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**Republic of Moldova**  
**Country strategic opportunities programme**  
**2025–2030**

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**Action:** The Executive Board is invited to review the country strategic opportunities programme 2025–2030 for the Republic of Moldova.

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## Map of IFAD-funded operations in the country



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 30-10-2024

## Executive summary

1. In the Republic of Moldova, rural poverty has been growing due to accelerating climate change, COVID-19 and higher input prices driven by the war in Ukraine. The war has also cut off access to the Russian and Belarusian markets, traditional outlets for poorer farmers who could not meet European Union (EU) standards. All this has exacerbated the polarization of the rural economy, with a thriving group of farmers and processors that consolidate land, reap economies of scale and are able to take advantage of greater access to the world's largest market, the EU, on the one hand, and farmers unable to meet EU standards, who are being marginalized as local informal markets disappear and supermarketization takes over, on the other. Especially hard hit are the poorest and most vulnerable populations, who have typically lived off a combination of remittances, social transfers and microfarming. Consequently, smallholders are becoming less engaged in markets and their productivity has declined, a trend unparalleled in most of the world. Also driving this trend has been the emigration of a quarter of the young rural population and a move to cities by many more. Finally, as a category of farmers, smallholders are particularly vulnerable to accelerating climate change, as they are the least equipped to adapt to its effects.
2. The age and capability profile of this group suggest that few have any chance of leveraging rural productive investments for sustainable livelihood improvements. This has implications for IFAD's traditional targeting approaches, which are therefore adjusted in this country strategic opportunities programme (COSOP) in recognition of the unique Moldovan context.
3. Thus, IFAD's strategy has by necessity been carefully calibrated to support vulnerable rural segments with clear economic upside potential. IFAD will assist in devising inclusive development pathways for entrepreneurial rural poor, helping them take advantage of the opportunities emerging from rural transitioning while increasing their resilience to shocks. This group includes the poorest segments of rural communities, including the very poor and those lacking the requisite entrepreneurial skills. To deliver on these commitments, IFAD's overall goal is to "improve rural livelihoods and enhance the resilience of family farms, including small-scale farmers with commercial potential, by enhancing their adaptive capacity and increasing value addition," with two strategic objectives:
  - **Strategic objective 1:** Enhance the adaptive capacity of farmers to ensure climate-resilient livelihoods.
  - **Strategic objective 2:** Increase productivity and incomes and inclusive employment by enhancing rural competitiveness and access to finance.
4. The goal and objectives are aligned with the National Agriculture and Rural Development Strategy 2023–2030, in which the Government specifically outlines how it will make the ambitions of the National Development Strategy, "European Moldova 2030", a reality.

# Republic of Moldova

## Country strategic opportunities programme 2025–2030

### I. Country context

#### A. Socioeconomic setting

1. The Republic of Moldova is one of the poorest countries in Europe, with historical ties to the Commonwealth of Independent States in terms of trade and migration. However, the war in Ukraine has all but closed those markets, which were primarily used by farmers unable to meet the higher standards of the EU. The granting of EU candidate country status in 2022 means that EU standards will also apply to domestic agricultural production, with far-reaching implications for domestic rural policies and practices. Moreover, Moldova's candidate status and entry into a comprehensive in-depth free trade area agreement with the EU offers greater access to the world's largest market and more EU support but will gradually expose Moldovan producers to greater competition. While Moldova has historically oscillated between a pro-EU and a pro-Russian stance, regional dynamics have galvanized both the main parties and the public in favour of EU membership. This has informed the COSOP's strategic choices and overall direction, in line with current government priorities.<sup>1</sup>

Table 1

#### Country indicators

<i>Indicator</i>	<i>Data</i>	<i>Reference year</i>
GNI per capita	5 500	2022
GDP growth	-5%	2022
Public debt (% of GDP)	37.3%	2024
Debt service ratio	13.4%	2023
Debt-to-GDP ratio	66.2%	2022
Inflation rate (%)	29%	2022
Population size	2.4 million	2024
Population, female	1.3 million	2024
Youth population	24.5%	2023
Unemployment rate	4.6%	2023
Fragility index	67.4	2023
INFORM Risk Index	1.9	2023

Sources: National Bureau of Statistics, International Monetary Fund (IMF), World Bank, EU INFORM, International Labour Organization and Economist Intelligence Unit.

