

Document of  
The World Bank

FOR OFFICIAL USE ONLY

Report No: 66484-MD

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 11.6 MILLION  
(US\$18 MILLION EQUIVALENT)

AND

A PROPOSED GRANT FROM THE  
GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$4.4 MILLION

TO THE

REPUBLIC OF MOLDOVA

FOR AN

AGRICULTURE COMPETITIVENESS PROJECT

April 5, 2012

Sustainable Development Department  
Ukraine, Belarus and Moldova Country Unit  
Europe and Central Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 9, 2012)

Currency Unit = Moldovan Leu

MDL 1 = US\$ 0.08516

US\$ 1 = SDR 0.65354

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AIPA	Agency for Interventions and Payment in Agriculture
APC	Adaptable Program Credit
BIP	Border Inspection Point
CAPMU	Consolidated Agricultural Project Management Unit
CIS	Commonwealth of Independent States
CPS	Country Partnership Strategy
DCFTA	Deep and Comprehensive Free Trade Agreement
DPO	Development Policy Operation
EC	European Commission
ECA	Europe & Central Asia Region
EMF	Environmental Management Framework
EU	European Union
FAO	Food and Agriculture Organization
FM	Financial Management
FSA	Food Safety Agency
GDP	Gross Domestic Product
GEO	Global Environmental Objective
IDA	International Development Association
IFR	Interim Financial Reports
IPARD	EU Instrument for Pre-Accession, Rural Development
IT	Information Technologies
MAFI	Ministry of Agriculture and Food Industry
MCC	Millennium Challenge Corporation
MDL	Moldovan Leu
MOH	Ministry of Health
OECD	Organization for Economic Cooperation and Development
PDO	Project Development Objective
POM	Project Operations Manual
PRAMS	Procurement Risk Assessment Management System
RCVD	Republican Center of Veterinary Diagnosis
RISP	Rural Investment and Services Project
SANCO	European Commission Health & Consumer Protection Directorate-General
S I L	Specific Investment Loan

SLM	Sustainable Land Management
SPS	Sanitary and Phyto-Sanitary Standards
SOPs	Standard Operating Procedures
TORs	Terms of Reference
TSs	Technical Specifications
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization

Regional Vice President:	Philippe H. Le Houerou
Country Director:	Qimiao Fan
Sector Director:	Laszlo Lovei
Sector Manager:	Dina Umali-Deininger
Country Manager:	Abdoulaye Seck
Task Team Leader:	Anatol Gobjila



**MOLDOVA**  
**Agriculture Competitiveness Project**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>1</b>
A. Country Context .....	1
B. Sectoral and Institutional Context .....	1
C. Higher Level Objectives to which the Project Contributes .....	6
<b>II. PROJECT DEVELOPMENT OBJECTIVES .....</b>	<b>7</b>
A. PDO .....	7
Project Beneficiaries .....	7
PDO Level Results Indicators .....	7
<b>III. PROJECT DESCRIPTION .....</b>	<b>8</b>
A. Project Components .....	8
B. Project Financing .....	14
Lending Instrument .....	14
Project Cost and Financing .....	14
C. Lessons Learned and Reflected in the Project Design .....	15
<b>IV. IMPLEMENTATION .....</b>	<b>16</b>
A. Institutional and Implementation Arrangements .....	16
B. Results Monitoring and Evaluation .....	17
C. Sustainability .....	17
<b>V. KEY RISKS AND MITIGATION MEASURES .....</b>	<b>19</b>
A. Risk Ratings Summary Table .....	19
B. Overall Risk Rating Explanation .....	19
<b>VI. APPRAISAL SUMMARY .....</b>	<b>20</b>
A. Economic and Financial Analyses .....	20
B. Technical .....	23
C. Financial Management .....	23
D. Procurement .....	25

E. Social (including Safeguards) .....	25
F. Environment (including Safeguards).....	27
<b>Annex 1: Results Framework and Monitoring .....</b>	<b>29</b>
<b>Annex 2: Detailed Project Description.....</b>	<b>33</b>
<b>Annex 3: Implementation Arrangements .....</b>	<b>41</b>
<b>Annex 4: Operational Risk Assessment Framework (ORAF).....</b>	<b>57</b>
<b>Annex 5: Implementation Support Plan.....</b>	<b>61</b>
<b>Appendix 1: Key Constraints.....</b>	<b>65</b>

## PAD DATA SHEET

Moldova

Moldova Agriculture Competitiveness Project (P118518)

### PROJECT APPRAISAL DOCUMENT

EUROPE AND CENTRAL ASIA

ECSSI

Basic Information			
Date:	16-Mar-2012	Sectors:	Agro-industry, marketing, and trade (70%), Crops (15%), Banking (10%), Central government administration (5%)
Country Director:	Qimiao Fan	Themes:	Rural markets (33%), Rural services and infrastructure (33%), Rural policies and institutions (17%), Export development and competitiveness (17%)
Sector Manager/Director:	Dina Umali-Deiningner/Laszlo Lovei	EA Category:	B - Partial Assessment
Project ID:	P118518		
Lending Instrument:	Specific Investment Loan		
Team Leader(s):	Anatol Gobjila		
Joint IFC: No			
Borrower: Ministry of Finance			
Responsible Agency: Ministry of Agriculture			
Contact:	Viorel Gutu	Title:	Deputy Minister
Telephone No.:	3732233536	Email:	Viorel.gutu@maia.gov.md
Responsible Agency: Ministry of Environment			
Contact:	Rodion Bajureanu	Title:	Deputy Minister
Telephone No.:	37322204507	Email:	bajureanu@mediu.gov.md
Project Implementation Period:	Start Date: 01-Jul-2012	End Date:	30-Jun-2017
Expected Effectiveness Date:	10-Nov-2012		
Expected Closing Date:	30-Jun-2017		
Project Financing Data(US\$M)			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		
Proposed terms: The credit has a final maturity of 25 years including a grace period of 5 years.			
<b>For Loans/Credits/Others</b>			
Total Project Cost (US\$M):	37.44		
Total Bank Financing (US\$M):	18.00		
Financing Source	Amount(US\$M)		
BORROWER/RECIPIENT	2.00		
International Development Association (IDA)	18.00		
Global Environment Facility (GEF)	4.44		

SWEDEN Swedish Intl. Dev. Cooperation Agency (SIDA)	3.00
LOCAL BENEFICIARIES	10.00
Total	37.44

### Expected Disbursements (in USD Million)

Fiscal Year	2013	2014	2015	2016	2017				
Annual	2.00	4.00	7.00	8.00	1.44				
Cumulative	2.00	6.00	13.00	21.00	22.44				

### Project Development Objective(s)

The Project Development Objective is to enhance the competitiveness of the agro-food sector by supporting the modernization of the food safety management system, facilitating market access for farmers, and mainstreaming agro-environmental and sustainable land management practices.

### Components

Component Name	Cost (USD Millions)
Enhancing food safety management	
Enhancing market access potential	
Enhancing land productivity through sustainable land management	
Project Management	
Contingencies	

### Compliance

#### Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ X ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]

#### Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09	X	
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waterways OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

### Legal Covenants



Name	Recurrent	Due Date	Frequency		
Approval of the Project Operational Manual.		10-Nov-2012			
<b>Description of Covenant</b>					
Effectiveness condition.					
Name	Recurrent	Due Date	Frequency		
Adoption of the Food Safety Law		10-Nov-2012			
<b>Description of Covenant</b>					
Effectiveness condition.					
Name	Recurrent	Due Date	Frequency		
Approval of the Grant Operational Manual		10-Nov-2012			
<b>Description of Covenant</b>					
Withdrawal condition for Sub-components 2.2 and 3.2.					
Name	Recurrent	Due Date	Frequency		
Approval of sub-project applications.	X				
<b>Description of Covenant</b>					
Withdrawal condition for sub-projects financed under Sub-components 2.2 and 3.2. Approval of sub-project applications by the respective evaluation and selection committees.					
Team Composition					
<b>Bank Staff</b>					
Name	Title	Specialization	Unit		
Kashmira Daruwalla	Senior Procurement Specialist	Procurement	ECSS2		
Pierre Olivier Colleye	Senior Microfinance Specialist	Team Lead	LCSAR		
Valencia M. Copeland	Program Assistant	Program Assistant	ECSSD		
Anatol Gobjila	Senior Operations Officer	Team Lead	ECSS3		
Elena Corman	Procurement Analyst	Procurement	ECSS2		
Holger A. Kray	Lead Operations Officer	Lead Operations Officer	ECSS1		
Jose C. Janeiro	Senior Finance Officer	Senior Finance Officer	CTRLA		
Arcadii Capcelea	Senior Environmental Specialist	Senior Environmental Specialist	ECSS3		
Tamara Ursu	Program Assistant	Program Assistant	ECCMD		
Ruxandra Costache	Counsel	Counsel	LEGEM		
Felicia Pricop	Consultant	Consultant	ECSS1		
Sophia V. Georgieva	Social Development Specialist	Social Development Specialist	ECSS4		
Oxana Druta	Financial Management Analyst	Financial Management Analyst	ECSS3		
<b>Non Bank Staff</b>					
Name	Title	Office Phone	City		
Gotz Schreiber	Consultant				
<b>Locations</b>					
Country	First Administrative Division	Location	Planned	Actual	Comments



## **I. STRATEGIC CONTEXT**

### **A. Country Context**

1. Economic growth and poverty reduction gains achieved over the last decade in Moldova have been fueled by strong remittance flows that triggered increased, import-served consumption. The decade-long growth has not been accompanied by an increase in employment. On the contrary, total employment in Moldova declined by 27 percent over the period 2000-2010. Agriculture released most of the labor that found jobs through internal and external outward migration. Another macroeconomic negative resulting from a consumption-led growth model was the buildup of an alarming trade deficit. With the value of imports more than triple to that of exports, the trade gap has reached over 50 percent of GDP in 2008. The fallout from the global crisis, which began in 2008, exposed the fragility of this growth model. As remittances declined domestic demand fell by 10 % and the real economy contracted by 6% in 2009. Moldova's quick recovery from the crisis in 2010 and 2011 has been again largely based on the restored remittance supply, but also on increased agricultural prices and growing exports.

2. The lessons from Moldova's development pattern over the past decade, have underlined the critical need for a second engine of growth – the revival of exports. As Moldova's working population declines, export-led growth will need to come from investment and improvements in productivity and competitiveness. The Government of Moldova recognizes the need for an investment- and export-led engine of the growth in its governance program for 2011-2014, which represents a transition from the stabilization and recovery agenda towards a larger focus on investments, innovation and competitiveness. The program sets out a comprehensive set of reform actions aimed at enhancing export competitiveness, attracting investments and achieving closer trade integration with the European Union. The National Development Strategy "Moldova 2020", presently under elaboration, reinforces the Government's commitment to a development paradigm based on a dynamic model driven by domestic and foreign investment and export-oriented sectors.

### **B. Sectoral and Institutional Context**

3. Agriculture is one of the largest sectors of the Moldovan economy. In 2010, agriculture accounted for 12 % of the country's GDP and employed 28% of the active labor force. The importance of agriculture is further validated by the prevailing share of agro-food exports at 45-50% of total exports. This large share is backed up by the export oriented agro-processing industry, which produces most of the agro-food exports and adds approximately 8% to the GDP. Despite the size and significance of the agriculture sector to the economy, rural areas exhibit the highest poverty rates. While poverty in urban areas is relatively low at 10.4%, rural poverty stands much higher at 30.3%<sup>1</sup>. The poverty rate among farmers and agricultural workers is the highest – at 36 and 45 percent respectively. These two categories account for 40 percent of Moldova's poor population.

---

<sup>1</sup> Source: Government briefing note on poverty in the Republic of Moldova (July, 2010).

4. Low incomes derived from agriculture stem primarily from weak links to markets and low competitiveness of the output produced. This situation is determined by constraints on both supply and demand sides that together form a vicious circle which is hard to break. On the supply side, farm size and farming patterns, problems related to produce safety and quality, lack of post-harvest storing, handling and packaging, are the main culprits for limited marketing opportunities available to Moldovan producers. This in turn, is linked to demand side failures, i.e. the under-development of vertically coordinated supply chains in Moldova that should play a key role in driving demand and setting standards for agricultural produce in line with latest market requirements.

wheat	171
maize	348
sunflower	380
tomato	4319
sweet pepper	3924
cabbage	3605
apple	1885
table grape	1993

*Source: Farm Budgets Survey, ACSA*

5. High value crops, in particular fresh fruits and vegetables, offer the highest potential for increased incomes from domestic sales and exports. Climate and relatively high soil fertility give the country a comparative advantage in growing most temperate fruits and vegetables. There have also been solid improvements on the production side, catalyzed by government and donor support that has in recent years focused on rural financing, agricultural advisory services and technology transfer. But the transition to more profitable crops (see Table 1), as well as more profitable market segments, continues to be hampered by high capital requirements for post-harvest infrastructure and the stringency of end-market safety and quality requirements.

6. CIS countries remain the major market for Moldovan agro-food exports, primarily fresh produce in the lower-end segments, with 50-55% of the country’s total agro-food exports. Exports to the CIS are facilitated by a free trade agreement for member countries, the similarity of standards and food safety norms and regulations in the CIS area, as well as historical ties and consumer memory for Moldovan produce. Moldova’s well-established reputation of a supplier of “natural and tasty” produce, notwithstanding poor appearance and packaging, has for a long time ensured stable demand from CIS trade partners (in particular Russia), ensuring relatively low but secure profits for Moldovan exporters. However, this situation is not sustainable in the long run due to shrinking low-end markets, a trend which is particularly evident in Moscow, the primary destination for fresh produce exports from Moldova. The transition to higher-priced market segments is a critical medium-term objective for Moldovan exports in order to maintain a presence on this lucrative market. The challenge is to meet higher requirements for quality, packaging, quantities and delivery discipline. Another critical challenge is the assurance of compliance with food safety requirements, which are also becoming more stringent in the CIS.

7. The share of agro-food exports to the EU is approximately 30-35%. Moldova has not managed to capitalize significantly on the opportunities presented by an asymmetric trade preference regime with the EU. Exports are limited to raw agricultural commodities (cereals and sunflower seeds), or semi-processed products that require very basic handling and packaging (dried fruits, shelled walnuts, or apple juice concentrate). The key constraints for a bigger presence on the EU market are the challenges in complying with food safety requirements and poor produce quality.

8. Despite the issues and challenges outlined above, Moldova's agricultural potential remains, in principle, undisputed. Numerous sector assessments reveal its high agronomic

potential based on the country's favorable geographic characteristics: rich soils, mild climate, topography, and agricultural tradition. The market potential inherent to Moldova's immediate proximity to the EU, one of the world's largest and most well performing food markets (US\$1,309 billion for the EU-27, 310,000 companies, and 4.8 million employees), as well as its traditional agro-food trade ties to the CIS markets present outstanding marketing opportunities. Analytical work confirms comparative advantages for agricultural exports, with particular potential for high value-added products such as fresh fruits and vegetables<sup>2</sup>.

9. In order to take advantage of these opportunities, the sector must address existing potential-performance discrepancies through adjustments that will translate comparative advantages into enhanced competitiveness. While economic theory does not provide a universal definition of competitiveness, a plausible approach is to see competitiveness as the ability of a firm or industry to offer products that meet quality standards in the target market at prices that are competitive. Recent studies mapped various competitiveness elements (strengths and weaknesses) of high value agricultural produce through a framework that focuses on: governance, access to markets, institutions and human capital, resource endowment/depletion<sup>3</sup>. Such a framework presents a solid platform for reviewing Government and donor programs towards supporting activities aimed at enhancing agricultural competitiveness, and justifying the rationale for the mix of interventions supported under the proposed project.

10. Current deficiencies in the country's food safety management system are among the most serious impediment for a more competitive presence of Moldovan agricultural produce on international markets. They are also highly relevant in the context of domestic public health considerations. The existing institutional set-up is based on a fragmented structure with several institutions<sup>4</sup> and a number of agencies at the central, municipal and rayon levels in charge of food safety. The current set-up falls short of generally held principles of delineation of tasks between health and agricultural authorities, as well as separation of responsibilities between standard setting and food safety management. Overlapping functions lead to repetitive requirements related to inspections, laboratory testing, certification, etc. This leads to increased costs to the private sector and institutional confusion that enables rent seeking. The system is not transparent and credible. The services the system should provide to farmers for testing of food, soil, water are very limited and of inconsistent quality.

11. Lack of modern post-harvest infrastructure has been identified to be one the weakest links for fruits and vegetables vertically coordinated supply chains. The main elements of a robust cold chain system – including pre-cooling, cold storage, grading, sorting, packaging, cold transportation – are largely missing. While cold storage facilities are generally available across the country (though in insufficient numbers, and often inadequately equipped), other elements of the cold chain are amiss. Lack of capital and know-how are among the main culprits for a largely underwhelming progress in the emergence of properly integrated post-harvest infrastructure.

---

<sup>2</sup> Source: Moldova Agricultural Policy Notes, Agricultural Markets, World Bank, 2006; Value Chain Analysis and Market Study in the Fruit and Vegetable Sector in Moldova, MCC (2009); Relative Comparative Advantage Analyses, IFC (2009).

<sup>3</sup> Source: Evaluating Export Competitiveness of Selected Moldova HVA Agricultural Products, Mariana Vulpe, Humboldt University of Berlin (2007); Value Chain Analysis and Market Study in the Fruit and Vegetable Sector in Moldova, MCC (2009); Soil Erosion in the Republic of Moldova, Wolfgang Summer, IAHS-ICCE, Vienna (2003).

<sup>4</sup> The institutions that are currently in charge of various aspects of food safety management are: the Ministry of Agriculture and Food Industry, the Ministry of Health and the Ministry of Economy.

12. Lack of cooperation and organization of farmers in Moldova further constrains their capacity to integrate in supply chains and efficiently grasp potential market opportunities. Individually, producers have limited resources to enhance the value of their produce (through storage, packing, etc.), have low bargaining power with buyers due to small quantities and inconsistency of supply, lack proper transportation means, etc. On the demand side they do not represent an appealing source of produce for large processors and wholesalers due to small quantities and poor quality. This results in low producer prices and the perpetuation of a cycle of low-value agriculture. Association of small farmers into productive partnerships, whether cooperative or producer groups, is likely to stimulate bigger capital flows towards them, as well as longer-term seller-buyer partnerships that would allow smaller producers to achieve better market and value chain integration, and ultimately higher incomes. A closely associated issue is the lack of knowledge on market demand, quality and sanitary standards, and general business acumen that can facilitate the operation of farms and/or productive partnerships as true business entities.

13. Another set of limiting factors for the sector's competitive potential relates to the lack of application of sustainable farming practices and in particular sustainable land management. This leads to losses of soil productivity and by extension to a direct negative impact on the price competitiveness of the agricultural produce. Lack of sustainable land management accentuates land degradation processes through over-exploitation of soils and failure to comply with crop rotation imperatives, resulting in ubiquitous anthropogenic soil erosion, intensified landslide processes, loss of organic matter and soil pollution. In the most extreme cases these processes cause land abandonment and heavily deteriorating rural livelihoods, especially for poor smallholder farmers. It is estimated that soil erosion results in financial losses of US\$60-70 million per year. Current rates of progressing land degradation due to unsustainable land use are very high, with more than 2.0 million hectares prone to different degradation processes, of which 350,000 hectares are heavily eroded. Some forecasts suggest that, in the absence of mitigation measures, the area affected by landslides and soil erosion is likely to expand by about 2,000 hectares each year. All these phenomena are largely caused by existing farming patterns, poor national and local capacity to deal with sustainable land management issues, limited knowledge and awareness on mitigation measures for soil degradation, as well as lack of financial resources to pilot and subsequently mainstream sustainable land management practices into agriculture.

