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Report No: PAD1335

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT AND RESTRUCTURING

IN THE AMOUNT OF SDR 8.7 MILLION  
(US\$ 12.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOLDOVA

FOR A

AGRICULTURE COMPETITIVENESS PROJECT ADDITIONAL FINANCING

April 27, 2015

Agriculture Global Practice  
Belarus, Moldova and Ukraine Country Unit  
Europe and Central Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2015)

Currency Unit = Moldovan Leu  
MDL 1 = US\$ 0.0579  
US\$ 1 = SDR 0.72490558

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ACP	Agriculture Competitiveness Project
ACSA	National Rural Development Agency
AF	Additional Financing
AIPA	Agency for Interventions and Payments in Agriculture
CAPMU	Consolidated Agriculture Project Management Unit
CPS	Country Partnership Strategy
EIB	European Investment Bank
ERR	Economic Rate of Return
EU	European Union
GEF	Global Environment Facility
GOM	Government of Moldova
GRS	Grievance Redress Service
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFR	Interim Financial Report
IP	Implementation Progress
MAFI	Ministry of Agriculture and Food Industry
MCC	Millennium Challenge Corporation
NPV	Net Present Value
PDO	Project Development Objective
SIDA	Swedish International Development Cooperation Agency
USAID	United States Agency for International Development
WB	World Bank

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**MOLDOVA**  
**AGRICULTURE COMPETITIVENESS PROJECT ADDITIONAL FINANCING**

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## ADDITIONAL FINANCING DATASHEET

*Moldova*

*Agriculture Competitiveness Project Additional Financing ( P154238 )*

*EUROPE AND CENTRAL ASIA*

*GFADR*

<b>Basic Information – Parent</b>									
Parent Project ID:	P118518	Original EA Category:	B - Partial Assessment						
Current Closing Date:	30-Jun-2017								
<b>Basic Information – Additional Financing (AF)</b>									
Project ID:	P154238	Additional Financing Type (from AUS):	Restructuring						
Regional Vice President:	Laura Tuck	Proposed EA Category:	B - Partial Assessment						
Country Director:	Qimiao Fan	Expected Effectiveness Date:	01-Jul-2015						
Senior Global Practice Director:	Juergen Voegele	Expected Closing Date:	30-Jun-2017						
Practice Manager/Manager:	Dina Umali-Deininger	Report No:	PAD1335						
Team Leader(s):	Anatol Gobjila								
<b>Borrower</b>									
Organization Name	Contact	Title	Telephone	Email					
Ministry of Finance			(373-22) 226-629	anticamera@minfin.md					
<b>Project Financing Data–Parent ( Moldova Agriculture Competitiveness Project-P118518 )</b>									
<b>Key Dates</b>									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P118518	IDA-50950	Effective	01-May-2012	28-May-2012	20-Sep-2012	30-Jun-2017	30-Jun-2017		
P118518	TF-14946	Effective	15-Nov-2013	15-Nov-2013	15-Nov-2013	30-Jun-2015	30-Jun-2016		
<b>Disbursements</b>									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P118518	IDA-50950	Effective	USD	18.00	18.00	0.00	3.86	12.52	21.42

		e							
P118518	TF-14946	Effective	USD	2.21	2.21	0.00	0.71	1.53	32.16
<b>Project Financing Data – Moldova Agriculture Competitiveness Project Additional Financing ( P154238 )</b>									
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant				
<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:		12.00			Total Bank Financing:		12.00		
Financing Gap:		0.00							
<b>Financing Source – Additional Financing (AF)</b>								<b>Amount</b>	
BORROWER/RECIPIENT								0.00	
International Development Association (IDA)								12.00	
Total								12.00	
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>					
Anatol Gobjila	Team Leader (ADM Responsible)	Senior Operations Officer		GFADR					
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Oxana Druta	Financial Management Specialist	Financial Management Analyst		GGODR					
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Klavdiya Maksymenko	Safeguards Specialist	Social Development Specialist		GSURR					

Luis M. Schwarz	Team Member	Senior Finance Officer		WFALA
Elena Segura	Team Member	Senior Counsel		LEGLE

**Extended Team**

Name	Title	Location

**Locations**

Country	First Administrative Division	Location	Planned	Actual	Comments
Moldova		Raionul Edineț			
Moldova		Raionul Ungheni			
Moldova		Telenești			
Moldova		Taraclia			
Moldova		Raionul Ștefan Vodă			
Moldova		Raionul Strășeni			
Moldova		Raionul Soroca			
Moldova		Rîșcani			
Moldova		Rezina			
Moldova		Orhei			
Moldova		Raionul Ocnîța			
Moldova		Anenii Noi			
Moldova		Nisporeni			
Moldova		Leova			
Moldova		Sîngerei			
Moldova		Criuleni			
Moldova		Municipiul Chișinău			
Moldova		Raionul Căușeni			
Moldova		Cantemir			
Moldova		Raionul Călărași			
Moldova		Raionul Cahul			
Moldova		Ialoveni			
Moldova		Glodeni			
Moldova		Florești			

Moldova		Fălești			
Moldova		Raionul Dubăsari			
Moldova		Raionul Drochia			
Moldova		Dondușeni			
Moldova		Cimișlia			
Moldova		Briceni			
Moldova		Basarabeasca			
Moldova		Bălți			
Moldova		Hîncești			
Moldova		Șoldănești			
Moldova		Găgăuzia			
Moldova		Transnistria			
Moldova		Municipiul Bender			

### Institutional Data

Parent ( Moldova Agriculture Competitiveness Project-P118518 )

#### Practice Area (Lead)

Agriculture

#### Contributing Practice Areas

#### Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

#### Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	Agricultural extension and research	42		
Industry and trade	Agro-industry, marketing, and trade	35		