2. Moldova had made great strides in reducing both rural and urban poverty up to 2019. Since then, however, it has experienced a quadruple setback from COVID-19, droughts in 2020 and 2022 and the war in Ukraine in 2022 (which has resulted in rising prices and a heavy influx of refugees). Rural poverty has consequently spiked, as seen in figure 1. GDP growth is rebounding, however, and both the EU and IMF anticipate a moderate recovery, with GDP per capita in particular increasing.<sup>2</sup> Overall GDP growth, in contrast, is paradoxically much lower, driven by one of the world's highest outflows of people from the country, especially skilled workers. Yearly fluctuations mask a declining GDP growth trend, as the development model premised on remittance-driven consumption is reaching its end.<sup>3</sup>

<sup>1</sup> This COSOP has also been informed by the June 2024 review of the 2019–2024 COSOP.

<sup>2</sup> See EU Commission: [Moldova Spring 2024 Economic Forecast](#), Brussels 2024, and IMF: Country Data Moldova, 2024.

<sup>3</sup> At their peak in 2006, remittances [constituted 35 per cent of GDP](#), which subsequently fell to 14 per cent in 2022.

Figure 1  
**Absolute poverty rates – percentage**

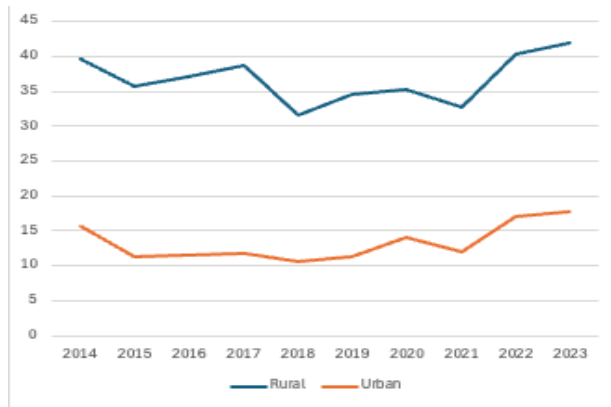
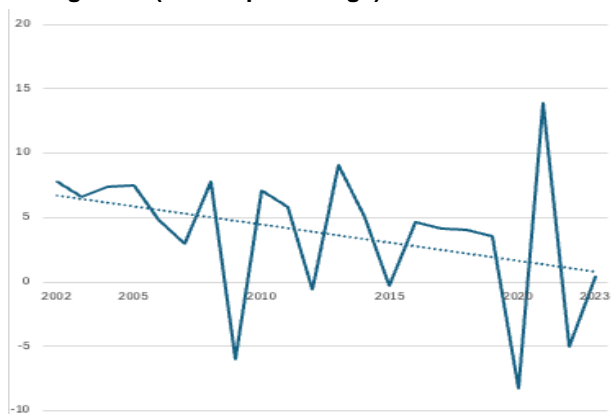
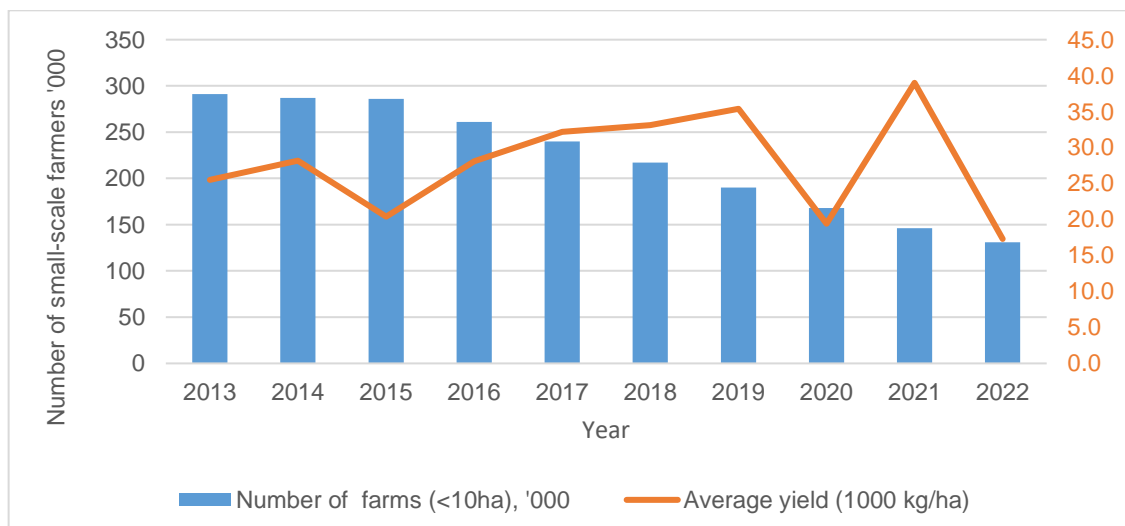