14. The Government realizes that enhancing competitiveness of the agriculture sector is a key prerequisite for sustainable sector development and overall economic growth. There is a clear shift in current programs and policies away from a production-centered approach, to a competitiveness focus. Concrete and dynamic steps are presently undertaken to address this challenging agenda.

- (a) The annual Agricultural Support Fund<sup>5</sup> (ASF) that is GOM's main instrument for carrying out agriculture policy priorities has been restructured in 2010 with a view to increase the amount (and the share of total) of subsidies provided for investments, but also

---

<sup>5</sup> The annual ASF comprised a total amount of MDL300 million or US\$25.5 million. Approximately 60 percent of the total amount is allocated to investment subsidies.

to shift the focus of investment support towards high value products and enhanced market access. To ensure a professional and transparent management of the fund a new state institution has been set up in 2010 – the Agency for Interventions and Payments in Agriculture (AIPA) subordinated to MAFI.

(b) The Government has been pursuing an ambitious reform agenda of its food safety and quality management system with an overarching objective of modernizing it in line with international SPS rigors that can address public health aspects, maintain domestic market share and enable growth of exports to both traditional and new markets. This modernization agenda is at the core of discussions on and future negotiations of a Deep and Comprehensive Free Trade Agreement between Moldova and the EU, and has an ultimate goal of achieving full compliance with EU SPS requirements. The underlying reforms are implemented under the framework of a Food Safety Strategy approved by the GOM in August, 2011. The strategy provides for the creation of a food safety and quality management system centered on the establishment of a Food Safety Agency which would have ample and unique, prerogatives in managing food safety and quality in Moldova. Draft legislation that will ensure the functionality of the FSA already in 2012 has been approved by the Government, and is now awaiting final adoption in the country's Parliament.

(c) Productive partnerships are a proven mechanism for enhancing small farmer access to markets and accelerated integration into supply chains. The country's existing legal framework for business cooperatives already provides an adequate basis for the creation and operation of productive partnerships. Nevertheless, MAFI is expanding the legal framework for possible voluntary association of farmers into producer groups, thus providing additional legal options for association. The *Law on producer groups* is currently being drafted by MAFI in consultation with Romanian and Polish counterparts. The plan is to have the Law (and other supporting documentation) passed by the Parliament in 2012<sup>6</sup>.

(d) The Government is making strides to eliminate unnecessary barriers to key inputs that farmers need to reduce cost of production and increase productivity. To this end, a number of policy measures are being implemented to pilot the adoption of the EU seed catalogue for fruits and vegetables that would eliminate additional local testing requirements, and consequently reduce up-take time and adoption costs to farmers. These measures would ensure that farmers are better positioned to serve markets in the EU, by adapting supply to target market demands.

(e) The Government acknowledges and attempts to mitigate pressure on natural resources (primarily land) from agriculture. The National Development Strategy specifies the need for further soil conservation efforts and scaling up of forestation/reforestation of degraded lands. The Government's Program emphasizes the need to: (i) stop degradation of land resources; (ii) provide support and incentives for soil conservation; (iii) create an integrated national environmental monitoring system; and (iv) extend forested areas.

---

<sup>6</sup> Existing legislation for business cooperatives provides sufficient legal space for the formation and operation of productive partnerships. When passed the Law on Producer Groups would expand the legal space, but delays in its enactment would not affect the implementation of the project.

Sustainable land management measures are also reflected in the “National strategy for sustainable development of the agro-industrial complex of the Republic of Moldova for 2008-2015”.

15. International and donor organizations present in Moldova have been actively involved in supporting Government’s agricultural competitiveness agenda. Current donor programs (including other World Bank projects) support or plan to support various aspects of the sector competitiveness framework, i.e. governance, access to markets, institutions and human capital, and resource endowment/depletion. On governance there are the following programs/projects: (i) the IFC Investment Climate Reform Project; (ii) the EU Comprehensive Institutional Building Program for Moldova<sup>7</sup>; (iii) the MCC Program for Transition to High Value Agriculture; (iv) the Rural Investment and Services Project II<sup>8</sup>; and (v) the Disaster and Climate Risk Management Project<sup>9</sup>. On access to markets there are the following programs/projects: (i) the MCC Program for Transition to High Value Agriculture; (ii) the IFAD Rural Financial Services and Agribusiness Development Project; (iii) the Rural Investment and Services Project II; and (iv) the Japanese 2KR Project. On institutions and human capital there are the following programs/projects: (i) the Rural Investment and Services Project II, and (ii) the MCC Program for Transition to High Value Agriculture. Finally, on resource endowment/depletion there are: (i) the Soil Conservation Project; and (ii) the Community Forestry Project<sup>10</sup>. A graphic representation of government and donor supported programs addressing key constraints for the sector’s competitiveness is attached in Appendix 1.

### **C. Higher Level Objectives to which the Project Contributes**

16. The proposed project will contribute to the realization of the economic growth model described in the 2011-2014 Government Program that is based on investment, innovation and competitiveness. The project will support the program’s wide ranging set of reform actions aimed at enhancing export competitiveness, attracting investments and achieving closer trade integration with the EU. In particular, the project would support the Government’s ambitious efforts in reforming the food safety management system, efforts to improve farmers market opportunities through investment support (to up-grade the post-harvest infrastructure) and institutional development support (creation and strengthening of productive partnerships), and efforts to mainstream the use of good agricultural practices and sustainable land management.

17. The proposed project is well aligned with the WB CPS (CPS Progress Report, June, 2011) aimed at assisting the country in laying the foundations for sustainable and inclusive economic growth through: (i) improvements in economic competitiveness, (ii) minimization of social and environmental risks, and promotion of social inclusion, and (iii) improvement of public sector governance. The proposed project is also well aligned and complements the WB Competitiveness DPO presently under preparation. The Competitiveness DPO Pillar 1 - *Improve productivity and attract new investment through investment climate reform* - envisions agriculture-related policy reforms aimed at supporting and facilitating the implementation of some key project activities.

---

<sup>7</sup> The CIB program support to MAFI is expected to commence in 2013-2014.

<sup>8</sup> This is a World Bank financed project with co-financing from SIDA.

<sup>9</sup> This is a World Bank financed project.

<sup>10</sup> These are projects financed by the BioCarbon fund managed by the World Bank.



The DPO prior action regarding the approval of the Food Safety Strategy for 2011-2015 has already been met by the GOM. Another DPO action on piloting the adoption of the EU Common Catalogue for an agreed range of plant varieties is nearing completion. This action is aimed at improving access of farmers to modern seeds and seedlings, and is expected to result in significant productivity and competitiveness gains.

18. The project is fully consistent with the GEF Land Degradation Focal Area and will contribute towards Strategic Objective 1 - *Maintain or improve flows of agro-ecosystem services to sustain livelihoods of local communities*, and Strategic Objective 3 - *Reduce pressures on natural resources from competing land uses in the wider landscape*.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

19. The Project Development Objective is to enhance the competitiveness of the country's agro-food sector by supporting the modernization of the food safety management system, facilitating market access for farmers, and mainstreaming agro-environmental and sustainable land management practices. The PDO will be achieved through activities aimed at: (i) strengthening country capacity to manage the increasingly complex food safety agenda; (ii) increasing levels of farmer organization and improving post-harvest infrastructure; and (iii) promoting adoption of sustainable land management practices by farmers and ensuring a strengthened response by the authorities to soil degradation challenges.

### **Project Beneficiaries**

20. The project would target a broad range of private, public and associative players in the country's agriculture sector. In the private sector the project's interventions would be aimed directly at individual farmers and formal, for-profit productive partnerships with a view of increasing market competitiveness and mainstreaming sustainable land management. In the public sector, the project's interventions will support functional enhancements in key enabling institutions for proper food safety management, such as the newly created FSA and its entities (animal and plant health laboratories, food safety laboratories, border inspection points). These activities will also indirectly benefit farmers by providing more qualitative and transparent support services. The project would also support institutional strengthening of those institutions that are pertinent to the sustainable land management agenda. Finally, the project would support product/farmer associations with a view of enhancing their capacity to play a more salient role in facilitating producer-market interactions.

### **PDO Level Results Indicators**

21. The Project will have the following PDO level outcome indicators:

- Indicator 1: Completion of targeted food safety actions for approximation to EU SPS requirements:
  - Operating procedures and operational manuals for two food safety laboratories in place;

- Draft national legislation and regulations for official controls harmonized with EC Regulation 82 finalized;
  - Draft national legislation and regulations on self-controls for food business operators harmonized with EC regulations finalized;
  - Strengthened capacity of the FSA;
  - Strengthened capacity of 2 food safety laboratories;
  - Establishment of 4 Border Inspection Points.
- Indicator 2: Increased sales (domestic and exports) of high value crops by targeted productive partnerships that receive investment support;
  - Indicator 3: Increased area on which sustainable land management is implemented;
  - Indicator 4: Increased area protected by robust anti-erosion shelterbelts.

### III. PROJECT DESCRIPTION

#### A. Project Components

22. ***Component 1: Enhancing food safety management.*** This component would finance activities aimed at enhancing human, institutional and technical capacity of the country's food safety management system, as well as ensuring regulatory harmonization with EU requirements. Adoption of EU *acquis* on SPS carries significant implications for state institutions in charge of food safety and quality, producers and consumers. EU regulations in these fields demand some of the highest standards in the world and consequently compliance by Moldova to these rigors would entail a lengthy and complex process that requires substantial financial efforts. The component would be structured into two sub-components that would aim to address key priorities identified in the framework of DCFTA negotiations related to regulatory and institutional support and technical enhancements of the food safety management institutions. The component will address governance and market access elements of the competitiveness framework presented earlier.

23. ***Sub-Component 1.1: Regulatory and institutional support.***

(a) On the regulatory side the project would support harmonization with EU regulations. The overall regulatory agenda is vast (65 EU directives), and the pace and depth of its implementation is contingent upon the progress of the DCFTA negotiations. To assist MAFI in harmonizing national regulations and legislation to EU requirements, the project would support the elaboration of a package of priority regulatory acts focused on: (i) standard operating procedures and operational manuals for food safety and animal and plant health laboratories; (ii) harmonization of national legislation and regulations for official controls with the EC Directive 82; (iii) harmonization of national legislation and regulations on self-controls for food business operators with EC regulations; and (iv) addressing other emerging regulatory and legislative priorities for food safety. Additionally, the project would support methodological and analytical work for soil quality and land degradation risk-assessment, land quality certification, and standard setting to ensure that the best soil management practices are integrated in the policy and regulatory framework for food safety management.

(b) On the institutional side, the project would support activities aimed at strengthening the capacity of MAFI and its food safety management institutions by providing training to staff involved in food safety management. The project would also provide support for increasing awareness about and technical understanding of the new food safety legislation and regulations among private sector entities.

24. ***Sub-Component 1.2: Technical enhancements for food safety management.*** On the technical side, the project would support investments that are aimed at ensuring the technical functionality of the country's food safety management institutions.

(a) The Government has opted for the creation of the Food Safety Agency which will be the central and consolidated institutional pillar for the modernization of the country's food safety management system in line with EU practice. The FSA is not yet legally established, as necessary legislation is still pending and scheduled to be passed in 2012. To this end, the adoption of the Food Safety Law, which provides for the establishment of the FSA, will stand as one of the Project's effectiveness conditions. Currently, the institutions that the FSA will encompass represent a set of physically dispersed entities with outdated office, communication and computing equipment. There will be a stringent need to consolidate these institutions into a single, modern facility in order to make the FSA operationally functional and able to provide efficiently services to private sector operators. To this end the project would support: (i) the physical rehabilitation of the designated facility that will house the FSA; (ii) procurement of modern office, communication and computing equipment; and (iii) the design of an integrated IT system that will ensure the interoperability of various future FSA systems/divisions.

(b) Another set of priorities relates to the strengthening of central laboratories and Border Inspection Points.

- With analytical support from the EU, the Government has initiated a process of rationalizing its laboratory network in charge of animal and plant health and food safety. The plan provides for a system with a single central reference laboratory for animal health and food safety of products of animal origin, and three regional laboratories. The plan also provides for a central reference laboratory for plant health, a central reference laboratory for food safety of products of vegetable origin, and three regional laboratories for plant health. Based on a thorough prioritization exercise by MAFI and EU experts, grounded in the context of the current state of functionality of existing laboratories and the medium term institutional goals, available funding for improvements from other sources (Government or donors), and a critical constraint analysis, the proposed project would support investments in the technical enhancement and physical rehabilitation (expansion) of: (i) the central reference laboratory for animal health and food safety; and (ii) the central reference laboratory for food safety for products of vegetable origin. These investments will be complemented by human and institutional capacity building activities foreseen under Sub-component 1.1.

- The establishment of Border Inspection Points is one of the critical issues for DCFTA negotiations. The GOM has taken all necessary legal steps to introduce veterinary and phyto-sanitary services at 8 selected border crossing points. Based on a critical constraint assessment by MAFI and EU experts, the project would support investment costs related to the establishment of 4 BIPs: one at the Chisinau International Airport, one at the Southern border (Tudora), one at the Northern border (Criva), and one at the Western border (Leuseni). All activities would be carried out at existing facilities and on public land and would therefore not trigger any resettlement issues.

25. ***Component 2: Enhancing market access potential.*** This component would finance activities aimed at improving marketability and market integration of Moldova's high value agricultural products – specifically in the horticultural sector – where the country has proven comparative advantages in the production of fruits and vegetables. The component would address institutional and market access elements of the competitiveness framework presented earlier by supporting government efforts in creating an enabling environment for voluntary farmer productive partnerships (business cooperatives or producer groups), and by assisting them in creating and expanding their asset base for the application of modern post-harvest technologies. This support is expected to translate into an increased share of quality products that meet safety and quality standards for target markets, and therewith strengthen the sector's relative competitiveness and consequently its income generation potential. The proposed approach recognizes that the ability of Moldova's horticultural sector to serve increasingly demanding national and regional markets is a function of producers' ability to organize themselves and to cooperate for purposes of lumping capital and scaling up their operations for post-harvest storage, handling, compliance with food safety requirements, adherence to target market standards, and joint promotion and marketing of produce.

26. The design of this component relies on the provision of grant-based assistance to producers for business development and investment support in order to overcome current market failures related to: (a) insufficient availability to individual producers of public goods such as information, knowledge and business advice on modern post-harvest handling processes, technology and market opportunities; and (b) lack of economies of scale caused by high investment costs and inadequate credit facilities for critically necessary investments for which lumping of capital is required. These factors constitute significant disincentives for the emergence of productive partnerships and adequately scaled operations. The project would attenuate them by providing conditional business development and investment support, thus facilitating the emergence of producer groups in the horticulture sector. The major expected externalities from this approach are: (i) the demonstration effects that would set the stage for the creation of a much larger number of productive partnerships than the project itself can support, in the horticultural sector and beyond; and (ii) policy lessons that could inform public decision making for best approaches to eliminate current market failures mentioned above.

27. ***Sub-Component 2.1: Business development support for productive partnerships.*** This sub-component would support capacity building activities for primary horticultural producers aimed at assisting them in setting up and further developing productive partnerships, and providing consulting and training services for business planning and development, value chain

integration and marketing. The sub-component would also support activities aimed at strengthening the capacity of product/farmer associations to represent the interests of the fruit and vegetable industry of Moldova; play an active role in encouraging technological innovation for production, packing, handling, storing and processing of produce; and support the development and extension of applied research that benefits the horticultural sub-sector. The principal delivery mechanism of assistance to producers will be through local consultants, and, when necessary, international consulting.

28. ***Sub-Component 2.2: Investment support for post-harvest technologies.*** Investment support under this sub-component would be provided as matching investment grants to emerging productive partnerships for the modernization of post-harvest technologies in the horticultural sector. Grant funding would be provided through a competitive scheme for sub-projects focused on capital investments in equipment and technologies that result in improvements in quality and consistency of the supply of fruits and vegetables - washing, grading, packing, pre-cooling, ripening room equipment, cold storage, pre-processing, refrigerated transportation, and other post-harvest equipment and technologies. The grants would be conditional on considerations of: (i) alignment of sub-projects with the proposed project's development objective and thematic thrust; (ii) financial feasibility of sub-projects; (iii) ability of the potential beneficiary entity to generate sufficient co-financing (own or borrowed); (iii) demonstrated potential for investments to contribute to improvements in quality and marketability of the products; and (iv) environmental compliance with the project's EMF. The matching investment grants would finance only technological machinery and equipment for post-harvest infrastructure. The matching grants shall not exceed 50% of an eligible investment sub-project, with a maximum ceiling established at US\$350,000 per productive partnership. A productive partnership will be eligible for only one matching investment grant under the proposed scheme.

29. The general eligibility framework under the grant scheme is as follows:

- (a) Productive partnerships have to be registered in conformity with Moldovan legislation;
- (b) Productive partnerships registered, as well as investments realized by productive partnerships in the cities of Chisinau and Balti are not eligible;
- (c) Productive partnerships shall consist of a minimum of five individual members (private producers);
- (d) Individual members of a productive partnerships shall have proof of individual agricultural activity in the horticultural sub-sector;
- (e) Individual members of a productive partnerships should not be on the official list of banned agricultural producers;
- (f) Productive partnerships shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party; and
- (g) Individual members of productive partnerships pay current taxes and have no arrears to the public (state and local) budgets<sup>11</sup>.

---

<sup>11</sup> With the exception of situations in which such arrears were legally restructured and/or deferred.

30. Further beneficiary eligibility, competitive selection criteria and operational details of the grant scheme would be detailed in a Grant Operational Manual, allowing MAFI to have sufficient flexibility to pursue structural reform targets, such as preferential access for young farmers, specific sub-sector goals, etc. But generally, the operational principles of the competitive scheme would emulate respective principles of the EU Instrument for Pre-Accession (IPA(RD)), thus familiarizing both the administration and the sector with EU support provisions potentially applicable to Moldova in case of future positive progress in Moldova's further EU approximation. Delivery of the matching investment grants to end-beneficiaries will be done through the Agricultural Intervention and Paying Agency, which is expected to deepen this familiarization and capacity building effects in MAFI.

31. ***Component 3: Enhancing land productivity through sustainable land management.*** This component would finance activities aimed at mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts. As part of the competitiveness framework presented earlier, it would support governance and resource endowment/depletion aspects that can increase competitiveness of the agriculture sector by enhancing land productivity. The activities of the component would be aligned along three lines of support: (i) strengthening of human, institutional and technical capacity (both locally and nationally) for the implementation of SLM activities; (ii) financial support in the form of matching investment grants to farmers for piloting the adoption of sustainable land management practices and technologies; and (iii) investment support for the rehabilitation of anti-erosion shelterbelts with the purpose of maintaining and enhancing the productivity of agricultural land. Matching investment grants provided to farmers would attempt to overcome current market failures related to: (a) insufficient public goods such as information and knowledge on the practical application of knowledge-intensive and often innovative practices for sustainable land management; (b) high transaction of information costs that can only be attenuated by a wider availability of demonstrable SLM practices and technologies; and (c) long maturation of investments that are not feasible for private investors, but are positive for the society at large. The major expected externalities from this approach are: (i) the demonstration effects that could catalyse a wider commercial-based application of SLM practices and technologies; and (ii) policy lessons that could inform public decision making for best approaches to mainstreaming such activities.

