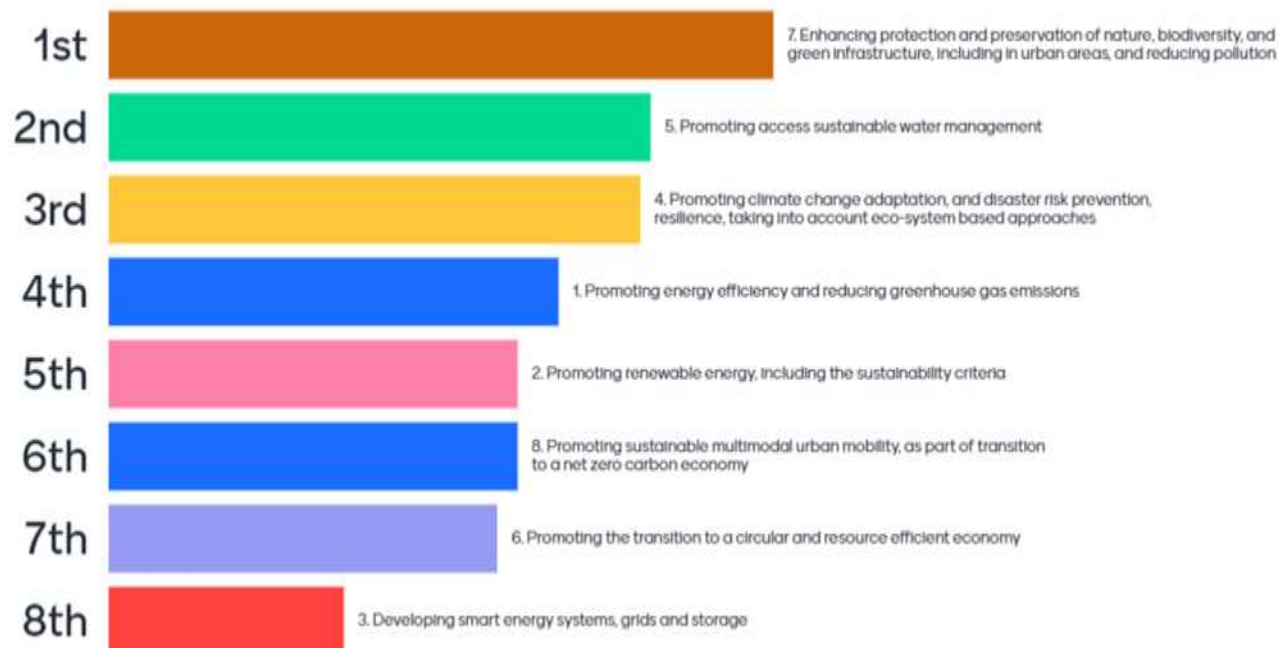
3.9. CONCLUSIONS AND RECOMMENDATIONS

According to the consultations held by the Managing Authority, during the interviews PO2 was voted as the 3rd important PO. The Specific objectives were ranked as follows (1 - the most important, 8 - the least important):

PO2 A greener low-carbon Europe and its neighbourhood	Score
Promoting energy efficiency and reducing greenhouse gas emissions;	1
Promoting renewable energy in accordance with Renewable Energy Directive (EU) 2018/2001, including the sustainability criteria set out therein;	2
Developing smart energy systems, grids and storage outside TEN-E;	8
Promoting climate change adaptation, and disaster risk prevention, resilience, taking into account eco-system based approaches;	6
Promoting access sustainable water management;	1
Promoting the transition to a circular and resource efficient economy;	1
Enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution;	4
Promoting sustainable multimodal urban mobility, as part of transition to a net zero carbon economy;	7

In the focus group, participants placed PO2 on the 6th position. In terms of the relevance of the specific objectives belonging to PO2, participants to the focus group voted the following ranking (from most to least important one):

- *enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution;*
- *promoting access to water and sustainable water management;*
- *promoting climate change adaptation and disaster risk prevention and resilience, taking into account eco-system based approaches;*
- *promoting energy efficiency measures and reducing green-house gas emissions;*
- *promoting renewable energy in accordance with Directive (EU) 2018/2001, including the sustainability criteria set out therein;*
- *promoting sustainable multimodal urban mobility, as part of transition to a net zero carbon economy;*
- *promoting the transition to a circular and resource efficient economy;*
- *developing smart energy systems, grids and storage outside the Trans-European Energy Network (TEN-E).*



Rank of Specific Objectives for PO2 (Focus-Group)

As indicated already in the SWOT analysis above, both countries have weaknesses related to high Carbon emissions levels, a low rate of renewable energies in Republic of Moldova, influenced by the lack of the legal framework for solar energy valorification, and a reduced area of forests in Romania and an intensive timber harvesting in R.Moldova. The experience of the Romanian public authorities in energy efficiency projects may represent an advantage, sharing their expertise with the partners from Republic of Moldova.

Proposed types of actions to be financed are in the field of:

- a) energy efficiency;
- b) sustainable water management;
- c) disaster risk prevention.
- d) Waste management
- e) biodiversity

Having in mind that in accordance with the thematic concentration at least 60% of the ERDF contribution has to be allocated to PO2, and maximum other 2 POs, including PO2 as an eligible policy objective is mandatory for Interreg NEXT Romania-Republic of Moldova 2021-2027.

4.1. Transport

Accessibility for Romania in the area through motorways and railways is slightly below average if compared to other member states. A marked contrast exists between North-West Romanian regions as compared to North-East/South-East, where transport accessibility is significantly lower.

At the end of 2018, public roads in Romania totaled 86,234 km, out of which 17,740 km (20.6%) were national roads, 35,085 km (40.7%) represented county roads and 33,409 km (38.7%) were communal roads³¹.

In the Republic of Moldova, public roads represent 9,359 km, out of which more than half (6,016.2 km) are local roads. National roads are represented by two categories, i.e. main roads (6) which provide international connection and republic roads, which connect cities to other economic, cultural, natural centres. The main urban centres in the country have the highest road density, with Chisinau and Balti having a density above 51 km/100 km².

No highways are available in the Republic of Moldova at present, as Romania reported 920 km of highways at the end of 2020.

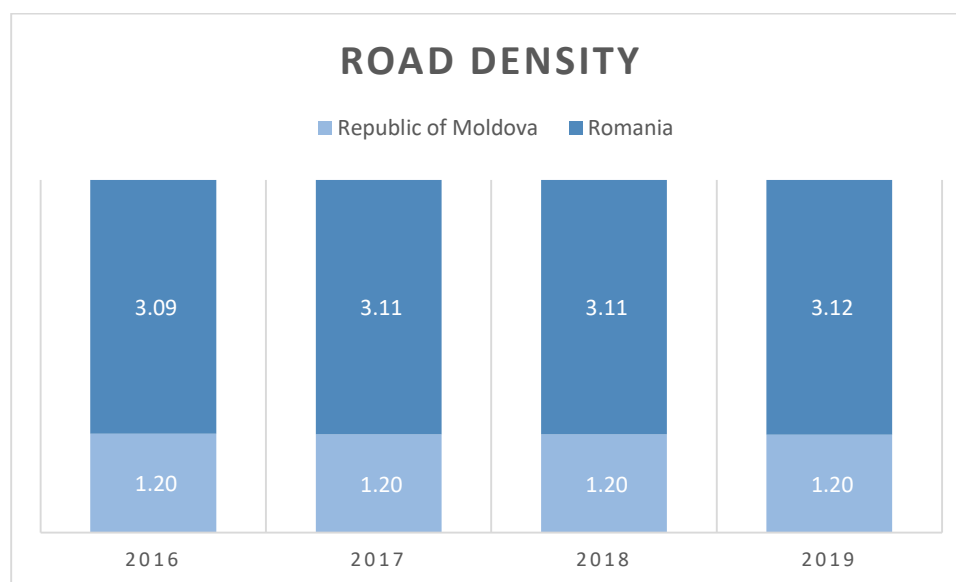


Figure no.22 - Road density in Romania and Republic of Moldova

In 2018, number of passengers carried by railways for Republic of Moldova³² was 94.5 million passenger-km. Number of passengers carried by railways of Republic of Moldova fell gradually from 343 million passenger-km in 1999 to 94.5 million passenger-km in 2018.

In the same reference year, number of passengers carried by railways for Romania was 5,577 million passenger-km. Number of passengers carried by railways of Romania fell gradually from 12,304 million passenger-km in 1999 to 5,577 million passenger-km in 2018.

³¹ <https://insse.ro/cms/ro/content/lungimea-c%C4%83ilor-de-transport-%C3%AEn-anul-2018>

³² <https://knoema.com/atlas/Republic-of-Moldova/Number-of-passengers-carried-by-railways>

Romania length of rail lines was at level of 10,759 km in 2019, down from 10,765 km previous year, this is a change of 0.06%. Republic of Moldova length of rail lines was at level of 1,151 km in 2018, unchanged from the previous year.

In terms of connectivity, Moldova has 2 airports with international links (Chisinau and Marculesti), as in the eligible area of Romania there is only one airport in Iași, having international connections.

Since 28 April 2014, Moldovan citizens with a biometric passport can travel to the Schengen area without a visa. More than 2.5 million Moldovan citizens have benefitted from the visa free regime so far³³.

In 2019, number of air passengers³⁴ carried for Republic of Moldova was 1.41 million. Number of air passengers carried of Republic of Moldova increased from 117,532 in 2000 to 1.41 million in 2019 growing at an average annual rate of 14.75%.

In 2019, number of air passengers carried for Romania was 5.63 million. Number of air passengers carried of Romania increased from 452,500 in 1970 to 5.63 million in 2019 growing at an average annual rate of 6.36%.



Figure no.23 - Airports and ports with international connections in the eligible area

³³ https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/eap_factsheet_moldova.pdf

³⁴ Idem 29

Both countries have 1 port each for goods or/and persons, internationally connected.



Figure no.24 - Border crossing points between Romania and Republic of Moldova

A road bypass around Ungheni, fully funded by the EU, was opened on 3 August 2018. Around 700 kilometers of roads have been or will be rehabilitated in the Republic of Moldova thanks to EU support. Public transport has been improved in Chișinău and Bălți with modern trolley buses.

4.2. Lessons learnt

During the period of 2014-2020, Romania-Republic of Moldova ENI CBC financed the field that will be covered by PO3 in the Interreg NEXT programme, under Priority 3.1 - Development of cross border transport infrastructure and ICT tools (Thematic objective 7 - Improvement of accessibility to the regions, development of transport and communication networks and systems). The allocation for this priority was 17 million Euro, and the total grant for the projects submitted reached 33 million Euro. However, out of these, only 11 projects were approved for contracting, with a total grant value of 15.4 million Euro.

The difficulties faced by beneficiaries consisted of impossibility to meet deadlines in submitting documents such as building permits, the differences in legislation requirements when it comes to infrastructure construction.

4.3. SWOT ANALYSIS - A MORE CONNECTED EUROPE BY ENHANCING MOBILITY

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> Increased number of air passengers in both countries. Qualified workforce with reduced costs, specialized local works companies in Romania. Romania is well positioned on the TEN-T axis, Corridor IV allowing for a good connection with the neighbouring countries. Good competition generated by private transport road and railways operators for both passengers and goods in the Romanian eligible area. 	<ul style="list-style-type: none"> No highway in Republic of Moldova and a reduced number of km of national roads. Slow progress on the corridor IX Ploiesti - Iasi - Ungheni. No proper management of the state-owned railway and airlines companies, targeted on sustainable profit and reducing costs. Some of the rehabilitation works were not performed in line with EU norms and standards therefore some of them have to be redone. A growing trend of the road transport volume, despite the railway transport. Low investment in the railways infrastructure, imposing speed restrictions.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Investing in multimodal transport mainly for goods containers as a solution to the current road or railway transportation. Access to corridor IX and to Black Sea may unlock the potential of high volumes of goods transported by sea, with lower costs compared to air or road transport for both Programme countries. Energy market coupling of Moldova and Romania, EU market integration of Moldova; 	<ul style="list-style-type: none"> Relocation of some of the industrial facilities (foreign direct investments) caused by lack of necessary infrastructure. COVID-19 pandemic future waves restricting the number of passengers. Insolvency or bankruptcy of some of the operators, triggering the state aid schemes for airlines and airports. Environmental threats triggered by car emissions/potential infringement procedure started by European Commission. Losing the EU allocated funds because of the lengthy public procurement procedures and land property rights. Roads ownership rights. COVID-19 pandemic traffic restrictions.