Public Administration, Law, and Justice	Public administration- Agriculture, fishing and forestry	23		
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Rural development	Rural policies and institutions	40		
Environment and natural resources management	Land administration and management	28		
Rural development	Rural markets	16		
Rural development	Rural services and infrastructure	16		
Total		100		
<b>Moldova Agriculture Competitiveness Project Additional Financing ( P154238 )</b>				
<b>Practice Area (Lead)</b>				
Agriculture				
<b>Contributing Practice Areas</b>				
<b>Cross Cutting Topics</b>				
[ ] Climate Change				
[ ] Fragile, Conflict & Violence				
[ ] Gender				
[X] Jobs				
[ ] Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	Agricultural extension and research	50		
Industry and trade	Agro-industry, marketing, and trade	50		

Total		100
<b>Themes</b>		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Rural development	Rural markets	100
Total		100
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>		
Consultants Required. No consultants are required		

## I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US\$12.0 million to the Republic of Moldova for the Agriculture Competitiveness Project (ACP), P118518 (Credit # 5095-MD).
2. This additional credit would help finance the introduction of new activities proposed as a project restructuring in response to the circumstances related to the trade restrictions on Moldovan agro-food exports imposed by the Russian Federation in 2013-2014. More specifically, the Additional Financing (AF) would finance the costs associated with: (i) the provision of compensatory grants to small-scale fruit farmers, primarily apple, plum and grapes growers, and (ii) the efficient, transparent and timely delivery of compensatory grants to affected farmers.
3. The changes being proposed relate to: (i) the introduction of a new component to the ACP – *Component 5: Compensatory Sales Support Grants*; (ii) the introduction of a number of additional activities under *Component 4: Project Management*, associated with the implementation of the new component; and (iii) the adjustment of the project’s results framework to reflect the new activities.
4. The proposed AF does not trigger changes in the ACP’s PDO which focuses inter alia on “*facilitating market access for farmers*” by way of supporting Moldovan farmers to “*increase the share of quality products that meet safety and quality standards for target markets*”<sup>1</sup>. Through its technical assistance and investment support, the ACP treats access to markets as a function of two factors: (i) good quality and consistent quantities of produce; and (ii) integration into value chains by meeting supply standards and market requirements. By providing compensatory grants, the AF will complement these activities in an attempt to avert the sector’s de-capitalization and a likely move by farmers into a low-input and low-quality/quantity production mode, thus shutting themselves out of higher priced markets<sup>2</sup>.

## II. Background and Rationale for Additional Financing in the amount of US\$12.0 million

5. The parent ACP was approved by the Board on May 1, 2012. It is financed through: (i) an International Development Association (IDA) credit in the amount of US\$18.0 million (SDR11.6 million equivalent); (ii) a fully-blended Global Environment Facility (GEF) grant of US\$4.4 million; and (iii) a Swedish International Development Cooperation Agency (SIDA) grant of US\$2.5 million.
6. The Project Development Objective (PDO) 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*

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<sup>1</sup> ACP Project Appraisal Document, para-25 (page 10).

<sup>2</sup> The implementation results of the recently completed, Bank-funded Moldova Emergency Agriculture Support Project supports this line of logic. Compensatory grants provided to farmers in the aftermath of losses suffered as a result of the severe 2012 drought, helped avoid de-capitalization and allowed farmers to cultivate wheat and corn in 2013-2014. As a result, the country’s exports of live animals, animal by-products (meat, milk, eggs), grains and cereals have not only not dropped by in fact increased in 2013-2014.

*sustainable land management practices*. To achieve this, the ACP is financing activities focused on strengthening country capacity to manage an increasingly complex food safety agenda, on incentivizing farmer organization and improving post-harvest infrastructure, and on addressing soil degradation challenges.

7. The ACP is currently structured around four components presented below.

*Component 1: Enhancing food safety management* is supporting activities aimed at improving human, institutional and technical capacity of the country's food safety management system, as well as ensuring regulatory harmonization with European Union (EU) requirements on food safety.

*Component 2: Enhancing market access potential* - is supporting activities aimed at improving marketability and market integration of Moldova's high value, horticultural products, where the country has proven comparative advantages in the production of fruits and vegetables.

*Component 3: Enhancing land productivity through sustainable land management* is supporting activities aimed at mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts.

*Component 4: Project Management* is supporting costs associated with project implementation and coordination across various government agencies. .

8. Since approval, there have not been any changes to the project's original development objective and design. The scope of the project has also not been subject to substantive changes. The only adjustment to the project so far relates to the triggering in 2014 of a new safeguard policy (Physical Cultural Resources OP/BP4.11), throughout a Level 1 Restructuring, without a change in the project's safeguard category. This was done in order to put in place a proper framework for dealing with the restoration of a historical building - the premises of the country's Food Safety Agency.

9. Project performance is currently rated "satisfactory" for progress towards achievement of the PDO, "moderately satisfactory" for Implementation Progress (IP), and "satisfactory" for procurement and financial management. The project has never been rated unsatisfactory for either IP or PDO. Commitments for the IDA credit stand at 70%<sup>3</sup>, and generally progress continues to be solid across the project's three components at this phase of implementation. Currently, disbursements under the IDA Credit stand at US\$3.86 million (21.4%), under the GEF grant at US\$3.85 million (87%), and the SIDA grant at US\$0.71 (32.2%). Disbursement rates under the IDA Credit are expected to reach 45% by the end of FY15.

10. While the project has not yet achieved its outcome indicators, and only 30% of its results indicators, all indicators are in a partially completed status, and are expected to be met by the project's closing date of June 30, 2017.

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<sup>3</sup> The remaining 30% of funds are expected to be committed over the course of 2015.