32. ***Sub-Component 3.1: Capacity building sustainable land management.*** The sub-component would provide support to MOE for the following specific activities: (i) methodological work on technical and economic options for farm-based interventions focused on sustainable land management; (ii) awareness raising, demonstration and training activities aimed at improving both farm-level land management skills and public policy response for SLM; and (iii) monitoring of economic and environmental benefits resulting from the application of SLM practices.

33. ***Sub-Component 3.2: Financial support for piloting sustainable land management.*** The sub-component would provide financial support to farmers for piloting the adoption of SLM practices and technologies in the form of matching investment grants.

34. The matching grants would support farm-level sub-projects focused on investments in soil conservation practices and technologies such as low-till machinery, mulching equipment, terracing, plantation of cover crops, hedging, etc. The SLM grants would be available for all crop-growing operations. The investment grants would be compensatory in nature, and conditional on considerations of: (i) alignment of the sub-projects with the proposed project's development objective and the thematic thrust of the component; (ii) financial feasibility of sub-projects; (iii) ability of the potential beneficiary to pre-finance the underlying investment (from own or borrowed resources); (iv) demonstrated potential for the underlying investments to contribute to engendering sustainable and replicable land management practices; and (v) environmental compliance with the project's EMF. The grants would compensate eligible beneficiaries up to 50% of incurred investment costs under a sub-project for eligible goods and works, with a maximum ceiling established at US\$20,000 per beneficiary. Individual producers that are members of productive partnerships which receive grants under Sub-component 2.2 would only be eligible for grants up to an amount of US\$5,000. A beneficiary would be eligible for one investment grant only. Delivery of grants would be done through AIPA.

35. The general eligibility framework under the grant scheme is as follows:

- (a) Beneficiaries have to be private, registered agricultural producers in conformity with Moldovan legislation;
- (b) Agricultural producers registered in the cities of Chisinau and Balti are not eligible;
- (c) Beneficiaries shall have proof of individual agricultural activity in the horticultural sub-sector;
- (d) Beneficiaries should not be on the official list of banned agricultural producers;
- (e) Beneficiaries shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party;
- (f) Beneficiaries pay current taxes and have no arrears to the public (state and local) budgets<sup>12</sup>; and
- (g) Beneficiaries shall provide confirmation of commitment for participation in dissemination and demonstration activities.<sup>13</sup>

36. ***Sub-Component 3.3: Support for the rehabilitation of shelterbelts.*** The sub-component would support investments in machinery for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts.

37. The region's history of and experience with plant cultivation in the past two centuries in the steppe and forest steppe zones clearly demonstrates that anti-erosion shelterbelts are a first choice technique for soil conservation. Such strips composed of tree, bush and grass vegetation have significant potential in preventing water and wind soil erosion, and can lead to nutrient retention, reduced vaporization rates, and improvements in microclimatic conditions. These factors have a direct impact on conservation of soil quality and ensuing enhancement of its productivity. Due to a variety of factors, including lack of technical means and investment by

---

<sup>12</sup> With the exception of situations in which such arrears were legally restructured and/or deferred.

<sup>13</sup> Further details on beneficiary eligibility, award criteria, and operating principles of the SLM grant schemes will be elaborated in the Grant Operational Manual.

communities, in the past twenty years existing shelterbelts have come to a state of disrepair and continue to degrade. The sub-component would support community-level activities aimed at reversing the degradation of these strips in the South of the country, where soil degradation is reaching alarming proportions. Specifically, support would be provided for the procurement of specialized machinery and equipment for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts with an area of 2,000 hectares. The underlying technical works for the rehabilitation of the shelterbelts will be carried out by the forestry enterprises of the State Forestry Agency (Moldsilva) in close cooperation with local communities.

38. **Component 4: Project management.** The component would support costs associated with project implementation, including operational and consulting costs for fiduciary, component coordination, monitoring and evaluation support to MAFI and MOE.

## B. Project Financing

### Lending Instrument

39. The proposed lending instrument for the Moldova Agricultural Competitiveness Project is a Specific Investment Loan of US\$18.00 million through an IDA Credit with a 25 year maturity, including a 5-year grace period. A GEF Grant in the amount of US\$4.40 million<sup>14</sup> will be extended to co-finance the Project. SIDA will provide co-financing in amount equivalent to US\$3.0 million. The Project would be implemented over a five-year period.

### Project Cost and Financing

40. The project is financed with IDA, GEF, SIDA and Borrower resources, and beneficiary co-financing of the matching investment grants.

Project Components	Project cost US\$ million	IDA Financing US\$ million	GEF Financing US\$ million	SIDA Financing US\$ million	Borrower	Beneficiaries	% IDA Financing
1. Enhancing food safety management							
2. Enhancing market access opportunities							
3. Enhancing land productivity through SLM							
4. Project management							
<b>Total Baseline Costs</b>							
Physical contingencies							
Price contingencies							
Total Project Costs	37.44	18.00	4.44	3.00	2.00	10	48
Interest During Implementation						00	
Front-End Fees	0					00	
<b>Total Financing Required</b>	37.44						

<sup>14</sup> The actual amount of the GEF Grant is US\$4.4355 million.



### C. Lessons Learned and Reflected in the Project Design

41. The project design reflects a number of lessons from the implementation of Bank-and Donor-supported projects in the rural sector in Moldova, as well as regional and global experience. It also builds on the many lessons learned globally and compiled in the Bank's World Development Report 2008 on Agriculture for Development.

42. A review of the implementation of the Bank-financed RISP Adaptable Program Credit (APC) shows that financial support to farmers is optimized when used in conjunction with advisory and business development services. While investment decisions to pursue commercial opportunities and risk failure rest with private farmers and rural entrepreneurs, access to knowledge, information, and customized business advice engender and/or strengthen the much needed technical capacity and business acumen that maximize chances of success. Such an approach has ensured that the rural businesses supported by the RISP APC, have had a first-year survival rate of more than 95%. Another important lesson from the RISP APC is that voluntary association of farmers for purposes of productive cooperation is nearly impossible, unless the issue of initial capitalization of such entities is tackled first. By their nature, cooperatives lack the asset base that can allow them to attract additional funding for building robust productive partnerships. Unless this impediment is eliminated cooperation for productive purposes is unlikely to emerge as a meaningful (volume and value of production) alternative to current fragmented forms of organization in agriculture<sup>15</sup>. Last but not least, the RISP APC experience in piloting technologies aimed at increasing resilience to climate variability provides a clear lesson that the best stimulant for widespread adoption of new or additional technologies is demonstration of benefits. The best aid for demonstration is demonstration plots or sites, for which grant funding is required to co-finance the investment and advisory costs for the pioneering farmers.

43. A review of the implementation of the Bank-financed Avian Influenza Control and Human Pandemic Preparedness and Response Project shows that investments in physical infrastructure for food safety management are optimized when they are preceded by clear regulatory and institutional goals that guide the upgrading processes. Otherwise, there is a risk of over-investment in technology and facilities that are unnecessary. The reflection of this lesson on the project is captured in the alignment of its activities (Component 1) with the country's strategic goal of compliance with EU SPS requirements.

44. In terms of lessons learned from successful Bank operations<sup>16</sup> which employed grant funding as a tool for assisting productive partnerships to expand and upgrade their assets and practices to meet the requirements of coordinates supply chains, there is a clear need to focus on: (i) ensuring strict adherence to rules and procedures for the competitive selection of eligible beneficiaries for grant funding; (ii) providing financing for complementary advisory and business services to help partnerships prepare qualitative investment and business plans; and (iii) creating opportunities for the development of local consulting services that can support emerging productive partnerships.

---

<sup>15</sup> This lesson is also reflective of the experience of another donor-supported project for stimulation of cooperation implemented by the National Federation of Agricultural Producers of Moldova - Agroinform.

<sup>16</sup> The Bank has prepared and implemented projects that supported productive partnerships with grant funding in such countries as Colombia, China, Vietnam and other.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

45. An existing inter-ministerial Steering Committee, established in accordance with Government Decision 878 dated September 9, 1999 (as revised to include the relevant up-dates for this Project), will perform overall supervisory, coordination and strategic guidance functions for the project. Currently, the Steering Committee has representatives of MAFI, MOE, MOF, and the State Chancellery. The decision will be adjusted to include representatives of farmer/producer organizations. The project would have two implementation agencies: MAFI will implement Components 1 and 2, while MOE will implement Component 3. The two institutions will assign Component Coordinators to assist them with technical aspects of implementation of project activities within their respective components. In order to promote the development of country systems, the project's grant schemes (across components) will rely on AIPA<sup>17</sup> for disbursements, delivery of grants to beneficiaries, financial management and monitoring of grant implementation. For fiduciary support to the implementation of other project activities across all three components, an existing project management unit - CAPMU<sup>18</sup>, will be in charge of supporting disbursement, financial management and procurement activities, as well as monitoring and evaluation. To ensure an efficient and transparent procurement process, the Implementation Agencies will establish procurement evaluation committees that would include representatives from their respective ministries, the MOF and the State Chancellery.

46. To ensure efficiency and transparency in the selection of grant beneficiaries under Component 2, MAFI will establish a grant evaluation and selection committee in charge of announcing competitive grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MAFI's and/or AIPA's sites. The composition of the grant evaluation and selection committee, and any subsequent compositional changes, will be approved by the project's Steering Committee. The grant evaluation and selection committee would include representatives of MAFI, AIPA, MOF, the State Chancellery and independent technical<sup>19</sup> and financial experts. To facilitate the operations of the evaluation committee, an initial eligibility screening of incoming applications could be carried out by AIPA.

47. To ensure efficiency and transparency in the selection of grant beneficiaries under Component 3, MOE will establish a grant evaluation and selection committee in charge of announcing grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MOE's and/or AIPA's sites. The composition of the grant evaluation and selection committee, and any subsequent compositional changes, will be approved by the project's Steering Committee. The grant evaluation and selection committee would include representatives of MOE,

---

<sup>17</sup> AIPA is institutionally subordinated to MAFI, and is modeled after payment agencies present in EU countries. It has received significant institutional and human capacity strengthening support under the RSIP II Project.

<sup>18</sup> CAPMU was established in 1999 through Government Decision 878 and has more than ten years of experience in providing fiduciary support in the implementation of Bank-financed projects in the rural sector in Moldova.

<sup>19</sup> The profile of technical experts will be specific to the thematic area: post-harvest infrastructure, marketing and supply-chains.

MAFI, AIPA, MOF, the State Chancellery and independent technical<sup>20</sup> and financial experts. To facilitate the operations of the evaluation committee, an initial eligibility screening of incoming applications could be carried out by AIPA.

48. The project will be implemented based on a Project Operational Manual which will be approved by the project's Steering Committee and adopted by MAFI and MOE through a joint Ministerial Order. The POM would include: (i) the project's overall operating, fiduciary and decision making procedures; and (ii) results monitoring arrangements. Implementation of the project's grant schemes will be based on a Grant Operational Manual which will be approved by the project's Steering Committee and adopted by MAFI and MOE through a joint Ministerial Order. The GOM will contain a detailed description of the operating principles and evaluation criteria for the project's grant schemes. Only the Steering Committee will have the authority to amend the two documents above, provided such amendments are acceptable to the World Bank.

## **B. Results Monitoring and Evaluation**

49. The project's monitoring and evaluation activities would be focused on several types of data specific to activities under each component in accordance with the results framework described in Annex 1. The responsibility for monitoring and evaluating results/outcomes will rest with the Implementation Agencies in charge of their specific components. AIPA and CAPMU will provide the necessary technical and system support for collection, processing and maintenance of monitoring data. CAPMU will be in charge of supporting MAFI and MOE in the production of semi-annual consolidated results monitoring reports for review by the Bank. SLM monitoring will be strengthened to rely on technical expertise for measuring total area covered by improvements in the application of SLM practices, and the ensuing impact evaluation on the quality of soil.

## **C. Sustainability**

50. A key principle in the project's approach is institutional strengthening, whether private or public. The proposed mix of activities under all three components parallels investments with technical assistance, awareness building and dissemination of information. As such, the sustainability of the project would depend primarily on the successful implementation of the approach pursued by the project. To this end, a key factor is the commitment and the capacity of the Government of Moldova to ensure successful implementation.

51. *Institutional sustainability.* The Government of Moldova has demonstrated credible commitment to the agenda of enhancing competitiveness in the agriculture sector by: (i) making important strides towards modernizing its food safety management system in the context of the DCFTA process; (ii) directing public support programs in agriculture towards investments, away from recurrent subsidies; (iii) adopting open market policies and eliminating trade interferences; and (iv) attempting to enhance agriculture's resilience to climate risks and mainstream sustainable natural resource management practices (particularly land). To this end, the Government regards the proposed project, and its mix of activities, as an important milestone in advancing the competitiveness agenda in the sector, and is solidly committed to its objective – a clear precursor

---

<sup>20</sup> The profile of technical experts will be specific to the thematic area: sustainable land management.

of successful implementation and hence sustainability<sup>21</sup>. Additionally, ownership demonstrated by the Implementation Agencies during the preparation stage is a promising sign of successful implementation. MAFI and MOE have worked closely with the task team to develop the components and activities, and have been providing rigorous and timely technical inputs. The proposed fiduciary arrangements, which provide for the involvement of CAPMU, an experienced and well-staffed entity also add to the sustainability outlook.

52. For Component 1, MAFI and its technical divisions that would be involved in the implementation and post-project stages have technically competent staff assigned to work with Bank-financed equipment (FSA and laboratories). The project would provide further training and capacity building activities for the institutions in question. The country's pursuit of closer market integration with the EU, and the underlying actions for food safety that condition the successful negotiations of the DCFTA, as well as the salience of food safety considerations on traditional CIS markets, are a good indicator of a strong commitment to not only engender, but also maintain institutional improvements necessary for market access.

53. For Component 2, the market-driven approach and the participation of the private sector should result in support to viable, market-oriented investments, which would provide a greater chance for sustainability than traditional top-down approaches. The outlook for successful implementation and ensuing sustainability rests in the complementarities between business development advice and investment support to emerging productive partnerships. In addition, the Government's efforts to expand the legal framework for collective action in agriculture by drafting a specific law for producer groups, will expand the range of possible options for cooperation amongst farmers, as well as strengthen the replicability outlook for activities supported by the project.

54. For Component 3, successful implementation and the sustainability of land management activities will be cemented by complementarities between SLM investments and enhancements in the capacity of public institutions that have the thematic mandate to promote SLM activities, methodological support for farm-based SLM interventions devised under the project, awareness building activities and dissemination through demonstration of the results of the project.

55. *Technical sustainability.* Buildings reconstructed and/or improved under the project, will be maintained beyond the implementation of the project following normal procedures used for such structures. The long-term sustainability of investments made under the proposed project depends upon continuing Government budgetary support. Government agencies involved in implementation have been informed of the need to ensure adequate operating and maintenance budgets. Given the level of commitment demonstrated by the lead agencies, and the ambitious agenda for modernizing the country's food safety management system in line with EU requirements, there is a high degree of certainty that government support will continue in full for the entities financed under the project. The sustainability of farm-based investments for post-harvest infrastructure and for mainstreaming of sustainable land-management practices will be assured by financing exclusively new equipment for entities with sound business and financial projections. Finally the sustainability of anti-erosion shelterbelts rehabilitated under the project

---

<sup>21</sup> The Government Strategic Planning Committee vetted the proposed project; the Committee screens all investment proposals to ensure alignment with Moldova's development financing priorities.

will be assured by the existence of service contracts between communities and the entities in charge of rehabilitation.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

<b>Risk</b>	<b>Rating</b>
<b>Stakeholder Risk</b>	<b>Moderate</b>
<b>Implementation Agency Risk</b>	
- Capacity	<b>Low</b>
- Governance	<b>High</b>
<b>Project Risk</b>	
- Design	<b>Moderate</b>
- Social and Environmental	<b>Low</b>
- Program and Donor	<b>Low</b>
- Delivery Monitoring and Sustainability	<b>Low</b>
- Other (Optional)	
- Other (Optional)	
<b>Overall Implementation Risk</b>	<b>Substantial</b>

### B. Overall Risk Rating Explanation

56. The overall implementation risk rating is substantial, as detailed in the Operational Risk Assessment Framework (Annex 4). Key risks for implementation are related to: (i) operating environment – country level risks; (ii) implementation agency – capacity and governance risks; and (iii) design risks.

57. ***Operating environment - country level risks.*** Early elections in November, 2010 led to an increase in the representation of the current governing coalition in the country’s Parliament. However, the coalition still lacked sufficient parliamentary seats to elect the President of the country. This provoked a period of a protracted political stalemate and heightened instability, indented by the threat of another round of early parliamentary elections in 2012, should the President not have been elected. The political crisis ended on March 16, 2012 when the governing coalition, together with a small opposition group managed to elect the President of the country. This resulted in a stabilization of the political situation, although some volatility still exists. The outlook for the maintenance of the current coalition is positive, and significant changes in the composition of the Government that could affect implementation of the project are now less likely. Nevertheless, in order to mitigate risks related to compositional changes in the Government, the Bank has continuously engaged stakeholders from across the political spectrum on discussion of development priorities of the sector. A more imposing mitigation factor is the stringent need to enhance the agriculture sector’s competitiveness, a fact which is recognized

across political lines as uncontroversial. To this end, any impact on implementation from political economy factors is likely to be short-lived and not substance-related.

58. **Implementation Agency – capacity and governance risks.** A large part of the investment support under the project is directed towards various grant schemes. Both implementation agencies have rich experience in managing Bank financed projects, but less experience in managing grant schemes. To mitigate possible capacity gaps in managing grant schemes, the project would include training activities for developing necessary capacity for evaluation of grant applications against clear technical, social, environmental and financial criteria. To ensure that the grant evaluation process is of satisfactory quality, the Bank team will pre-review the first 10 evaluated grant applications. The decision to use AIPA, a relatively young institution, as a key element in the grant delivery mechanism carries some risks. However, AIPA’s demonstrated professionalism and dynamism in managing public support programs in agriculture, plus the significant financial support it receives under RISP II for institutional and human capacity strengthening, are positive factors that increase the likelihood of its successful involvement in the implementation of the project<sup>22</sup>.

59. Governance risks are closely related to the country (political) risks mentioned above. Main project counterparts may change as a result of political changes, thus weakening project ownership and complicating communication with MAFI and MOE on project implementation issues. In addition to the mitigation measures described above for country risks, the Bank has pointedly engaged third-tier, non-political staff of MAFI and MOE (Department and Division Heads) in order to ensure ownership should political volatility lead to changes in the leadership of the respective ministries.

60. **Design risks.** The main risk related to the design of the project is failure of project activities to engender necessary farm-level mobilization and cohesion for the creation of productive partnerships that can benefit from the implementation of the competitive grant scheme for piloting post-harvest investments. Indeed, productive partnerships are presently an appealing, but largely little-tried form of organization of agricultural production, so the project would have specific interventions aimed at fostering the coagulation of such partnerships. The design recognizes that the ability of a matching investment grant may not be a sufficient incentive/pre-requisite for the emergence of robust productive partnerships. Hence, the project would support a concerted public outreach effort to inform farmers about the benefits (beyond the availability of a grant) for post-harvest cooperation, but also provide consistent technical assistance for identification, mobilization and creation of productive partnerships.

