

Institutional Profile of the **National and Local Environmental Funds**, Republic of Moldova

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1. Basic information

Country:	Republic of Moldova
Official name or designation of the institution:	National Ecological Fund (this profile also covers Local Ecological Funds)
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Environmental protection in the Republic of Moldova is financed via different mechanisms. This profile represents one of such finance mechanisms, i.e. financing of the environmental activity by the National and Local Environmental Funds.

2. Background and Objectives of the Institution

The establishment of Environmental Funds in the Republic of Moldova has passed through several stages, each of them having its own history of development.

At the initial stage, the activity of the extra-budgetary Environmental Funds was regulated by the Decision of the Government No 89 from 26.03.1990 On Approval of the Provisional Regulation on the Establishment and Use of Environment Protection Funds of the Republic of Moldova. The Regulation defined sources for the formation of the Environmental Funds. This process went parallel with the development of Provisional Guidelines for the Evaluation of Pollution Charges serving as a basis for the generation of income sources for the Funds that were submitted for approval to the Government. However, the Guidelines were never approved. The Government recommended the local governments to approve the proposed document independently. In 1991, the municipality of Chisinau and later several other district administrations made decisions on the introduction of pollution charges. Nevertheless, the pollution charges were actually collected only in the city of Chisinau. In 1993, the Parliament of the Republic passed the Law on Environmental Protection, which (Chapter VII, articles 83-88) confirmed the status of the extra-budgetary Environmental Funds and legislatively fixed the sources of their formation and areas of their use. The law provided for the creation of three levels of funds – municipal, regional and national. However, the approval of this law resulted in some legislative contradictions related to the sources for the Environmental Funds formation, which fact in no way contributed to the stability of the legal framework for their formation.

Thus, the initial stage did not entail the necessary steps that had to be undertaken to ensure stability in the formation of Environmental Funds.

Later, the three-level system of Funds was simplified by the Law on Entering Amendments in the Law on Environmental Protection No 1539 from 25.02.1998 with further adjustment of the sources for the Environmental Funds formation. The three-level system of the Funds was transformed into the two-level one including the National Environmental Fund (NEF) under the Ministry of Ecology and Natural Resources and the Local Environmental Funds (LEFs) under the Territorial Environmental Inspectorates. The major sources for the Environmental Funds formation were established under the Law on Pollution Charges No 1540 from 25.02.1998. Besides, the Law established a new source of revenues for the NEF, i.e. environment-related imported fuel taxes (petrol and diesel fuel). The approval of this Law strengthened the revenue basis of the Environmental Funds and provided them with rather stable sources of income.

The procedures used for the accrual and payment of pollution charges were additionally specified in the Instruction for the Pollution Charges Estimation approved by the Ministry of Environment, Construction and Territorial Development on November 5, 1998.

The institutional structure of the Funds and their activity bases on the Regulation on Environmental Funds approved by the Decision of the Government No 98 from 21.09.1998. The normative basis of the Funds was later strengthened by a number of other decisions and instructions.

In the year 2000, the Ministry of Environment, Construction and Territorial Development (presently the Ministry of Ecology and Natural Resources) applied to the EAP Task Force (OECD) requesting for a survey of the activities carried out by the National Environmental Fund of Moldova and the Chisinau Environmental Fund. The major goal of the survey was to independently and objectively evaluate all the aspects of activity of the above-mentioned Funds in conformity with the recognized international standards and to identify potential steps for their further institutional consolidation.

The recommendations resulting from the survey took effect in the form of amendments entered in the legislation and in the development of additional normative and reference documents.

Today, the Local Environmental Funds in the Republic of Moldova are subordinated to the State Environmental Inspectorate, while the National Environmental Fund – to the Ministry of Ecology and Natural Resources, which also coordinates the activity of Local Environmental Funds. The Environmental Funds are not qualified as legal entities.

3. Management and Administration.

The financial resources of Environmental Funds belong to the State Treasury (Ministry of Finance). The budget of the National Environmental Fund and the consolidated budget of the Local Environmental Funds shall be annually approved by the State Budget Law. Every Fund shall have its own Administration Board (controlling body) and an executive office.

