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External Technical Cooperation

I. External technical assistance offered to the National Bank of Moldova

Over the past few years, the National Bank of Moldova (NBM) has benefited from technical assistance from the European Union (EU), international financial institutions, foreign central banks, and other development partners.

The fields covered by the technical assistance are consistent with the priorities and the strategic development objectives of the NBM.

Assistance provided by the European Union

The European Commission's support is provided to the NBM as a follow-up to the commitments undertaken by the Republic of Moldova in the context of European integration process. The assistance from the EU is granted mainly through the EU High Level Advisers' Mission to the Republic of Moldova and through Twinning and TAIEX instruments.

The European Union High-Level Advisers Mission to the Republic of Moldova

The EU High-Level Advisers Mission [1] to the Republic of Moldova is supporting the government and other public authorities from the Republic of Moldova, including the NBM, to implement its reform agenda and in particular focusing on the implementation of the Association Agreement between the Republic of Moldova and the European Union.

Thus, within the EU High-Level Advisers Mission to the Republic of Moldova, in the period of 15 February 2016 and 31 December 2018, the NBM was assisted by an EU High-Level Adviser (EU HLA) for the banking sector – Dr Aldona Jočienė. She provided policy advice to the NBM on banking supervision reform with the main goal of creating a modern and efficient supervisory framework in line with the EU standards (Basel III). This assistance has contributed to the development of the banking supervisory capabilities to increase the safety and soundness of banks and to implement effectively risk-based, forward-looking, judgement supervision, using the Supervisory Review and Evaluation Process (SREP). The EU HLA for the banking sector is also providing support in order to strengthen the NBM's communication capabilities for better informing the society about the banking sector, as well as in order to enhance the cooperation of the NBM with other national public institutions with the aim of efficient fight against economic crimes.

Currently, starting with January 2019, the NBM benefits from the assistance of the EU HLA already on the Financial Services in the context of the new project with a three-year implementation period, from January 2019 until December 2021. During the period of January - June 2019 this position was carried out by Dr. Aldona Jočienė and starting with October 2019, this activity is performed by Dr. Vytautas Valvonis.

Thus, the EU HLA on Financial Services provides policy advice to the NBM on banking supervision, effective communication, as well as on cooperation with various local and international authorities. At the same time, the EU HLA also assists the National Financial Market Commission (NCFM) in strengthening the capacity of this institution in the field of supervision of the non-banking financial sector and the implementation of the recommendations of the National Financial Stability Committee. By the Order of the Government No. 55-d of 25 April 2016 [2], a steering committee for reviewing the general performance of the EU High-Level Advisers Mission was established and one NBM deputy governor is a member of this committee.

At the same time, within the EU High-Level Advisers Mission, in the period of 1 October 2019 – 26 April 2020, the NBM benefited from the assistance of an EU Senior Mid-Term Expert on Banking Supervision, detached by the National Bank of Romania, with an aim to strengthen the knowledge of banking supervisors and to implement effectively risk-based supervision and professional judgment, using the SREP approach. Due to the support provided by the expert, the structure and content of the SREP reports developed for all banks in the Republic of Moldova was improved.

To learn more information about the EU High-Level Advisers Mission to the Republic of Moldova please visit the website: http://www.eu-advisers.md [3].

Twinning

Twinning [4] is an EU instrument for administrative cooperation between the authorities of the EU Member States and the authorities of the beneficiary countries. Twinning projects aim to develop the institutional capacities of the beneficiary authorities and are implemented over a year or more, during which EU public sector experts are seconded in order to assist the beneficiary authorities in achieving specific objectives. Unlike the classic, one-way technical assistance, when experts share their knowledge and experience with the persons concerned, Twinning projects are a close partnership where the active involvement of the beneficiary authorities is very important for obtaining the expected goal. More information regarding the Twinning instrument for assistance is available on the European Commission's website [4].

The Twinning project "Strengthening the NBM's capacity in the field of banking regulation and supervision in the context of EU requirements"

During 1 July 2015 – 30 May 2017 the NBM has benefited [5] from the assistance offered by the EU through the Twinning instrument. This assistance was directed towards strengthening the NBM's capacity in the field of banking regulation and supervision in the context of the EU requirements. The main results obtained are summarized as follows:

- a new draft banking law - Law on banking activity – has been developed. This will allow the NBM to issue secondary normative acts for each area, which will regulate the prudential requirements applicable to banks;
- 20 secondary draft regulations that ensure the transposition of the European normative framework related to banks have been drawn up;
- the NBM internal rules, which will allow the efficient exercise of supervisory function, have been drafted and the organizational structure of the NBM has been changed;
- the level of knowledge of the supervisors and banks representatives on Basel III framework was increased through internal trainings, study cases, practical exercises performed in the Republic of Moldova, Romania, the Netherlands etc.