## VI. APPRAISAL SUMMARY

### A. Economic Analysis

61. The project is expected to generate several distinct types of benefits, not all of which can be quantified. The institutional development activities under Component 1 in particular will

---

<sup>22</sup> Alternative disbursement, financial management, and results monitoring mechanisms that include CAPMU as a grant delivery entity have been elaborated.

generate important benefits in terms of institutional capacity, operational efficiency, compliance with international standards and the like, which are difficult to measure as such. Therefore, the analysis takes as a proxy measure (that indirectly captures the aggregate outcome of the component) the horticultural export revenue gains that are likely to be generated as a consequence of Moldovan produce meeting international food safety standards, therefore having access to more foreign markets and being able to command higher prices. In regard to Component 2, the specific sub-projects financed will be entirely demand-driven, and the actual productive partnerships financed by the project will only be known ex-post, or – at the earliest – by the time the final grant applications have been screened and sub-projects selected. Therefore, the ex-ante economic analysis for the project is based on certain assumptions regarding the type and number of productive partnerships that are likely to be supported by the project and for which sufficient information and data are currently available. Component 3 is also demand-driven, so that it cannot be stated in advance with certainty which crops would be grown on the land coming under improved management practices, or on land protected by shelterbelts and hedgerows. The analysis is thus indicative of what may happen in the project.

62. Component 1: Enhancing Food Safety Management. As a result of the strengthening of Moldova's primary food safety institutions and the adoption of internationally recognized standards and procedures, Moldova will be able to export its horticultural products, which are the focus of the investments in Component 2, to more markets and at better prices than those commanded at present. Therefore, the beneficial effect is estimated in terms of the export price gain that can be expected. As the food safety investments in Moldova are phased in during the project, and are increasingly applied to a growing share of overall horticultural exports, apple exports to Russia (the dominant market for Moldova) confirmed as meeting international food safety standards are assumed to increase from 20% of the total in 2014 to 50% in 2017 and thereafter; a sizeable share of exports to Russia is, thus, assumed to continue under current less stringent procedures. Apple exports to other markets, notably the European Union, are expected to reach 100% compliance with international food safety standards by 2018. The share of plum exports meeting international food safety standards is projected to increase from 20% in 2014 to 100% in 2018. The price premium on apples is estimated to be half of that which can be realized by also shifting completely from the present trade practices to modern cold storage, sorting, grading, packing and other post-harvest quality enhancement methods (as supported under Component 2). For plums the price premium implied is about 15% more. To avoid double-counting, the quantities covered under Component 2 are excluded here. The economic analysis for this component, covering 20 years, indicates a Net Present Value of US\$11.05 million and an ERR of 44%.

63. Component 2: Enhancing Market Access Potential. With a rising number of productive partnerships moving their produce through modern cold storage, sorting, grading, packing and other post-harvest quality enhancement methods, their exports will realize significantly higher prices than those currently obtained. Current market intelligence suggests that apple exports to Russia would fetch US\$53/ton above the price obtained under current, traditional methods and that the price premium for plums would be US\$103/ton. With apple exports through the project-supported productive partnerships gradually increasing from 11,250 tons in 2014 to 58,500 tons in 2018 and plum exports through these channels rising from just over 1,000 tons in 2014 to about 5,200 tons in 2018, the annual gain in export revenue attributable to this improvement in the value

chain will amount to almost US\$4.2 million by 2018 and thereafter. The economic analysis indicates a Net Present Value of US\$3.4 million and an ERR of 18.8%.

64. Component 3: Enhancing Land Productivity through SLM. The direct benefits from the activities financed under this component are increased crop yields on the farm land brought under improved management practices and production losses prevented by the establishment of protective shelterbelts and hedgerows. These are conservatively assumed to average 10%, although case studies in Moldova suggest that they could be as high as 15-20%. Since the subprojects under this component are demand-driven, it cannot be determined ex-ante what specific crops will be cultivated on the target areas. For the subcomponent on improved land management practices, where a total area of 10,000 hectares expected to be covered by 2017, it is assumed that this total will comprise 10% under table grapes, 10% under apple orchards, 30 % under wheat, 30% under maize and 20% under potatoes. The yield gains will be realized from the year in which the improved practices are applied. The annual benefits from this subcomponent are estimated to total US\$1.65 million from 2017 onward.

65. For the shelterbelt sub-component, which will be primarily implemented in southern Moldova, it is assumed that half of the total area – which will total 50,000 hectares by 2017 – will be under wheat and half under maize. The yield benefits from shelterbelt protection are assumed to accrue beginning in the third year after the establishment of the shelterbelts, when they have reached an adequate height and density to provide effective protection against wind erosion. With wheat and maize producer prices at present on the order of US\$175/ton and average yields of 3.0 t/ha for wheat and 4.5 t/ha for maize, the aggregate benefits of this sub-component would amount to more than US\$4.0 million annually by the year 2019. For the component as a whole, the economic analysis gives a Net Present Value of US\$8.0 million and an ERR of 27%.

66. Project Aggregates. For the project as a whole, including Component 4 for which no separate analysis was made, the economic analysis suggests a Net Present Value of US\$21.4 million and an ERR of 26.6%. A discount rate of 12% has been used throughout. The exchange rate used is MLD 11.80/US\$ 1.0. Conversion factors on project costs were not used in the analysis.

67. Unquantifiable Benefits. The project will generate other benefits that are not captured in the economic analysis, including spillover effects. Both government staff and private sector personnel will be trained in and work with the up-to-date food safety standards and procedures and with the relatively new value chain concept. The strengthening of food safety institutions and procedures will affect not only horticultural exports, but all food products moving through formal market channels and will therefore have important public health benefits. The new marketing infrastructure investments supported by the project will not only assist the members of productive partnerships who will own and operate them, but will benefit their entire communities: these facilities will generate significant wage employment opportunities and will also be available for rental use when their capacity is not fully used by the owners. Gender-specific project benefits are likely to be significant as well, since at least half and probably as much as 75% of all formal jobs created in the modern sorting and packing houses are likely to be filled by women.



68. The farm income benefits of improved land management and shelterbelt establishment in the project-supported subproject areas can be expected to have a significant demonstration effect on neighbors who are thereby persuaded to adopt these improved practices as well. This technology transfer tends to optimize the use and management of agricultural chemicals (fertilizer, pesticides) at the farm level, with tangible environmental benefits. Likewise, commercial success of the modern value-chain operators can be expected to induce additional partnerships to set up packing facilities and cold storage with own and credit funding. The product range is also likely to expand beyond apples and plums, once sufficient experience and confidence have been gained: table grapes, berries, tomatoes are probable candidates. Finally, the additional income generated in the rural areas around the modern facilities will have positive secondary effects in terms of increased consumption levels, partly for better nutrition, and increased investments in local private housing, farm implements and inputs, and small-scale businesses.

## **B. Technical**

69. Technical requirements for goods to be procured under the project would be focused on upgrading currently available technological equipment both in public institutions and in the private sector to higher performance standards that would lead to increased efficiency and productivity. Technical requirements for civil works aimed at enhancing the functionality of project targeted facilities would reflect international best-practice in design (ex. laboratories), while following national building codes and standards.

## **C. Financial Management**

70. Overall fiduciary tasks, including financial management, will be managed by CAPMU which has vast experience in the implementation of donor-financed projects and is staffed with qualified personnel. CAPMU's expertise has been regularly assessed by different donors. In addition, its activities have been subjected to annual audits by independent eligible audit firms. The financial management arrangements established within CAPMU have always been found to be satisfactory, complemented by a robust internal control system and adequate compliance with legal requirements.

71. The implementation of the project's grant schemes under Sub-components 2.2 and 3.2 will rely extensively on existing mechanisms within AIPA. In particular, AIPA would be responsible for the payment review and execution and post-payment compliance of the grants. The existing business processes in AIPA have been assessed by the Bank team and are deemed sufficiently sound and reliable to be used within the proposed components. Overall, the fiduciary assessment focused on reviewing the "four-eye" approach which AIPA applies towards scrutinizing subsidy applications from a preliminary review of the completeness of applications to a comprehensive assessment of eligibility. The Bank team also observed that AIPA performs adequate checks at each stage of the subsidy application process, as well as in the post-payment stage, with a view of eliminating fraud and errors in subsidy awards and subsequent implementation. To administer effectively the project's grant schemes, AIPA would handle a separate designated account opened for this purpose in the state treasury system.

72. Within thirty days after the end of each reporting quarter, AIPA will prepare and submit to CAPMU reports on the funds spent under the sub-components it is responsible for. In its turn, CAPMU will consolidate this financial information into project financial statements and submit them to the Bank within forty-five days after the end of each calendar quarter. The format of the consolidated interim financial reports has been agreed and were attached to the Minutes of Negotiations. The consolidated IFRs will also serve as basis for disbursement of project funds. To meet the Bank's audit requirements, the consolidated project financial reports will be audited on an annual basis by an independent eligible audit firm. Within these arrangements, CAPMU would be accountable for ensuring timely execution of the project's financial audits - drafting of the TORs, selection of the auditor, provision of the required assistance to the auditor, and submission of the audit report to the Bank. The scope of the project audit would include, in addition to its standard procedures, an assessment of the adequacy and accuracy of competitive grant awards and AIPA's performance in executing the schemes. In addition to annual financial audits, AIPA's performance in executing the grant schemes will be subject to a one-off operational review by an independent consulting firm.

73. The team assessed the risks related to the timely availability of the beneficiary contribution to co-finance investments supported with matching grants under Sub-component 2.2. To mitigate such risks, AIPA would gather evidence that beneficiary funds are secured on a special escrow account opened by beneficiaries for purposes of financing the underlying investment, before transferring the grant proceeds to the same account. Due to the fact that the approach behind Sub-component 2.2 is to ensure the capitalization of the productive partnerships, delivery of matching grants to beneficiaries could be front-loaded in those cases when a grant beneficiary requires financing from a third party (commercial bank or non-bank financial institution), and the financing decision is contingent on the availability of an asset such as the grant. Under both scenarios, AIPA would apply rigorous review of documentary evidence and monitor the execution of the grants to ensure efficiency and compliance with procedures<sup>23</sup>. The execution of grant schemes will also be closely monitored by the World Bank task team.

74. Due to the fact the approach under Sub-component 3.2 provides for compensatory grants (reimbursement of eligible expenditures), AIPA would gather satisfactory evidence of eligible expenditures incurred by eligible beneficiaries before transferring the grants. AIPA would apply rigorous review of documentary evidence and monitor the execution of the grants to ensure efficiency and compliance with procedures<sup>24</sup>. The execution of grant schemes will also be closely monitored by the World Bank task team.

75. To increase the outlook for successful implementation of the grant schemes, the project would support necessary capacity building and training in AIPA. Should AIPA's involvement prove unsuccessful, the fiduciary responsibility for the execution of the grant schemes would be taken over by CAPMU.

---

<sup>23</sup> Such detailed procedures would be outlined in the Grant Operational Manual.

<sup>24</sup> Such detailed procedures would be outlined in the Grant Operational Manual.

## **D. Procurement**

76. The procurement team evaluated the adequacy of procurement and related systems in place and the capability of each implementation agency, including the fiduciary agency - CAPMU, to administer procurement in general, and Bank-funded procurement in particular. The evaluation was carried out using the web-based Procurement Risk Assessment Management System and is included in the project files. The team assessed the risks that may negatively affect the ability of each implementation agency to carry out the procurement process and proposed measures to mitigate those risks. While no major issues have been identified, the team noted several areas which need improvement that are detailed below. To address general limitations of capacity of MAFI and MOE to administer procurement processes, the procurement team recommended that relevant and practical training programs are developed and supported by the project.

77. **Ministry of Agriculture and Food Industry:** Under Component 2, a large amount of project funds is directed towards a competitive grant scheme. While MAFI has solid experience in implementing grant programs, it does not have experience in managing specifically competitive grant schemes. The Bank team recommended that the project includes capacity building and support activities to assist MAFI in adequately developing technical, financial social and environmental eligibility criteria to ensure fair competition and evaluation of grant applications. To avoid biased and restrictive eligibility criteria for awarding grants, the team recommended that MAFI involves technical staff in the preparation of the Grant Operational Manual and subsequent evaluation of grant applications. Additionally, to ensure that the grant evaluation process is of satisfactory quality, the Bank team will prior-review the first five evaluated grant applications under Sub-component 2.2.

78. **Ministry of Environment:** The team recommends the same corrective and enhancing actions for the capacity of MOE in managing the grant scheme under Sub-component 3.2, as those for MAFI above. Additionally, to ensure that the grant evaluation process is of satisfactory quality, the Bank task team will prior-review the first five evaluated grant applications under Sub-component 3.2.

## **E. Social (including Safeguards)**

79. The project does not trigger OP 4.12 (Involuntary Resettlement), as any activities or grant financed sub-projects which require involuntary resettlement would be disqualified. Activities aimed at physical rehabilitation of laboratories and the establishment of Border Inspection Points will occur at existing facilities and on publicly owned land. Land acquisition, if necessary, would be conducted through buying or leasing of land on a voluntary basis at market prices, and would be screened to ensure that there is no informal use or occupation.

80. Overall, the project is expected to have a positive social impact - on the one hand nationally, by improving the food safety management system; on the other hand, locally – on communities that would benefit from specific investments under Components 2 and 3. Potential social risks or negative impacts may be related to ‘losers’ from the legal and institutional reforms supported under Component 1, e.g. additional cost or restricted market access to farmers associated with more stringent quality and safety rules, or job security of administrative personnel

related to institutional reforms under Component 1. These risks are not expected to be significant, although at this stage it is impossible to estimate their scale and they should be reassessed again at mid-term stage.

81. Direct beneficiaries from the project are likely to be small and medium producers (including strong participation of women), or producer associations, of at least 5 producers able to demonstrate potential for improved safety, quality and marketability of products as a result of their investments. Impact on poor rural households is expected to be largely indirect - through creation of work places and potentially long-term development impacts in the community such as improved services. Rural business development services (about half of which agricultural) under the World Bank's Rural Investment and Services project (RISP II), which led to an average of 533 working places created per year as a result of establishing new rural businesses, also demonstrated a steady growth in average salaries (17% in total between 2006-2011).

82. Business development services and promotion of the competitive grant schemes under Component 2 of the project would include, among other, reliance on a rural extension network, and development agencies, developed and/or supported under RISP I and II projects. The rural extension network maintains 35 regional centers throughout the country, and is accessible to approximately 60 percent of Moldova's rural population<sup>25</sup>. Drawing on RISP gender-disaggregated data and impact evaluation reports, it is possible to draw some conclusions on the demand for and accessibility to rural business development services for women and men in order to address better gender inclusion issues in the proposed project.

### *Gender issues*

83. Latest impact evaluation report from RISP rural advisory services states that approximately one third of direct project beneficiaries have been women. Since the current project would rely on a largely similar approach to the activities of Component 2 and 3, this figure provides a solid proxy indication of the potential level of participation and access of women to benefits<sup>26</sup>.

84. While the ratio of women among direct beneficiaries of rural services (business owners) has been twice as low as that of men (24% on average between 2001-2011), women have been about three times more likely to be employed as consultants in the advisory service centers (representing 74% of regional consultants). Of the working places created within the rural businesses themselves under RISP II (2006-2011), approximately 39% were held by women. Thus, while some benefits are shared by women as employees and within the household, further efforts will be welcome on attracting women as business shareholders and direct beneficiaries in agricultural investments.

85. One of the major constraints of attracting women as direct participants and beneficiaries in rural development has been that of raising awareness and communication directly with potential women beneficiaries. RISP II impact evaluation reports note an underlying assumption in the

---

<sup>25</sup> According to the Impact Assessment of Rural Advisory Service Component, RISP II; August, 2010.

<sup>26</sup> It is worth noting that RISP II has supported all types of rural business with share of agricultural businesses supported growing over time, whereas the current project will focus on agricultural/horticultural activities.

work of business development centers that messages transmitted to male clients will also reach women in the community, which automatically excludes a number of prospective women clients. To overcome this challenge one of the main recommendations of this assessment is to use communication and outreach channels that specifically target prospective women clients.

86. In view of the above assessment and recommendations, and given that the project does not envision specific quota for women beneficiaries from competitive grant scheme, attention to gender equity in the project will be paid through the following means: (i) communication and outreach targeted to reach potential women clients e.g. in collaboration with the Women Economic Empowerment Program (UN Women/Sida); (ii) flexibility on timing and methods of delivering training services to accommodate women clients; (iii) collection of gender-disaggregated data on beneficiaries and key indicators through the course of the project; (iv) including assessment on gender inclusion progress and constraints in project evaluation reports similar to those under the RISP II Project.

#### **F. Environment (including Safeguards)**

87. While generally the project would generate many environmental and social benefits, it may also cause some negative impacts. These impacts might be associated with the project's activities aimed at rehabilitation works, support for post-harvest investments, and support for investments in technologies and equipment for soil conservation-friendly agriculture as well as for soil management activities. These activities, if not adequately implemented, may cause some environmental impacts related to: (a) increased pollution of ground and surface waters, and increased amounts of solid waste due to post-harvest handling of agricultural produce; (b) threats to human health and wildlife due to poor handling of fertilizers and pesticides; and (c) increased siltation of water bodies due to soil erosion. Additionally the project would support the rehabilitation of border control points, laboratory facilities and the FSA building which may include civil works that could also generate solid wastes, air pollution and health hazards.

88. The project's environmental screening category is B - Partial Assessment. The Borrower prepared an Environmental Management Framework. This document specifies the rules and procedures for the environmental screening of grant-financed investments (sub-projects); guidance for preparing sub-project EIAs, and/or simple EMPs, as well as the EMPs Checklist; possible mitigation measures for different types of sub-projects; requirements for monitoring and supervision of the implementation of the EIAs/EMPs requirements. The EMPs Checklist, as well as the EMF were disclosed and consulted in the country.

89. The project triggers two WB OPs and specifically OP 4.01 on Environmental Assessment and OP 4.09 on Pest Management. The OP 4.01 is triggered as the project aims to support a series of activities which will generate some environmental and social impacts. These impacts are addressed in the EMF. While the project would not finance the purchasing and/or application of pesticides, it is possible that pesticide use would increase due to a higher intensity of crop cultivation supported by the project's grant schemes or due to the proliferation of soil conservation agriculture. To address the issues related to this OP, the EMF includes measures to raise awareness and educate potential beneficiaries regarding safe pesticide handling and use of Integrated Pest/Farm Farm Management to enhance sustainability and reduce human and

environmental exposure to dangerous products. Such measures are described in the section 6.6 of the EMF.

90. The borrower agreed the project would not support activities and sub-projects that might result in resettlement. The EMF clearly indicates that any infrastructure constructed/rehabilitated under the project would be: (i) located on land already owned by participants, or bought or leased on a willing buyer-willing seller basis; and (ii) would be screened to ensure that it is free of legal encumbrance, or informal use or occupation by others who lack formal title. Furthermore, land acquisition documents would also specify that pasture improvement would not entail any form of involuntary pasture closure or diminished access. As stated in the EMF, OP/BP4.04 (Natural Habitats) would not be triggered as the project would not support any activities which might involve conversion of natural areas. The OP/BP 4.36 (Forests) would also not be triggered as project activities would not involve forests, and be implemented on agricultural land, and on currently functioning border control points and laboratory facilities. Similarly, there would be no impact on physical cultural resources.

## Annex 1: Results Framework and Monitoring

**Country: Moldova**

**Project Name: Moldova Agriculture Competitiveness Project (P118518)**

### Results Framework

#### Project Development Objectives

##### PDO Statement

The Project Development Objective is to enhance the competitiveness of the agro-food sector by supporting the modernization of the food safety management system, facilitating market access for farmers, and mainstreaming agro-environmental and sustainable land management practices.

#### Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Completion of targeted food safety actions for approximation to EU SPS requirements	<input type="checkbox"/>	Percentage	0.00	20.00	50.00	85.00	100.00	100.00	Semi-annually.	MAFI	MAFI, CAPMU
Increased sales (domestic and exports) of high value crops by targeted partnerships that receive investment support grants	<input type="checkbox"/>	Percentage	0.00	0.00	10.00	20.00	35.00	50.00	Semi-annually	Productive partnerships, MAFI	AIPA, CAPMU
Increased on-farm area benefitting from sustainable land management practices supported by the project	<input type="checkbox"/>	Hectare(Ha)	0.00	1000.00	3000.00	6000.00	8000.00	10000.00	Semi-annually	Beneficiary farmers, MOE	AIPA, CAPMU
Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project	<input type="checkbox"/>	Hectare(Ha)	0.00	5000.00	10000.00	10000.00	10000.00	50000.00	Annually	MOE, Moldsilva	MOE, Moldsilva, CAPMU

## Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Food safety agency is functional	<input type="checkbox"/>	Text	The Food agency is presently not functional	Agency staffed.	Building rehabilitated; Equipment procured.	Software developed and installed.	Food safety agency is functional.	Food safety agency is functional	Semi-annually	MAFI, CAPMU	MAFI, CAPMU
Number of laboratories compliant with standards for international accreditation	<input type="checkbox"/>	Number	0.00	0.00	0.00	1.00	2.00	2.00	Semi-annually	MAFI	MAFI, CAPMU
Operational Border Inspection Points	<input type="checkbox"/>	Number	0.00	0.00	2.00	2.00	4.00	4.00	Semi-annually	MAFI	MAFI, CAPMU
Capacity for post-harvest handling created in targeted productive partnerships	<input type="checkbox"/>	Metric ton	0.00	0.00	5000.00	20000.00	25000.00	30000.00	Semi-annually	Productive Partnerships	MAFI, AIPA, CAPMU
Productive partnerships created with project support	<input type="checkbox"/>	Number	0.00	0.00	5.00	15.00	20.00	20.00	Semi-annually	CAPMU	MAFI, AIPA
Analytical solutions for site-specific SLM technologies developed and disseminated	<input type="checkbox"/>	Text	Limited analytical work exists to date	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Semi-annually	MOE, CAPMU	MOE, CAPMU
Mechanized mobile squads are operational	<input type="checkbox"/>	Number	0.00	2.00	2.00	2.00	2.00	2.00	Semi-annually	MOE, Moldsilva,	MOE, Moldsilva, CAPMU
Anti-erosion shelterbelts rehabilitated	<input type="checkbox"/>	Hectare(Ha)	0.00	500.00	1000.00	1500.00	2000.00	2000.00	Annually	MOE, Moldsilva	MOE, Moldsilva, CAPMU



## Annex 1: Results Framework and Monitoring

Country: Moldova

Project Name: Moldova Agriculture Competitiveness Project (P118518)

### Results Framework

<b>Project Development Objective Indicators</b>	
Indicator Name	Description (indicator definition etc.)
Completion of targeted food safety actions for approximation to EU SPS requirements	(1) Operating procedures and operational manuals for two food safety laboratories in place; (2) Draft national legislation and regulations for official controls harmonized with EC Regulation 82 finalized; (3) Draft national legislation and regulations on self-controls for food business operators harmonized with EC regulations finalized; (4) Strengthened capacity of the FSA; (5) Strengthened capacity of 2 food safety laboratories; (6) Establishment of 4 Border Inspection Points.
Increased sales (domestic and exports) of high value crops by targeted partnerships that receive investment support grants	The increase will be measured from a baseline of sales by individual agricultural producers before joining the productive partnership. The indicator will measure value of sales.
Increased on-farm area benefiting from sustainable land management practices supported by the project	The indicator will measure the farm-level magnitude of SLM investments supported by the project.
Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project	Measurement of the indicator will be limited to the Southern part of the country.
<b>Intermediate Results Indicators</b>	
Indicator Name	Description (indicator definition etc.)
Food safety agency is functional	Agency staff hired and working; Agency's building rehabilitated; Technical, communication and computing equipment procured and installed; Integrating software developed.
Number of laboratories compliant with standards for international accreditation	The project will support the elaboration of laboratory Standard Operating Procedures based on international practice which will guide compliance with international accreditation standards; staff assigned; facilities rehabilitated; equipment supplied and software installed; staff trained;
Operational Border Inspection Points	Staff assigned; Facilities renovated; Equipment supplied; Software installed; Agriculture and Food Shipments Inspected.
Capacity for post-harvest handling created in targeted productive partnerships.	Total throughput capacity for post-harvest handling of primary agricultural produce.
Productive partnerships created with project support	Awareness and outreach campaign implemented with a minimum 30% participation rate of economically active women from rural areas; Business development support services provided to emerging productive partnerships.
Analytical solutions for site-specific SLM technologies developed and disseminated	Analytical options ready for application by farmers; Awareness and outreach campaign implemented with a minimum 30% participation rate of economically active women from rural areas; Best-practice experience resulting from implementation disseminated.

Mechanized mobile squads are operational	Formal assignment of the dislocation of the mobile squads to forestry enterprises; Equipment procured; Staff trained.
Anti-erosion shelterbelts rehabilitated	Area measurements are confirmed by communities.

**Annex 2: Detailed Project Description**  
**MOLDOVA: Agriculture Competitiveness Project**

1. **Component 1: Enhancing food safety management.** This component would finance activities aimed at enhancing human, institutional and technical capacity of the country's food safety management system, as well as ensuring regulatory harmonization with EU requirements. Adoption of EU *acquis* on SPS carries significant implications for state institutions in charge of food safety and quality, producers and consumers. EU regulations in these fields demand some of the highest standards in the world and consequently compliance by Moldova to these rigors would entail a lengthy and complex process that requires substantial financial efforts. The component would be structured into two sub-components that would aim to address key priorities identified in the framework of DCFTA negotiations related to regulatory and institutional support and technical enhancements of the food safety management institutions. The component will address governance and market access elements of the competitiveness framework presented earlier.

2. **Sub-Component 1.1: Regulatory and institutional support.**

(a) On the regulatory side the project would support harmonization with EU regulations. The overall regulatory agenda is vast (65 EU directives), and the pace and depth of its implementation is contingent upon the progress of the DCFTA negotiations. To assist MAFI in harmonizing national regulations and legislation to EU requirements, the project would support the elaboration of a package of priority regulatory acts focused on: (i) standard operating procedures and operational manuals for food safety and animal and plant health laboratories; (ii) harmonization of national legislation and regulations for official controls with the EC Directive 82; (iii) harmonization of national legislation and regulations on self-controls for food business operators with EC regulations; and (iv) addressing other emerging regulatory and legislative priorities for food safety. Additionally, with GEF funding the project would support methodological and analytical work for soil quality and land degradation risk-assessment, land quality certification, and standard setting to ensure that the best soil management practices are integrated in the policy and regulatory framework for food safety management.

(b) On the institutional side, the project would support activities aimed at strengthening the capacity of MAFI and its food safety management institutions by providing training to staff involved in food safety management. The project would also provide support for increasing awareness about and technical understanding of the new food safety legislation and regulations among private sector entities.

3. **Sub-Component 1.2: Technical enhancements for food safety management.** On the technical side, the project would support investments that are aimed at ensuring the technical functionality of the country's food safety management institutions.

(a) The Government has opted for the creation of the Food Safety Agency which will be the central and consolidated institutional pillar for the modernization of the country's food safety management system in line with EU practice. The FSA is not yet legally

established, as necessary legislation is still pending and scheduled to be passed in 2012. To this end, the adoption of the Food Safety Law, which provides for the establishment of the FSA, will stand as one of the Project's effectiveness conditions. Currently, the institutions that the FSA will encompass represent a set of physically dispersed entities with outdated office, communication and computing equipment. There will be a stringent need to consolidate these institutions into a single, modern facility in order to make the FSA operationally functional and able to provide efficiently services to private sector operators. To this end the project would support: (i) the physical rehabilitation of the designated facility that will house the FSA; (ii) procurement of modern office, communication and computing equipment; and (iii) the design of an integrated IT system that will ensure the interoperability of various future FSA systems/divisions.

(b) Another set of priorities relates to the strengthening of central laboratories and Border Inspection Points.

- With analytical support from the EU, the Government has initiated a process of rationalizing its laboratory network in charge of animal and plant health and food safety. The plan provides for a system with a single central reference laboratory for animal health and food safety of products of animal origin, and three regional laboratories. The plan also provides for a central reference laboratory for plant health, a central reference laboratory for food safety of products of vegetable origin, and three regional laboratories for plant health. Based on a thorough prioritization exercise by MAFI and EU experts, grounded in the context of the current state of functionality of existing laboratories and the medium term institutional goals, available funding for improvements from other sources (Government or donors), and a critical constraint analysis, the proposed project would support investments in the technical enhancement and physical rehabilitation (expansion) of: (i) the central reference laboratory for animal health and food safety; and (ii) the central reference laboratory for food safety for products of vegetable origin. These investments will be complemented by human and institutional capacity building activities foreseen under Sub-component 1.1.
- The establishment of Border Inspection Points is one of the critical issues for DCFTA negotiations. The GOM has taken all necessary legal steps to introduce veterinary and phyto-sanitary services at 8 selected border crossing points. Based on a critical constraint assessment by MAFI and EU experts, the project would support investment costs related to the establishment of 4 BIPs: one at the Chisinau International Airport, one at the Southern border (Tudora), one at the Northern border (Criva), and one at the Western border (Leuseni). All activities would be carried out at existing facilities and on public land and would therefore not trigger any resettlement issues.

4. ***Component 2: Enhancing market access potential.*** This component would finance activities aimed at improving marketability and market integration of Moldova's high value agricultural products – specifically in the horticultural sector – where the country has proven comparative advantages in the production of fruits and vegetables. The component would

address institutional and market access elements of the competitiveness framework presented earlier by supporting government efforts in creating an enabling environment for voluntary farmer productive partnerships (business cooperatives or producer groups), and by assisting them in creating and expanding their asset base for the application of modern post-harvest technologies. This support is expected to translate into an increased share of quality products that meet safety and quality standards for target markets, and therewith strengthen the sector's relative competitiveness and consequently its income generation potential. The proposed approach recognizes that the ability of Moldova's horticultural sector to serve increasingly demanding national and regional markets is a function of producers' ability to organize themselves and to cooperate for purposes of lumping capital and scaling up their operations for post-harvest storage, handling, compliance with food safety requirements, adherence to target market standards, and joint promotion and marketing of produce.

5. The design of this component relies on the provision of grant-based assistance to producers for business development and investment support in order to overcome current market failures related to: (a) insufficient availability to individual producers of public goods such as information, knowledge and business advice on modern post-harvest handling processes, technology and market opportunities; and (b) lack of economies of scale caused by high investment costs and inadequate credit facilities for critically necessary investments for which lumping of capital is required. These factors constitute significant disincentives for the emergence of productive partnerships and adequately scaled operations. The project would attenuate them by providing conditional business development and investment support, thus facilitating the emergence of producer groups in the horticulture sector. The major expected externalities from this approach are: (i) the demonstration effects that would set the stage for the creation of a much larger number of productive partnerships than the project itself can support, in the horticultural sector and beyond; and (ii) policy lessons that could inform public decision making for best approaches to eliminate current market failures mentioned above.

6. ***Sub-Component 2.1: Business development support for productive partnerships.*** This sub-component would support capacity building activities for primary horticultural producers aimed at assisting them in setting up and further developing productive partnerships, and providing consulting and training services for business planning and development, value chain integration and marketing. The sub-component would also support activities aimed at strengthening the capacity of product/farmer associations to represent the interests of the fruit and vegetable industry of Moldova; play an active role in encouraging technological innovation for production, packing, handling, storing and processing of produce; and support the development and extension of applied research that benefits the horticultural sub-sector. The principal delivery mechanism of assistance to producers will be through local consultants and, when necessary, international consulting.

7. The cycle for business development support for productive partnerships will consist of four main stages:

(a) ***Public information and promotion campaign.*** The campaign would focus on building wide awareness amongst small and medium farmers about the potential benefits and opportunities for creating productive partnerships for post-harvest handling and

processing of primary producer. The effort would also have to be transparent about the challenges and risks of creating productive partnerships. Awareness building would also focus on the operational aspects of forming partnerships, such as legal requirements, operating procedures and eligibility for investment support opportunities under the proposed project. The effort would be implemented by competitively selected entities that have experience with the organization of similar outreach activities, but also possess a mix of technical capacity and knowledge of the agriculture sector, have access to networks of rural advisors/consultants, and are able to attract professional media expertise. A close collaboration in awareness creation, outreach and facilitation of producer groups could be entered into with the USAID-funded ACED Project which provides advisory services to horticultural, as well as with the National Rural Development Agency (ACSA), the National Federation of Agricultural Producers AGROINFORM, the National Farmer Federation, and the RISP II Development Agencies.

(b) ***Development Support.*** Activities at this stage would represent the most critical element in cementing the capacity of the emerging groups. The implementation of this stage would require technically strong consulting companies with experience and/or retained expertise in business incubation, legal and registration requirements, taxation, financial brokerage, project finance (including raising member contributions), technological aspects, procurement, and marketing. Since this stage clearly requires a long-term effort due to its complexity, it can be conventionally divided into a two-step approach: (i) identification and mobilization activities; and (ii) formation and development support for at least one business operations cycle (usually a year of operations). The first step would entail, but not be limited to pre-feasibility work, identification of champions, mobilization of potential individual members, and formulation of a business concept for a productive partnership. The second step would focus on activities that would result in the registration of a group, formulation of a qualitative business plan, identification of financing sources, procurement and installation of equipment, operation start-up, and supply contracts. This stage would be implemented by competitively selected consulting companies. Payment under consulting contracts would be structured to reflect the sunk-cost character of the identification and mobilization activities, but would be contingent on clear performance benchmarks – registered group, business plan, financing, sales contracts – for formation and development support activities. A registered productive partnership would be eligible for an amount of up to US\$15,000 worth of formation and development support.

(c) ***Specialised Support.*** At more advanced stages of operation, productive partnerships may need additional, highly specific technical assistance on technology, safety and quality standards in target markets, brand development, trade and end-marketing. The project would support such ad-hoc advice, to be provided by either local or international consultants, while ensuring that it serves as a public good filling a knowledge gap, i.e. is highly replicable and benefits multiple productive partnerships with shared information needs.

8. ***Sub-Component 2.2: Investment support for post-harvest technologies.*** Investment support under this sub-component would be provided as matching investment grants to emerging productive partnerships for the modernization of post-harvest technologies in the horticultural sector. Grant funding would be provided through a competitive scheme for sub-projects focused on capital investments in equipment and technologies that result in improvements in quality and consistency of primary supply of fruits and vegetables - washing, grading, packing, pre-cooling, ripening room equipment, cold storage, pre-processing, refrigerated transportation and other post-harvest equipment and technologies. The grants would be conditional on considerations of: (i) alignment of the sub-projects with the proposed project's development objective and thematic thrust; (ii) financial feasibility of sub-projects; (iii) ability of the potential beneficiary entity to generate sufficient co-financing (own or borrowed); (iii) demonstrated potential for investments to contribute to improvements in quality and marketability of the products; and (iv) environmental compliance with the project's EMF. The matching investment grants would finance only technological machinery and equipment for post-harvest infrastructure. The matching grants shall not exceed 50% of an eligible sub-project investment, with a maximum ceiling established at US\$350,000 per productive partnership. A productive partnership will be eligible for only one matching investment grant under the proposed scheme.

9. The general eligibility framework under the grant scheme is as follows:

- (a) Productive partnerships have to be registered in conformity with Moldovan legislation;
- (b) Productive partnerships registered, as well as investments realized by productive partnerships in the cities of Chisinau and Balti are not eligible;
- (c) Productive partnerships shall consist of a minimum of five members;
- (d) Individual members of a productive partnerships shall have proof of individual agricultural activity in the horticultural sub-sector;
- (e) Individual members of a productive partnerships should not be on the official list of banned agricultural producers;
- (f) Productive partnerships shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party; and
- (g) Individual members of productive partnerships pay current taxes and have no arrears to the public (state and local) budgets<sup>27</sup>.

10. Further beneficiary eligibility, competitive selection criteria and operational details of the grant scheme would be detailed in a Grant Operational Manual, allowing MAFI to have sufficient flexibility to pursue structural reform targets, such as preferential access for young farmers, specific sub-sector goals, etc. But generally, the operational principles of the competitive scheme would emulate respective principles of the EU Instrument for Pre-Accession (IPA(RD)), thus familiarizing both the administration and the sector with EU support provisions potentially applicable to Moldova in case of future positive progress in Moldova's further EU approximation. Delivery of the matching investment grants to end-beneficiaries will be done through the Agricultural Intervention and Paying Agency, which is expected to deepen this familiarization and capacity building effects in MAFI.

---

<sup>27</sup> With the exception of situations in which such arrears were legally restructured and/or deferred.

11. ***Component 3: Enhancing land productivity through sustainable land management.***

This component would finance activities aimed at mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts. As part of the competitiveness framework presented earlier, it would support governance and resource endowment/depletion aspects that can increase competitiveness of the agriculture sector by enhancing land productivity. The activities of the component would be aligned along three lines of support: (i) strengthening of human, institutional and technical capacity (both locally and nationally) for the implementation of SLM activities; (ii) financial support in the form of matching investment grants to farmers for piloting the adoption of sustainable land management practices and technologies; and (iii) investment support for the rehabilitation of anti-erosion shelterbelts with the purpose of maintaining and enhancing the productivity of agricultural land. Matching investment grants provided to farmers would attempt to overcome current market failures related to: (a) insufficient public goods such as information and knowledge on the practical application of knowledge-intensive and often innovative practices for sustainable land management; (b) high transaction of information costs that can only be attenuated by a wider availability of demonstrable SLM practices and technologies; and (c) long maturation of investments that are not feasible for private investors, but are positive for the society at large. The major expected externalities from this approach are: (i) the demonstration effects that could catalyse a wider commercial-based application of SLM practices and technologies; and (ii) policy lessons that could inform public decision making for best approaches to mainstreaming such activities.

12. ***Sub-Component 3.1: Capacity building for SLM.*** The subcomponent would support the following specific activities with co-financing from GEF:

(a) Methodological work on applied technical and economic options for farm-based interventions focused on sustainable land management. The objective of this activity is to provide an evaluation of existing SLM technologies for the crop-growing and horticulture sectors which would include an assessment of potential benefits and associated costs, as well as causes and barriers for their large-scale application. Methodological support to MOE on SLM issues would also be provided in order to improve public policy response.

(b) Awareness raising and training activities aimed at improving farmer land management skills and public policy response for SLM<sup>28</sup>. The activity would aim raise awareness about project's benefits at local and global level, and encourage behavioral changes with the purpose to prevent land degradation and promote soil conservation. This would be achieved by: (i) organizing SLM field days; (ii) preparing and disseminating methodological material (including manuals, brochures, posters); (iii) creating and maintaining an SLM-dedicated web site; and (iv) organizing national events (seminars and conferences) on SLM issues.

(c) Strengthening grant beneficiary capacity to monitor economic and environmental benefits by providing relevant assistance and training for participating farmers in conducting baseline analysis, as well as measuring economic and environmental benefits.

---

<sup>28</sup> Awareness and outreach activities will also cover pest management issues.



13. ***Sub-Component 3.2: Financial support for piloting sustainable land management.*** The sub-component would provide financial support to farmers for piloting the adoption of SLM practices and technologies in the form of matching investment grants. The sub-component is financed with IDA and GEF resources.