The Administration Board was created according to the Law on Environmental Protection, with amendments entered in force in 1998, Regulation on Environmental Funds (art.14) and Regulation on the Activity of Environmental Funds Administration Boards initially approved by the Minister in 1998 with subsequent approval after respective amendments being made in 2005.

The structure of the NEF Administration Board shall include: the Minister of Ecology and Natural Resources (Chairman), the Deputy Minister (Deputy Chairman), one representative from the Parliament, another representative from the Government Office and a representative from the environmental non-governmental organizations (proposed annually by the general meeting of the non-governmental organizations).

Participation of these persons in the work of the Administration Board shall be voluntary. Presence of the Administration Board members at its sessions is important for the NEF functioning as the quorum for these sessions has been established on the legislative level:

- The attendance of the sessions should be more than 50% of the Board members
- The Board shall be competent to pass decisions provided that not less than two thirds of the overall number of the Board members are present at its session
- The decisions shall be passed by simple majority vote
- Only the members personally present at the Board session shall have the right to vote, no voting by proxy shall be allowed.

Under the legislation, the Administration Board sessions shall take place not less than 3 times a year. In practice, the Board holds its sessions every month or every two months. The Administration Board members shall be notified of the forthcoming session not less than 7 days in advance. Besides regular sessions, the Board can hold *ad-hoc* sessions. The organizational and notification procedures for the *ad hoc* sessions shall be the same as for the regular sessions of the Board.

Obligations of the Administration Board shall be specified by the Regulation on the Activity of the Environmental Funds Administration Boards. They shall be as follows:

- Approval of the Fund's annual budget
- Identification of priority directions for the use of the Fund's financial means
- Selection of environmental projects and decision-making with regard to the volume of financial assets allocated by the Fund per each specific project
- Examination of the legislative and normative acts related to the establishment and management of Environmental Funds
- Approval of the bylaws and internal instructions in the given area
- Approval of reports on the revenues and financial flows
- Examination and approval of the reports of beneficiaries having received financial assets from the Fund
- Examination and approval of the reports submitted by the LEF Administration Boards
- Assurance of transparency in the Environmental Funds activity
- Etc.

The Chairman of the Administration Board shall be obliged:

- To hold regular and *ad hoc* sessions of the Board and to preside over these sessions
- To work out the procedure and agenda for the Board sessions
- To approve the decisions and documents prepared by the Board
- To approve the plans, programs and projects as planned to be financed by the Fund after their approval by the Board
- To sign bank documents
- To provide reports and information (upon request) to the higher authorities in connection with the Board activity
- To support and ensure cooperation with the profile foreign institutions and Environmental Funds on the issues presenting mutual interest
- To make proposals on the improvement of organizational structure and operating procedures of the Board
- To ensure attendance of the Board sessions by all its members, their observance of the operating procedures and fulfillment of their functional duties.

In case of absence of the chairman, the duties of the latter shall be performed by the deputy chairman. The bank serving the Fund's account shall have the samples of signatures of the chairman and the deputy chairman of the Administration Board.

Being a component of the Financial Planning and Accounting Department of the Ministry, the NEF Record Keeping and Controlling Service (executive secretariat) shall perform the functions of the NEF Executive Office. The secretariat has been created under the Regulation on the Environmental Funds Management. The given Regulation defines the terms and procedures for the projects evaluation, as well as administrative procedures. The Service (Secretariat) consists of 3 persons: chief of the service (NEF Secretariat), accountant and main specialist. The Secretariat shall ensure management of the NEF daily activity. The sphere of duties of the Secretariat shall include the following:

- Acceptance and registration of applications for financing
- Verification of application forms for conformity to the requirements
- Organization of examination and evaluation of the registered projects by the experts
- Notification of project proponents in relation to the decisions made by the Administration Board on their project proposals
- Provision of respective information to the interested persons on the application formats and requirements set to them
- Keeping of accounts and statistical reporting forms
- Preparation of all the necessary materials for the Administration Board sessions
- Preparation of contracts for signing with the project financing beneficiaries
- Monitoring of projects implementation through field visits (this mission can be performed together with Administration Board members)
- Preparation of the reporting/minutes of the Board sessions
- Control over the use of financial assets by the NEF in accordance with the approved projects
- Preparation of quarterly and annual reports on the projects approved for financing
- Etc.