11. Specific highlights of the parent project implementation:

a) *Under Component 1*, the country's Food Safety Agency, a relatively new institution established in 2012, has largely become functional due to the support of the ACP. Three major civil works activities are under way - the rehabilitation of the Food Safety Agency building, the construction of the Border Inspection Point in Tudora on the country's Southern-Eastern border with Ukraine, and Criva on the country's Northern border with Ukraine. Procurement of civil works for another three border inspection points - Leuseni (West) and Giurgiulesti (South) has been completed and works are expected to commence in the next few weeks. Procurement of works for the construction of the country's national reference laboratory for safety of products of vegetable origin (Balti) has been completed. Capacity strengthening activities at the national reference laboratory for safety of products of animal origin and animal health aimed at future international accreditation are also advancing. Additionally, the Food Safety Agency continues to receive support for legislative and regulatory improvements, capacity building activities, training and knowledge transfer from various international food safety institutions.

b) *Under Component 2*, two calls for proposals for matching investment grants from emerging productive partnerships have been completed to date. The first one, carried out in 2014, resulted in awards of US\$1.65 million to 8 newly created producer groups for a variety of investments in post-harvest processing and handling of apples, table grapes and berries. A second call, which ended on January 30, 2015, resulted in a yield of 4 very solid proposals amounting to US\$0.8 million. In parallel, implementation of outreach activities has continued to focus on raising awareness about the project's competitiveness-enhancing opportunities for fruit and vegetable growers, while also springing out into increasing awareness about the quality of Moldovan fresh fruits in order to increase domestic consumption.

c) *Under Component 3*, all activities related to the rehabilitation of protective shelter-belts are implemented on schedule, and the equipment which was procured for these purposes is being utilized efficiently by two mobile mechanized agro-forestry squads. The component's sustainable land managed grant scheme has been launched and the first two calls for proposals yielded 91 awards for an amount of approximately US\$0.7 million. A second, recently closed call resulted in an additional pool of 80 applications.

12. The proposed AF is based on a series of requests from the Republic of Moldova, the latest of which was dated October 24, 2014. The task team discussed alternatives to the proposed financing with the Government of Moldova (GOM), including allocation of resources from other ongoing World Bank operations to help fruit growers cope with the economic shock of the embargoes. These discussions led to the conclusion that at present, an AF focused on providing compensatory grants is the most appropriate mechanism to extend rapidly much-needed support to farmers. The GOM highly values the World Bank's expertise in financing of similar activities<sup>4</sup>

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<sup>4</sup> As mentioned earlier, in 2013 the World Bank financed the Moldova Emergency Agriculture Support Project which provided compensatory grants to 60,000 famers affected by a severe drought.

in the country, and all key government counterparts are committed to the successful implementation of the AF.

13. The activities of the proposed AF do not depart from the current FY14-17 Country Partnership Strategy (CPS), which supports Moldova with a view of boosting shared prosperity and reducing poverty, by capturing the full benefits of openness and integration with the EU and the global economy. Both the parent project and the proposed AF are strongly aligned with one of the CPS pillars – Increasing Competitiveness, and its goal of helping improve companies’ competitiveness in order to reduce barriers and to translate economic openness into concrete benefits of more jobs and higher income. By supporting fruit growers and essentially the rural economy at this very trying time, in complementarity with the more complex, and longer-term support from the parent project, the AF would ensure that the sector does not shed jobs and incomes do not decrease dramatically in the poverty laden rural areas.

### *Country and sector context*

14. Moldovan agricultural and food exports to the Russian Federation have been subject to various trade restrictions through 2013 and 2014 - starting with a ban on wines, followed by a ban on meat and meat products and a nearly complete ban on fruits and vegetables, and canned goods. The most affected export items were wine, and summer varieties of apples and plums. Prior to the trade bans approximately 30% of the country’s wine exports (valued at US\$35.0 million), 93% of apple exports (valued at US\$43.7 million) and 80% of plum exports (valued at US\$21.1) went to the Russian Federation.

15. The loss of the Russian market represented a significant blow to horticulture in Moldova, as currently there are few alternative markets, especially for fresh apples and plums. Despite the fact that the effectiveness of the Deep and Comprehensive Free Trade Agreement with the EU was brought forward to August 1, 2014, and that the EU raised the quotas for tariff-free imports of Moldovan apples, plums and wines, this has not immediately led to a corresponding and meaningful increase in exports to the EU. Supplying competitive and consistent quality and quantities to the EU is a challenge for Moldovan producers in the short-term (particularly for fresh fruits). In addition, there is very limited potential for meaningful import substitution. Moldovan imports of apples were only about 1,500 tons in 2013 (valued at US\$1.34 million) and imports of plums are negligible. Unutilized processing capacity for early varieties of apples and plums in the country was limited and had the potential to absorb additionally approximately 60,000 tons of apples and 40,000 tons of plums.

16. The resulting supply glut of apples and plums, compounded by large unsold stocks of apple juice concentrate and plum paste, has led to a 50% drop in the domestic processing price for apples and plums. Similarly, as a result of the wine ban imposed by the Russian Federation in late 2013, wine exports fell by more than 30% in 2014, leading to building up of stocks and depression of prices for technical grapes, which fell to 60% of the 2013 price.

17. All these factors have led to heavy financial losses in the horticulture sector and can negate output and productivity gains achieved in recent years as a result of significant investments and proliferation of modern technologies, the ensuing replacement of old

orchards/vineyards, intensification of production, and stricter application of cultivation technologies. Increased investments in the sector represented a very positive development, given Moldova's comparative advantage in high value agriculture. This transformation has been the result of a fairly long-drawn struggle, which is finally showing results, but now the embargos have the potential to stall, if not reverse, modernization, by deteriorating the sector's financial standing, de-capitalization, forced and disorderly deleveraging, etc.