14. The matching grants would support farm-level sub-projects focused on investments in soil conservation practices and technologies such as low-till machinery, mulching equipment, terracing, plantation of cover crops, hedging, etc. The SLM grants would be available for all crop-growing operations. The investment grants would be compensatory in nature, and conditional on considerations of: (i) alignment of the sub-projects with the proposed project's development objective and the thematic thrust of the component; (ii) financial feasibility of the sub-projects; (iii) ability of the potential beneficiary to pre-finance the underlying investment (from own or borrowed resources); (iv) demonstrated potential for the underlying investments to contribute to engendering sustainable and replicable land management practices; and (v) environmental compliance with the project's EMF. The grants would compensate eligible beneficiaries up to 50% of incurred investment costs under a sub-project for eligible goods and works, with a maximum ceiling established at US\$20,000 per beneficiary. Individual producers that are members of productive partnerships which receive grants under Sub-component 2.2 would only be eligible for grants up to an amount of US\$5,000. A beneficiary would be eligible for one investment grant only. Delivery of grants would be done through AIPA.

15. The general eligibility framework under the grant scheme is as follows:

- (a) Beneficiaries have to be private, registered agricultural producers in conformity with Moldovan legislation;
- (b) Agricultural producers registered in the cities of Chisinau and Balti are not eligible;
- (c) Beneficiaries shall have proof of individual agricultural activity in the horticultural sub-sector;
- (d) Beneficiaries should not be on the official list of banned agricultural producers;
- (e) Beneficiaries shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party;
- (f) Beneficiaries pay current taxes and have no arrears to the public (state and local) budgets<sup>29</sup>; and
- (g) Beneficiaries shall provide confirmation of commitment for participation in dissemination and demonstration activities.<sup>30</sup>

16. ***Sub-Component 3.3: Support for the rehabilitation of shelterbelts.*** The sub-component would support investments in machinery for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts.

---

<sup>29</sup> With the exception of situations in which such arrears were legally restructured and/or deferred.

<sup>30</sup> Further details on beneficiary eligibility, award criteria, and operating principles of the SLM grant schemes will be elaborated in the Grant Operational Manual.

17. As mentioned above, the sub-component will support efforts to rehabilitate anti erosion shelterbelts. The region's history of and experience with plant cultivation in the past two centuries in the steppe and forest steppe zones clearly demonstrates that anti-erosion shelterbelts are a first choice technique for soil conservation. Such strips composed of tree, bush and grass vegetation have significant potential in preventing water and wind soil erosion, and can lead to nutrient retention, reduced vaporization rates, and improvements in microclimatic conditions. These factors have a direct impact on conservation of soil quality and ensuing enhancement of its productivity. Due to a variety of factors, including lack of technical means and investment by communities, in the past twenty years existing shelterbelts have come to a state of disrepair and continue to degrade. The sub-component would support community-level activities aimed at reversing the degradation of these strips in the South of the country, where soil degradation is reaching alarming proportions. Specifically, support would be provided for the procurement of specialized machinery and equipment for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts with an area of 2,000 hectares. The underlying technical works for the rehabilitation of the shelterbelts will be carried out by the forestry enterprises of the State Forestry Agency (Moldsilva) in close cooperation with local communities.

18. ***Component 4: Project management.*** The component would support costs associated with project implementation, including operational and consulting costs for fiduciary, component coordination, monitoring and evaluation support to MAFI and MOE.

## **Annex 3: Implementation Arrangements**

### **MOLDOVA: Agriculture Competitiveness Project**

#### **Project Institutional and Implementation Arrangements**

1. An existing inter-ministerial Steering Committee, established in accordance with Government Decision 878 dated September 9, 1999 (as revised to include the relevant up-dates for this Project), will perform overall supervisory, coordination and strategic guidance functions for the project. Currently, the Steering Committee has representatives of MAFI, MOE, MOF, and the State Chancellery. The decision will be adjusted to include representatives of farmer/producer organizations. The project would have two implementation agencies: MAFI will implement Components 1 and 2, while MOE will implement Component 3. The two institutions will assign Component Coordinators to assist them with technical aspects of implementation of project activities within their respective components. In order to promote the development of country systems, the project's grant schemes (across components) will rely on AIPA<sup>31</sup> for disbursements, delivery of grants to beneficiaries, financial management and monitoring of grant implementation. For fiduciary support to the implementation of other project activities across all three components, an existing project management unit - CAPMU<sup>32</sup>, will be in charge of supporting disbursement, financial management and procurement activities, as well as monitoring and evaluation. To ensure an efficient and transparent procurement process, the Implementation Agencies will establish procurement evaluation committees that would include representatives from their respective ministries, the MOF and the State Chancellery.

2. To ensure efficiency and transparency in the selection of grant beneficiaries under Component 2, MAFI will establish a grant evaluation and selection committee in charge of announcing competitive grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MAFI's and/or AIPA's sites. The composition of the grant evaluation and selection committee, and any subsequent compositional changes, will be approved by the project's Steering Committee. The grant evaluation and selection committee would include representatives of MAFI, AIPA, MOF, the State Chancellery and independent technical<sup>33</sup> and financial experts. To facilitate the operations of the evaluation committee, an initial eligibility screening of incoming applications could be carried out by AIPA.

3. To ensure efficiency and transparency in the selection of grant beneficiaries under Component 3, MOE will establish a grant evaluation and selection committee in charge of announcing grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MOE's and/or AIPA's sites. The composition of the grant evaluation and selection

---

<sup>31</sup> AIPA is institutionally subordinated to MAFI, and is modeled after payment agencies present in EU countries. It has received significant institutional and human capacity strengthening support under the RSIP II Project.

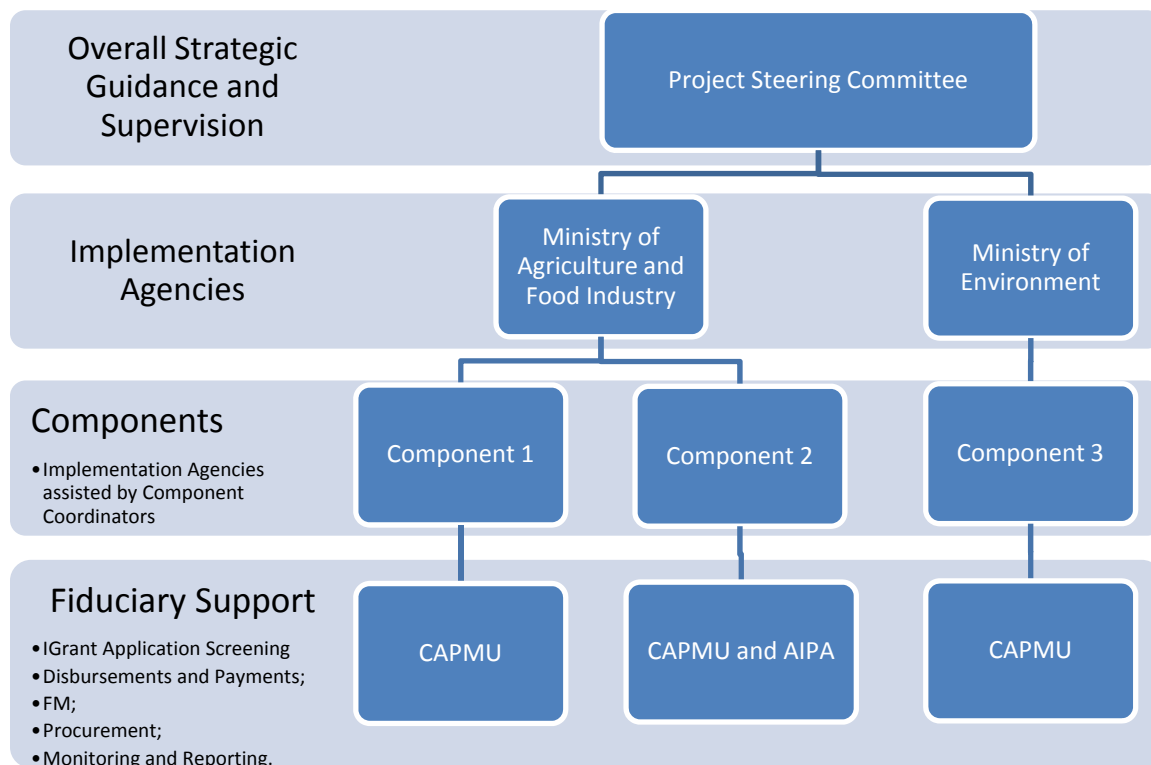
<sup>32</sup> CAPMU was established in 1999 through Government Decision 878 and has more than ten years of experience in providing fiduciary support in the implementation of Bank-financed projects in the rural sector in Moldova.

<sup>33</sup> The profile of technical experts will be specific to the thematic area: post-harvest infrastructure, marketing and supply-chains.

committee, and any subsequent compositional changes, will be approved by the project's Steering Committee. The grant evaluation and selection committee would include representatives of MOE, MAFI, AIPA, MOF, the State Chancellery and independent technical<sup>34</sup> and financial experts. To facilitate the operations of the evaluation committee, an initial eligibility screening of incoming applications could be carried out by AIPA.

4. The project will be implemented based on a Project Operational Manual which will be approved by the project's Steering Committee and adopted by MAFI and MOE through a joint Ministerial Order. The POM would include: (i) the project's overall operating, fiduciary and decision making procedures; and (ii) results monitoring arrangements. Implementation of the project's grant schemes will be based on a Grant Operational Manual which will be approved by the project's Steering Committee and adopted by MAFI and MOE through a joint Ministerial Order. The GOM will contain a detailed description of the operating principles and evaluation criteria for the project's grant schemes. Only the Steering Committee will have the authority to amend the two documents above, provided such amendments are acceptable to the World Bank.

5. Capacity enhancements needs for fiduciary tasks are described below in the financial management, procurement and results monitoring sections.



<sup>34</sup> The profile of technical experts will be specific to the thematic area: sustainable land management.

## **Financial Management, Disbursements and Procurement**

### *Financial Management*

6. CAPMU will handle fiduciary responsibilities for the whole project, while AIPA will play a fiduciary role in the execution of the project's grant schemes. Existing financial arrangements and business processes in the two institutions have been assessed in terms of their reliability and trustworthiness. To this end, CAPMU is one of the country's most experienced units dealing with the implementation of investments projects funded from external resources. Their performance on financial management side has always been assessed as satisfactory: (i) CAPMU has in place robust and efficient internal control, accounting, financial reporting and monitoring systems; and (ii) CAPMU complies with the legal requirements of the projects they implement. As such, these arrangements will serve as starting point for the proposed project, but will be adjusted slightly to reflect its particularities. More specifically, the accounting system will be adjusted to reflect new financing sources, project components and respective chart of accounts. A new account will be opened in the State Treasury to manage project funds; however, the format of financial reports per se will remain the same, with few revisions related to the project components.

7. AIPA is a relatively young institution subordinated to MAFI, responsible for providing public financial support to farmers that invest in agricultural projects, monitoring fund distribution and evaluating the resulting impact. It has been modeled after similar payment agencies in the EU, and its establishment was supported through technical assistance provided by the RISP II project and other development agencies like USAID. Thus far AIPA has been properly equipped with necessary technical means such as office furniture, IT equipment, transport means for field inspections. It also utilizes an automated integrated Administration and Control Management System similar to those used in EU countries which facilitates the subsidy application review and approval process. Currently, AIPA has demonstrated capacity to serve up to 10 thousand beneficiaries annually. The numbers of beneficiaries are growing continuously; therefore additional beneficiaries financed through the proposed project could be embedded into the current scheme without any barriers.

8. An assessment of AIPA's business processes has determined that the proposed project can rely on and utilize them in execution of grant scheme components. The subsidy application process is straightforward, well-managed with various checks and controls at every tier of verification chain. The functions are clearly divided between the agency's departments (so-called four-eye approach), and site inspections are conducted at each stage of subsidy application, as well as in the post-payment stage. The implementation of grant components of the proposed project will rely extensively on AIPA's existing controls framework, i.e. documentary and field controls, additional inspections, and post-payment inspections. AIPA's inspection reports are very detailed and comprehensively document the findings and conclusions of the inspection exercise. The same documentation will be produced for the project's grant schemes. The subsidy review process is fully automated and it is integrated into AIPA's operations software. The system users have different levels of access depending on their job responsibilities. The interface is user friendly, and any subsidy application can be easily tracked through the system. Given the

system flexibility, it can be adjusted, if needed, to accommodate other requirements or criteria related to subsidies/grants, which could prove highly facilitative for the execution of the project's grant schemes. Currently, the system administrator is working on the integration of the operational and accounting software to allow better interoperability and data export and import.

9. AIPA is continuously working on automating its business processes related to application reviews and optimizing other aspects of its activities, such as connectivity with information systems to other relevant governmental authorities (tax, registration, cadastre, etc.), in order to facilitate and speed up the review process, as well as to fulfill efficiently its inspection functions.

10. The project's implementation arrangements provide that the fiduciary responsibilities will be shared between CAPMU and AIPA. Both entities will handle separate accounts opened through the treasury system, with access to funds under the components for which they are responsible for. In terms of financial reporting, AIPA will be responsible for reporting on the utilization of funds under the project's grant schemes, while CAPMU will be responsible for reporting on the utilization of funds under all non-grant activities. AIPA will furnish its quarterly financial statements to CAPMU. The latter will consolidate the overall project financial information, including information from AIPA, into Interim Financial Reports (IFRs). The consolidated IFRs will be subject to annual external audits. From an accounting perspective, the consolidated IFRs will be prepared on a cash basis and would include: sources and uses of funds by category, by components and by financing source, cumulatively and for the reporting period, together with variance analysis; the statement of the designated account, notes to financial statements, including detailed report on grants execution, and the account reconciliation statements. The consolidated IFRs would show a clear breakdown of the project funds and expenditures pertaining to each agency (CAPMU and AIPA). AIPA will ensure the timely submission of its financial reports to CAPMU, i.e. within thirty days after the end of each calendar quarter, while CAPMU will ensure the consolidated quarterly reports are timely submitted to the World Bank, i.e. no later than 45 days after the end of each calendar quarter. For disbursement purposes, the IFRs will additionally include: cash forecasts for the next three months totally and separately for each agency, by project categories in the currency of the designated account; a summary statement of expenditures by categories and in the currency of the designated account; a Designated Account Reconciliation statement for each agency; and a copy of the bank statements.

11. The accounting staff in both CAPMU and AIPA is rather qualified and experienced, however, given the lack of experience of AIPA staff on managing donor funds, CAPMU staff will assist the AIPA chief-accountant in the initial stages of project implementation and provide mentoring and on-the-job training on disbursement and financial reporting in Bank-financed operations. When available, AIPA's chief-accountant will attend training courses in financial management of Bank-financed operations. The project will utilize existing internal controls within CAPMU and AIPA which will be described in detail in the POM. It will cover, inter alia, all financial management and administrative procedures, including accounting and record-keeping, flow of funds, and reporting procedures related to the project as a whole. The manual will reflect the internal structure relevant to the project, administrative arrangements, internal control procedures, including procedures for authorization of expenditures, maintenance of records, safeguarding of assets, segregation of duties to avoid conflict of interest, regular

reconciliation of bank account statements, Bank signing mandate and withdrawal applications, regular reporting to ensure close monitoring of project activities, and a complaint resolution mechanism.

12. As part of internal control procedures, CAPMU and AIPA will be required to: (i) close on a timely basis monthly project accounting books; (ii) close on a timely basis yearly project accounting books; (iii) check the mathematical accuracy of the IFRs inputs with the accounting records; (iv) check the opening figures of the IFRs with the closing figures of the previous quarter; (v) check the IFRs figures for consistency between the various reports (Statement of Sources and Uses of Funds, Summary reports used as basis for withdrawals, Uses of Funds by Project Activities, Designated Account Statements, Physical Progress Reports, Procurement Reports and Contract Monitoring); (vi) monthly Treasury and bank accounts statements reconciliation with project accounting records; (vii) monthly WB disbursement records reconciliation with project accounting books, including SDR/USD reconciliation; and (viii) inventory and fixed assets stock taking at least once per year and more often if needed, including periodical monitoring of assets purchased for beneficiaries on their existence and use.

13. The project financial audits would be performed based on standard Terms of Reference which would be agreed with the World Bank. The audit scope for the proposed project will be extended and will focus, inter alia, on adequacy and accuracy of grant allocation and the execution of grants performed by AIPA. CAPMU will remain responsible for arranging project audits by eligible firms. The annual audited consolidated project financial statements together with the audit opinion and the Management letter would be submitted to the World Bank within six months after the end of the calendar year. In accordance with "The World Bank Policy on Access to Information" dated July 1, 2010, which requires that the audited financial statements are made publically available, the project financial audit reports would be published within sixty days after their receipt. The reports would be published on the MAFI and ME web-sites. The World Bank will also publish them on its external site.

14. In addition to annual financial audits, there will be a one-off operational review of the execution of the project's grant schemes which will assess the efficiency and effectiveness of fund use, appropriateness of grant allocation and compliance of grant beneficiaries with eligibility criteria set forth in the project legal documents and the Grant Operational Manual. The operational review will be conducted after two years of the project implementation by a competitively selected consulting company in accordance with Terms of Reference agreed in advance with the World Bank.

#### *Disbursements*

15. The project will have three disbursement categories: one for the project's grant schemes; and two other – for the financing of activities covered by the rest of the components. For disbursement purposes, CAPMU and AIPA will open two separate accounts in the State Treasury. Given that some of the project activities will be partially co-financed by GEF and SIDA funds, separate accounts will be opened for managing these funds. The project will use a report based disbursement method. Each disbursement will be based on a consolidated project interim financial report showing activities implemented by CAPMU and AIPA separately. The

same report will be utilized to submit withdrawal applications prepared and sent separately by CAPMU and AIPA, in accordance with their cash forecast. The withdrawal application for the initial advance will be supported by the cash forecast report for the first six months of the project implementation. The withdrawal of further advances can be de-linked from the due date for submission of quarterly IFRs. This means that CAPMU and AIPA can request funds between the three months period. In such cases, the withdrawal application will be accompanied by the cash forecast, reconciliation of designated account and copies of bank statements. Advances will be disbursed provided that there are no overdue IFRs. The reconciliation (recovery process) of the expenditures will be carried out on quarterly basis in line with IFRs, therefore each IFR should be sent to the disbursement department together with the Withdrawal Application. The recovery withdrawal applications will be supported by full IFRs including in particular Summary Statement of Expenditures (part of IFRs) showing types of expenditures with applied disbursement percentage and expressed in the currency of the designated account. Foreign currency amounts will be either paid directly to foreign suppliers or exchanged as needed in local currency, to cover eligible expenditures payments in local currency to suppliers, from the designated accounts into local currency transfer accounts also opened by the Treasury. The Ministry of Finance will give authorization to designated officials to withdraw funds from the project accounts. The designated accounts will be held in USD and the ceilings are established in the Disbursement Letter. Full documentation in support of project expenditures would be retained by CAPMU and AIPA staff for at least two years after the Bank has received the audit report for the fiscal year in which the last withdrawal from the project accounts was made. This information will be made available for review during supervision by the Bank staff and for annual audits, which will be required to specifically comment on the appropriateness of disbursements and the quality of the associated record-keeping.

#### *Disbursement of grants under Sub-components 2.2 and 3.2*

16. The flow of funds towards grant beneficiaries under Sub-components 2.2 and 3.2 will be executed through AIPA. Two types of financing will apply, as follows: (i) reimbursement of costs pre-financed by the grant beneficiaries attributable to SLM investments (up to US\$20,000) under Sub-component 3.2; and (ii) co-financing of investments in post-harvest technologies by providing a matching investment grant under Sub-component 2.2, in an amount which does not exceed 50% of the cost of an eligible investment.