More information regarding this NBM Twinning project is available here [6].

The Twinning project "Enhancing the system of prevention and combating money laundering and terrorism financing in the Republic of Moldova"

On 13 December 2018, the Twinning project "Enhancing the system of prevention and combating money

laundering and terrorism financing in the Republic of Moldova" was launched. The duration of the project is three years and the beneficiaries of it are about 15 public authorities from the Republic of Moldova with dedicated functions in preventing and combating money laundering and terrorist financing area, including the NBM.

Thanks to the support provided by the EU through this Twinning project, the NBM strengthens and develops its supervisory mechanism, taking into account the new legal requirements from the area, including by implementing robust internal procedures, assessing the risks to which the entities are exposed and by continuous training and getting acquainted with the new tendencies in the anti-money laundering area.

TAIEX

TAIEX [7] is the European Commission's Technical Assistance and Information Exchange instrument. It aims to support the beneficiary authorities to approximate the national legislation with the EU legislation, to implement the harmonized legislation, as well as to facilitate sharing best EU practices. TAIEX assistance is provided to beneficiary public authorities for a short period of time (up to 5 days) in the form of workshops, EU expert missions to beneficiary institutions, or study visits of the beneficiary authority's representatives to EU authorities.

Further information regarding the TAIEX instrument is published on the European Commission's website [8].

Through the TAIEX instrument, the NBM benefitted from assistance in the following fields:

1. Crisis Communication Management (November 2014);
2. Creation of a Single Central Securities Depository (January 2015);
3. Promoting Cashless Payments (March 2015);
4. Cash Management and Security of Vault in the Central Banks (July 2015);
5. Supervision, Recovery and Resolution of Credit Institutions and Investment Firms (September 2015);
6. Investments, Strategic Asset Allocation, monetary policy and risk management (October 2017);
7. Supervisory Review and Evaluation of Operational Risk (April 2019);
8. Evaluation of Market Risk and Interest Rate Risk in Non-trading Activities (April 2019);
9. Supervisory Review and Evaluation of Credit and Counterparty Risk (May 2019);
10. The Effective Model for the National System Against Counterfeiting Money (May 2019);
11. Supervisory Review and Evaluation Process in Relation to Capital Assessment and Quantitative Issues (June 2019);
12. AML/CFT System and implementation of EU standards (June 2019);
13. Macroprundential top-down stress testing of the banking system (August 2019);
14. Macroprudential policy instruments (September 2019).

Assistance provided by international financial institutions

International Monetary Fund

International Monetary Fund [9] and the institutions of the World Bank Group are some of the most important international organizations that provide support to NBM in the key areas of activity. Enhancing the efficiency of monetary policy and financial management, consolidating the institutional and structural policies, developing and proper functioning of the payment system, strengthening capacities in banking supervision, and developing the banking resolution legal framework are listed among some objectives of the technical assistance provided by these institutions.

In 2014, the International Monetary Fund and World Bank have conducted a thorough and detailed assessment of the financial sector of the Republic of Moldova within the FSAP (Financial Sector

Assessment Program).

Over the last years, the International Monetary Fund has provided assistance to the NBM in the context of creation of the Single Central Securities Depository, in the field of combating money counterfeiting, statistical reporting, in the process of strengthening the NBM's monetary and foreign exchange operations within the inflation targeting regime and the macro-prudential function.

The World Bank

The World Bank [10] assists the NBM in the Reserve Advisory and Management Program (RAMP). This technical assistance is aimed at improving the management of the state foreign exchange reserves through the exchange of experience, information and practices between the member states of that program.

Additionally, in the areas of banking recovery, resolution and supervision, the NBM cooperates with the representatives of the Advisory Center for the Financial Sector of the World Bank (FinSAC).

The European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development [11] (EBRD) remains one of the most important development partners for the Republic of Moldova, which contributes to the development of both the private sector through financing and consulting projects and the dialogue on financial sector reforms. In the context of the EBRD Country Strategy for 2017-2022, the NBM is cooperating with the EBRD, including through receiving specialized and professional consultancy and technical assistance aimed at supporting the NBM efforts in restructuring and increasing the resilience of the local banking sector.