18. A contraction in the horticulture sector could have unfortunate social consequences. The majority of fruit growers in Moldova are represented by small peasant farmers (66% for apples, 69% for plums, and 70% for vineyards). The sector provides significant rural employment and incomes for an estimated 350,000-400,000 people. A large share of these jobs now are either at risk or are yielding significantly lower pay due to the impact of the embargo. The resulting social consequences could be severe, as the highest poverty rates are already registered among the agriculture-related population: 21.7% of farmers and 31.3% of agricultural workers have been found poor in 2013, these two categories accounting for 31% of the country's poor.

19. On September 8, 2014 the GOM passed a resolution for approving a support package for apple and plum growers of summer varieties. The targeting mechanism is simple and the implementation mechanism follows the principles of the recently closed Bank-funded Emergency Agriculture Support Project. The implementation of this package is carried out through the Ministry of Agriculture and Food Industry (MAFI) and its Agency for Interventions and Payments in Agriculture (AIPA). This support package was initially valued at MDL138 million (approximately US\$10 million at the time), but funds were quickly exhausted, with actual applications amounting to nearly MDL200 million. The GOM has no additional funds to meet all demand under this support package, nor does it have resources to provide support to grapes growers.

### ***Project design***

20. The proposed ***Component 5 – Compensatory Sales Support Grants*** will finance targeted support to farmers who sold apple, plums and grapes domestically for processing in the fall of 2014. Eligible farmers will have horticultural plantations of less than or equal to 15 hectares. The grants will compensate about 50% of the difference between the estimated non-embargo price and the processing sales price in 2014. To this end, the compensation amounts per kilogram are estimated to be: for apples - US\$0.10, for plums - US\$0.07, for grapes of European varieties - US\$0.08, and for grapes of hybrid varieties - US\$0.04<sup>5</sup>. Documentary proof of sale will serve as the primary eligibility criterion, indicating that farmers have engaged in fruit production, as opposed to idle ownership of orchard/vineyards. The compensatory grants will serve a productive purpose, delivering a cash injection aimed at avoiding the sector's de-capitalization and thus stabilizing production (quantity and quality) in small and medium horticultural entities in the 2015 agricultural season. This will ensure that small growers are not shut out of lucrative fresh produce markets (domestic and external), and that they get a much needed respite to

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<sup>5</sup> Amounts are indicative and the exact compensation per kilogram will be determined upon the tallying of all eligible beneficiaries.

continue attempts to achieve higher degrees of competitiveness and market diversification be it under the ACP or other donor funded programs (Annex 3)<sup>6</sup>.

21. The cost of the new component will be US\$11 million, of which approximately US\$5.0 million will be allocated to provide compensations to apple growers, US\$1.0 million to plum growers and US\$5.0 million to grapes growers.

22. The decision to compensate with cash rather than with inputs is based on the following considerations: (i) in the past there were negative experiences in procuring inputs, which proved to be of poor quality or were incorrectly used by farmers; (ii) cash transfers allow faster implementation by avoiding the need to procure inputs, and (iii) cash transfers maximize individual choice and ownership while minimizing market distortions. They maintain beneficiaries' dignity and empower them, while also helping to remonetize and revive the local economy<sup>7</sup>; and (iv) cash transfers allow for a development of existing supply chains by letting beneficiaries purchase their inputs from their existing suppliers.

23. The remaining amount of the AF will be allocated as follows: (i) US\$600,000 for the implementation of the awareness campaign, the establishment and operation of the grievance mechanism, and project management and coordination (including monitoring and evaluation); and (ii) US\$400,000 in unallocated physical and price contingencies.

24. The awareness campaign and grievance mechanism would be implemented by the National Rural Development Agency – ACSA (single source selection), which has unique experience with similar activities under the Emergency Agriculture Support Project. Potential beneficiaries will be informed about the availability of the compensatory grants, the eligibility criteria, and the application procedures, as well as the principles of the grievance mechanism established to ensure the possibility of recourse for dissatisfied farmers. The information campaign will be targeted to all potential beneficiaries in eligible districts with specific focus on women and will use various outreach tools such as national and/or local TV channels, national and local radio stations, newspapers, representative websites, news agencies, and posting of information on municipality premises. In addition, one national seminar and a series of regional and local information seminars will be held in every eligible district and in every municipality. Information on the grievance mechanism will be an integral part of the awareness campaign and will include specific contact points, names of local grievance operators, channels, and period for presenting a request for clarification and/or complaint. The ACP Project Operational Manual will be updated to include the procedures for monitoring and addressing grievances received.

### ***Delivery mechanism***

25. For consistency and efficiency, the AF's delivery mechanism for the compensatory grants follows the design and principles of the aforementioned Government support program. It relies on: (i) local administration commissions for the initial collection, screening and vetting of

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<sup>6</sup> IFAD, EU, EIB, Polish Government, USAID, MCC have projects under implementation aimed at supporting horticultural and high value agricultural production, export promotion and market diversification.

<sup>7</sup> CASH TRANSFER PROGRAMS IN EMERGENCY SITUATIONS: A GOOD PRACTICE AND GUIDANCE NOTE Operations Policy and Country Services, June 3, 2008.



applications received from farmers; (ii) transfer of application files for verification and registration to the territorial offices of AIPA; (iii) consolidation and reconciliation of all grant application files by the central office of AIPA; (iv) presentation for a final decision on payments to a central commission established in MAFI (which is formed of MAFI staff and representatives of farmers associations); and (v) final defrayment of compensatory grants to farmers by AIPA. The proposed AF will differ from the Government program by also extending eligibility for compensations to very small-scale farmers, without a legal entity status and selling their produce against simple receipts.