17. Payments to the eligible grant beneficiaries will be made by AIPA only upon approval of grant applications by the respective Evaluation Committees. For the purpose of executing the competitive matching grants scheme under Sub-component 2.2, grant beneficiaries will be required to open an escrow account for their portion of funds as contribution to the investment. The grants will be disbursed to the same escrow account only if eligible beneficiaries have documentary evidence that demonstrates: (i) that they have their own means to contribute to the investment proposal; and/or (ii) that they have secured a loan with a third-party financier (commercial bank or non-bank financial institution). Due to the fact that the approach behind Sub-component 2.2 is to ensure the capitalization of the productive partnerships, the transfer of matching grants to beneficiaries could be front-loaded in those cases when the financing from a third party is conditional on the availability of an asset such as the grant. In such cases, the Grant



Operational Manual would provide for a clear staging (tranching) process of the grant transfer to ensure that project funds are secure.

18. For the purpose of executing the matching grants scheme under Sub-component 3.2, IDA or GEF resources will co-finance 100% of an eligible invoice/investment grant amount that corresponds to a maximum of 50% of the total investment cost. The remaining 50% of the total investment cost will be co-financed by the beneficiaries with own or borrowed resources. GEF resources will be used first, and only after fully disbursed, IDA resources will be used to finance grants. After the grants are disbursed, AIPA will apply its own monitoring mechanisms to examine whether the investments proposals co-financed by IDA and GEF are properly executed. Simultaneously, the grant execution will be monitored closely by the World Bank team alongside with independent operational review to be conducted by eligible consulting firm at project mid-term review or any other period agreed. AIPA will report on execution of grants as part of interim IFRs.

### *Procurement*

19. An assessment of the capacity of the Implementation Agencies to implement procurement actions was conducted in November, 2011. The assessment reviewed the organizational structure for implementing the proposed project and the interaction between the project staff responsible for procurement and relevant units in implementing agencies.

20. The project will have two implementation agencies: MAFI will implement Components 1 and 2, while MOE will implement Component 3. Technical experts from each of these agencies will be involved in preparing technical specifications and terms of references for their respective components. Procurement activities will be carried out by CAPMU which has nearly 10 years of experience in implementing Bank-funded projects. It is staffed with highly qualified professionals. It currently employs a full-time Procurement Specialist and a part-time Procurement Assistant who have substantial experience in conducting procurements of different nature, size and complexity. CAPMU had implemented and has been providing fiduciary support to the following projects: (i) the Agricultural Pollution Control Project (closed); (ii) the Renewable Energy from Agricultural Wastes Project (closed); (iii) the Youth Social and Economic Empowerment Project (closed); (iv) the Avian Influenza Control and Human Pandemic Preparedness and Response Project (closed); (v) the Rural Investment and Services Project I and II (the latter is ongoing).

21. As a result of the capacity assessment of the implementation agencies, the following procurement related issues/risks have been identified:

- ***Ministry of Agriculture and Food Industry:*** Under Component 2, a large amount of project funds is directed towards the competitive grant scheme. While MAFI has vast experience in implementing grant programs, it does not have experience in managing specifically competitive grant schemes, and evaluation of competitive grant proposals. To this end, eligibility criteria for the selection of grant beneficiaries should not be biased and restrictive.

- **Ministry of Environment:** The team identified similar risks in managing the grant scheme under Component 3.2, as those for MAFI above. In addition, procurement capacity needs strengthening.

22. The overall project risk for procurement is moderate, but the following measures are proposed to mitigate the risks identified above:

(a) Measures that were completed by project negotiations:

(i) Both agencies ensured that the procurement decision making process was fully covered in the draft POM, which was made available and known to relevant staff.

(b) Measures to be carried out throughout project implementation:

(i) MAFI and MOE will need to develop fair and transparent technical, financial, social and environmental eligibility criteria for the project's grant schemes in order to avoid bias and restrictiveness in the evaluation process. To do so, the team recommends that MAFI and MOE involve technical staff in the preparation of the Grant Operational Manual and subsequent evaluation of grant applications. If necessary, the project would provide consultancy support to MAFI and MOE to assist them with these issues.

(ii) In order to ensure that the grant evaluation process is of satisfactory quality the Bank team will pre-review the first 10 evaluated grant applications (five for Sub-Component 2.2 and five for Sub-Component 3.2).

(iii) In order to address the issues of capacity of MAFI and MOE to administer procurement, a staff training program (internal/external) should be implemented over the life of the project that is both relevant and practical.

(iv) In order to continuously strengthen the procurement capacity of CAPMU its staff should regularly attend training courses/seminars organized by the Bank in the region.

23. *Procurement Arrangements:* Procurement for the project will be carried out in accordance with the World Bank "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants" published in January, 2011 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" published in January, 2011 (Consultant Guidelines) and with the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits, dated October 15, 2006 and revised in January, 2011.

24. The following procurement activities are planned under the project, but not limited to:

(a) Selection of Consultants: (i) Awareness campaigns for Producers' Groups; (ii) Impact assessment for access to markets; (iii) Soil quality and land degradation risk assessment; (iv) Cost-benefit assessment of land conservation and climate resilience practices; (v) Monitoring and Evaluation on demonstrational site-specific Sustainable Land Management (SLM) techniques; (vi) Awareness campaigns on integrated SLM and climate resilience; (vii) Policy and Institutional capacity building on integrated SLM and climate resilience (viii) Harmonization of legislation on laboratories; (ix) Harmonization of regulatory framework on auto-controls; (x) M&E support to Paying Agency.

(b) Procurement of Goods, Works and Non-Consulting Services: (i) Rehabilitation of the Food Safety Agency building; (ii) Rehabilitation of Food Safety Laboratory existing building; (iii) Rehabilitation of animal health and animal food safety laboratories existing buildings; (iv) Construction of Border Inspection Points; (iv) Equipment for reference laboratories; (v) Furniture and office equipment for Food Safety Agency; (vi) Management Information Systems for three laboratories; (vii) Integrated food safety IT systems; (viii) Chemicals and reagents for laboratories; (ix) Forestry equipment for two mobile squads "Moldsilva"; (x) Accreditation for animal health, animal origin products, food safety laboratories.

(c) Grants Programs: (i) Investment Grants for Producers' Groups; and (iii) Pilot SLM financial support program.

(d) Training is an integral element of the project's capacity building objective. The following activities are envisaged, but not limited to: (i) Training for laboratory staff; (ii) Training for AIPA; (iii) Training for professional associations; (iv) Training for staff of MAFI and other institutions involved in food safety management.

25. *Commercial practice (goods and works)*. Goods and works required by grant beneficiaries will be procured in accordance with well-established private sector procurement methods or commercial practices. When feasible, the beneficiaries shall obtain three quotations. The Grant Operational Manual shall describe the basic guiding principles and acceptable procedures which shall, inter alia, include mandatory provisions that beneficiaries of the grant shall not award contracts to their parent or affiliate companies unless there is an established arms-length arrangement. The manual should also define the main responsibilities of the implementation agencies as provided for in paragraph 3.13 of the Procurement Guidelines.

26. *Filing and records keeping*. Filing of procurement related documents, and records keeping under the project will be done by CAPMU. Procurement progress reports will be submitted to the Bank as part of the quarterly financial management reports and annual progress reports.

27. *Prior/Post review*. Routine procurement reviews and supervision will be conducted by the Procurement Specialist. In addition, one supervision visit is expected to take place per year during which ex-post reviews will be conducted. The Bank will post-review at least 5 percent of the contracts subject to post review, and will prior-review the first five grant applications under

Sub-Component 2.2 and the first five grant applications under Sub-Component 3.2. All other grant applications will be subject to Bank post-review. Procurement documents will be kept readily available for Bank's ex-post review during supervision missions or at any other point in time. A post review report will be prepared, shared with the implementation agencies and filed in the procurement post review system.

28. *Procurement Plan.* As part of the Bank's initiative to promote transparency, compliance and accountability in the procurement process in Bank-funded projects, the proposed project will use the Procurement Plan Execution System (SEPA) which is a secure web-based platform developed by the Bank. The tool provides transparent and timely information to all users, funding institutions, government agencies, NGOs, bidders and the general public. It also establishes a new and more efficient way to interact between the Bank team and the Implementing Agency. CAPMU procurement staff has been individually trained in using this tool. With support from the Bank team, the Procurement Plan was finalized and agreed during negotiations. Thereafter, the plan will be updated on regular basis and each update will be subject to Bank's prior review. The initial Procurement Plan and the subsequent updates will be made available in SEPA. A General Procurement Notice (GPN) covering the project procurement activities has been prepared and published. More details on the procurement arrangements will be provided in the procurement section of the Project Operations Manual. The Procurement Plan is available as a separate attachment to the PAD.

### Procurement Methods and Prior Review Thresholds

	Procurement Method	Threshold	Prior Review
1	ICB (Goods and Non-Consulting Services)	> US\$ 200,000	All
2	ICB (Works)	> US\$ 1 million	All
3	NCB (Goods and Non-Consulting Services)	≤ US\$ 200,000	First two
4	NCB (Works)	≤ US\$ 1 million	First two
5	Shopping (Goods, Non-Consulting services, small works)	≤ US\$ 100,000	First contract
6	Direct Contracting*	N/A	All
7	Commercial Practice (goods and works)	< US\$ 2 million	First five grant applications under Sub-Component 2.2 and first five – under Sub-Component 3.2
8	Terms of References	N/A	All

\*All contracts subject to justification

	Selection Method	Threshold	Prior Review
1	Competitive Methods (Firms)*	> US\$ 100,000	All
2	Single/Sole Source **	N/A	All
3	Individual Consultants	> US\$ 50,000	All

\* First two contracts for consulting services in all competitive methods (firms), except QCBS, which are below the above threshold, shall be subject to prior review.

\*\* All contracts subject to justification

**Shortlist comprising entirely national consultants:** Shortlist of consultants for services estimated to cost equal or less than US\$ 100,000 equivalent per contract, may comprise entirely

national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

*Environmental and Social (including safeguards)*

*Environmental*

29. Purpose and Terms of Reference for Environmental Assessment. The purpose of the Environmental Assessment (EA) was to identify the potential environmental and social impacts of the project (both positive and negative) and to specify appropriate preventive actions and mitigation measures (including appropriate monitoring scheme) to prevent, eliminate or minimize any anticipated adverse impacts. The Project's EA was carried out by an independent local consultant, providing basis for the Environment Management Framework (EMF) which was prepared based on the following: (i) analysis of the existing national legal documents, regulations and guidelines; (ii) World Bank safeguard policies, as well as other guiding materials; (iii) existing EMFs for similar World Bank projects; and (iv) results of consultations with the representatives of stakeholders and all interested parties.

(a) *Potential Environmental and Social Impacts.* The project will generally have positive impacts on the environment and natural resource base of the project area: prevention of soil degradation; increase of soil moisture; increase in biomass and organic matter of soils; reduction of sediment loads to the rivers; and a decrease of run-off and soil losses. This would result in a series of economic benefits: (i) increased soil productivity due to the adoption of SLM; (ii) the value of nutrient recovery in the soil; and (iii) increased agricultural crops yields. However, it may also cause some negative impacts. These impacts might be associated with the project's competitive and matching grant schemes which are expected to finance: (a) producer-mobilization interventions on a pilot basis and supporting post-harvesting investments aimed at improving quality, consistency and quantity of primary supply (washing, grading, packing, ripening room equipment, cold-storage, minor-processing); (b) farm- or enterprise-based investments for food safety compliance; and, (c) investments in technologies and equipment for soil conservation-friendly agriculture as well as for soil management activities. The proposed activities under these schemes, if not adequately implemented, may cause some environmental impacts related to: (i) increased pollution of ground and surface waters due to soil erosion, use of fertilizers and pesticide, as well as the processing of agricultural products; (ii) threats to human health and wildlife due to poor handling of pesticides; (iii) increased siltation of water bodies due to soil erosion; (iv) solid waste from processing of agricultural products. Additionally the project will support the rehabilitation of border control points and laboratory facilities which may include minor civil works which also might generate solid waste, air pollution and health hazards.

(b) *Environmental Management Framework.* The document outlines environmental assessment procedures and mitigation requirements for the activities and subprojects which will be supported by the project. It provides details on procedures, criteria and responsibilities for subprojects screening, conducting EIA and preparing EMPs, including EMP Checklist, appraisal, EMPs implementing and

monitoring. The document also includes Environmental Guidelines for different types of proposed subprojects providing analysis of potential impacts and generic mitigation measures to be undertaken for subprojects to be selected at all stages - from identification and selection, through the design and implementation phase, to the monitoring and evaluation of results. Per EMF stipulations for all category B subprojects CAPMU will ensure all subproject beneficiaries will conduct EAs and prepare environmental management plans which will specify all relevant measures, to mitigate, monitor, offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable by the national EA legislation as well as by the World Bank.

(c) *Measures to raise awareness and educate potential beneficiaries regarding safe pesticide handling and use of Integrated Pest/Farm Management practices.* While the project would not finance the purchasing and/or application of pesticides, it is possible that pesticide use would increase due to a higher intensity of crop cultivation supported by the project's grant schemes or due to the proliferation of soil conservation agriculture. To address these issues, the EMF includes measures to raise awareness and educate potential beneficiaries regarding safe pesticide handling and use of Integrated Pest/Farm Farm Management to enhance sustainability and reduce human and environmental exposure to dangerous products. Such measures are described in the section 6.6 of the EMF. These measures are targeted at providing a framework for educating farmers regarding pesticides handling and promoting integrated pest management (IPM) and thus, understanding and managing pest problems in the agriculture production, reducing human and environmental health risks associated with pesticide use, and protecting ecosystem by conserving beneficial agents such as natural enemies of pests and pollinators to increase productivity. The project will contract a national research institution and/or an NGO with necessary expertise in horticultural crops and IPM capabilities, as well as with capacity to deliver training for farmers with necessary expertise in field crop/horticultural crop and IPM capabilities. Based on the research and technical support, needs of the project beneficiaries, the selected company will develop IPM packages for horticultural systems, develop and deliver a training program with the aid of demonstrations, adaptive research trials and experiential learning in the farmer fields. This institution will also train the trainers and project specialists and assist the PMU in designing a monitoring and evaluation program. The proposed activities would also cover field demonstrations with improved pesticide usage and IPM technologies. CAPMU will be the coordinator for the implementation of these activities.

30. *EA institutional arrangements and capacity.* The Project will be implemented by the MAFI and MOE. MAFI has extensive experience in successfully implementing World Bank projects (ex. on-going RISP II and RISP II AF, Avian Influenza projects) while the MOE has extensive experience in implementing GEF funded projects (ex. Moldova Agricultural Pollution Control and POPs Projects). CAPMU will serve as a fiduciary agent for both implementation agencies. CAPMU has a highly qualified Environmental Specialist, being responsible for project safeguards issues. Up to now the CAPMU environmental and social performances have been qualified as adequate. The WB team will continue closely monitor EMF implementation,

providing, if needed, relevant assistance. The EMF and subprojects EMPs implementation will remain under the direct responsibility of the CAPMU, including responsibilities for supervision and monitoring of proposed activities and selected subprojects. Compliance with the EMF and EMPs and monitoring of the impact during the construction phase will be undertaken by an Environmental Specialist in the CAPMU as part of his contract supervisory duties.

31. *Integration of environmental safeguards requirements into the project documents.* The EMF will be integrated into the POM and will be used as part of all contracts involving proposed activities and selected subprojects. The Bank is expected to provide special training to the CAPMU team, so they can promote compliance with the EMF and EMP. The subproject EMPs will be also integrated into the contracts for approved activities, both into specifications and bills of quantities and the Contractors will be required to include the cost in their financial bids and grant proposals.

32. *EMF disclosure and consultation.* Before appraisal the EMF was disclosed and consulted in the country. On January 18, 2011, CAPMU has disseminated the draft summary EMF to key project stakeholders (Ministry of Environment; Ministry of Agriculture and Food Industry; State Ecological Inspectorate) for review and comments, also posting its full English version along with the EMF Summary in Romanian for public access on CAPMU's web site ([www.capmu.md](http://www.capmu.md)). On January 26, 2012, the CAPMU conducted a public briefing and consultation meeting on the EMF document. The meeting concluded that the draft EMF document covers practically all potential impacts and possible mitigation measures. The draft document was revised after the meeting, taking into account outputs from the consultation. The final version of the EMF (Romanian) and its English version were posted on CAPMU's website and submitted to the World Bank for its disclosure in the Infoshop. EMF will be used by the client during the project implementation.

### *Social*

33. The Project does not trigger safeguard policies on Involuntary Resettlement, Physical and Cultural Resources or Indigenous Peoples. Sub-projects will be screened by CAPMU to ensure that investments take place either on land owned by the project participants, or on land that has been purchased on willing-buyer-willing seller basis, and that there is no informal use or occupation of the land. Land use and ownership will also be described in EIAs, prepared for sub-projects where relevant.

34. Overall, the project is expected to have a positive social impact - on the one hand nationally, by improving the food safety management system; on the other hand, locally – on communities that would benefit from specific investments under Components 2 and 3. Potential social risks or negative impacts may be related to 'losers' from the legal and institutional reforms supported under Component 1, e.g. additional cost or restricted market access to farmers associated with more stringent quality and safety rules, or job security of administrative personnel related to institutional reforms under Component 1. These risks are not expected to be significant, although at this stage it is impossible to estimate their scale and they should be reassessed again at mid-term stage.

35. Direct beneficiaries from the project are likely to be small and medium producers (including strong participation of women), or producer associations, of up to 5 producers able to demonstrate potential for improved safety, quality and marketability of products as a result of their investments. Impact on poor rural households is expected to be largely indirect - through creation of work places and potentially long-term development impacts in the community such as improved services. Rural business development services (about half of which agricultural) under the World Bank's Rural Investment and Services project (RISP II), which led to an average of 533 working places created per year as a result of establishing new rural businesses, also demonstrated a steady growth in average salaries (17% in total between 2006-2011).

36. Business development services and promotion of the competitive grant schemes under Component 2 of the project would include, among other, reliance on a rural extension network, and development agencies, developed and/or supported under RISP I and II projects. The rural extension network maintains 35 regional centers throughout the country, and is accessible to approximately 60 percent of Moldova's rural population<sup>35</sup>. Drawing on RISP gender-disaggregated data and impact evaluation reports, it is possible to draw some conclusions on the demand for and accessibility to rural business development services for women and men in order to address better gender inclusion issues in the proposed project.

#### *Gender issues*

37. Latest impact evaluation report from RISP rural advisory services states that approximately one third of direct project beneficiaries have been women. Since the current project would rely on a largely similar approach to the activities of Component 2 and 3, this figure provides a solid proxy indication of the potential level of participation and access of women to benefits<sup>36</sup>.

38. While the ratio of women among direct beneficiaries of rural services (business owners) has been twice as low as that of men (24% on average between 2001-2011), women have been about three times more likely to be employed as consultants in the advisory service centers (representing 74% of regional consultants). Of the working places created within the rural businesses themselves under RISP II (2006-2011), approximately 39% were held by women. Thus, while some benefits are shared by women as employees and within the household, further efforts will be welcome on attracting women as business shareholders and direct beneficiaries in agricultural investments.