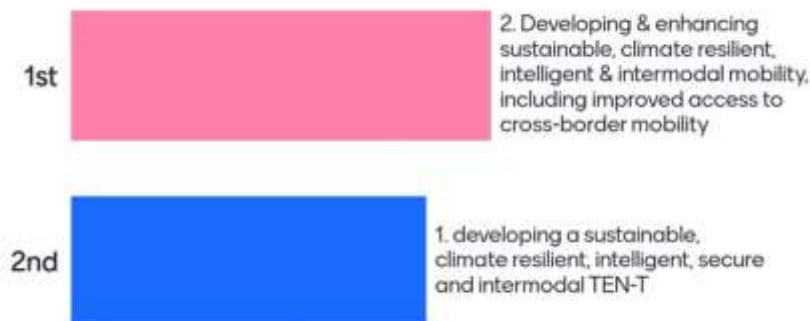
4.4. CONCLUSIONS AND RECOMMENDATIONS

Considering the outcome of the consultations held by the Managing Authority, the interviews ranked PO3 as the 3rd most important PO during the **interviews**, similar to PO2, with the Specific Objectives ranked as follows (1 - the most important, 4 - the least important)³⁵:

PO3 A more connected Europe by enhancing mobility and regional ICT connectivity	Score
Enhancing digital connectivity	1
Developing a sustainable, climate resilient, intelligent, secure and intermodal TEN-T	3
Developing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility	1
Promoting sustainable multimodal urban mobility	4

In the **focus group** participants placed PO3 on the 6th position. In terms of the relevance of the specific objectives belonging to PO3, participants to the focus group voted the following ranking (from most to least important):

- *developing and enhancing a sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility;*
- *developing a climate resilient, intelligent, secure, sustainable and intermodal TEN-T.*



³⁵ Specific objectives ranked during the interviews are those presented in the draft Regulation, while the focus-group included specific objectives presented in the final form of the Regulation.

Rank of Specific Objectives for PO3 (Focus-groups)

Considering the restrictions imposed by the thematic concentration, together with the fact that transport infrastructure projects are to be characterized by a high value, exceeding usually the maximum project value which was financed under the current programme (2014-2020), including PO3 as an eligible policy objective with a reduced allocation is not recommended for Interreg NEXT Romania-Republic of Moldova.

5.1. Employment

Unemployment rate of the programme area is rather low and there are not significant differences between the two countries. However, in the Republic of Moldova, it worth mentioned a link between unemployment and criminality (the total number of persons without a job who have committed crimes during 2016-2019 is 29,353, of which 14,975 people are under the age of 30). Young people, as a group, tend to be more affected by unemployment, with 12.49% in 2019, an increase from 7.41% in 2018³⁶.

In Romania, although on a decreasing trend, the percentage of unemployed youth was 15.43 in 2019, at national level.

Compared to the national level, the high unemployment rate in the Romanian eligible area can be explained by the high rate in Vaslui and Galati counties. Vaslui county lacks industrial activities, while Galati used to have a lot of factories which were restructured, generating a quick increase of the unemployment rate.

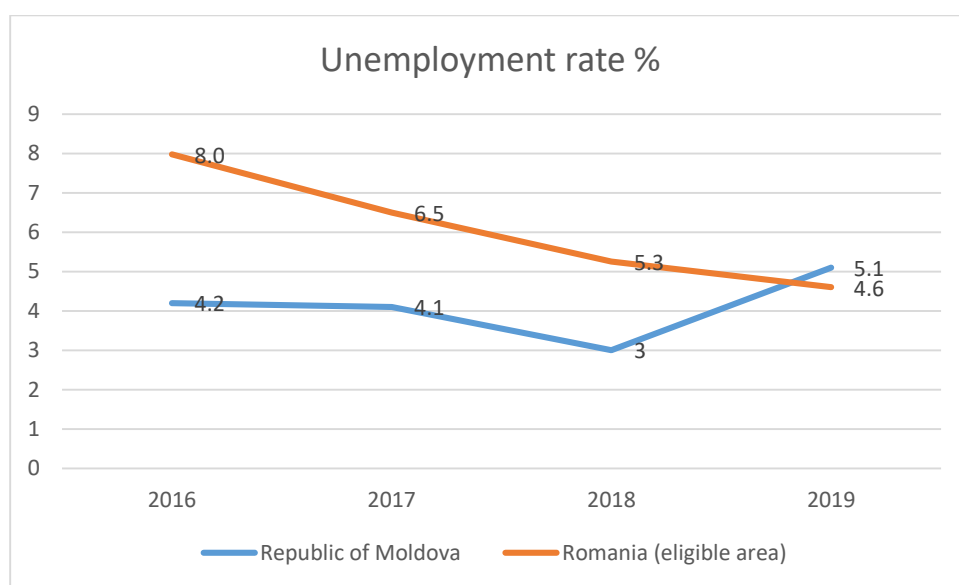


Figure no.25 - Unemployment rate (%)

³⁶ Statista.com

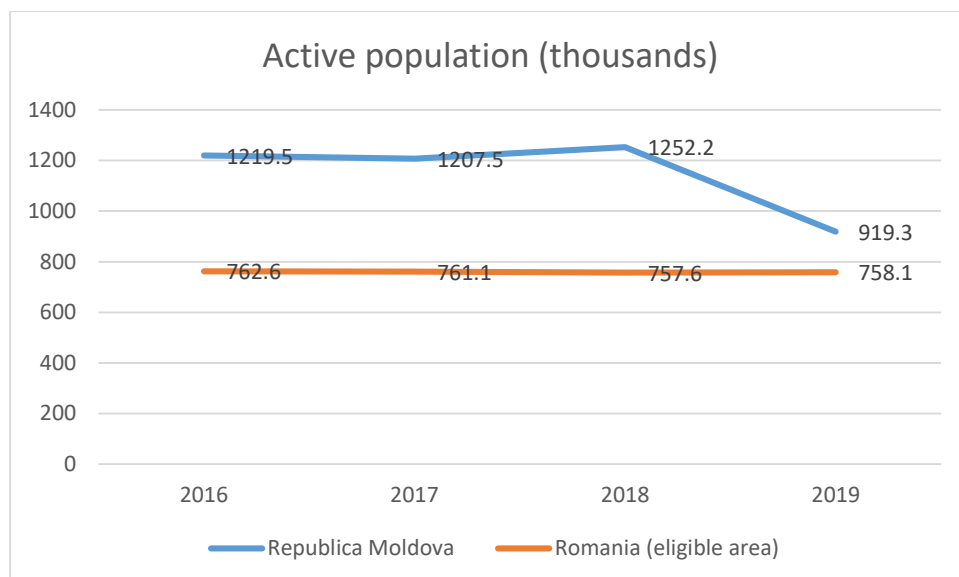


Figure no.26 - Active population (thousands)

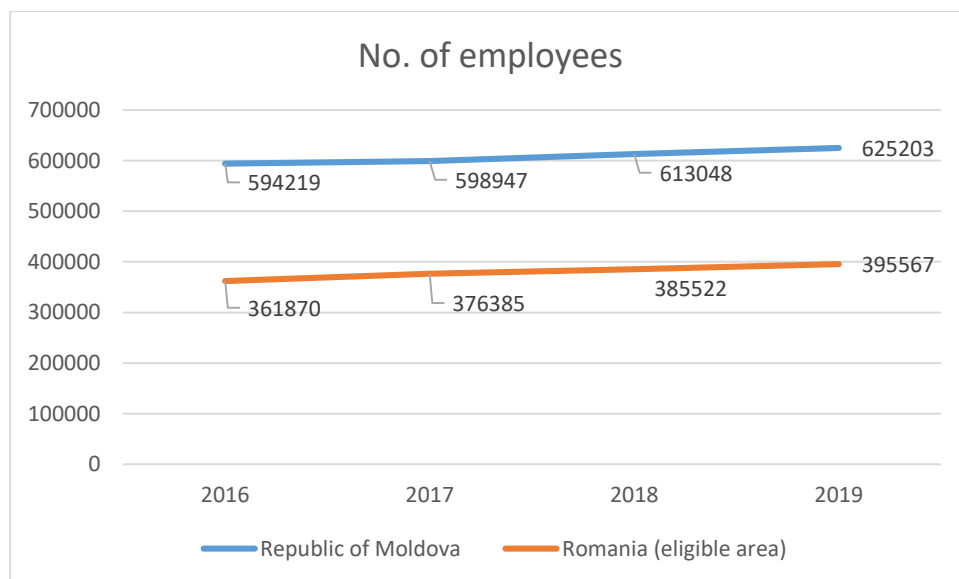


Figure no.27 - Number of employees

When analysing the above-mentioned graphs additional indicators should be considered, such as demographic aging of the population and migration. In both countries we are witnessing an increase share of the aging population, doubled by an important part of the active population that decided to leave Romania or Republic of Moldova to work abroad.

Moreover, the constant growth of life expectancy in both countries (in 2018, in Romania life expectancy was 75.3 years with 4.12 years more than in 2005 / Republic of Moldova 73.16 in 2018 compared to 67.85 years in 2005) is putting a huge pressure on the pension deficit.

In terms of temporary long duration migration, Romania is facing a growing trend from 187,466 in 2015 to 238,926 people leaving Romania in 2018. 126,893 people left Republic of Moldova in 2015 compared to 158,142 in 2018. Studies conducted in both countries

clearly show that the vast majority of the emigrants are part of the active population leaving for better paid and sustainable jobs outside the country.

5.2. Education

When it comes to public education expenditure, although the allocated percentage in the Republic of Moldova is higher than the one in Romania, in real values that allocation is rather small, being influenced by the reduced GDP of the Republic of Moldova. Therefore, investment in public education is a constant need although the allocated GDP percentage reached nearly 6 in 2019. Data split for the 4 counties from the Romanian eligible area is not available.

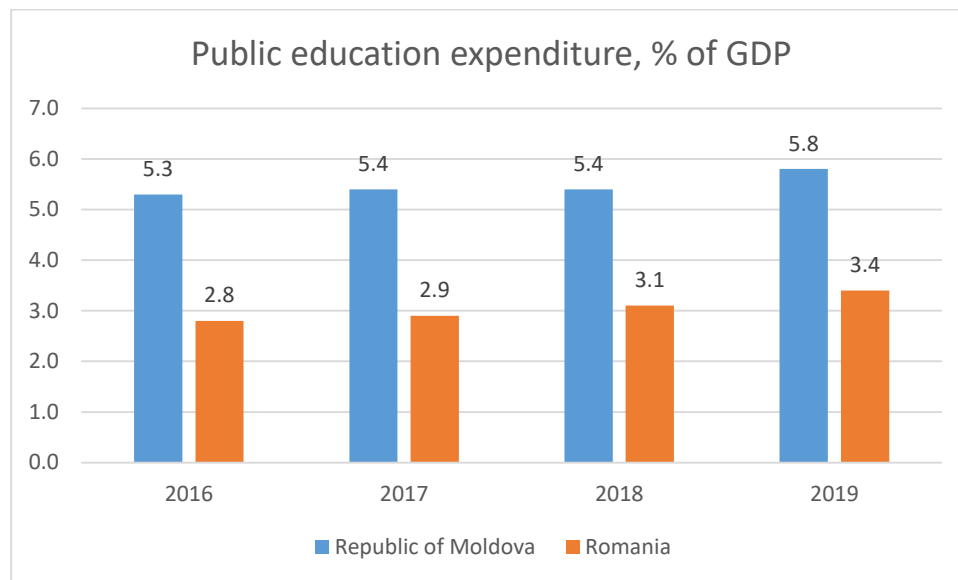


Figure no.28 - Public education expenditure - % of GDP

An alarming situation is characterized by the gross enrolment ratio for the pre-primary education, which in the eligible area of the Romanian territory is facing an accelerated reduction of 10% in 4 years, while in Republic of Moldova the influence was insignificant 0.4%.

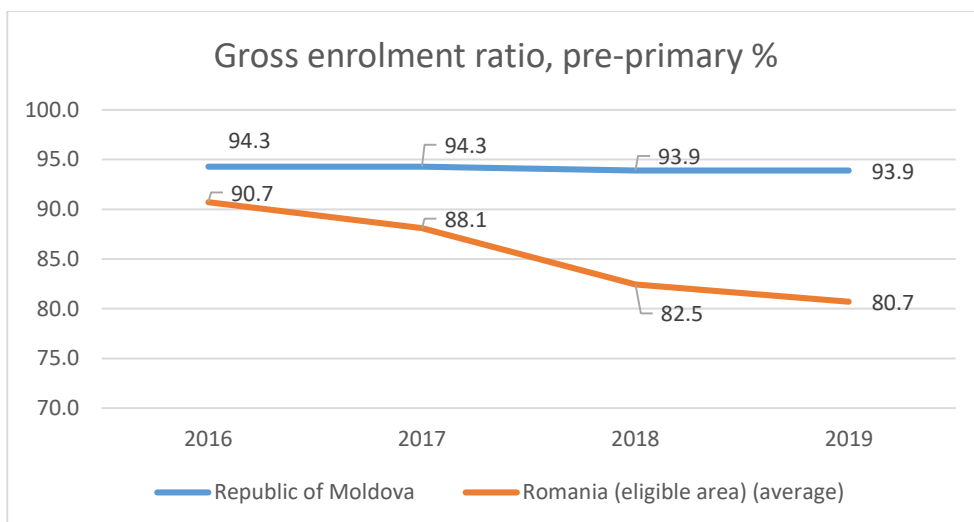


Figure no.29 - Gross enrolment ratio for pre-primary education (%)

A viable explanation of the higher percentage of enrolment ratio for the pre-primary education in the Republic of Moldova can be found in the number of day-care kindergartens per 1,000 children of 10.4 compared to only 1.4 in Romania, in 2018.