26. Application files presented by farmers will include documented proof of ownership or lease of productive orchards/vineyards and their size, bills of quantities, receipts, farmer bank account information, etc. Only documented sales/deliveries of summer varieties of plums for processing before September 15, 2014, for apples before September 30, 2014 and for grapes before November 1, 2014 will be considered.

27. As mentioned earlier, the proposed AF will only provide compensation to farmers for horticultural plantations of less than 15 hectares. Those in this group which have already presented applications for compensations from the Government program and have not received payment will be compensated with proceeds from the AF. For those farmers in this group which have received compensation from government funds, the project will retroactively reimburse these amounts to the Republic of Moldova as incurred eligible expenditures. The amount which has already been distributed to farmers by the end of 2014 is approximately US\$1.8 million for apples and US\$1.03 million for plums<sup>8</sup>. The amount of retroactive financing requested and approved by the Bank management, on grounds of exceptional circumstances, is 30% of the IDA Credit.

### ***Gender impact***

28. The latest impact evaluation report from the Rural Investment and Services Project's Rural Advisory Services (2011) stated that approximately one third of direct project beneficiaries were women. Since the ACP relies on a largely similar approach in the activities of Components 2 and 3, this figure provides a solid proxy indication of the potential level of participation and access of women to benefits. According to the World Bank Moldova: Gender Disparities in Endowments and Access to Economic Opportunities (2014) - 24% of employed women in Moldova work in agricultural sector with horticulture being one of the most labor intensive sub-sectors, and 14% of the businesses partially owned by women are concentrated in the food sector. The economic effects of the deterioration of the horticulture sector will affect livelihoods of both women employed in the sector and those running businesses related to processing. The financial woes of the sector may further stimulate out-migration from rural areas. Thus the compensatory grants are likely to have a positive impact on women.

29. Communication and outreach channels will specifically target prospective women recipients. Given that the project does not envision a specific quota for women beneficiaries of

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<sup>8</sup> Estimated as of November 1, 2014 (National Bank of Moldova official exchange rate)

compensatory grants, attention to gender equity in the project will be paid through the following means: (i) communication and outreach will be targeted to reach potential women recipients e.g. in collaboration with the women-leaders and local authorities, posting the information in places regularly attended by women (local shops, schools, municipal offices); (ii) increased flexibility on the timing and methods of delivering information messages and holding information meetings to accommodate the needs of women recipients; (iii) collection of gender disaggregated data on beneficiaries and key indicators through the course of the project; and (iv) assessments on gender inclusion progress and constraints in project evaluation reports and beneficiary feedback.

### ***Safeguards***

30. The proposed AF will not trigger additional safeguard policies. The AF remains under environmental Category B. The environmental procedures outlined in the existing Environmental Management Framework will remain applicable. The AF is targeting farmers that are working on the agricultural land which they legally own or lease thus no economic or physical displacement is expected as a result.

31. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the WB's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)."

### ***Procurement***

32. There is no major procurement involved in the proposed AF, since 95% of funds will be disbursed for compensatory grants. Thus, procurement will be limited to the implementation of the awareness campaign and the grievance mechanism, and project management activities, i.e. implementation coordination, monitoring and evaluation, necessary technical enhancements for defrayment of grants. There will be no changes in the fiduciary arrangements, with the Consolidated Agriculture Project Management Unit (CAPMU) in charge of all procurement activities. The latest Procurement and Consultants Guidelines would be applicable under the AF<sup>9</sup>. The overall procurement risk is assessed as *moderate*.

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<sup>9</sup> Dated January 2011, revised in July 2014.

### ***Financial Management and Disbursements***

33. Current financial management set-up and arrangements of the ACP will apply to the AF, as the ACP already has in place the institutional and procedural set-up for providing grants to farmers. Though current grant products are of an investment nature and are targeting a smaller number of farmers, the existing set-up is robust to ensure a quick, transparent and accountable flow of funds to a large number of eligible beneficiaries of compensatory grants. Existing financial arrangements and business processes in CAPMU and AIPA, two key agencies in ACP, have been positively assessed in terms of their reliability and trustworthiness.

34. CAPMU and AIPA will open separate accounts for the AF 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 new Compensatory Sales Support Grant Component, while CAPMU will be responsible for reporting on the utilization of funds under project management. AIPA will furnish its quarterly financial statements to CAPMU, reporting the actual amounts spent for compensatory grants. 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, if more than two, cumulatively and for the reporting period, together with variance analysis; the statement of the designated account, notes to financial statements, 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 30 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 3 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.

35. The ACP's Project Operational Manual covers financial management and administrative procedures, including accounting and record-keeping, flow of funds, and reporting procedures. The manual will be adjusted to reflect the internal structure relevant to the AF, 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 signing mandate, regular reporting to ensure close monitoring of project activities, and complaints resolution mechanism.

36. The standard financial audit scope for the ACP will be extended and the auditors will be required to assess the adequacy, accuracy and eligibility of transfers of compensatory grants to beneficiaries by reviewing a representative sample of grant applications which were approved and processed in the period subject to the audit. The financial audit will be conducted by an

acceptable audit firm in conformity terms of reference approved by the World Bank. The annual audited project financial statements together with the audit opinion and management letter would be submitted to the World Bank within 6 months after the end of the calendar year.

37. 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 60 days after submission of the audit report to the Bank on its external website. The reports would be published within the same period also on the Ministry of Agriculture and AIPA websites: [www.maia.md](http://www.maia.md) and [www.aipa.md](http://www.aipa.md).