Executive functions of the LEFs shall be performed by the environmental and economic services of the territorial environmental agencies (inspectorates). The activity of the environmental and economic departments shall be regulated by the Regulation on the Environmental and Economic Services of the Territorial Bodies of the Ministry of Environment approved on November 5, 1998.

Structure of the LEF Administration Board:

- Director of the environmental agency (inspectorate) – Chairman;
- Deputy Chairman of the district or Deputy Mayor of the municipality – Deputy Chairman;
- Regional (municipal) councilor responsible for environmental protection,
- Representative of the regional (municipal) preventive medicine centre,
- Representative of non-governmental environmental organizations (based on the principle of annual rotation).

The duties of the LEF Administration Board shall be as follows:

- Organization of work and general management of the LEF activity
- Approval of the LEF budget
- Definition of priority directions for the LEF expenditures
- Approval of the list of economic entities obliged to pay pollution charges and other fees serving as the sources of revenues for the LEFs
- Coordination of activities related to the introduction of economic mechanisms for the environment protection in the respective territory
- Examination and approval of projects, identification of the sources and volumes of needed financing
- Examination and approval of reports on the LEF expenditures
- Initiation of proposals aimed at the improvement of the LEF sources of receipts and rational use of the financial assets
- Etc.

The Chairman of the LEF Administration Board shall perform the following functions:

- Presiding over the regular and *ad hoc* sessions of the Administration Board
- Assurance of the Board members' attendance of its sessions and presentation to the members of information in relation to the time and agenda of the session
- Approval of the working documents approved by the Board and signing of the bank documents
- The Chairman of the Administration Board can partially delegate its powers to the Deputy Chairman

Environmental and economic services of the environmental agencies (inspectorates) shall ensure the functioning of the Local Funds secretariats. These services were created under the Decision No 988 from 21.09.1998. Later, in 1998 when the Minister approved the Regulation on the Environmental and Economic Services in the territorial bodies of the Ministry of Environment, which became a legal basis for the creation of these services. According to these bylaws, the structure of the Environmental and Economic Services can include 5 employees (as a maximum). The employees of the Environmental and Economic Services shall be appointed by the directors of respective environmental agencies (inspectorates).

According to these bylaws, the major duties of the Environmental and Economic Services shall include:

- Preparation of the lists of economic entities obliged to pay pollution charges and presentation of these lists to the Tax Inspectorate
- Control and verification for adequacy of the estimations of payable pollution charges that are independently prepared by the polluting enterprises
- Preparation of the LEF budgets
- Project cycle management: evaluation and selection of project proposals, holding of negotiations and allocation of funding, monitoring of project implementation, as well as assessment of the project results
- Preparation of contracts for the selected projects implementation
- Preparation of quarterly and annual reports on the LEF receipts and their use
- Rendering of methodological assistance to economic entities
- Preparation of social and economic projections with regard to the development of the respective territory
- Coordination of activities with local public administrations
- Etc.

The territorial bodies of the Ministry shall control project implementation and shall have the right to request any current information from the customer in relation to the implementation of the projects financed by the Environmental Funds.

Administration Boards of the Environmental Funds shall bear responsibility for the use of financial assets for the purposes that are not provided by the Regulation, as envisaged in the current legislation

The NEF shall cooperate with other Funds as a co-financing partner of environmental projects. Thus, for example, in August 2000, the National Environmental Fund signed a Cooperation Agreement with the Social Investment Fund of Moldova for the purpose of joint financing of the projects aimed to improve environmental and living conditions for the rural population.

4. Revenues

The legal framework for the NEF and LEF formation is the Law on Environmental Protection and the Law on Pollution Charges that reflect in details all the sources of income. Besides, the Law on Environmental Protection establishes the ratio for the distribution of revenues from these sources between the NEF and the

LEF. The polluting enterprises shall transfer pollution charges onto the LEF account. The LEFs receive 70% of the received payments with the remaining 30% being transferred to the NEF.

The Environmental Funds shall receive and spend these payments in the form of cash assets. All the resources of the Funds shall be exempted from the profit tax. Since 1999, the NEF budget and the consolidated LEF budget have been approved by the Parliament of the Republic in the form of annex to the State Budget Law. All the financial assets unspent as of the end of year shall be transferred to the next year budget.