When interpreting the following graphs, one should bear in mind that having a percentage exceeding 100 is related to the methodological calculation used by the authorities of the Republic of Moldova. The gross enrolment rate represents the total number of pupils / students from a certain educational level, regardless of their age, expressed as a percentage ratio of the total population in the official age group corresponding to the given level.

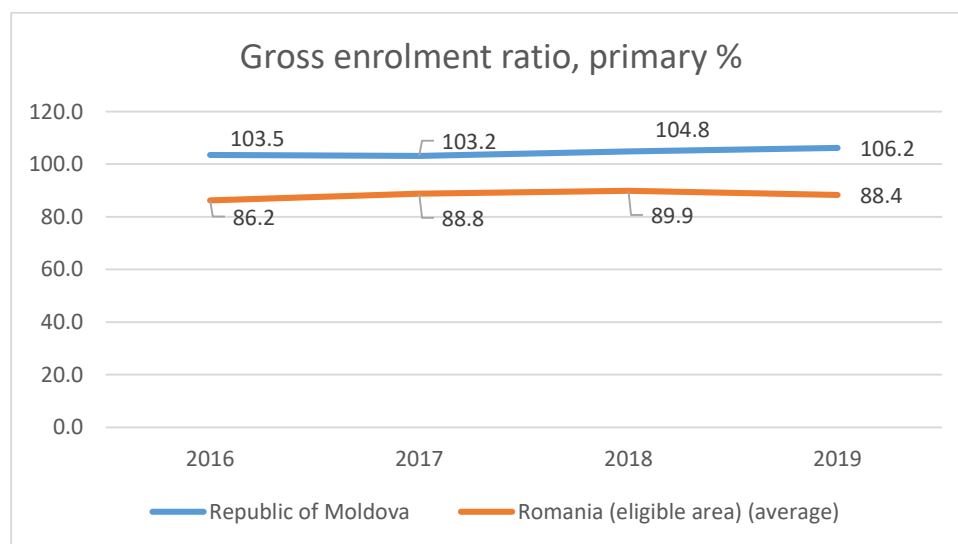


Figure no.30 - Gross enrolment ratio for primary education (%)

When comparing the enrolment ratio for primary education in Republic of Moldova with the one in Romania, we need to have in mind also the number of primary schools per 1,000 children of 3.8 in Moldova as compared to only 2 in Romania, in 2019.

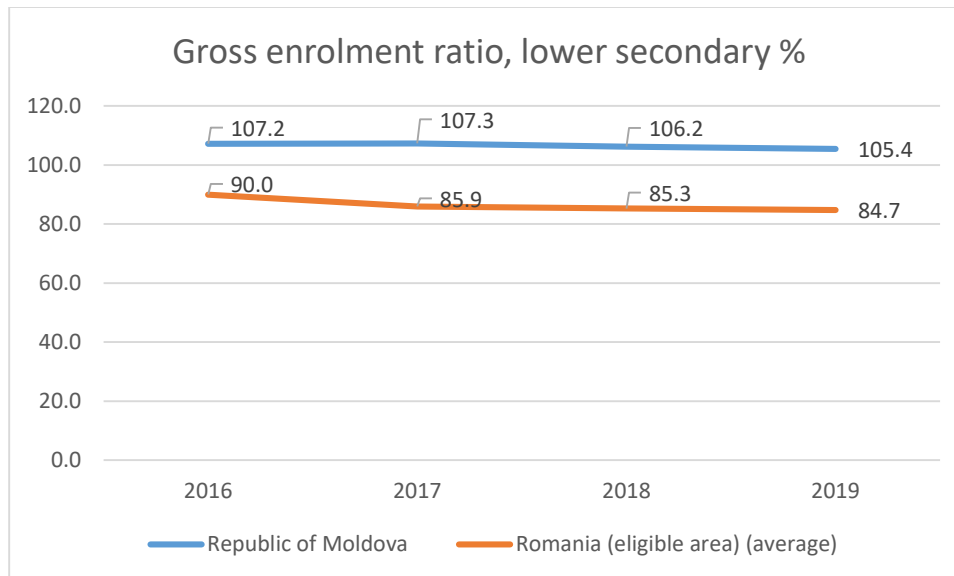


Figure no.31 - Gross enrolment ratio for lower secondary education (%)

When comparing the enrolment ratio for secondary education in the Republic of Moldova with the one in Romania, there should also be taken into account the number of high schools per 1,000 children, i.e. 10.2 in Moldova, compared to only 1 in Romania, in 2018.

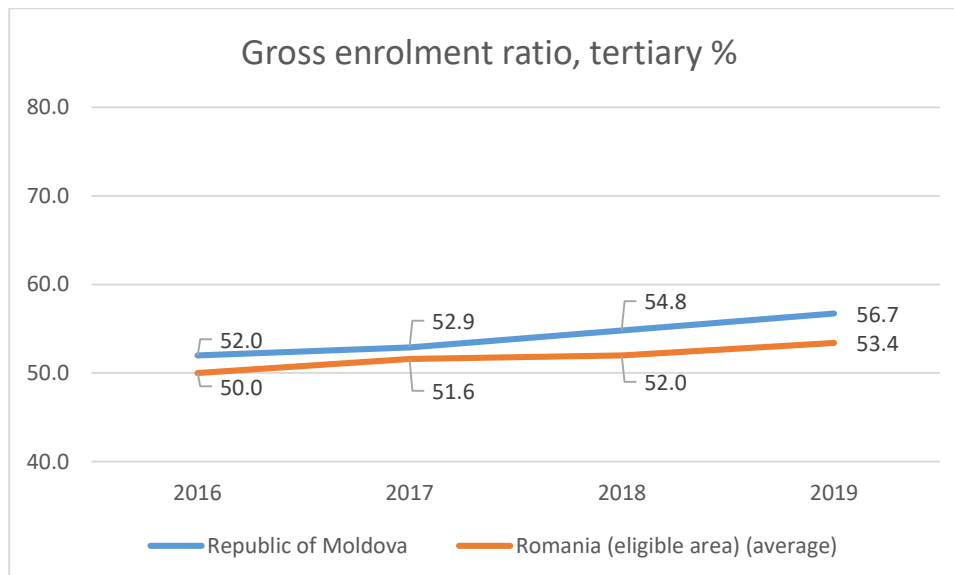


Figure no.32 - Gross enrolment ratio for tertiary education (%)

Analyzing how prepared schools and universities are in terms of PC infrastructure, the situation in the area of the programme is shown in the below graph. The below figures have been improved following the COVID-19 pandemic, when IT devices were bought in order to create the prerequisite for online schooling.

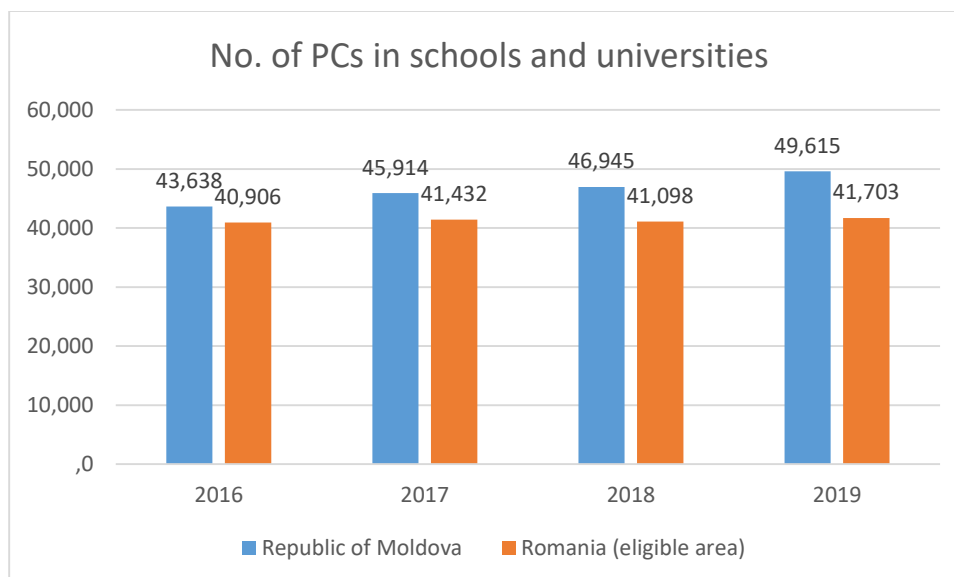


Figure no.33 - Number of PCs in Schools and universities

When analyzing the NEET³⁷ situation, it's worth making the following remark: the Republic of Moldova and Romania have 2 different time ranges for NEET (Republic of Moldova 15-29 years) and (Romania 15-34 years).

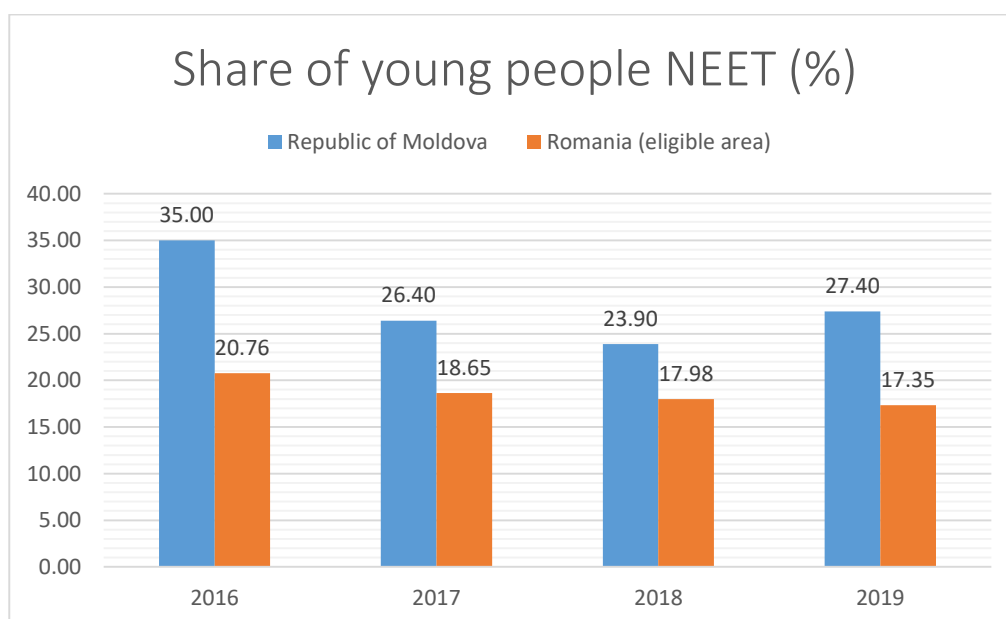


Figure no.34 - Share of young people NEET (%)

5.3. Social cohesion

Social cohesion data is covering both countries, not having available data for the four Romanian counties in the program area.

³⁷ (Young people) Neither in Employment nor in Education or Training.

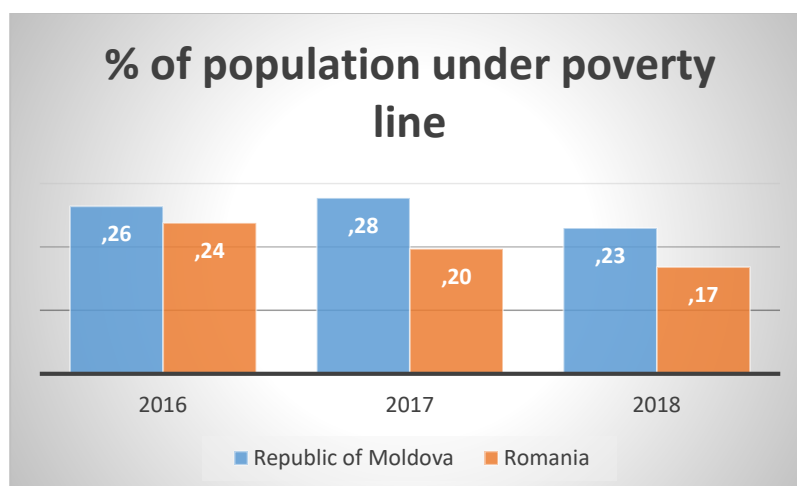


Figure no.35 - Population under poverty line (%)

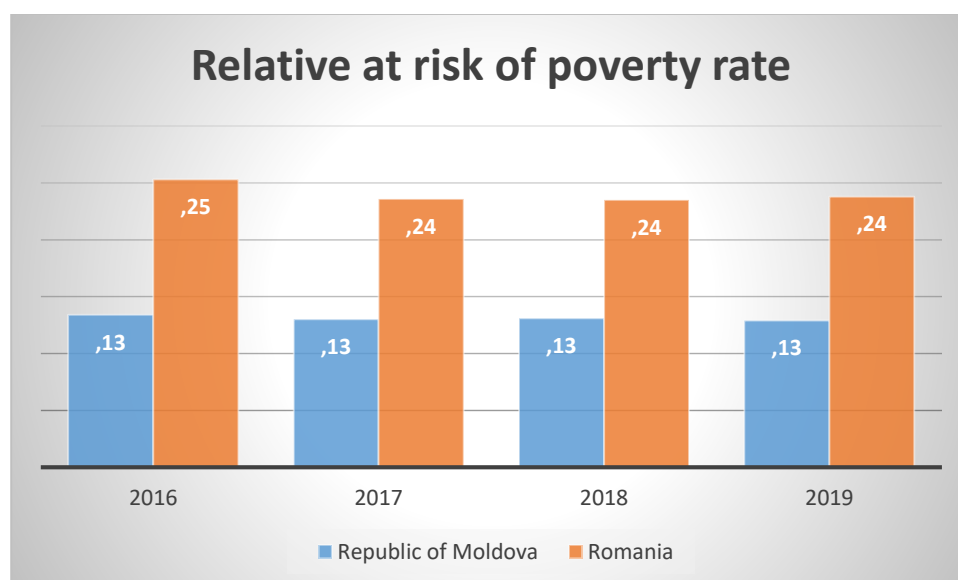


Figure no.36 - Rate of population relative-at-risk of poverty

Although Romania has a smaller percentage of population under poverty line, the relative-at-risk of poverty rate is higher than the one in Republic of Moldova³⁸.

