

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
ADDITIONAL FINANCING**

**Report No.:** PIDISDSA17615

**Date Prepared/Updated:** 25-Apr-2016

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Moldova	<b>Project ID:</b>	P157765
		<b>Parent Project ID (if any):</b>	P118518
<b>Project Name:</b>	Moldova Agriculture Competitiveness Project 2nd Additional Financing (P157765)		
<b>Parent Project Name:</b>	Moldova Agriculture Competitiveness Project (P118518)		
<b>Region:</b>	EUROPE AND CENTRAL ASIA		
<b>Estimated Appraisal Date:</b>	25-Apr-2016	<b>Estimated Board Date:</b>	24-Jun-2016
<b>Practice Area (Lead):</b>	Agriculture	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General agriculture, fishing and forestry sector (40%), Agro-industry, marketing, and trade (40%), Public administration- Agriculture, fishing and forestry (20%)		
<b>Theme(s):</b>	Rural markets (50%), Rural services and infrastructure (30%), Rural policies and institutions (20%)		
<b>Borrower(s):</b>	Ministry of Finance		
<b>Implementing Agency:</b>	Ministry of Agriculture and Food Industry		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>	<b>Amount</b>	
	BORROWER/RECIPIENT	0.00	
	International Development Association (IDA)	10.00	
	Total Project Cost	10.00	
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Appraisal Review Decision (from Decision Note):</b>	The review did authorize the team to appraise and negotiate		
<b>Other Decision:</b>			

<b>Is this a Repeater project?</b>	No
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**B. Introduction and Context**

**Country Context**

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, while increased consumption led to the buildup of an alarming trade deficit. The fragility of this growth model has been tested in 2008-2009, and more recently in 2014-2015. Lingering economic malaise in Europe and the Russian Federation (key migration labor destinations), have resulted in declining remittances, collapsing aggregate demand, severe depreciation of the Moldovan currency, monetary tightening, and an ensuing contraction of the economy in 2015 by 0.5%. A systemic governance crisis in the country's banking sector resulted in additional fiscal pressures and a de-facto tax on the economy. A fairly severe drought event and a continuing set of trade restrictions for agriculture produce imposed by a key trading partner in 2014 have resulted in a contraction of the agriculture sector of around 14% in 2015.

The lessons from Moldova's development pattern over the past decade, and its more recent manifestations of vulnerability, have yet again emphasized the critical need for a second engine of growth – the revival of exports. As declining remittances undermine the import-led growth, export-led growth needs 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 based on increased capital investments, innovation and competitiveness. The National Development Strategy “Moldova 2020”, reinforces the Government's commitment to a development paradigm based on a dynamic model driven by domestic and foreign investment and export-oriented sectors. In addition, the Government's reforms in 2011-2014 focused on achieving closer trade integration with the European Union, which culminated in the conclusion of an Association Agreement between the Republic of Moldova and the European Union, complemented by a Deep and Comprehensive Free Trade Agreement which came into effect on August 1, 2014. The latter, has brought about new and exciting opportunities for market diversification of the country's agri-food exports.

**Sectoral and institutional Context**

The agro-food sector remains critical to meeting Moldova economic and export growth and social cohesion targets. Its predominantly agriculture-based economy records among the highest shares of agricultural production and agro-processing among all European Union (EU) neighborhood countries. For economic, social, and political reasons, stronger pursuit of agricultural sector growth is likely to remain a critical national policy priority for the foreseeable future.

The country has an undisputed agricultural potential. Numerous sector assessments explain the high agronomic potential based on favorable geographic characteristics: rich soils, mild climate, topography, and agricultural tradition. The market potential inherent as a result of the immediate proximity to the EU, one of the largest and best performing food market in the world, as well as the traditional agro-food trade ties to markets in the Commonwealth of Independent States are a frequently quoted and, indeed, outstanding marketing opportunity. The existing body analytical

probes palpable comparative advantages for agricultural exports, with particular potential for high value-added products such as fresh or pre-processed fruits and vegetables.