Besides, the Regulation on Environmental Funds provides for two other potential sources of income for the NEF, i.e. donations from physical and legal entities, as well as the revenues obtained from the NEF's own activity. However, no such revenues have been obtained in actual practice.

The National Environmental Fund shall be formed from:

- a) the money transferred by the Local Environmental Funds (30%);
- b) emission charges from vehicles using gasoline (ethylated, unblended), aviation fuel (aviation gasoline, kerosene) and diesel fuel;
- c) compensations for the damaged fish stocks estimated with the use of the methods approved by the Ministry;
- d) voluntary contributions made by physical and legal entities, grants from international donor organizations;
- e) revenues received from the activity of the National Environmental Fund (in the form of dividends, interest on investments, bank deposits, transactions with public securities, participation interest from the environmental activities activity of enterprises and other legal entities);
- f) fees paid for the examination of applications and documentation submitted for the issuance of environmental permissions for export, as well as permissions for the export/import and re-export of the plants varieties and wild animal species under the requirements of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- g) charges for the products polluting environment in the process of their utilization.

The NEF sources of income shall be as follows:

- Emission charges from the vehicles using gasoline (ethylated, unblended), aviation fuel (aviation gasoline, kerosene) and diesel fuel
- Charges for the products polluting environment in the process of their utilization (environment-unfriendly products)

Emission charges from vehicles shall be estimated at the rate of 1 percent from the dutiable value of gasoline (ethylated, aviation and diesel fuel); 0.5 percent from the dutiable value of the unblended gasoline payable before or at the moment of transportation of the imported fuel across the border. The specified cash assets shall be transferred onto the account of the National Environmental Fund. Responsibility for the collection and transfer of these financial assets shall be assigned to the State Environmental Inspectorate and Customs Service.

The fees for the import of environment-unfriendly products shall be established for the legal and physical entities importing such products to the country and shall be paid according to the existing standard requirements before or at the moment of border crossing. The specified cash assets shall be transferred onto the account of the National Environmental Fund. Responsibility for the collection and transfer of these financial assets shall be assigned to the State Environmental Inspectorate and Customs Service.

The financial assets received as payment for the imported environment-unfriendly products shall be transferred exclusively for the reimbursement of the expenditures connected with collection and sorting of the accumulated wastes, for the support of the enterprises processing and neutralizing wastes, as well as for the improvement of the atmospheric air quality.

The LEFs major source of income shall consist of pollution charges including:

- Emission charges from stationary sources
- Charges for the discharge of pollutants:
 - Charges for the pollutants discharged together with waste waters into water bodies and sewerage system:
 - Charges for the pollutants discharged into the holding ponds, onto filtration fields and into liquid manure tanks with the account of the full volume of water removal.
 - Charges for water removal from fish ponds and rain-storm runoff from the territories of the enterprises in case of excessive mass of pollutants contained in the waste waters versus the established standard norms
- Waste disposal charges

Pollution charges shall be paid in conformity with the established standard norms.

The Ministry of Ecology and Natural Resources and its territorial environmental agencies (inspectorates) shall have the right to adjust the sizes of pollution charges payable by the users of natural resources with the account of their disbursements aimed for environmental activities.

Proposals with regard to the adjustment of pollution charges shall be made by the users of natural resources based on their planned environmental activities and shall be coordinated with environmental agencies (inspectorates) to be submitted for approval to the Administration Boards of the Environmental Funds.

Environmental activities taken into consideration when estimating the size of pollution charges shall be as follows:

1. Installation of gas and dust removal facilities and equipment.
2. Re-equipment of boiler houses and other facilities burning fuel for their use of more pollution-free types of fuel.
3. Equipment of vehicles with neutralizers, catalysts, smoke filters, purchase of devices for the determination of toxic substances concentration in the exhaust gases.
4. Introduction of low-waste and waste-free technologies.
5. Installation of equipment for production wastes processing.
6. Construction and modernization of municipal sewage disposal plants and local facilities for the treatment of industrial and rain-storm runoff, construction of the circulation water supply systems.
7. Purchase of measuring devices for controlling pollutant fluxes from the stationary sources and quality of discharged waste water, as well as other similar equipment and devices.