Cooperation between the two countries would enable exchange of good practices for better supporting social groups that could be hard to reach (e.g. rural areas, minority groups) and it could also lead to improved services in the border area.

5.4. Health

³⁸ The **at-risk-of-poverty rate** measures the low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.

In terms of public expenditure from GDP allocated for healthcare, one can notice a stable trend, Romania having a small increase from 2016 to 2019, while the Republic of Moldova dropped from 5% in 2018 to 4.4% in 2019. 2019 was a specific year where 3 governments were in place, bringing some level of instability.

The high vulnerability of the health system to global epidemics, for instance COVID-19, has demonstrated the need for reform to ensure universal access to essential services, safe, qualitative and affordable medicines and vaccines, robust social protection schemes and basic coverage.

When comparing health to education GDP allocation, 2 opposite trends can be noticed: Republic of Moldova is allocating a higher percentage to education, while Romania is favoring healthcare expenditures compared to the education ones.

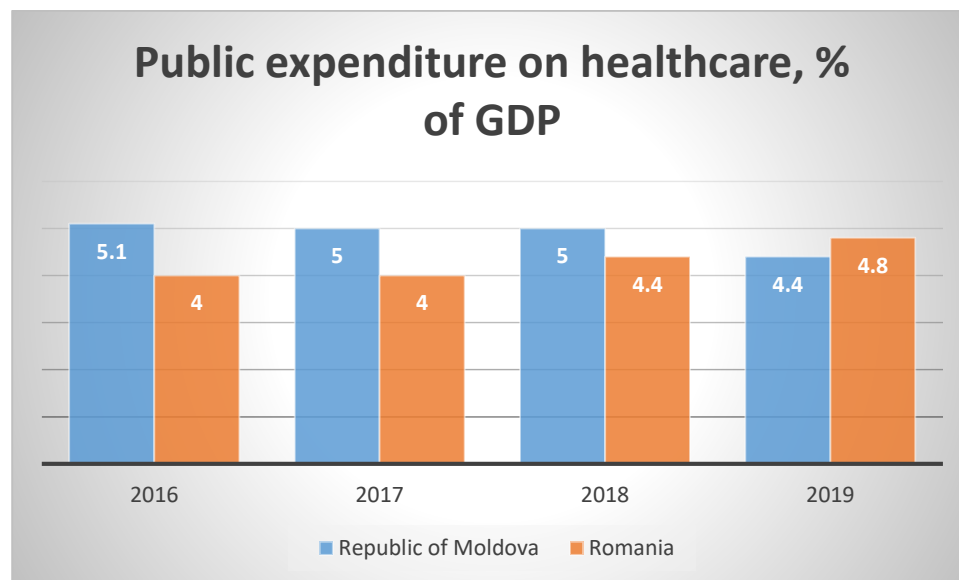


Figure no.37 - Public expenditure on health, % of GDP

The hospital network of the Republic of Moldova and the eligible area of Romania is presented in the graph below. While the number of hospitals is nearly the same in the Republic of Moldova, the eligible area from Romania faced a reduction of 8 healthcare centres as part of the healthcare reform started back in 2017.

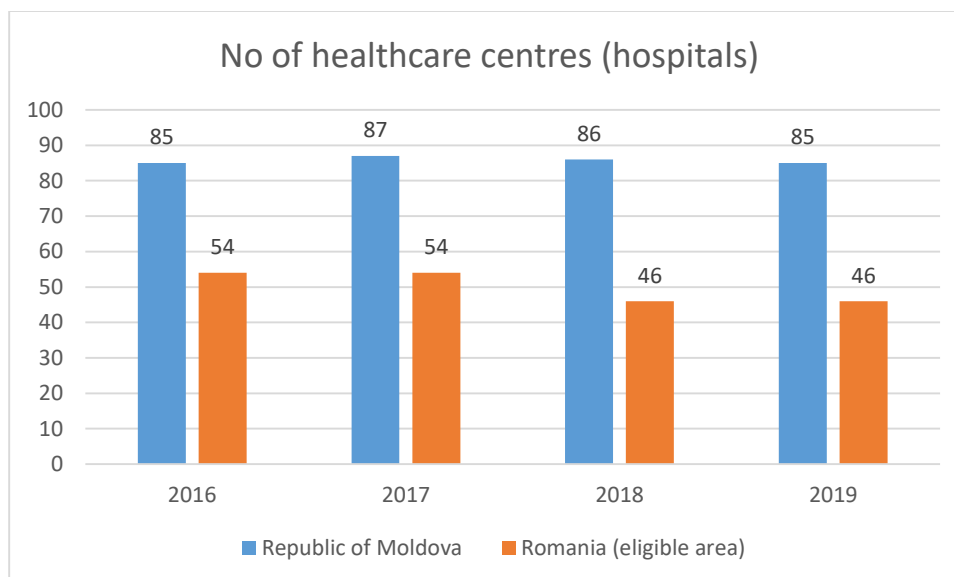


Figure no.38 - Number of healthcare centres (hospitals)

The above-mentioned healthcare centres managed to treat the following number of patients:

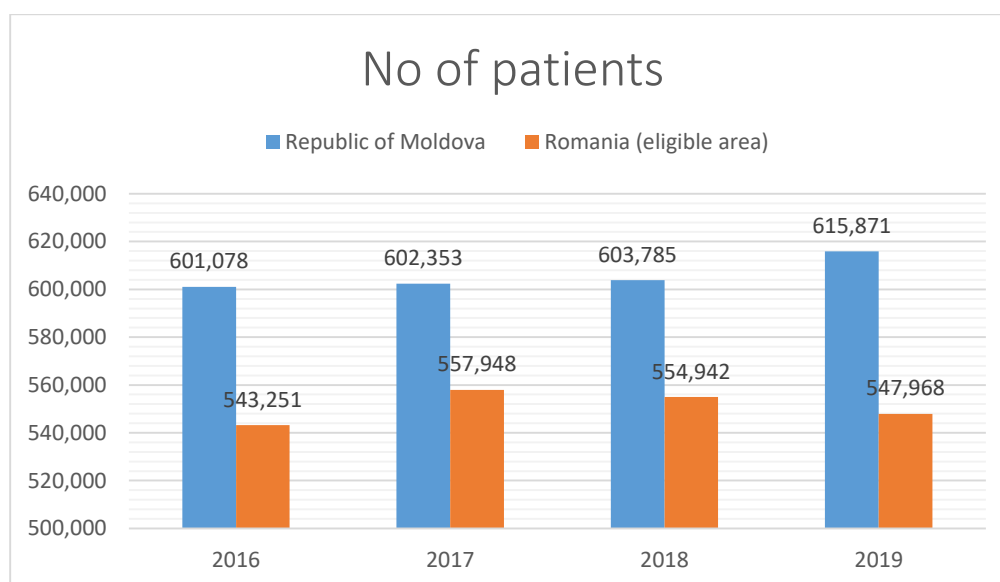


Figure no.39 - Number of patients

An important increase of the number of patients was noticed in the Republic of Moldova in 2019, compared to the previous years. The hospital beds situation is the following:

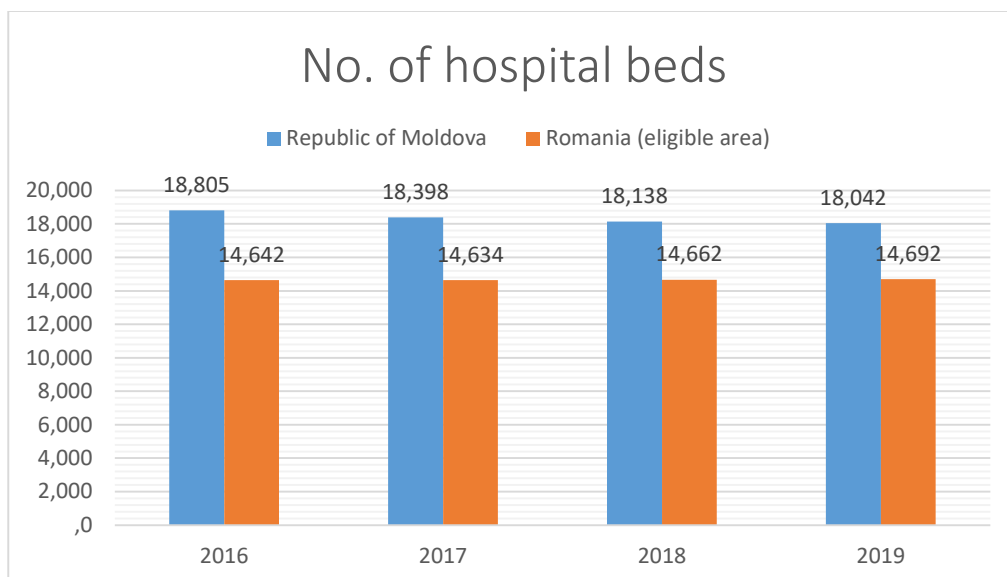


Figure no.40 - Number of hospital beds

Considering the number of beds per 10,000 inhabitants, in 2019 the Republic of Moldova had a rate of 68.3, while the eligible area of Romania had a rate of 66.35 beds.

The number of the health emergency operating units remained the same in the eligible area of Romania, from 2016 to 2019, i.e. 27 units, while in the Republic of Moldova measures adopted by the governments managed to increase the number from 130 in 2016 to 137 in 2019.

Another important part of the healthcare system in terms of emergency intervention is represented by the number of intervention vehicles, which registered a constant growth on both sides of border.

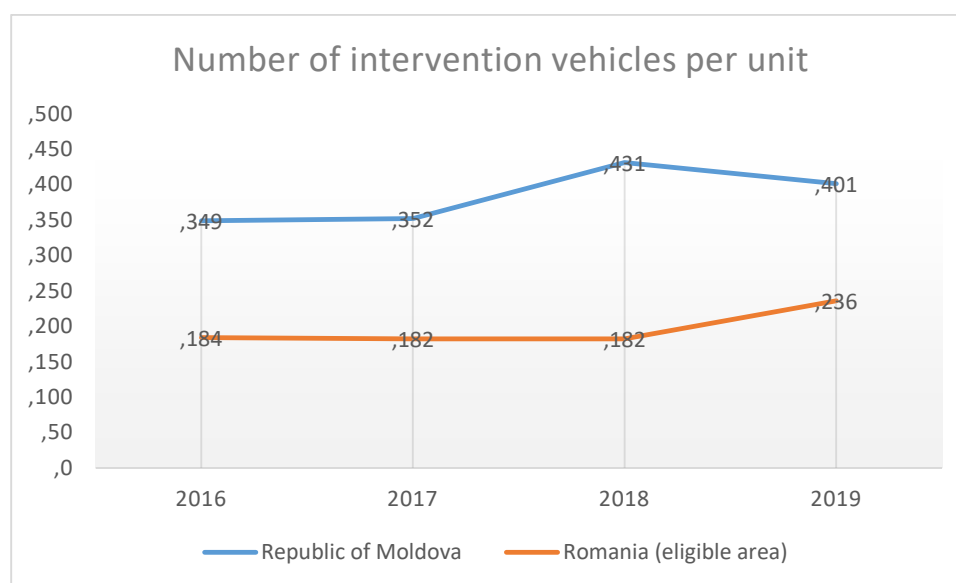


Figure no.41 - Number of intervention vehicles per unit

The increase of the number of the intervention vehicles did not reduce the intervention time, as expected, (e.g. in Romania the average response time for medical emergencies in eligible area increased from 16.38 to 23.75 minutes; not available data for Republic of Molodva).