Assistance provided by other partners

The United States Agency for International Development

The United States Agency for International Development [12] (USAID), is an important donor of external technical assistance for the NBM, providing support in the following areas: establishment of the Single Central Securities Depository, development of an innovative national payment system, streamlining the NBM's human resources function, enhancing the NBM's capacity to produce international accounts statistics, improving the operational monitoring of shareholder transparency and AML functions.

United States of America Treasury's Office of Technical Assistance

The United States of America Treasury's Office of Technical Assistance [13] is one of the technical assistance partners of the NBM in the areas of corporate governance, monetary policy, accounting, human resources and bank supervision. The assistance provided by this donor has focused on improving compliance with international standards, with Basel Core Principles for Effective Banking Supervision, bank recovery and resolution, bank liquidation, and on the transition to International Financial Reporting Standards. Formal classroom trainings and on-the-job trainings have been instrumental in implementing assistance and the goals associated with it.

Good Governance Fund

Due to the technical assistance projects run with the support of the Good Governance Fund [14] (GGF), financed by the UK Government, the NBM has benefited from consultancy and expertise in various areas of competence. Thus, the NBM obtained guidelines and recommendations for the development of the secondary framework on the implementation of the Law on banking activity and the Law on banks'

recovery and resolution, for the improvement of the draft normative acts in the AML field, for strengthening internal HR management processes and for promoting financial literacy among the population.

European Fund for Southeast Europe

The NBM cooperates with the European Fund for Southeast Europe [15] (EFSE) in the field of financial education. With the support of this organization, the Global Money Week and the World Savings Day projects were carried out. Within these projects, seminars for trainers were organized and two children's books from the series "Financial Education [16]" were published. Also, interactive games that present basic concepts in the banking fieldwere developed

With the financial support of the EFSE Development Facility, the NBM conducted the first national financial inclusion campaign in the Republic of Moldova "Cashless Payments. Simple. Secure. Convenient [17]". The main objective of this action was to encourage and promote the use of cashless payment instruments by informing the general public about the benefits of using payment cards, remote banking service systems, standing orders and, last but not least, direct debits.

Organisation for Economic Co-operation and Development, Ministry of Finance of the Netherlands

In 2018, the five-year (2018-2022) Technical Assistance Project on Financial Education through the Constituency Programme of the Ministry of Finance of the Netherlands, led by the Organization for Economic Cooperation and Development (OECD) and its international network on financial education (INFE) was launched. With the support of this project, authorities of the Republic of Moldova, together with other countries (Bulgaria, Croatia, Georgia, Northern Macedonia, Montenegro and Romania) benefit from the technical expertise of the Money Wise platform from the Netherlands.

Central banks and other development partners

The technical assistance provided to the NBM by the central banks of other countries and other development partners in the area of banking supervision, monetary and foreign exchange policy, financial stability, payment system etc. is of utmost importance. In the recent years the NBM has received technical assistance from the National Bank of Romania, De Netherlandsche Bank, Deutsche Bundesbank, the National Bank of Belgium, the National Bank of Georgia, the Bank of Lithuania, the National Bank of Poland, the Central Bank of the Republic of Turkey, National Bank of Ukraine and others.

II. External technical assistance offered by the National Bank of Moldova

Upon the request of external partners, the NBM shares its experience and practices in various areas of activity specific to a central bank.

Therefore, at the incentive of the IMF, the NBM shared its experience in the field of international account statistics with colleagues from the Bank of Botswana. During the study visit performed at the NBM, discussions were held on various modern aspects of compiling and applying statistics, such as: transition to the international standard MBP6, methods of data collection, processing and dissemination, identification and extending of their sources and information technologies applied in this field.

Furthermore, the NBM with the World Bank assistance conducted the Workshop entitled "The experience of the National Bank of Moldova in implementing International Financial Reporting Standards (IFRS) in the

banking sector". The aim of the workshop was to share the NBM's experience with the representatives of the National Bank of the Republic of Belarus on the transition of the Moldovan banking sector to the IFRS, focusing on issues related to accounting, banking supervision, statistics and IT.

The NBM continues to share its experience on the development and implementation of the Central Risk Monitoring System with colleagues from the National Bank of Ukraine; the strategic planning and development field has been a topic of interest to the representatives of the Central bank of the Republic of Turkey; and the NBM process management as part of the corporate governance has been presented to the colleagues from the Central Bank of Luxembourg.

Tags

Donors [18]

experts [19]

seminars [20]

assistance [21]

EU [22]

taiex [23]

Twinning [24]

External technical assistance [25]

External Technical Cooperation [26]

Technical Cooperation [27]

External Cooperation [28]

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