5. Spending Strategy

The planning process during which the NEF and LEF determine their annual expenditures is closely connected with the preparation of the state budget. The NEF budget and the LEF consolidated budget shall be drafted according to the State Budget Law being planned for one year with projections made for 4 years.

The anticipated NEF financial resources shall be distributed under 7 budgetary categories, while those of the LEF– under 9 budgetary categories.

Within the existing planning process, the employees of the Ministry and of its subdivisions shall establish the sizes of allocations under each category of expenditures, which shall be approved by the Administration Boards of the Funds.

When preparing the NEF budget, the Ministry shall base on the assumption to use at least 70% of expenditures for the implementation of the strategy, plans and programs related to the environment protection.

At the beginning of the year, both the NEF and the LEF shall receive the approved allocation plan, which they should be guided by when making disbursements throughout the year.

The legal basis for the use of financial means of the Environmental Funds by categories is established by the State Budget Law, the Law on Environmental Protection and the Regulation on Environmental Funds.

6. Expenditures

Environmental Funds shall not be qualified as legal entities and shall finance projects only in the form of grants, as well as participate in the co-financing of environmental projects together with other financial institutions and local public administrations.

The Law does not stipulate the share size of the grant in case of participation of the Fund in the joint financing of projects, the size being defined for each specific project separately.

NEF financial means shall be used for the following kinds of activity:

- a) Financing of projects aimed at the implementation of strategies, national programs and plans on the protection of environment, as well as standards and norms related to construction and individual share in the construction of environmental facilities (including financing of the design works and their implementation in the field of water supply and sanitation; financing of the works related to the collection and sorting of wastes, as well as support of the enterprises processing or neutralizing wastes and improving the atmospheric air quality);
- b) Scientific research in the field of environment protection upon request of the Ministry for the participatory share in the research works, development of projects for the natural built-over protective zones that make part of the national and international heritage;
- c) Organization and maintenance of ecological information system, environmental advertising and public awareness campaigns;
- d) Awarding prizes to experts irrespective of their departmental affiliation (up to 1% of the National Environmental Fund); repaying the expenditures related to the creation of material basis and maintenance of statistical recording for the Environmental Funds;
- e) Organization of international cooperation in the field of environment protection (including hiring of foreign experts for providing consultations and holding of examinations; participation of the representatives of the country in the work of the international environmental conventions, of which the Republic of Moldova is a party; payment of membership fees to the interstate organizations in the field of environment protection); organization and holding of activity related to the introduction of the CITES Convention (development of the CITES permissions, purchase of the special CITES trademarks, etc.);
- f) Liquidation of after-effects of natural disasters, industrial accidents and other situations that can cause damage to the environment;
- g) Provision of financial support to the non-governmental environmental organizations on the basis of the special program of grants extended to the environmental projects.

Financial means of Local Environmental Funds shall be used in order to finance:

- a) Development and implementation of the local programs aimed at the environment protection and rehabilitation of natural resources;
- b) Construction, reconstruction and re-equipment of nature protection facilities (water treatment and air cleaning plants, etc.);
- c) Design, construction and improvement of landfills for the waste storage;
- d) Sanitary activities (liquidation of unauthorized dumps, clean up of wells, springs, lakes, etc.);
- e) Environmental awareness campaigns;
- f) Consolidation of the material basis for the environmental bodies;

- g) Awarding bonuses to the inspectors (including public ones) having disclosed violations of environmental standards (up to 5% of the Local Environmental Fund);
- h) Activities aimed at the prevention and elimination of the after-effects of environment pollution, natural disasters and industrial accidents having resulted in the deterioration of the state of environment;
- i) Other environmental activities with the account of local specifics within the limits not exceeding 15% of the Funds' revenues including the development of environmental projects for the natural and built-over protective zones being part of heritage of the local level;

Financing of local projects shall be done within the volume of the sums collected in the form of pollution charges and transferred to the Local Environmental Fund in each district.

7. Funding Cycle

The legal basis for the financing cycle is established by the Regulation on Environmental Funds and Regulation on the Administration Boards Activity.

Project cycle management is a key function of the Environmental Funds. All the financing decisions shall be made within this process. The project cycle represents a sequence of actions intended for the estimation, selection and implementation, as well as monitoring of the environmental projects financed by the Funds.

Until 1998, the Environmental Funds did not use any procedures for the project cycle management as long as the receipts of the Funds were insignificant and were used mainly for the support of the Ministry and its subdivisions.