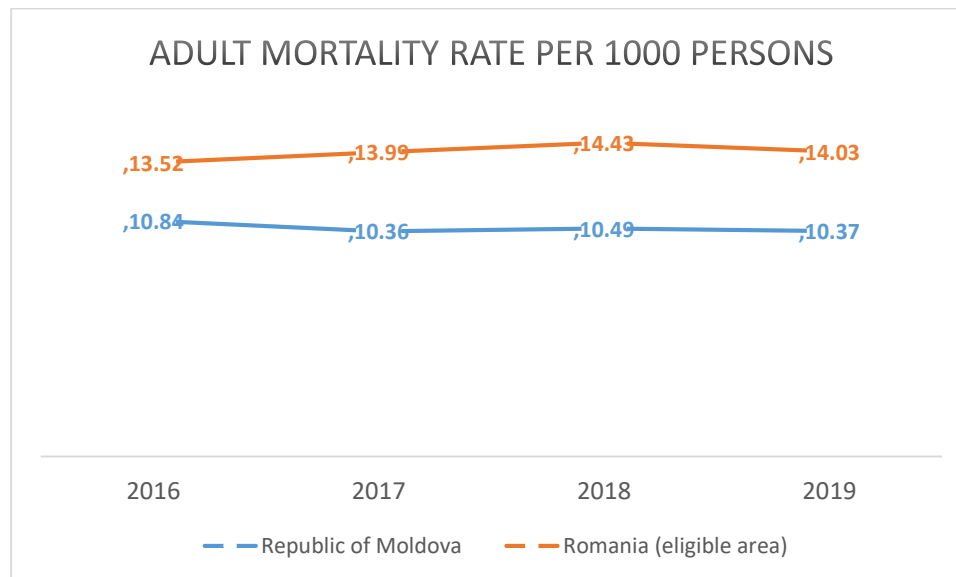


Figure no.42 - Adult mortality rate per 1,000 persons

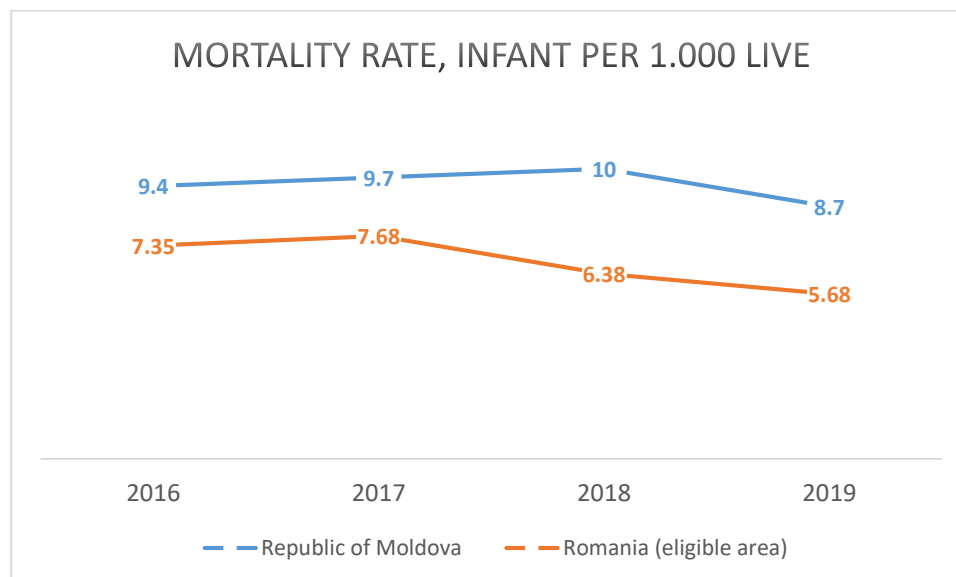


Figure no.43 - Infant mortality rate per 1,000 live

In the context of the above-mentioned demographic indicators, doubled also by the increase of the life expectancy and the growing aging trend, the healthcare workforce is a sensitive issue that needs to be tackled in the current analysis.

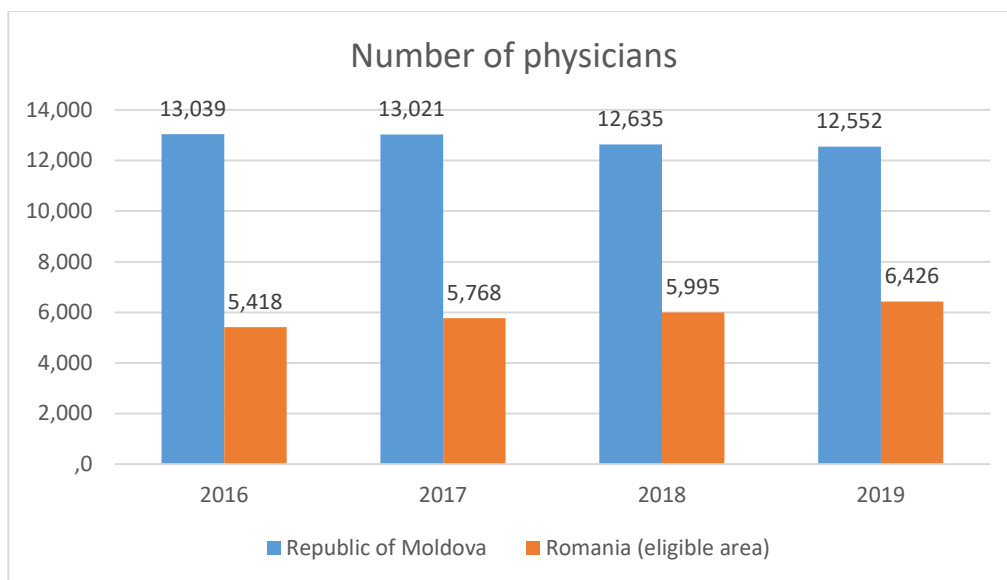


Figure no.44 - Number of physicians

Regarding the accessibility to doctors in Romania, it can be noted that of the total number of physicians, 61% are located in Iasi while the rest are distributed between the other three counties. When looking at the rate of physicians to 10,000 inhabitants, in the Republic of Moldova a very slight increase can be observed between 2016 to 2019, from 46.9 to 47.5. The similar indicator for Romania (eligible area) shows a more significant increase in the same period, from 897 to 1056.

An important problem of the structure of the healthcare workforce in the Republic of Moldova is related to the aging of the current professionals. In 2019, 30.27% of the 12,552 doctors were in the proximity of the retirement date. The same alarming situation is valid also for nurses, with 3,086 nurses being close to retirement in 2019. There are chances for this problem to even deepen in the years to come as the young doctors are not willing to work in the conditions offered by the government. Another important reason for keeping young doctors away from the hospitals is the lack of high-end medical infrastructure. Such a problem was on the radar of the authorities from the Republic of Moldova that managed to increase between 2015-2020 the funds related to the mandatory medical insurance from 5,062.9 mil. Lei in 2015 to 8,383.39 lei in 2020. Moreover, during 2015-2020 the State budget transfers to the funds for insuring the mandatory medical assistance raised from 2,125.9 mil. Lei in 2015, to 3,005.9 mil. Lei in 2020, but still not enough to cover the growing needs of the healthcare system in Republic of Moldova.

On the other hand, the healthcare system in the eligible area of Romania is characterized by the following main issues:

- a clear difference between the infrastructure and the complex cases to be solved in the 4 counties;
- the smaller hospitals are only treating uncomplicated diagnosed cases, referring a lot of patients to Galati and Iasi hospitals;
- inequities in the healthcare services coverage between rural and urban area, in counties like Vaslui and Botosani;
- not a clear evidence of the high-end medical devices and their respective level of usage in the public hospitals;

- lack of human resources, with a reduced number of doctors and nurses compared to the EU average. Moreover, the uneven distribution of the doctors is representing an additional barrier to the access to healthcare in eligible area of Romania.
- lack of clear set of indicators targeting the quality of the medical act, so as to stimulate public hospitals to be more efficient.

5.5. Tourism and natural-cultural heritage

As emphasized by participants in the consultations held by the Managing Authority (focus-group), tourism is an important potential competitive asset for the core eligible area. The varied relief, the geographical positioning, the varied flora and fauna, and the cultural heritage of the area are key components that can form the base for developing the tourism infrastructure and services.

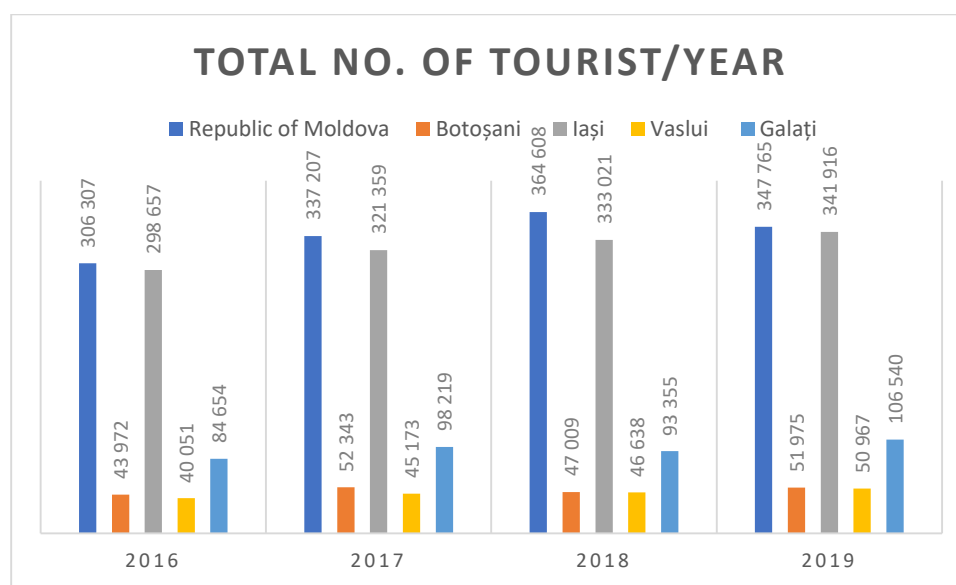


Figure no.45 - Total number of tourist per year

Out of the total number of tourist each country had every year, 46% represent the foreign tourists Republic of Moldova had in 2019, while 11% were foreign tourist in the Romanian eligible counties the same year, with a peak of 19% in Iași and the lowest value in Botoșani (5% of the total number of tourists were foreign tourists).

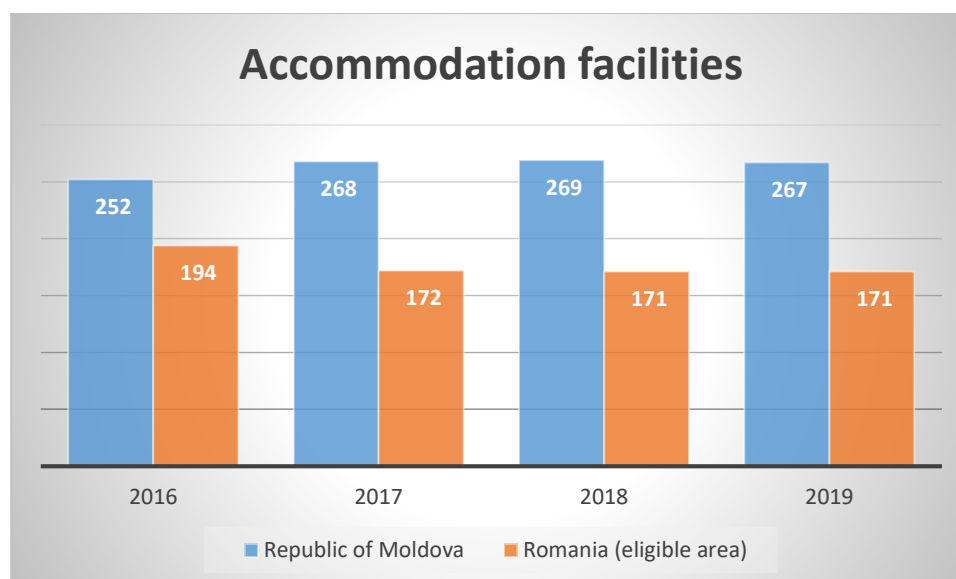


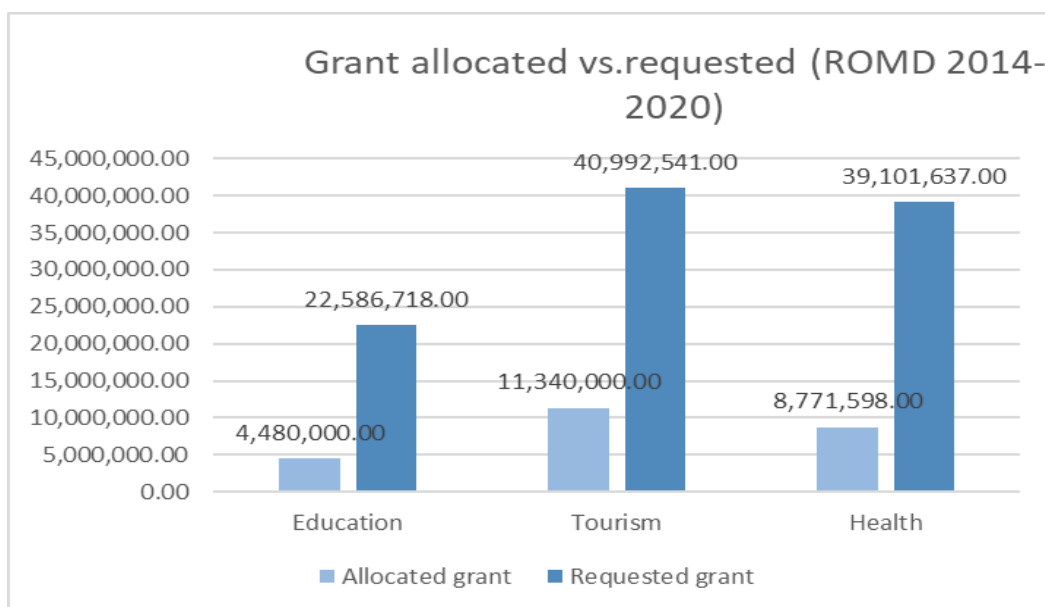
Figure no.46 - Total number of accommodation facilities in Romania (eligible area) and Republic of Moldova

From the graphic above, there can be noticed a slight decrease of the number of accommodation facilities in the four Romanian counties, while the Republic of Moldova registered a constant number of such facilities with a small ascendant trend. In 2019, out of the total number of these facilities resulted a capacity of tourist accommodation of 24,530 beds in Moldova and 8,552 beds in the Romanian eligible counties. Although Republic of Moldova has nearly 3 time more beds than the Romanian eligible counties, 203,633 more tourists visited the eligible counties of Romania.