38. The AF will have two disbursement categories: one for the project's compensatory grants and another – for financing of other project-related activities to be administered by CAPMU (awareness campaign, grievance mechanism, project management, etc.). For disbursement purposes, CAPMU and AIPA will open two separate designated accounts in the State Treasury. The project will use a report based disbursement method. Each disbursement will be based on the project consolidated IFRs in the format agreed, and supported by two 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, but any request for such advances should be fully justified to avoid accumulation of large amounts of funds in the designated accounts. 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 loan. 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 credit account. 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 credit account 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 compensatory grants***

39. The GOM adopted through its Decision 735 of September 8, 2014 the procedures for how financial means would be allocated to compensate growers of apples and plums. These

regulations serve as the basis for the operations of the compensatory grant scheme supported by the AF. A few modifications and additional measures to ensure effective and transparent distribution of grants are still needed, and these are described in detail below.

40. The flow of funds to farmers will be executed through AIPA based on the lists provided by local authorities. In order to compile these lists, the local public administration will establish Special Local Commissions which will collect and analyses the applications from the farmers.

41. One copy of the approved list of farmers will be consequently submitted to the territorial offices of AIPA, which would introduce necessary data into its system and would re-send those lists for further scrutiny to AIPA for pre-payment checks of information included in the farmer's applications using a wide range of available tools (electronic connection to Cadastral Register, fiscal data, etc.). In the case of payments for grapes (and for new applications for apples and plums not covered by the current Government program) a cross-referencing of sales documents from the application with information from the processor/buyers will be done by CAPMU. The lists of eligible beneficiaries covered by the Government program is already available (amount confirmed) and payments, including retroactive financing to the Republic of Moldova could commence quickly after effectiveness. Eligible beneficiaries for grapes and for new applications for apples and plums not covered by the current Government program will be determined in February-March, 2015. To this end, disbursements and advances to the designated account for the latter group will only start when the lists of eligible beneficiaries has been approved by the Ministerial Commission in a manner satisfactory to the Bank.

42. Payments to eligible beneficiaries will be made by AIPA only upon approval of lists of farmers by the respective Ministerial Commission. Thus, AIPA's role under compensatory grants component would not include any decision making power over the lists of beneficiaries, and would be limited to execution of payments directly to eligible farmers on their accounts.

43. In addition to the financial audit, the compensatory grants financed by this AF and the matching investment grants under the ACP will be assessed in terms of their eligibility through an independent operational review to be conducted by a consulting firm based on terms of reference preliminarily agreed with the World Bank. Simultaneously, the execution of cash transfers will be monitored closely by the World Bank team. AIPA will report on execution of cash transfers as part of interim IFRs.

### **III. Proposed Changes**

#### **Summary of Proposed Changes**

The proposed AF will add a new component to the ACP – Component 5: Compensatory Sales Support Grants, and an adjustment to the results framework to reflect the new activities. The new component will finance targeted support to farmers with horticultural plantations of less than or equal to 15 hectares, who sold apple, plums and grapes domestically for processing in the fall of 2014. The grants will compensate the difference between the potential (estimated) non-embargo price and the domestic sales price, with an aim of avoiding possible de-capitalization and collapse of production in the horticulture sector, thus giving it a much needed respite for reorientation to new markets and/or amortization of financial losses.

Change in Implementing Agency	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Project's Development Objectives	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Results Framework	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Safeguard Policies Triggered	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change of EA category	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Changes to Safeguards	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Legal Covenants	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]

### Development Objective/Results

#### Project's Development Objectives

Original PDO

#### Change in Results Framework

Explanation:

A number of additional indicators have been added to reflect the activities of the AF aimed at providing compensatory grants to growers of apples, plums and grapes.

### Compliance

#### Covenants - Additional Financing ( Moldova Agriculture Competitiveness Project Additional Financing - P154238 )

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		

<b>Conditions</b>										
<b>Source Of Fund</b>	<b>Name</b>						<b>Type</b>			
IDA	Amendments to the Project's Operational Manual.						Effectiveness			
<b>Description of Condition</b>										
Carry out all necessary modifications to the Project's Operational Manual to reflect the project's new activities in a manner satisfactory to IDA.										
<b>Risk</b>										
<b>Risk Category</b>						<b>Rating (H, S, M, L)</b>				
1. Political and Governance						Moderate				
2. Macroeconomic						Substantial				
3. Sector Strategies and Policies						Moderate				
4. Technical Design of Project or Program						Moderate				
5. Institutional Capacity for Implementation and Sustainability						Moderate				
6. Fiduciary						Moderate				
7. Environment and Social						Low				
8. Stakeholders						Moderate				
9. Other						Low				
OVERALL						Moderate				
<b>Finance</b>										
<b>Loan Closing Date - Additional Financing ( Moldova Agriculture Competitiveness Project Additional Financing - P154238 )</b>										
<b>Source of Funds</b>						<b>Proposed Additional Financing Loan Closing Date</b>				
International Development Association (IDA)						30-Jun-2017				
<b>Change in Disbursement Estimates (including all sources of Financing)</b>										
Explanation: Changes in the disbursement estimates derive from the need to reflect the amount of the Additional Financing.										
<b>Expected Disbursements (in USD Million)(including all Sources of Financing)</b>										
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual	16.00	9.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	16.00	25.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Allocations - Additional Financing ( Moldova Agriculture Competitiveness Project Additional Financing - P154238 )</b>										

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement % (Type Total)
			Proposed	Proposed
IDA	XDR	Compensatory Grants	8.30	100.00
IDA	XDR	Goods, works, non-consulting services, consultants' services, training and operational costs	0.40	100.00
		<b>Total:</b>	8.70	

### Components

#### Change to Components and Cost

Explanation:

Component 5: Compensatory Sales Support Grants is introduced in order to finance targeted support to small farmers, who sold apple, plums and grapes domestically for processing in the fall of 2014. The grants will compensate the difference between the potential (estimated) non-embargo price and the domestic sales price.