Current procedures for project cycle management are described in more detail below.

a. Selection of Projects.

The structure of the NEF budget shall be published at the beginning of the year and shall serve as a kind of instruction for the potential project proponents. The project proponents can submit their applications for financing of only those projects that correspond to one of the 7 categories listed by the Fund. Besides, the project proponents should take into consideration the budgetary constraints under each of these categories as long as the Fund is disallowed to exceed the established limits.

b. Preparation of Projects.

When requesting financing from the NEF, the project proponents shall submit the application form and some additional documents, including:

- Project description
- Estimation of project expenditures
- Monitoring documentation provided by the territorial environmental agencies (inspectorates)
- Letter of recommendation from the local public administrations

The NEF application form is a standard form consisting of the form itself (2 pages of general information about the project) and a more detailed project proposal (5-6 pages).

c. Evaluation and Selection of Projects

When receiving the application, the NEF secretary shall register it and check for the completeness of presented documents. After this, the submitted project shall be transferred for consideration by the experts (it is done by one or two experts, as a rule). Employees of the Ministry can be invited to act as experts in the projects consideration, but also external experts can be invited. The expert shall prepare a written conclusion

commenting on the merits and demerits of the project and recommend accepting or rejecting the given project. Besides, the expert can give the following recommendations with regard to the project:

- To change the scope of works under the project
- To request that some additional actions be taken prior to the beginning of the project implementation
- To propose reconsidering the project budget
- To propose to the Administration Board transferring the project for additional review by the research institute, etc.

After consideration of the projects by the experts, the secretary shall prepare the list of projects to be considered at the session of the Administration Board. At its session, the Administration Board shall consider the projects and make decisions on their approval or rejection. All the decisions of the Administration Board shall be recorded in the minutes of the session.

d. Project Implementation.

After the session of the Administration Board, the Secretariat of the Fund shall prepare a protocol and take steps for the signing of the contract with the project proponent and transfer of the financial means (in case of positive conclusion on the project). Should the decision be negative, the Secretariat shall inform the project proponent about this fact in writing. For the projects approved by the Administration Board, there shall be drawn up contracts containing the following the following information:

- Legal basis
- Name of the project and requested volume of financing
- Financing scheme
- Project implementation schedule
- Warranty of the project proponent.

The contract shall be annexed with the financial plan of the project and shall be signed by the Minister of Ecology and Natural Resources. Financial assets shall be transferred to the project proponent after the signing of the contract; the money transfer can be done in several stages depending on the volume of financing and the type of the project. All the financial payments shall be made via Treasury.

e. Monitoring

After the project is finalized, the project proponent (beneficiary) should submit to the Secretariat of the Fund the final report on the project implementation. Besides, the beneficiary shall also present its financial report including the information on all the expenditures financed from the NEF money. The territorial environmental agency (inspectorate) shall monitor the implementation of the project and prepare a monitoring conclusion on the course of works performed under the project. The NEF employee shall also control the project implementation.

f. Reporting

Statistical reports (general information on the use of financial means under the budgetary classification categories) shall be prepared quarterly. The database of the project proposals having been received by the Fund shall be maintained according to the categories of the budgetary classification and shall be presented upon demand to the higher-level organizations.

8. Evaluation, Reporting and Public Information

Environmental Funds shall observe the accounting standards and financial discipline requirements that are obligatory for all the state organizations.

Transactional services shall be provided to the NEF by the Treasury. Initial documents (payment instructions) shall be presented to the Treasury, where they will be countersigned with further submission to the bank. The Treasury accounts shall be kept in the commercial bank of *Banca Sociala* having been selected by the Ministry of Finance on the competition basis.

The financial activity of the Environmental Funds shall be subject to annual financial audits by the fiscal bodies (Chamber of Accounts).

The Public Prosecutor's Office and the Center for Combating Economic Crimes and Corruption shall also exercise control over the Environmental Funds.

The statistical report on the formation and use of the NEF and LEF financial means shall be annually presented to the National Statistical Bureau.

There also exists a practice of hearing the Report on the Fund's Activity at the collegium of the Ministry of Ecology and Natural Resources and at the sessions of the Parliamentary Commission for Public Administration, Ecology and Territorial Development.