5.6. Lessons learnt

The current Romania-Republic of Moldova 2014-2020 Programme, even though under implementation at the time of drafting this analysis, can provide a clear image on the preferences of the applicants towards certain priorities, which may also reveal a stringent need for funds in the field to be covered by PO 4 in the 2021-2027 budgetary cycle.

43 projects were submitted, having health as main area of intervention, 71 projects under the priority covering education and 53 projects on preservation and promotion of the cultural and historical heritage. The number of projects can only be interpreted in relation to the total amount requested by applicants, as compared to the Programme allocation.



A large infrastructure project was also financed under Romania-Republic of Moldova ENI CBC, i.e. SMURD 2, a continuation of the project financed during 2007-2013 Romania-Ukraine-Republic of Moldova ENPI, aiming at increasing population's safety by developing the intervention capacity in emergency situations. With 6.4 million Euro grant budget, the following activities have been financed within the project: building a training facility (polygon) for the emergency interventions staff in both countries, building 7 helicopter landing platforms - 3 in Romania (Iasi, Galati, Botosani sau Vaslui), and 4 in the Republic of Moldova (Chisinau - 2, Bălți - 1, Cahul - 1), building 2 emergency care units (Chisinau and Balti in the Republic of Moldova) and procurement of intervention vehicles. Furthermore, the consultations held with the stakeholders for Interreg NEXT programme, showed a real interest to continue this project in the future period as well. Considering that this type of actions can also be financed under Interreg NEXT PO4, there can be taken into consideration that the area has viable projects in these fields of intervention, which could not be previously financed because of the lack of funds.

5.7. SWOT ANALYSIS - A MORE SOCIAL AND INCLUSIVE EUROPE

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • A low rate of unemployment. • Skilful workforce in the eligible area of the program. • A high gross enrolment ratio for pre-primary and primary school because of the existing network of kindergartens and day-care in Republic of Moldova. • A good density of secondary schools and high schools in Republic of Moldova. • Reduced enrolment rate for tertiary schools both in eligible area of Romania and Republic of Moldova. 	<ul style="list-style-type: none"> • A growing aging population • Labour force migration • Low public expenditures allocated for Education and Healthcare • A reduced number of kindergartens in the eligible area of Romania • A reduced number of secondary and high schools at 1,000 children in the eligible area of Romania. • High rates of population under poverty line in both countries.

<ul style="list-style-type: none"> • Good coverage of PC and IT devices in the schools of both countries. • Skilful healthcare workforce in both countries of the program. • Varied relief, geographical positioning, the varied flora and fauna, and the cultural heritage for both countries involved in the program. • A steady growth of tourists visiting Republic of Moldova. • A high rate of foreign citizens visiting Republic of Moldova. 	<ul style="list-style-type: none"> • High rate of relative-at-risk of poverty population in the eligible area of Romania. • High rate of young people NEET in Republic of Moldova. • Uneven ratio of doctors and medical infrastructure within Republic of Moldova and eligible area of Romania. • Lack of doctors and medical staff due to their migration. • Aging healthcare workers nearly retiring the system. • Lack of adequate access infrastructure and utilities to ensure an adequate comfort for tourists. • Number of tourists under the potential of Republic of Moldova (graphs showing an almost equal number of tourists visiting Iasi county and Republic of Moldova). • Lack of interest of the Republic of Moldova citizens to visit their national attractions. • In the Republic of Moldova there is a low level of accommodation capacity in rural areas.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • IT skills to be acquired during the secondary and high schools. • A good momentum to adopt strategies and implement programs for reducing the relative at risk of poverty population, by socially integrating them. • Developing a strategy to reduce the young people NEET in Republic of Moldova. • Implementing projects to allow for a balanced distribution of resources in healthcare system. • An increased amount of remittance generated by the people leaving eligible area of Romania and Republic of Moldova back home, increasing GDP. • Developing programs to incentivize the young healthcare professionals to stay in the area of the program. • Increasing the tourism services revenues coming from the foreign tourist visiting Republic of Moldova. 	<ul style="list-style-type: none"> • Diminishing the active population, by migration of the labour force. • Deepening the pension deficit as a direct result of the increase of life expectancy. • Putting additional pressure on the healthcare system, by the growing aging population. • Deepening the quality of healthcare and education compared to the EU average. • Reducing the quality of the labour force, which is currently recognized as a skilful workforce. • Population under poverty line may increase the school drop rate and criminal cases. • Collapse of the public healthcare system by lack of doctors generated by brain drain, with young doctors leaving both Republic of Moldova and the eligible area of Romania and the

<ul style="list-style-type: none"> • Developing some programs to stimulate the domestic tourism. • Developing a tourism strategy, analysing both the accommodation facilities and access infrastructure. Creating targeted financing programs for family tourism. 	<ul style="list-style-type: none"> • decrease of the quality of the medical act and the response time. • Reducing the revenues generated by tourism services, impacting Republic of Moldova GDP. • Tourism labour force migration. • COVID-19 pandemic
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5.8. CONCLUSIONS AND RECOMMENDATIONS

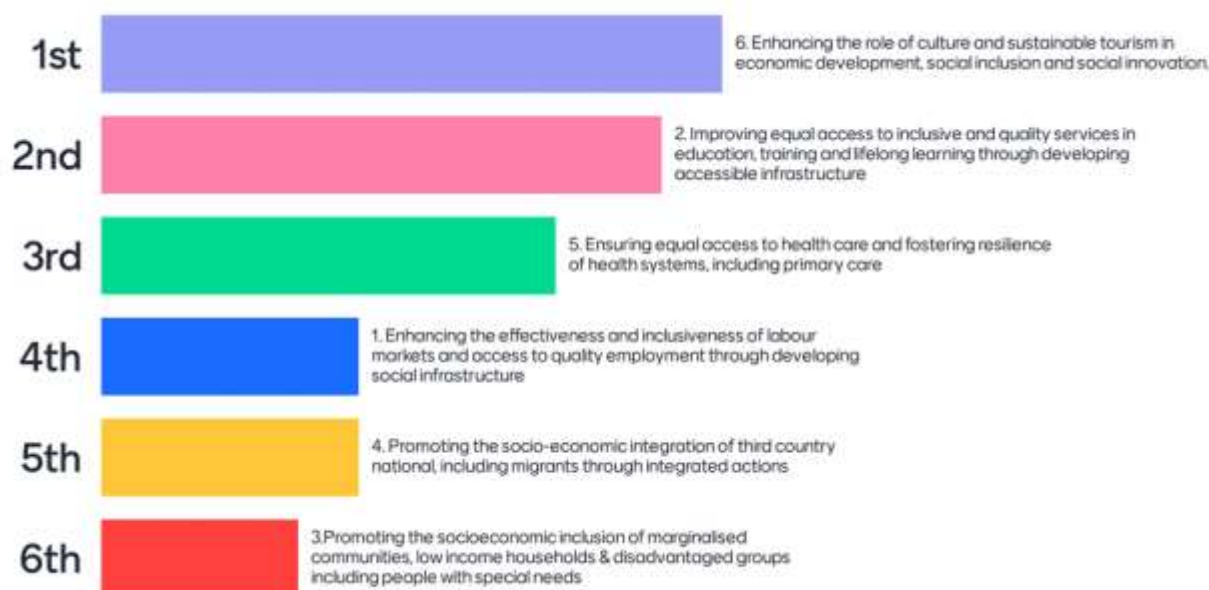
During the consultations held by the Managing Authority, there was a difference in terms of stakeholders' preference for PO4. Therefore, if during the **interviews** PO4 was voted as the most important PO, in the focus group participants placed it on the 4th position. The Specific Objectives ranking resulted from the interviews is the following:

PO4 A more social Europe and its neighbourhood	Score
Enhancing the effectiveness and inclusiveness of labour markets and access to quality employment through developing social infrastructure and promoting social economy;	3
Improving equal access to inclusive and quality services in education, training and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training;	2
Promoting the socioeconomic inclusion of marginalised communities, low income households and disadvantaged groups including people with special needs, through integrated actions including housing and social services;	5
Promoting the socio-economic integration of third country nationals, including migrants through integrated actions, including housing and social service;	6
Ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family- and community-based care;	1
Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.	1

As for the relevance of the specific objectives belonging to PO4, participants to the **focus group** voted the following ranking (from the most important to the least important):

- *enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation;*
- *improving equal access to inclusive and quality services in education, training and lifelong learning through developing accessible infrastructure, including by fostering resilience for distance and on-line education and training;*
- *ensuring equal access to health care and fostering resilience of health systems, including primary care, and promoting the transition from institutional to family-based and community-based care;*

- enhancing the effectiveness and inclusiveness of labour markets and access to quality employment through developing social infrastructure and promoting social economy;
- promoting the socio-economic integration of third country nationals, including migrants through integrated actions, including housing and social services;
- promoting the socioeconomic inclusion of marginalised communities, low income households and disadvantaged groups including people with special needs, through integrated actions including housing and social services.



Rank of Specific Objectives for PO4 (Focus-groups)

As revealed by the SWOT analysis performed for this PO, both countries have weaknesses related to education, healthcare, social inclusion, and tourism with a clear need of investing in projects targeting these areas.

Proposed types of actions to be financed are in the following fields:

- Equal access to inclusive and quality services in education, training and lifelong learning.
- Improvement of healthcare facilities.
- Support for cultural and tourism sites.

Having in mind that in accordance with the thematic concentration at least 60% of the ERDF contribution has to be allocated to PO2, and maximum other 2 POs, as well as the large range of fields that may be addressed by this Policy Objective, we propose including PO4 as an eligible policy objective.

6.1. Main characteristics of the governance of the area

Having in view the perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies, the following government effectiveness index has been identified for each country³⁹:

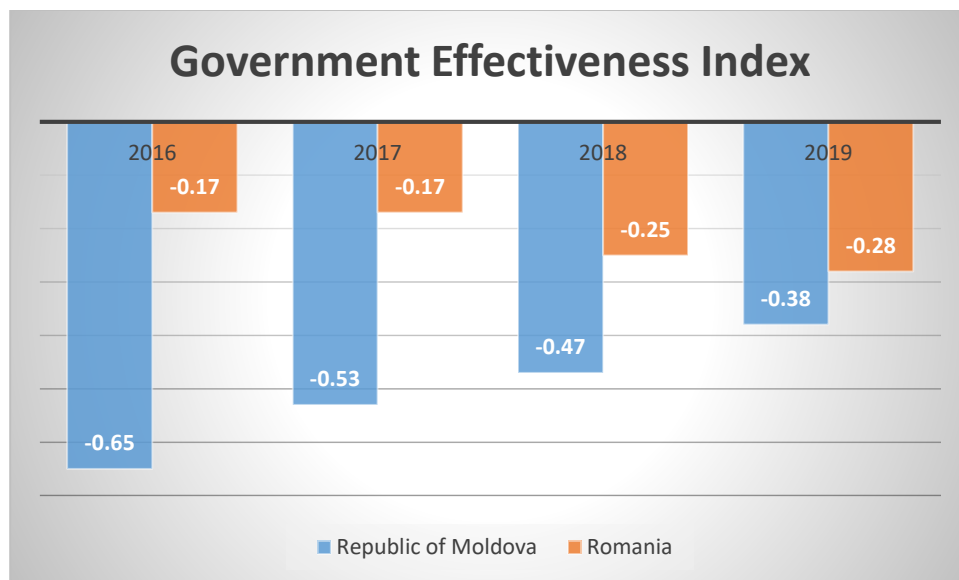


Figure no.47 - Government effectiveness index

The quality of the civil service in Republic of Moldova is negatively influenced by the relatively low remuneration of civil servants, which generates a substantial turnover of staff with impact on institutional memory and quality of public policies.