39. One of the major constraints of attracting women as direct participants and beneficiaries in rural development has been that of raising awareness and communication directly with potential women beneficiaries. RISP II impact evaluation reports note an underlying assumption in the work of business development centers that messages transmitted to male clients will also reach women in the community, which automatically excludes a number of prospective women clients. To overcome this challenge one of the main recommendations of this assessment is to use communication and outreach channels that specifically target prospective women clients.

---

<sup>35</sup> According to Impact Assessment of Rural Advisory Service Component, RISP II; August, 2010.

<sup>36</sup> It is worth noting that RISP II has supported all types of rural business with share of agricultural businesses supported growing over time, whereas the current project will focus on agricultural/horticultural activities.



40. In view of the above assessment and recommendations, and given that the project does not envision specific quota for women beneficiaries from competitive grant scheme, attention to gender equity in the project will be paid through the following means: (i) communication and outreach targeted to reach potential women clients e.g. in collaboration with the Women Economic Empowerment Program (UN Women/Sida); (ii) flexibility on timing and methods of delivering training services to accommodate women clients; (iii) collection of gender-disaggregated data on beneficiaries and key indicators through the course of the project; (iv) including assessment on gender inclusion progress and constraints in project evaluation reports similar to those under RISP.

### *Monitoring & Evaluation*

41. The Project's monitoring and evaluation activities would be focused on several types of data specific to activities under each component in accordance with the results framework described in Annex 1. The responsibility for monitoring and evaluating results/outcomes will rest with the Implementation Agencies in charge of their specific components. AIPA and CAPMU will provide the necessary technical and system support for collection, processing and maintenance of monitoring data. AIPA has good experience in monitoring implementation of current public support programs in agriculture, and has proper systems to ensure that data on outcome and results indicators would be collected and processed regularly for Component 2. CAPMU currently has a very comprehensive results monitoring system in place under the RISP II Project, which can be adjusted to serve the needs of all components. CAPMU will be in charge of supporting MAFI and MOE in the production of semi-annual consolidated results monitoring reports for review by the Bank. Additional capacity for results monitoring will be required for SLM activities under Component 3, due to the specific nature of supported activities and the need to tailor the results sets towards evaluations of impact on soil quality and productivity. For this purpose the project would provide funding for a specific expert on results monitoring of SLM activities.

42. Gender-disaggregated data on project beneficiaries will be included in the Project's regular reporting mechanisms. CAPMU will cooperate with the Women's Economic Empowerment Program in Moldova (UN WOMEN/Sida) for the promotion of all activities under Components 2 and 3 – training and information workshops, providing information on competitive grants through service centers and mobile consultants of the program. Impact evaluation reports, commissioned to independent consultants, will include an assessment of women's and men's participation in the project to address any specific constraints that discourage involvement of women as agricultural entrepreneurs.

43. Data generated and collected during the implementation of the project would be used for regular impact assessments of the effectiveness of activities under implementation. Details on the regularity of impact assessments and the specific focus of assessments would be reflected in the POM.

### *Role of Partners*

44. The proposed project is a fully blended project between IDA and GEF resources. The project is also co-financed by SIDA. Parallel financing for analytical and technical work on food safety management is provided by the EU. Other potential partners are the USAID ACED Project and the IFC Investment Climate Reform Project.

45. Co-financing partnerships are structured in the following way: Component 1 is co-financed by IDA, GEF and SIDA; Component 2 is co-financed by IDA and SIDA; Component 3 is co-financed by IDA and GEF.

**Annex 4**

**Operational Risk Assessment Framework (ORAF)  
Moldova: Moldova Agriculture Competitiveness Project (P118518)**

Project Stakeholder Risks				
<b>Stakeholder Risk</b>	<b>Rating</b>	<b>Moderate</b>		
Description:  The risk is that political disagreements on responsibilities among the various agencies currently dealing with food safety issues may delay a final decision on the institutional design of the food safety system.	<b>Risk Management:</b>			
	Addressing this problem is part of the Government Action Plan for Implementing the EC Recommendations for future negotiations on the DCFTA.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> 30-Nov-2011	<b>Status:</b> Completed
	<b>Risk Management:</b>			
	The Government commits to the finalization of its Food Safety Strategy for 2011-2015 that would provide for unifying functions and regulations in the area of food safety.			
	<b>Resp:</b> Client	<b>Stage:</b> Preparation	<b>Due Date:</b> 30-Jan-2012	<b>Status:</b> Completed
	<b>Risk Management:</b>			
The Government plans to achieve a minimum 30% reduction of the regulatory burden for the compliance with food safety and quality requirements for which there is broad support.				
<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b>	<b>Status:</b> Dropped	
<b>Risk Management:</b>				
The IFC project Investment Climate Reform Project will also support the Government in its regulatory burden reduction efforts, including establishing a baseline and quantifiable targets.				
<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 01-Jan-2013	<b>Status:</b> In Progress	
Implementing Agency (IA) Risks (including Fiduciary Risks)				
<b>Capacity</b>	<b>Rating</b>	<b>Low</b>		
Description:  A large part of the investment support under the project is directed towards various grant schemes. Both implementing agencies have limited experience in managing competitive grant programs.	<b>Risk Management:</b>			
	Project would include capacity building and support activities to assist involved institutions in developing necessary capacity for fair evaluation based on clear technical, social, environmental and financial criteria. The Bank team will pre-review the first 10 grant applications.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> 01-Apr-2013	<b>Status:</b> Not Yet Due
<b>Governance</b>	<b>Rating</b>	<b>High</b>		
Description:  The risk is that the main counterparts to the project may change as a result of political	<b>Risk Management:</b>			
	Engaging third-tier staff of MAFI such as Department and Division Heads which are non-political appointees in project preparation and implementation.			

<p>instability (see country risk), weakening project ownership and complicating communication with MAFI on project implementation issues.</p> <p>Members of the evaluation committee (procurement and grant awards) have limited or no knowledge of Bank procurement policies and procedures.</p>	<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> In Progress
	<b>Risk Management:</b>			
	Constant engagement with all stakeholders, to ensure that proposed activities are not politically contrarian. Consultations with current opposition on their views on the proposed activities.			
	<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> In Progress
	<b>Risk Management:</b>			
To enhance their knowledge, Evaluation Committee members will be given an opportunity to attend relevant learning events organized by the Bank .				
<b>Resp:</b> Bank	<b>Stage:</b> Implementation	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> Not Yet Due	
<b>Risk Management:</b>				
Organize a project launch workshop, as part of the project implementation/capacity building initiatives, which will include a session on fiduciary aspects where the procurement team will specifically focus on fraud and corruption and conflict of interest provisions.				
The funds will flow through Treasury system which applies additional controls on money spending.				
The team will also work with CAPMU to ensure a proper Monitoring and Evaluation system is in place.				
<b>Resp:</b> Bank	<b>Stage:</b> Implementation	<b>Due Date:</b> 01-Jan-2013	<b>Status:</b> Not Yet Due	

## Project Risks

<b>Design</b>	<b>Rating</b>	<b>Moderate</b>			
<p>Description:</p> <p>The risk is that coordination among the institutions involved in the project will slow down project implementation.</p> <p>The risk is the possible inability of project activities to engender necessary farm-level mobilization and cohesion for the creation of viable productive partnerships that can benefit from the implementation of the competitive grant scheme for piloting post-harvest investments.</p>	<b>Risk Management:</b>				
	The project is likely to use a management model tested under RISP II whereby staff in charge of implementation and coordination of components are supported by local and international experts. In addition, an Inter-Ministerial Steering Committee will help with both project implementation and coordination among agencies.				
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> Not Yet Due	
	<b>Risk Management:</b>				
The presence of an active and country-wide system of rural advisory services and development agencies would be utilized to closely work with producers towards mobilization and formation of productive partnerships , by providing information on opportunities for collective action, and consulting producers on business processes aimed at gaining joint access to investment grants. The Government is committed to support (from public funds) the rural extension network beyond 2012. Also, building synergies with the recently launched IFAD RFSADP and MCC projects which have similar activities should help overcome the low-demand risk.					
<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> 01-Jan-2014	<b>Status:</b> Not Yet Due		
<b>Social and Environmental</b>	<b>Rating</b>	<b>Low</b>			
<p>Description:</p> <p>The potential environmental risks are related to: soil, water and air pollution; soil and biodiversity degradation; solid wastes; health hazards. The project activities which</p>	<b>Risk Management:</b>				
	These risks will be mitigated through actions identified in the project Environmental Guidelines. CAPMU has extensive experience gained through the implementation of RISP and RISP II projects, including management of the environmental safeguards. Nonetheless satisfactory performance under this project would require strengthening of its environmental capacity for screening and				

<p>envisage intensification of farming, increasing agriculture competitiveness as well as minor civil works, if not adequately implemented, may cause some environmental impacts.</p> <p>Potential social risks are related to: (i) impact on farmer livelihoods or market opportunities as a result of tighter quality regulations; (ii) equity in access to information on project benefits (e.g. to grants, advisory services, etc.); and (iii) possible land acquisition or transfer if it becomes envisioned in the course of the project.</p>	classifying grant proposals; assisting project beneficiaries and designers in conducting EIA and preparing EMPs; filling out environmental checklists for small construction and rehabilitation works; producing regular records of environmental supervision and reports on monitoring of sub-projects™ implementation.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> Not Yet Due
	<b>Risk Management:</b>			
	Mitigation actions would include: (i) consultations with farmers and farmer associations at project preparation on the scope of activities and expected impacts; (ii) system in place to ensure and monitor women participation in the relevant components; (iii) communication strategy or information campaign for the target beneficiaries; (iv) if land acquisition or transfer is needed in the course of the project, development of a pre-screening mechanism and Land Acquisition Plan in accordance with Bank policy OP 4.12.			
<p><b>Program and Donor</b></p> <p>Description:</p> <p>There is a risk of overcrowding or overlapping of activities to enhance agriculture competitiveness by the various donors active in Moldova.</p> <p>Some of the capacity building of the new food safety system is expected to be financed by a grant under the EU Comprehensive Institution Building Program. Delays in the implementation of the EU initiative may lead to delays in the overall implementation of the first component.</p>	<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 01-Jan-2013	<b>Status:</b> In Progress
	<b>Rating</b>	Low		
	<b>Risk Management:</b>			
	Close coordination within the Bank and with other donors, will need to be maintained during both preparation and supervision as considerable cross-learning and synergies can take place among the various projects.			
<p>Description:</p> <p>There is a risk of overcrowding or overlapping of activities to enhance agriculture competitiveness by the various donors active in Moldova.</p> <p>Some of the capacity building of the new food safety system is expected to be financed by a grant under the EU Comprehensive Institution Building Program. Delays in the implementation of the EU initiative may lead to delays in the overall implementation of the first component.</p>	<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 30-Jun-2017	<b>Status:</b> In Progress
	<b>Risk Management:</b>			
	In addition to focusing on specific activities which do not fully rely on the EU-related program (e.g. strengthening of border inspection points), the project is likely to need to focus on basic capacity building, which may need to be reallocated when the EU Comprehensive Institutional Building Program is under full implementation. Close consultation with the EU will also take place during preparation.			
	<b>Resp:</b> Client	<b>Stage:</b> Both	<b>Due Date:</b> 01-Jan-2014	<b>Status:</b> In Progress
<p><b>Delivery Monitoring and Sustainability</b></p> <p>Description:</p> <p>Monitoring of data for measuring improvements in soil quality resulting from the implementation of sustainable land management activities represents a complex process based on collection and processing of multi-variable data. Monitoring of the implementation results of the investment support grants for market access would require a rigorous process based on a combination of data self-reported by beneficiaries, and data observed in the field by the monitoring entity. In both cases, proper monitoring, and if necessary, application of corrective measures would ensure that project activities are successful in achieving its target results, thus putting the project interventions on a solid path towards long-term sustainability.</p>	<b>Rating</b>	Low		
	<b>Risk Management:</b>			
	Project to include support measures for the Implementing Agency towards enhancing capacity for proper monitoring of soil quality.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b>	<b>Status:</b> Not Yet Due
<p><b>Other (Optional)</b></p> <p>Description:</p>	<b>Risk Management:</b>			
	Project to include support measures for the Implementing Agency towards enhancing capacity for proper monitoring of the implementation of investment support grants for market access.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date:</b>	<b>Status:</b> Not Yet Due
	<b>Rating</b>			

	<b>Resp:</b>	<b>Stage:</b>	<b>Due Date:</b>	<b>Status:</b>
<b>Other (Optional)</b>	<b>Rating</b>			
Description:	<b>Risk Management:</b>			
	<b>Resp:</b>	<b>Stage:</b>	<b>Due Date:</b>	<b>Status:</b>
<b>Overall Risk</b>				
<b>Preparation Risk Rating:</b>	<b>Moderate</b>		<b>Implementation Risk Rating:</b>	<b>Substantial</b>
Comments:				
The major risk during preparation related to some uncertainty on the direction of reforms in the food safety and quality management area. The Government of Moldova eliminated the associated risks when it approved through a Government Decision in August, 2011, the Government Strategy for Food Safety which provided, among other, for the creation of a single Food Safety Agency in charge of food safety and quality management.				

**Annex 5: Implementation Support Plan**  
**MOLDOVA: Agriculture Competitiveness Project**

**Strategy and Approach for Implementation Support**

1. The proposed project comes to support an ambitious set of reform-oriented and change-inducing activities aimed at enhancing the competitiveness of the agriculture sector of Moldova. In order to facilitate the achievement of the PDO the partnerships between the GOM, the Bank and other donor partners would have to be based on a foundation of rigorous implementation support efforts covering analytical, technical and fiduciary aspects. In addition, implementation support would have a strong focus on the implementation of mitigation measures for key risks identified in the ORAF.

2. The thematic diversity of activities supported by the project would require the availability of a corresponding diversity of skill mix of the task team. The project's scope ranges from food safety to farm competitiveness to sustainable land management. This will require that the team retains expertise in food safety, general agriculture and rural development, and market access and trade. The expertise should have reasonable versatility to cover both policy issues, as well as operational and technical aspects of activities under implementation. In addition the team's technical specialists should support the Implementing Agencies in ensuring robust monitoring and evaluation of results, both in helping design and/or adjust M&E systems to include algorithms that best capture projects results, as well as in ensuring proper collection and maintenance of data. Finally, some of the proposed activities, primarily of an enabling character, will require availability of team expertise in information technologies and communications.

3. The project's operational complexity and current capacity gaps identified in the ORAF and the respective sections of the appraisal summary render the need for an equally commensurate effort of support from the Bank team on the fiduciary and M&E aspects. The project's activities will require procurement of goods, works and consultants, across a wide spectrum of procurement methods. Despite the relatively high degree of experience by CAPMU in implementing complex procurement, the team's procurement and technical specialists would have to work closely with it to provide continuous inputs into and feedback on the preparation of procurement packages (TORs and TSS) and to carrying out procurement as such. The procurement process will be treated with flexibility and receptivity to the evolving project implementation context, allowing for timely modifications of the procurement plan. The choice to engage AIPA in the delivery of financial support products to potential beneficiaries is a novel approach that seeks to rely on existing country systems. AIPA will need constant technical guidance and support on assuring compliance with Bank requirements for financial management and reporting. Should AIPA's involvement in implementation falter, the team would be ready to provide alternative mechanisms for the delivery of funds to farmers that are acceptable from a financial management perspective. Last but not least, the current M&E systems in AIPA and CAPMU will need to be adjusted to reflect properly the activities of the proposed project.

4. On safeguard compliance, the team would provide support to ensure proper implementation and monitoring of the implementation of the requirements of the project's EMF.

Particular attention will be paid to activities that involve civil works and installation and operation of post-harvesting equipment.

5. The project’s evolving requirements for analytical and technical support in the area of food safety will be addressed within a partnership framework with the EU. The Government’s partnership with the IFC will provide a platform for future progress in much needed business and investment climate deregulation.

6. The underpinnings of the support strategy and existing partnerships outlined above will essentially ensure the implementation of the mitigation measures reflected in the ORAF particularly for higher-rated risks such as stakeholder and design risks (moderate), and governance risk (high).

### Implementation Support Plan

7. The levels and typology of analytical, technical, fiduciary, safeguard support for the implementation of the proposed project are detailed below.

Table A5.1: Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	<ul style="list-style-type: none"> <li>• Robustness of M&amp;E systems for Components 2 and 3</li> <li>• Financial Management arrangements, with a particular emphasis on APIA’s role</li> <li>• Preparation of first-line procurement packages and initiation of procurement</li> <li>• IT systems</li> <li>• Communications</li> </ul>	General agriculture and rural development, food safety, and market access expertise. General environment and natural resource management expertise. Financial Management Procurement ICT Communications	US\$ 150,000	<ul style="list-style-type: none"> <li>• Bank team to provide general implementation support to the Project on technical implementation, M&amp;E and fiduciary aspects</li> <li>• MAFI, MOE (Moldsilva) and CAPMU to initiate preparation of TORs and TSs for first-line procurement packages, and subsequently initiate the procurement process</li> <li>• EU Delegation to provide analytical and technical support for food safety</li> </ul>



12-48 months	<ul style="list-style-type: none"> <li>• Project Implementation</li> <li>• Preparation of procurement packages and the procurement process as such</li> <li>• Financial Management</li> <li>• Safeguards compliance</li> <li>• M&amp;E</li> <li>• IT systems</li> <li>• Communications</li> </ul>	<p>General agriculture and rural development, food safety, and market access expertise.</p> <p>General environment and natural resource management expertise.</p> <p>Financial Management</p> <p>Procurement</p> <p>ICT</p> <p>Communications</p>	US\$300,000	<ul style="list-style-type: none"> <li>• Bank team to provide general implementation support to the Project on technical implementation, M&amp;E and fiduciary aspects</li> <li>• MAFI, MOE (Moldsilva) and CAPMU to continue procurement implementation activities</li> <li>• EU Delegation to provide analytical and technical support for food safety</li> </ul>
48-60 months	<ul style="list-style-type: none"> <li>• Project Implementation</li> <li>• Finalization of procurement packages and the procurement process as such</li> <li>• Financial Management</li> <li>• Safeguards compliance</li> <li>• M&amp;E</li> </ul>	<p>General agriculture and rural development, food safety, and market access expertise.</p> <p>General environment and natural resource management expertise</p> <p>Financial Management</p> <p>Procurement</p>	US\$100,000	<ul style="list-style-type: none"> <li>• Bank team to provide general implementation support to the Project on technical implementation, M&amp;E and fiduciary aspects</li> <li>• MAFI, MOE (Moldsilva) and CAPMU to continue procurement implementation activities</li> <li>• EU Delegation to provide analytical and technical support for food safety</li> </ul>

Table A5.2: Skill Mix

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Agriculture	200	10	Including general agriculture and rural development, food safety, market access expertise.
Sustainable Land Management	25	10	Including general environment and natural resource management expertise.
Financial Management	20	0	Field-based expertise available
Procurement	20	5	
Safeguards	10	0	
Information Technology	10	3	IT System developer expertise
Communications	5	0	Field-based expertise available

Table A5.3 Partners

Name	Institution/Country	Role
MAFI	Ministry, Moldova	Implementing Agency
MoE	Ministry, Moldova	Implementing Agency
AIPA	State Agency, Moldova	Payment Agency for delivery of Financial Support Products
CAPMU	Management Unit, Moldova	Fiduciary support
Moldsilva	State Agency, Moldova	Implementation of works for the rehabilitation of anti-erosion shelterbelts
SIDA	Bilateral Agency, Sweden	Co-financing
EU Delegation	Bilateral Agency, EU	Analytical and technical support to the food safety modernization agenda
IFC	IFI	Analytical and technical support to the deregulation agenda

## Appendix 1. Key constraints to Moldova's agricultural competitiveness