Sometimes, the NEF reports can be published in the newspaper *Natura* and the Ecological Bulletin.

The information on the NEF activity can be found on the web-site of the Ministry of Ecology and Natural Resources (www.mediu.gov.md).

No performance evaluation of the Funds in relation to the fulfillment of their tasks and observance of the respective efficiency standards is performed as long as the state auditor does not require such audits of the Funds' activity.

9. Major Achievements

The Funds' activity shall be held according to the legislative and normative acts and instructions. The potential project proponents shall be financed by the Environmental Funds based on the special Instruction developed for the projects preparation.

The revenues of the Environmental Funds have increased considerably, which makes it possible to provide essential support to the local public administrations in order to ensure water supply sources and to build sewerage systems for the population, to increase the percentage of forest land, to organize authorized landfills for storing household wastes and to support the wastes processing enterprises, as well as to strengthen the capacities of the laboratories controlling the environmental conditions.

10. Challenges and Future Prospects

In the nearest future, it is planned to increase the NEF revenues through introduction of additional charges for the environment-unfriendly products.

In order to increase the efficiency of the Funds' activity it is necessary to do the following:

1. To improve the strategy of the NEF expenditures:
 - To expand the volume of financing for the investment projects with establishing limits for these projects and setting up requirements for shared financing
 - To base formation of annual budgets of the Fund (expenditure budget) on the preliminarily considered and selected projects.

2. To strengthen the procedures for the project cycle management
 - To develop detailed procedural rules for each stage of the project cycle
 - To introduce procedures for the economic efficiency of the projects
 - To introduce regular monitoring of investment projects
3. To improve information of the public
 - To amend normative acts in order to make stricter the requirements set to the reporting by the Funds
4. To use advanced software

11. Statistical data

For all tables presented below, as a matter of principle, *actual amounts* received or spent are reported and not amounts merely committed or forecast.

In tables 1-5 below, data for the National Environmental Fund of the Republic of Moldova are presented.

Table 1: Total revenues and expenditures of the National Environmental Fund of RM (in million lei)					
	2003	2004	2005	2006	2007
Start of year balance	4.3	10.3	11.5	29.8	18.7
Total annual revenues	16.3	24.5	42.2	49.9	57.6
Total disposable resources	20.6	34.8	53.7	79.7	76.3
Total environmental expenditures	10.3	23.3	23.8	61.0	63.8
Overhead/administration expenditures					
Total expenditures	10.3	23.3	23.8	61.0	63.8
End of year balance	10.3	11.5	29.8	18.7	12.5

Table 2: Total annual revenues of the National Environmental Fund of RM (in million lei)					
	2003	2004	2005	2006	2007
Air pollution charges	1.5	1.1	1.6	1.8	2.1
Import / export duty	14.8	23.4	40.6	48.1	55.5
TOTAL	16.3	24.5	42.2	49.9	57.6

Table 3: Total annual environmental expenditures by type of disbursement mechanism - data for the National Environmental Fund of RM (data in million lei)					
	2003	2004	2005	2006	2007
Grants	10.3	23.3	23.8	61.0	63.8
"Soft" loans					
Other					
TOTAL	10.3	23.3	23.8	61.0	63.8

Table 4: Number of environmental projects approved by type of disbursement mechanism - data for the National Environmental Fund of RM (number of projects)

	2003	2004	2005	2006	2007
Grants	247	265	287	380	288
“Soft” loans					
Other					
TOTAL number of projects	247	265	287	380	288

Note: The NEF finances environmental projects only in the form of grants. The above data specify the number of projects with Financing Contracts (agreements) signed with the project proponents and with the financial assets having been already transferred.