According to *Public Administration Reform Strategy 2016-2020* of Republic of Moldova, the civil service is neither attractive nor motivating for good and honest professionals. Public administration is still performing functions which are not proper to the role of the state in a functional market economy and a modernisation of the public administration is a demand of the entire Moldovan society. The Reform Strategy is implemented in two steps: 2016-2018 the reform of central public administration and 2019-2020 aiming at the reform of local authorities.

According to data published by *Transparency International*, the level of corruption in the two countries is comparable, with higher levels in Republic of Moldova. While in Romania the Corruption Perception Index decreased from 48 in 2016 to 44 in 2020 (0 equals the

³⁹https://govdata360.worldbank.org/indicators/h580f9aa5?country=BRA&indicator=388&viz=line_chart&years=1996,2019

highest level of perceived corruption and 100 equals the lowest level), in Republic of Moldova the index remained around 36 in the similar period.

According to the annual guide published by The Heritage Foundation⁴⁰, analyzing the economic freedom index based on the four broad pillars of economic freedom (*rule of law*, i.e. property rights, government integrity, judicial effectiveness; *government size*, i.e. government spending, tax burden, fiscal health; *regulatory efficiency*, i.e. business freedom, labor freedom, monetary freedom; and *open markets*, i.e. trade freedom, investment freedom, financial freedom), Romania is considered to be “moderately free”, ranging from an index of 65.60 (2016), to 68.60 (2019). Though Moldova was labeled as “mostly unfree” in the same reference time (with an increasing economic freedom index to 59.10 in 2019), the most recent ranking from 2021 ranks this country as “moderately free”, according to its 62.5 economic freedom index.

In its effort to implement the reform Agenda, the Government of Republic of Moldova is supported by EU High Level Advisors Mission, a project with a three-year implementation period, from January 2019 until December 2021, aiming, in particular, to assist in developing the capacities required for the implementation of the Association Agreement (AA), including the Deep and Comprehensive Free Trade Area (DCFTA), as well as to ensure the necessary follow-up for the post - visa liberalization stage. More specific, the EU support addresses the following sectors: Anticorruption; Anti-Money Laundering and Asset Recovery; Confidence Building Measures; Customs and Tax Policy (Domestic Revenue Mobilisation); Education and Research; Energy; Financial Services; Justice and Prosecution; Local Public Administration Reform, including Descentralisation and Voluntary Amalgamation.

6.2. Civil society

The EU continues actively to support civil society in Moldova, including by creating links between civil society organisations on both banks of the Nistru River, through its confidence building measures.

Since 2019, the EU has been supporting a €10.6 million programme to contribute to the prevention and fight against corruption notably through increasing the level of citizens’ participation in decision-making.

⁴⁰ <https://www.heritage.org/index/>

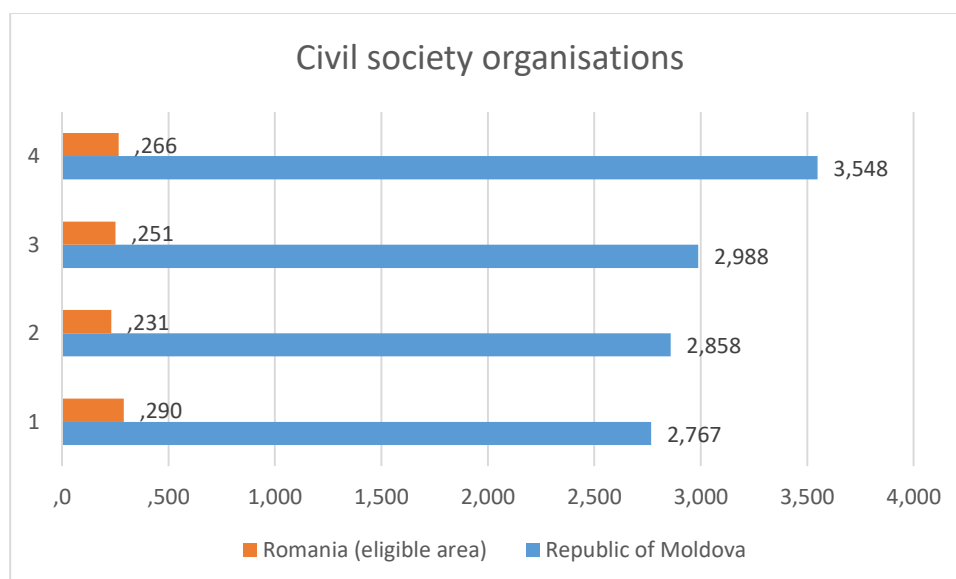


Figure no.48 - Number of civil society organisations

6.3. EU macro-regional strategies and policy initiatives

The promotion of CBC among the Eastern neighbouring countries is also a key component of the Eastern Partnership (EaP) and other multilateral initiatives (for instance the Black Sea Synergy, Northern Dimension). CBC can contribute to further fostering exchanges and cooperation between the EU and neighbouring partner countries, as well as partners and their local and regional authorities.

Through the ongoing ENI CBC the Republic of Moldova has expressed specific interest in policy areas such as energy interconnections, transport, environment, education and culture.

6.3.1. The Eastern Partnership (EaP)

The Eastern Partnership (EaP) is a joint policy initiative which aims to strengthen relations between the European Union (EU), its Member States and its six Eastern neighbours: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

Within this framework, there is a joint commitment to deliver tangible results for citizens across the region. In support of a more results-oriented approach towards the Eastern Partnership, the European Commission and European External Action Service identified 20 key deliverables for 2020. This workplan was endorsed at the *Eastern Partnership Summit which took place in Brussels in November 2017*. These commitments by the EU, its Member States and the six Partner countries cover the four main priority areas of the Eastern Partnership:

- ✓ **Stronger Economy** (economic development and market opportunities);
- ✓ **Stronger Governance** (strengthening institutions and good governance);
- ✓ **Stronger Connectivity** (connectivity, energy efficiency, environment and climate change);
- ✓ **Stronger Society** (mobility and people-to-people contacts).

A structured engagement with a wider range of civil society organisations, gender equality and non-discrimination, as well as clearer and tailor-made strategic communications are also being pursued as across all areas.

In a wider context, the EaP also supports delivery on key global policy goals set by the **UN 2030 Sustainable Development Goals** and the **Paris Agreement on Climate Change**.

Eastern Partnership policy beyond 2020 Reinforcing Resilience - an Eastern Partnership that delivers for all⁴¹.

Eastern neighbours also participate in initiatives open to all Neighbourhood countries - such as Erasmus+, TAIEX, Twinning, SIGMA and the Neighbourhood Investment Facility - and in Cross-Border Cooperation programmes.

6.3.2. EU Strategy for the Danube Region

The programme area is covered by the EU Strategy for the Danube Region (EUSDR). This Strategy is supported at the highest political level by all participating countries, which are therefore ready to support those actions arising from its revised Action Plan, provided they also contribute to the specific objectives of the cross-border regions. This requires a good and proactive coordination with the EUSDR stakeholders. The Strategy brings together 14 countries along the Danube river, among which Romania and Moldova are also included.

The Strategy focuses on four pillars, and within each pillar, concrete cooperation actions specify priority areas: connecting the region (improve mobility and transport connections, encourage more sustainable energy, promote culture and tourism); protecting the environment (restore and maintain water quality, manage environmental risks, preserve biodiversity, landscapes and the air and soil quality); building prosperity (develop the Knowledge Society, support the competitiveness of enterprises, invest in people and skills); strengthening the region (step up institutional capacity and cooperation, work together to promote security and tackle organised and serious crime).

Interreg NEXT Romania-Republic of Moldova Programme strategy will contribute to EUSDR objectives. Therefore, specific actions may be financed within the programme.

6.4. SWOT ANALYSIS - A BETTER GOVERNED COOPERATION AREA

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • An increased trend in the government effectiveness index in Republic of Moldova • Both countries improved constantly their economic freedom index. • EU funds allocated to fight against corruption. • Funds allocated to Romania by various EU programmes targeting the increasing of the capacity of the Romanian public authorities. <p>Active role of Republic of Moldova in EU funding CBC programs, Eastern Partnership, UN 2030 Sustainable Development Goals and the Paris Agreement on Climate Change and EU strategy for the Danube region.</p>	<ul style="list-style-type: none"> • A decrease trend in the government effectiveness index in Romania. • A reduced number of civil society organisations in the 4 eligible counties in Romania. • No clear funding schemes for increasing the capacity of Republic of Moldova public authorities. • Significant inequalities between rural and urban areas in terms of institutional capacity and access to financial resources.

⁴¹ https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/eastern-partnership_en

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Future EU funded initiatives to support better governance in both countries. • Increased support to fight against corruption. 	<ul style="list-style-type: none"> • Regional instability affecting the initiatives/programmes involving other states than Romania and Republic of Moldova. • Political and governmental crisis in both countries of the program generating frequent changes both in central and local public authorities. • COVID-19 pandemic affecting an effective cooperation.

6.5. CONCLUSIONS AND RECOMMENDATIONS

The conclusions of the consultations held by the Managing Authority revealed a distinct opinion of the stakeholders interviewed (who voted ISO1 as the 4th most important PO), as compared to the opinions expressed during the focus-groups (participants placed ISO1 on the 2nd position).

For ISO1 no ranking of the specific objectives was possible after analysing the answers of the interviews, as no sufficient answers were provided.

In terms of the relevance of the specific objectives belonging to ISO1, participants to the **focus group** voted the following ranking (from the most important to the least important):

- *enhancing the institutional capacity of public authorities;*
- *promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular, with a view to resolving legal and other obstacles in border regions;*
- *enhancing institutional capacity of public authorities and stakeholders to implement macro-regional strategies and sea-basin strategies, as well as other territorial strategies;*
- *supporting civil society actors and their role in reforming processes and democratic transitions;*
- *building up mutual trust, in particular by encouraging people-to-people actions.*



Rank of Specific Objectives for ISO 1 (Focus-group)

Considering the ranking provided by the participants to the focus group, as well as the data included in the analysis above the proposed types of actions to be financed are in the following fields:

- a) *enhancing the institutional capacity of public authorities, in particular those mandated to manage a specific territory and of stakeholders;*
- b) *enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular, with a view to resolving legal and other obstacles in border regions;*
- c) *enhancing institutional capacity of public authorities and stakeholders to implement macro-regional strategies as well as other territorial strategies;*

Despite of the progress registered for both countries in terms of economic freedom and civil society involvement, cooperation in the areas of enhancing the institutional capacity and efficiency of public authorities is still needed. Thus, the Interreg Specific Objective “a better cooperation governance” is proposed for financing.

7.1. Border crossing management and mobility

Effective border management requires that the EU's external borders are both efficient (facilitating legal migration, legitimate trade and transit) and secure (preventing illegal trade and transit as well as irregular migration)⁴². In many respects, this requires close cooperation at the national level, but cross-border cooperation has also an important role to play, for example in upgrading border-crossing infrastructure, in enhancing information exchange and cooperation between border authorities at the local level or in improving governance via a more coordinated approach to management.

Romania and Moldova share a number of 9 land border crossing points in the eligible area. Out of these, 6 border crossing points are open to road traffic, while 3 of them are dedicated to railway border crossing.

Focusing on the cross-border transportation, both countries have registered a decrease of the period of time spent with customs formalities:

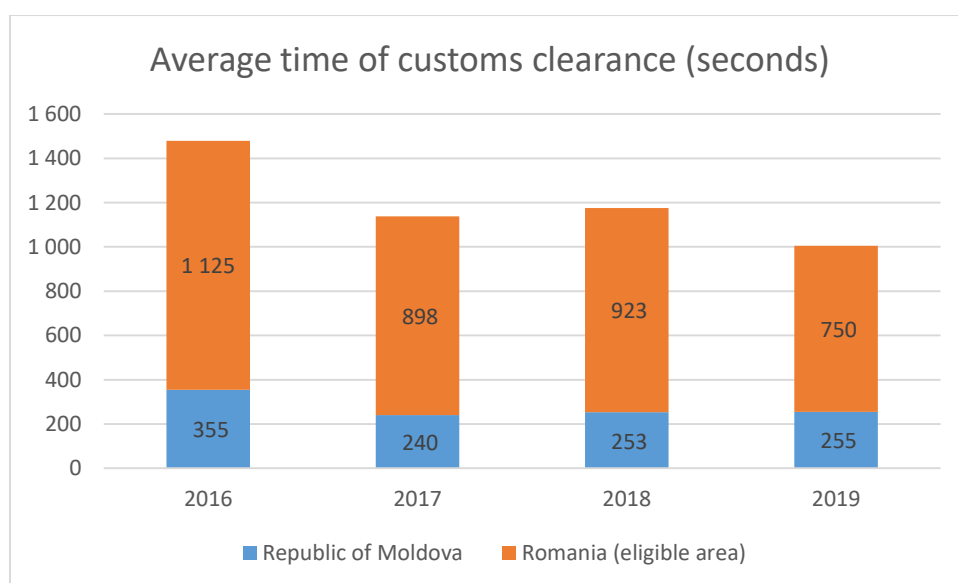


Figure no.49 - Average time of customs clearance (seconds)

7.2. Migration management, including the protection of migrants

Joint development and governance strategies may help in addressing disparities and assist in dealing with their most visible effects, such as the increase in regular and irregular, temporary and permanent migration flows, as well as with organised crime.