Current Component Name	Proposed Component Name	Current Cost (US\$M)	Proposed Cost (US\$M)	Action
Enhancing food safety management	Enhancing food safety management	9.25	9.25	No Change
Enhancing market access potential	Enhancing market access potential	15.00	15.00	No Change
Enhancing land productivity through sustainable land management	Enhancing land productivity through sustainable land management	11.00	11.00	No Change
Project Management	Project Management	1.59	2.19	Revised
Contingencies	Contingencies	0.60	1.00	Revised
	Compensatory Sales Support Grants	0.00	11.00	New
	<b>Total:</b>	37.44	49.44	

### Other Change(s)

Implementing Agency Name	Type	Action



<b>Change in Implementation Schedule</b>
<p>Explanation:</p> <p>The AF will require that massive disbursements are made in the months of April-June, 2015 to ensure quick and efficient defrayment of compensatory grants to eligible farmers.</p>
<b>Appraisal Summary</b>
<b>Economic and Financial Analysis</b>
<p>Explanation:</p> <p>The analysis estimated the project’s economic impact by comparing “with” and “without” scenarios on production of apples, plums and grapes. It postulates that after sustaining heavy losses from the embargoes and without compensatory grants, small farmers are likely to revert to a low-input production pattern which will result in a vicious circle of low-yield and low quality production, continuous precarious financial situation, and sales to low-premium segments. On the contrary, the analysis posits that with compensations, farmers will be in a position to continue usage of inputs and application of proper cultivation techniques at levels which will arrest the production decline, and will ensure a gradual return to premium segments, profitability and sustainability of production. The analysis’s main assumptions are: (i) low-input production will result in a 50% reduction in output<sup>10</sup>; (ii) as the sector adjusts in 2015-2017 the proportion of sales in premium segments will increase (fresh produce exports and increase in exports of wines); and (iii) farmers using inputs and applying proper production technologies will be able to command higher prices in 2015-2017 (especially for apples and plums).</p> <p>The proposed AF’s baseline Economic Rate of Return (ERR) is estimated to be 45% and a Net Present Value (NPV) of US\$3.8 million dollars. A 10% discount rate was used over the 2015-2017 time horizon. A sensitivity analysis was carried out controlling for output levels and prices focusing on (i) a low case scenario where prices are simulated to be relatively depressed in the years to come due to the continuation of trade restrictions and limited market diversification; and (ii) a high case scenario where trade restrictions are eased and export markets become more diverse. As a result, the low case scenario results in an ERR rate of 19% and NPV of US\$1.0 million; and the high case scenario results in an ERR of 66% and an NPV of US\$5.6 million. Details on the calculations are presented in Annex 2.</p>
<b>Technical Analysis</b>
<p>Explanation:</p> <p>No changes are expected to the parent project’s technical requirements.</p>
<b>Social Analysis</b>
<p>Explanation:</p> <p>No changes are expected related to the parent project social analysis framework. The AF will maintain the ACPS’s focus on gender inclusion.</p>
<b>Environmental Analysis</b>
<p>Explanation:</p> <p>No changes are expected in relation to the project’s environmental management framework.</p>
<b>Risk</b>
<p>Explanation:</p>

<sup>10</sup> Raising Productivity of Export Oriented Agricultural Crops: Necessary Investment and Expected Gains – ACSA, USAID Fiscal Reform Project.

There is a risk that compensatory grants may be distributed to ineligible farmers or may not reach eligible farmers. These represent two types of targeting errors: inclusion and exclusion errors. To mitigate for this risk, the project will be extensively monitored through financial audits and an ex-post operational review by an independent consultant. Interim checks will also be carried out by CAPMU (the project's fiduciary agent) to reduce the risk of misconduct. The project will further mitigate the above risks: (i) by implementing an awareness campaign in order to increase transparency and thus reduce the risk of targeting errors and (ii) by establishing a grievance mechanism so that perceived irregularities can be reported, investigated and corrected.

The AF was screened under the Climate and Disaster Risk Screening Tool, with resulting moderate to high ratings for the following future risk drivers – extreme temperatures, drought, extreme precipitation and flooding, strong winds. Climate and disaster risks are being dealt with through the parallel implementation of the World Bank Moldova Disaster and Climate Risk Management project which is focused on: (i) strengthening the capacity of the country's hydro-meteorological services to improve quality and timeliness of delivery of forecast for extreme weather, and (ii) piloting and disseminating technologies for mitigating climate risks in the horticultural sector.

Political and governance risks have moderated on February 18, 2015 when a new cabinet was installed.

Overall risk is rated as *Moderate*.

## Annex 1: Results Framework and Monitoring

Project Name:	Moldova Agriculture Competitiveness Project Additional Financing (P154238)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Anatol Gobjila	Requesting Unit:	ECCU2	Created by:	Anatol Gobjila on 27-Jan-2015
Product Line:	IBRD/IDA	Responsible Unit:	GFADR	Modified by:	Anatol Gobjila on 06-Mar-2015
Country:	Moldova	Approval FY:	2015		
Region:	EUROPE AND CENTRAL ASIA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P118518	Parent Project Name:	Moldova Agriculture Competitiveness Project (P118518)		

### Project Development Objectives

Original Project Development Objective - Parent:

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.