Table 5: Total annual environmental expenditures by sector - data for the National Environmental Fund of RM (data in million lei)

	2003	2004	2005	2006	2007
Air	-	-	-	-	-
Water	4.5	11.3	13.7	24.6	22.4
Waste	2.0	4.3	0.6	8.2	5.4
Soil / land protection	-	-	-	-	-
Nature protection / conservation	1.1	2.4	3.7	17.0	24.9
Noise protection	-	-	-	-	-
Environmental education and public awareness	0.5	1.7	1.0	2.9	3.8
Monitoring and information systems	0.3	1.0	1.5	3.2	1.9
Research	1.0	1.0	1.3	1.9	3.3
Cleanup of accidents / emergencies	0.4	0.9	0.8	0.7	1.2
Others	0.5	0.7	1.2	2.5	0.9
TOTAL environmental expenditures	10.3	23.3	23.8	61.0	63.8

Notes: The category “nature protection” also includes forest planting expenditures on the erosion and soil-creeping lands (i.e. land conservation). The category “Others” includes international cooperation expenditures including: hiring of foreign experts for providing consultation and examination services; participation of the country representatives in the work of international environmental conventions of which the Republic of Moldova is a party; payment of membership fees to the interstate organizations in the field of environment protection); organization and holding of activity in relation to the implementation of the CITES Convention (development of the CITES permissions, purchase of the special CITES trademarks) and so on.

In tables 6-10 below, data for the Local Environmental Funds of the Republic of Moldova are presented.

Table 6: Total revenues and expenditures of the Local Environmental Funds of the Republic of Moldova (all data in million lei)					
	2003	2004	2005	2006	2007
Start of year balance	1.1	1.7		1.3	0.8
Total annual revenues	4.8	4.5		6.6	7.5
Total disposable resources	5.9	6.2		7.9	8.3
Total environmental expenditures	4.2	5.4		7.2	7.8
Overhead/administration expenditures					
Total expenditures	4.2	5.4		7.2	7.8
End of year balance	1.7	0.8		0.8	0.5

Table 7: Total annual revenues of Local Environmental Funds of the Republic of Moldova (all data in million lei)					
	2003	2004	2005	2006	2007
Air pollution charges	4.8	4.5		6.6	7.5
Wastewater charges	2.7	2.2		2.8	2.8
Waste charges	0.6	0.4		0.6	1.0
Fines	0.2	0.5		0.7	0.8
Other	1.3	1.4		2.5	2.9
TOTAL	4.8	4.5		6.6	7.5

Table 8: Total annual environmental expenditures by type of disbursement mechanism - of Local Environmental Funds of the Republic of Moldova (all data in million lei)					
	2003	2004	2005	2006	2007
Grants	4.2	5.4		7.2	7.8
“Soft” loans					
Other					
TOTAL expenditures	4.2	5.4		7.2	7.8

Table 9: Number of environmental projects approved by type of disbursement mechanism - data for the Local Environmental Funds of Moldova (number of projects)					
	2003	2004	2005	2006	2007
Grants	82	100		120	150
“Soft” loans					
Other					
TOTAL number of projects	82	100		120	150

Note: The LEF can finance environmental projects only in the form of grants. The above data specify the number of projects with the Financing Contracts (agreements) signed with the project proponents and with the financial assets having been already transferred.

Table 10: Total annual environmental expenditures by sector - data for the Local Environmental Funds of Moldova (data in million lei)

	2003	2004	2005	2006	2007
Air	-	-		-	-
Water	0.7	1.3		1.0	1.0
Waste	0.3	0.8		1.0	1.0
Soil / land protection	-	-		-	-
Nature protection / conservation	0.7	1.1		0.6	0.7
Noise protection	-	-		-	-
Environmental education and public awareness	0.2	0.2		0.2	0.4
Monitoring and information systems	0.6	0.9		2.8	2.4
Research	-	-		-	-
Cleanup of accidents / emergencies	0.2	0.1		0.1	0.2
Others	1.5	1.1		1.8	2.1
TOTAL expenditures	4.2	5.4		7.2	7.8

Annex 1: Exchange rates

Table 11: End-year exchange rates MDL/USD and MDL/EUR

	2003	2004	2005	2006	2007
MDL / USD	13.2	12.5	12.8	13.39	11.52
MDL / EUR	n.a.	n.a.	n.a.	17.68	16.96

Sources: data for 2003-2005: EBRD; data for 2006-2007: www.oanda.com

Annex 2: Abbreviations used in this profile

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
EAP	Environmental Action Program
EBRD	European Bank for Reconstruction and Development
EUR	Euro (currency)
LEF	Local Environmental Funds
MDL	Moldovan Leu (currency)
NEF	National Environmental Fund
OECD	Organization for Economic Cooperation and Development
RM	Republic of Moldova
USD	United States Dollar (currency)