Outward migration is an important issue throughout the core area, as young adults leave for work or study (sometimes never returning) and leave behind a significant dependent population - formed out of children and elders.

⁴² EC EAS (2020) Joint Paper on Interreg NEXT Strategic Programming

As stated previously in the current document, Romania is facing a growing trend from 187,466 in 2015 to 238,926 people leaving Romania in 2018. 126,893 people left Republic of Moldova in 2015 compared to 158,142 in 2018. Studies conducted in both countries clearly show that the vast majority of the emigrants are part of the active population leaving for better paid and sustainable jobs outside the country.

The main challenge for the area will be to create the proper conditions to limit the outward migration of the young generations and the development of measures aimed at the increase of birth rates in counter-balancing the high death rates, thus creating a positive natural increase.

The Republic of Moldova is largely exposed to migration challenges, being at the same time a country of origin and destination.

The Republic of Moldova aligned to several international and regional instruments in the field of migration, including the Global Compact for an Orderly, Safe and Regulated Migration and the Global Compact for Refugees.

The updated national legal framework includes most of the objectives of the Global Compact, a fact found and presented in the Voluntary Report of the Republic of Moldova on the implementation of its recommendations.

The new European Pact on Migration and Asylum offers a comprehensive approach that brings together policies on migration, asylum, integration of foreigners and reintegration of returnees into countries of origin, as well as border management.

This Pact offers opportunities for activity, based on new migration realities, including in the field of labor migration and confirms the need to implement a new, more coordinated and sustainable European framework.

The Pact will ensure the interdependence of Member States' policies and decisions in close cooperation with third countries, with which the internal and external dimensions of migration are linked.

7.3. Lessons learnt

In the programming period of 2014-2020, Romania-R.Moldova ENI CBC Programme financed two large infrastructure projects under thematic objective 8 - Common challenges in the field of safety and security, which is now compatible with ISO2 settled for Interreg NEXT programmes: *Regional Cooperation for Preventing and Combating Cross-border Crimes between Romania and Republic of Moldova* with a grant value of 6.4 million Euro, and *Rehabilitation and modernization of customs offices from the border of Romania and Republic of Moldova (customs offices Albița - Leușeni, Sculeni - Sculeni and Giurgiulești - Giurgiulești)*, with the same value as the previous one.

Under the same thematic objective, *Priority 4.3 Prevention and fight against organised crime and police cooperation*, 10 projects were submitted, with a total grant value of 2.8 million Euro. Out of these, only 8 projects were contracted, totalising 2.27 million euro.

Though beneficiaries of these projects showed a real interest in continuing the cooperation during the next budgetary cycle, there are also stakeholders participating in the consultations stating that central authorities should no more be beneficiaries of the Programme, as it may be better to allow local communities to apply for funding.

7.4. SWOT ANALYSIS - A SAFER AND MORE SECURE COOPERATION AREA

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Good coverage of border crossing points. • Good mix of border crossing (road, railway & airport). • Improved times for customs clearance in both countries. 	<ul style="list-style-type: none"> • Increased trend of immigration in both countries. • Not enough facilities to face a sudden flow of inward migration. • No clear strategy to reduce the outward migration.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Increase the bilateral cooperation through future EU funded projects for border control, including organized crime. • Increasing the capacity of the immigrant's facilities. • Enlarge the airport capacities so that to face the increased number of passengers. 	<ul style="list-style-type: none"> • Labour force impact, diminishing the active population in both countries. • Massive inward migration as a result of conflicts in Middle East or Africa. • COVID 19 pandemic.

7.5. CONCLUSIONS AND RECOMMENDATIONS

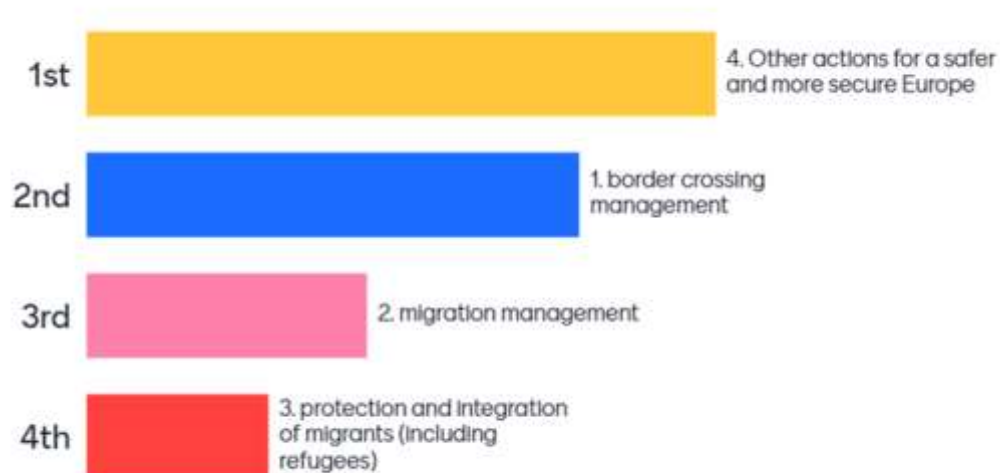
Even though during the **interviews** ISO2 was voted as the least important by the stakeholders, in the focus group participants placed it on the 1st position.

The specific objectives ranked according to their importance by the interviewees were as follows (1 - the most important, 2 - the least important):

ISO2 - A safer and more secure Europe and its neighbourhood	Score
Border crossing management and mobility	1
Migration management, including the protection of migrants	2

In terms of the relevance of the specific objectives belonging to ISO2, participants to the **focus group** voted the following ranking:

- *other actions for a safer and more secure Europe;*
- *border crossing management;*
- *migration management;*
- *protection and integration of migrants (including refugees).*



Rank of Specific Objectives for ISO 2 (Focus-group)

Proposed types of actions that may be financed are in the field of:

- a) border crossing management and mobility and migration management;
- b) protection and economic and social integration of third country nationals, for example migrants and beneficiaries of international protection;

Considering the conclusions of the SWOT analysis performed above, there can be said that both countries are lagging behind in terms of an efficient border control so as to allow for a proper migration management. In addition, both Romania and Republic of Moldova are facing issues related to the protection and integration of migrants, including refugees.

Having in mind the above, ISO2 is recommended for financing under Interreg NEXT Romania-Republic of Moldova 2021-2027.

CHAPTER 8 - QUALITATIVE RESEARCH

The programming process for Interreg NEXT Romania-Republic of Moldova 2021-2027 included two steps of consultations, under the form of interviews and focus-groups.

The scope of interviews was to obtain information related to the potential beneficiarie's opinion/preferences on: programme geography, needs of the area and link with the POs, ISOs to be financed, eligible applicants, difficulties faced in previous programmes during the application and selection process or as regards the implementation of grant contract.

Focus groups aim at identify the main needs and financing opportunities of the eligible area, obtaining information on current programme outcomes and impact but also to generate new ideas for future programme.

The participants to interviews and focus groups were representatives of local and regional public administration, regional development agencies, central public administration, institutes, NGOs.

The policy objectives considered during the consultations were those recommended in Joint Paper on Interreg NEXT Strategic Programming and the Policy Objective 1, as decided by the JPC.

Therefore, the first round of consultations with Romania-Moldova JOP 2014-2020 beneficiaries and stakeholders was carried out as on-line interviews, containing questions meant to help identify actual needs of the area and stakeholders' preferences as regards the cross-border financing across the POs/ISOs. The interviews were conducted during the period of April-May 2021, by the Romanian National Authority (within the Ministry of Development, Public Works and Administration) and by TESIM experts.

The most important finding of the interviews was the prioritising of the policy objectives. When asked to score from 1 (the most important) to 6 (the least important) policy objective, the finding was as follows:

Ranking of Policy Objectives and Interreg Specific Objectives (interviews)

PO4 A more social Europe and its neighbourhood	1
PO1 A smarter Europe and its neighbourhood	2
PO2 A greener low-carbon Europe and its neighbourhood	3
PO3 A more connected Europe by enhancing mobility and regional ICT connectivity	3
ISO1 - A better cooperation governance for Europe and its neighbourhood	4
ISO2 – A safer and more secure Europe and its neighbourhood	6

Apart from this ranking, Romanian interviewees stressed the need for financing for infrastructure (transport, health, education), with focus on multimodal transport, energy efficiency for public and private buildings, use of renewable energy and sewage for households. Cultural heritage promotion and capitalisation, as well as digitisation are also among the needs identified for financing.

Some of the current beneficiaries underlined the fact that funds should only address the needs of the border areas, and eliminate the LIP together with central administration beneficiaries.

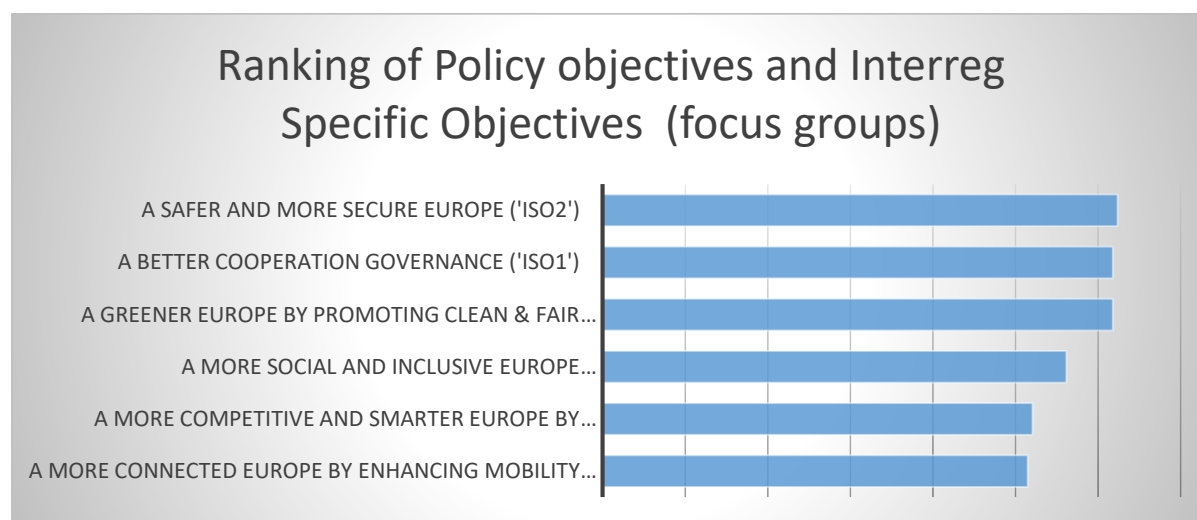
On the Moldovan side, SMURD III was suggested as a continuation of SMURD II current LIP, by stating the necessity to build a multi-storey car park and a heliport, together with emergency surgery room building. Telemedicine and interconnectivity of ambulances were also mentioned, together with the need to develop and modernise 112 emergency service. Cross-border crime prevention, flood prevention and public order came into discussion as a continuation of current thematic objectives financed by 2014-2020 JOP.

Digitization of public administrations appeared as a need for both states. Cyber security, digital signature recognition and e-commerce development were identified by the Moldovan respondents as fields which need development and funding.

In the field of standardization, the need to strengthen the institutional capacity was indicated so as to reflect in sound public policies creation, efficient process monitoring and implementation.

The exchange of experience among the experts in different fields from both states was identified as an important tool for development by Moldovan stakeholders.

Considering the **focus groups**, participants were asked to cast their preferences on the full range of policy objectives and Interreg specific objectives as proposed by the territorial analysis and the Joint Programming Committee. The total number of respondents, ranked the 6 PO/ISO as follows (in a decreasing order, according to the number of votes):



Focus-groups ranking of Policy objectives

With minimal differences, ISO2, ISO1 and PO2 have been clearly preferred by the focus groups participants, with a sharp orientation to the need of nurturing a shared and cross-border governance on topics related to the security and safety of borders and territories, including the aspects related to the environment.

Among the other POs, the most preferred one was PO4 aiming to a more social and inclusive Europe and neighborhood territories, with its plethora of sub-sectors, followed by PO1 aiming at the economic growth through innovation and smart transformation. PO3 on connectivity and mobility was placed in the lowest position.

When existing, complementarities and divergences between the outcomes from both interviews and focus groups have been analysed in the present document, considering statistical data of the area and conclusions from the implementation of Romania-Republic of Moldova ENI CBC 2014-2020.

All the outcomes collected during the consultation will be considered during the programming process, in each relevant step (e.g. for identifying type of activities, the characteristics of different type of projects, implementing provisions, etc).