The Government is continuing to focus on the need to address the wide potential-performance discrepancy required to translate comparative advantages into competitive ones. These efforts have received a greater impetus since 2014 when Moldova agricultural exports were essentially expunged from the Russian Federation market, blowing a setback to attempts to embrace an export-led growth approach. At the same time, the implementation of the original Moldova Agriculture Competitiveness Project (ACP) provided an excellent platform for an enhanced understanding of inter-dependencies between capital-intensive modern agricultural production technologies and increasingly demanding agro-food marketing chains, leading to a request from the Government of Moldova to scale up the project's market access activities.

As lack of modern post-harvest infrastructure has been identified to be one the weakest links for fruits and vegetables vertically coordinated supply chains, the proposed scaling up will continue to deepen the original project's efforts to promote cooperation and association of farmers into productive partnerships, with a view of stimulating collective capital investments and joint sales and marketing for delivery to competitive markets. A closely associated issue which will also require scaling up and deepening is the dissemination of knowledge on market demand, quality and sanitary standards, building general business acumen that can facilitate the operation of the emerging productive partnerships as true and sustainable business entities.

### **C. Proposed Development Objective(s)**

#### **Original Project Development Objective(s) - 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.

#### **Key Results**

An increase in the number of functional productive partnerships; investments in increasing capacity for post-harvesting (post-production) handling, sales and marketing; increased awareness about the Moldovan fruit brands.

### **D. Project Description**

The parent project is designed to support the country's on-going efforts for enhancing export competitiveness, attracting investment and achieving closer trade integration with the EU. More specifically, the ACP is supporting the Government of Moldova's efforts in reforming the food safety management system, efforts to improve farmers' market opportunities through investment support (to bring about upgrades in post-harvesting 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. The proposed Additional Financing would attempt to scale up the highly successful activities under Component 2: Enhancing Market Access including: (i) technical assistance for supporting emerging productive partnerships; (ii) providing matching investment grants for formally established producer groups; and (iii) assistance to the Ministry of Agriculture and Food Industry in promoting the brand of Moldova fruits. The AF would also finance the incremental cost related to project management.

**Component Name**

Enhancing market access potential

**Comments (optional)**

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 demonstrated comparative advantages in the production of fruits and vegetables. Under the proposed Additional Financing bee-keeping and milk collection will be added to the list of eligible activities which can receive project-funded technical and financial assistance.

**Component Name**

Project management

**Comments (optional)**

The component would support costs associated with project implementation, including operational and consulting costs for fiduciary, component coordination, monitoring and evaluation support to the project's Implementation Agency - Ministry of Agriculture and Food Industry.

**E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will be implemented countrywide.

**F. Environmental and Social Safeguards Specialists**

Arcadii Capcelea (GEN03)

Mariia Nikitova (GSURR)

**II. Implementation****Institutional and Implementation Arrangements**

Implementation will continue to rely on existing institutional and implementation arrangements from the original project. MAFI will serve as the Implementation Agency, supported by the capacity and expertise of the Agency for Interventions and Payments in Agriculture for aspects related to pre-screening, payments and monitoring of investment support provided to project beneficiaries. In addition, an existing, experienced project management unit, the Consolidated Agriculture Project Management Unit (CAPMU), will continue to provide backstopping for coordination of implementation and fiduciary aspects such as procurement and financial management. An inter-ministerial Steering Committee, established by the Government for the implementation of the original project, will continue to perform overall supervisory, coordination and strategic guidance functions. The Steering Committee includes members from MAFI, the Ministry of Environment, the Ministry of Finance, the State Chancellery, representatives of farmer organizations and other relevant stakeholders.

On safeguards, CAPMU's past performance has been satisfactory. Compliance with the EMF and the implementation of the EMPs will remain under the direct responsibility of CAPMU, which has retained a highly qualified environmental specialist.