Proposed Project Development Objective - Additional Financing (AF):

### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

### Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Completion of targeted food	<input type="checkbox"/>	Percentage	Value	0.00	30.00	100.00

	safety actions for approximation to EU SPS requirements			Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment			
No Change	Increased sales (domestic and exports) of high value crops by targeted partnerships that receive investment support grants	<input type="checkbox"/>	Percentage	Value	0.00	0.00	50.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment		In progress	
No Change	Increased on-farm area benefitting from sustainable land management practices supported by the project	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	0.00	10000.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment		In progress	
No Change	Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	0.00	50000.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment		In progress	
New	Stabilized levels of production of apples, plums and grapes among beneficiaries of compensatory grants	<input type="checkbox"/>	Percentage	Value	100.00		85.00
				Date	01-Dec-2014		01-Dec-2015
				Comment	Baseline is the average production for 2012-2014 for apples, plums and grapes		Average over 2015-2017

### Global Environmental Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Land users adopting sustainable land mgt. practices as a result of the project	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	300.00
				Date	07-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment		In progress	

**Intermediate Results Indicators**

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Food safety agency is functional	<input type="checkbox"/>	Text	Value	The Food Safety Agency is presently not functional	Food safety agency is functional	Food safety agency is functional
				Date	01-Jan-2012	30-Oct-2014	01-Jan-2014
				Comment			Functionality is defined by the agency's readiness to carry out institutional responsibilities and provide a public service as a consolidated institution with all necessary technical means at its disposal.
No Change	Number of laboratories compliant with standards for international accreditation	<input type="checkbox"/>	Number	Value	0.00	0.00	2.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2012
				Comment		In progress	
No Change	Operational Border Inspection Points	<input type="checkbox"/>	Number	Value	0.00	0.00	4.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2014
				Comment		In progress	
No Change	Capacity for post-harvest handling created in targeted	<input type="checkbox"/>	Metric ton	Value	0.00	0.00	30000.00
				Date	01-Jul-2012	15-Mar-2014	30-Jun-2017

	productive partnerships.			Comment			
No Change	Productive partnerships created with project support	<input type="checkbox"/>	Number	Value	0.00	8.00	20.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment			
No Change	Analytical solutions for site-specific SLM technologies developed and disseminated	<input type="checkbox"/>	Text	Value	Limited analytical work exists to date	Analytical options partially ready.	Analytical options ready for application by farmers.
				Date	01-Jul-2012	30-Oct-2014	01-Mar-2013
				Comment			
No Change	Mechanized mobile squads are operational	<input type="checkbox"/>	Number	Value	0.00	2.00	2.00
				Date	01-Jul-2012	15-Mar-2014	30-Jun-2013
				Comment			Mobile squads would provide services mainly in the South of the country.
No Change	Anti-erosion shelterbelts rehabilitated	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	0.00	2000.00
				Date	01-Jul-2012	30-Oct-2014	30-Jun-2017
				Comment		In progress	
New	Amount provided as compensatory grants	<input type="checkbox"/>	Amount(USD)	Value	0.00		11000000.00
				Date	15-Feb-2015		01-Dec-2015
				Comment			
New	Grievance mechanism established	<input type="checkbox"/>	Text	Value	No grievance mechanism		Grievance mechanism in place
				Date	15-Feb-2015		01-Dec-2015

				Comment			
New	Published report on the functioning of the grievance mechanism, including resolution rates	<input type="checkbox"/>	Text	Value	No report		Report published
New	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00		8000.00
				Date	15-Feb-2015		01-Dec-2015
				Comment			
New	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00		1000.00

## Annex 2: Economic Analysis Summary

### Baseline Assumption

<b>Project cost, US\$</b>	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>TOTAL</b>
World Bank Investment	\$11,500,000	\$500,000	\$0	
<b>TOTAL</b>	\$11,500,000	\$500,000	\$0	\$12,000,000
<b>Project benefits, US\$</b>				
<b>ASSUMED NET IMPACT, BASELINE<sup>11</sup></b>				
Net revenue apples	1,489,314.49	1,960,130.04	4,326,218.37	
Net revenue plums	1,248,339.22	1,242,487.63	1,529,215.55	
Net revenue grapes	1,078,727.92	2,272,632.51	3,073,250.88	
<b>TOTAL</b>	3,816,381.63	5,475,250.18	8,928,684.81	
<b>ASSUMED IMPACT, BASELINE</b>				
	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	
Costs	\$11,500,000	\$500,000	\$0	
Returns	\$3,816,382	\$5,475,250	\$8,928,685	
Net flow	-\$7,683,618	\$4,975,250	\$8,928,685	
<b>IRR</b>	45%			
<b>NPV</b>	\$3,834,922			
Discount rate	10%			

<b>Scenarios</b>	<b>Baseline</b>	<b>Low Case</b>	<b>High case</b>
IRR	<b>45%</b>	<b>19%</b>	<b>66%</b>
NPV	<b>\$3,834,922</b>	<b>\$1,000,000</b>	<b>\$5,624,549</b>

<sup>11</sup> The assumed net impact is the difference between farmer cash flows without compensatory grants (all negative or flat) and cash flows with compensatory grants (all positive and growing).



### Annex 3: Production and Market Access Support Projects in the Horticulture Sector

<b>Donor</b>	<b>Project</b>	<b>Project Cost</b>	<b>Highlights</b>	<b>Timeframe</b>
IFAD	Rural Financial Services and Agribusiness Development Project (IFAD V)	US\$25.8 million	Horticultural value chain development; contract farming; rural infrastructure	2011-2016
USAID/MCC	Agricultural Competitiveness and Enterprise Development Project	US\$16.0 million	Access to markets for horticultural producers	2011-2016
MCC	Transition to High Value Agriculture	US\$102 million	Rehabilitation of irrigation systems. Finance for on-farm irrigation and post-harvesting equipment.	2010-2015
Government of Poland	High Value Agricultural Production Support Credit	Euro 100 million	Long-term finance for high-value agriculture development	2015-
EIB	Horticulture Support Loan	Euro 120 million	Long-term finance for horticultural producers, processors and exporters	2015-
EIB	Wine Sector Restructuring Program	Euro 75 million	Long-term finance and market/business assistance to wine producers	2010-2015
EU	Support to Moldova in the field of food safety norms and standards for plant origin products	Euro 1.15 million	Technical assistance on EU food safety norms, pesticide use	On-going