**III. Safeguard Policies that might apply**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	Yes	Same rationale as in the original ISDS
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	Yes	Same rationale as in the original ISDS
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

#### **IV. Key Safeguard Policy Issues and Their Management**

##### ***A. Summary of Key Safeguard Issues***

<p><b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b></p> <p>The proposed Additional Financing will be aligned with the parent’s project original activities under Component 2: Enhancing Market Access. No new activities requiring adjustments in safeguards will take place. The additional financing, in concert with the parent project, will provide many social and environmental benefits, such as increased food safety and farmer incomes due to higher agricultural productivity, enhanced agricultural competitiveness, increased opportunities for farmers for engagement in small-scale agri-businesses, and improved farmer skills in land conservation. These impacts are likely to be associated with supported competitive matching grant schemes for: (a) producer-mobilization interventions and post-harvesting investments aimed at improving quality, consistency and quantity of primary supply (washing, grading, packing, ripening room equipment, cold-storage, minor-processing); and (b) investments in technologies and equipment for sustainable land management under the Component 3: Enhancing land productivity through sustainable land management (financed under the parent project).</p> <p>The proposed activities under these schemes, if not adequately implemented, may cause some environmental impacts related to: (a) increased pollution of ground and surface waters due to soil erosion, use of fertilizers and pesticide, as well as the processing of agricultural products; (b) threats to human health and wildlife due to poor handling of fertilizers and pesticides; (c) increased siltation of water bodies due to soil erosion; (d) solid waste resulting from pre-processing of agricultural products. Additionally, the project supports the rehabilitation of buildings, border control points and laboratory facilities which includes minor civil works which also might generate solid wastes, air pollution and health hazards.</p>
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The proposed Additional Financing will also 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: (a) increased soil productivity due to the adoption of SLM practices; (b) the value of nutrient recovery in the soil; (c) increased pollination and, (d) increased agricultural crops yields.

The proposed Additional Financing does not trigger any new WB OPs compared to the parent project. The OP 4.01 is triggered as the project supports a series of activities which generate some environmental and social impacts. To address these impacts the borrower prepared an EMF. The parent project does not finance the purchasing and/or application of pesticides. But it is assumed, that pesticide use can increase due to the intensification of cropping supported by the project's grant schemes and/or due to promoting 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 Management to enhance sustainability and reduce human and environmental exposure to dangerous products. Such measures are described in the section VI of the EMF.

The project is not going to trigger OP/BP 4.12 on Involuntary Resettlement. Project activities are not expected to cause any temporary or permanent physical or economic displacement or loss of assets. The borrower confirmed that Additional Financing (like the parenting Project) will not support any sub-projects/grants that would necessitate involuntary land acquisition or any form of resettlement. The EMF clearly indicates that any infrastructure constructed/rehabilitated under the project will be: (a) located on land already owned by participants, or will be bought or leased on a willing buyer-willing seller basis, and, (b) will be screened to ensure that it is free of legal encumbrance, or informal use or occupation by others who lack formal title. Furthermore, these documents also specify that pasture improvement will not entail any form of involuntary pasture closure or diminished access.

As stated in the original EMF prepared by the borrower, OP/BP4.04 on Natural Habitats also would not be triggered as the Additional Financing will not support any activities which might involve conversion of natural areas. The OP/BP 4.36 on Forests policy is not triggered as all project activities are implemented on existing agricultural land.

**2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:**

The potential long term impacts are positive and relate to increased agricultural competitiveness as well as increased soil productivity and crop yields. The project will also bring long term positive impacts in terms of soil conservation by improving land management practices.

**3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.**

Not applicable.

**4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.**

To address project-related potential negative impacts, the borrower prepared an EMF which specifies the Environmental Impact Assessment (EIA) requirements for the project activities and sub-projects to be financed. This document will remain valid for the AF and covers the following: rules and procedures for environmental screening; guidance for preparing sub-projects EIA and/or

simple EMPs as well as of EMP Checklist for identified small scale construction and reconstruction activities; possible mitigation measures for different types of sub-projects; requirements for monitoring and supervision of implementing of EIA/EMPs. The EMF contains also a series of measures to raise awareness and educate potential beneficiaries regarding safe pesticide handling and use of Integrated Pest Management. These measures are targeted at providing a framework for educating farmers on issues related to pesticide handling and promoting integrated pest management (IPM) and thus, understanding and managing pest problems in the horticultural sector, reducing human and environmental health risks associated with pesticide use, and protecting ecosystems by conserving beneficial agents such as natural enemies of pests and pollinators to increase productivity. The project will retain consultancies for delivering IMP training to in-coming beneficiaries under the Additional Financing, based on their baseline needs and capacity, including through the aid of demonstrations, adaptive research trials and experiential learning in the farmer fields. Such training will be delivered during every year of implementation of the Additional Financing and will cover all beneficiaries. The consultancy will also include training of trainers, as well as assistance to CAPMU in designing a monitoring and evaluation program in the use of IPM. The proposed activities would also cover field demonstrations with improved pesticide usage as well as IPM technologies. CAPMU will coordinate the implementation of these activities.

As the Additional Financing will expand to cover bee-keeping and small-scale dairy support, the EMF and the ensuing EMPs (including checklists) will be updated accordingly to provide for specific mitigation measures related to use of antibiotics, residue and waste handling. The update EMF will be disclosed without consultations.

The EMF is already integrated into the Project's Operational Manual and will continue to be used as part of all contracts involving proposed activities and selected sub-projects. The sub-project 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.

The EMF has clearly specified responsibilities and implementation arrangements. The proposed Additional Financing will be implemented by the Ministry of Agriculture and Food Industry (MAFI). MAFI has extensive experience in successfully implementing World Bank projects. In addition, CAPMU, which has nearly 15 years of experience in implementing World Bank and GEF projects will serve as a fiduciary agent. 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 satisfactory (as evidenced in supervision documents). The WB team will continue to monitor closely EMF implementation, providing, if needed, relevant assistance. The EMF and sub-projects EMPs implementation will remain under the direct responsibility of the CAPMU, including responsibilities for supervision and monitoring of construction activities related to post-harvesting infrastructure investments. Compliance with the EMF and EMPs and monitoring of the impact during the construction phase will be undertaken by the CAPMU Environmental Specialist as part of his contract supervisory duties.

**5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.**

The EMF was updated to reflect the inclusion of bee-keeping and milk collection as eligible activities for matching grant support. The updated version was disclosed in-country on April 12, 2016, on CAPMU's website, and this updated version will be used by the client during the

implementation of the proposed Additional Financing.
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**B. Disclosure Requirements**

<b>Environmental Assessment/Audit/Management Plan/Other</b>	
Date of receipt by the Bank	11-Apr-2016
Date of submission to InfoShop	12-Apr-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Moldova	12-Apr-2016
<i>Comments:</i> The original EMF was updated with minor changes and disclosed accordingly.	
<b>Pest Management Plan</b>	
Was the document disclosed prior to appraisal?	NA
Date of receipt by the Bank	NA
Date of submission to InfoShop	NA
"In country" Disclosure	
Moldova	//
<i>Comments:</i>	
<b>If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>	
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>	

**C. Compliance Monitoring Indicators at the Corporate Level**

<b>OP/BP/GP 4.01 - Environment Assessment</b>			
Does the project require a stand-alone EA (including EMP) report?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [ <input checked="" type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>OP 4.09 - Pest Management</b>			
Does the EA adequately address the pest management issues?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
Is a separate PMP required?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input checked="" type="checkbox"/> ]
<b>The World Bank Policy on Disclosure of Information</b>			



Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ] NA [ <input type="checkbox"/> ]

## V. Contact point

### World Bank

Contact: Anatol Gobjila

Title: Senior Agriculture Economist

### Borrower/Client/Recipient

Name: Ministry of Finance

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### Implementing Agencies

Name: Ministry of Agriculture and Food Industry

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## VI. For more information contact:

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## VII. Approval

Task Team Leader(s):	Name: Anatol Gobjila
<i>Approved By</i>	

Practice Manager/ Manager:	Name: Marianne Grosclaude (PMGR)	Date: 27-Apr-2016
Country Director:	Name: Alexander Kremer (CD)	Date: 13-May-2016