Figure 2  
**GDP growth (annual percentage)**



3. The mass rural exodus has had the adverse effect of depopulating large swathes of the country. In its wake, many older people have been left behind, typically with a miniscule plot of land. Moldovan agriculture has thus been characterized by many extremely small-scale farmers living off a combination of remittances, pensions and income from trading their farm produce at the local market. This trend, however, also appears to have reached its limits, with the number of smallholders declining and this group seeing lower yields and ultimately, lower incomes, as shown in figure 3.

Figure 3  
**Small-scale farms 2013–2022**



## **B. Transition scenario**

4. Moldova has now graduated to the status of upper-middle-income country (UMIC). Several factors are behind this, among them higher labour productivity in large-scale agriculture, where a sixfold increase in output per worker has led surplus workers to shift from agriculture to low-skill manufacturing and services sectors, given the drop in employment in primary agriculture from 20 per cent in 2004 to 5 per cent in 2021. The higher productivity was seen in large-scale farming in particular, while land productivity on small farms continued to decline. Today, however, worker productivity has become more similar across sectors, eliminating the past source of growth from structural change. Much of the driver of growth has and is projected to come from remittance-based private consumption and increased development aid, not least following the war in Ukraine.<sup>4</sup>
5. Moldova's UMIC status has made it ineligible for concessional loans from most international financial institutions (IFIs), including IFAD. Considering the new lending terms, a value proposition aligned with government priorities has been prepared as part of this COSOP. The country programme thus balances IFAD's rural inclusiveness and pro-poor strategies with the Government's drive for agricultural commercialization, consolidation and competitiveness. It must also be recognized, however, that there is an increasingly narrow window of opportunity for IFAD to meaningfully contribute to Moldova's fight against rural poverty.

## **C. Food system, agricultural and rural sector agenda**

6. While the agricultural share of GDP and exports has decreased only marginally over the past 10 years, the number of people employed significantly declined from 32 per cent in 2012 to 24 per cent in 2022, evidence of the ongoing consolidation and labour shedding in the sector.<sup>5</sup> This trend is likely to persist, negatively impacting smallholders.
7. Moldova has seen an increase in severe food insecurity from 2 to 5 per cent between 2015 and 2022. Food security issues are largely unrelated to agricultural production and addressed mainly as a social safety net issue.

### **Challenges and opportunities**

8. Climate change heavily impacts small-scale farmers, whose climate vulnerability is high. Major constraints to small-scale farmers' productivity include poor soil and water scarcity. These are compounded, for example, by inefficient irrigation infrastructure, ineffectual water users' associations, insufficient extension and lack of incentives for farming families to invest in climate-resilient practices.<sup>6</sup> Opportunities are available in soil improvement and the forestry, water, energy and agriculture sectors.
9. More fundamental are the opportunities that the rural exodus is providing for land-use consolidation. Here, IFAD will seek to help poorer productive farmers boost their production and achieve economies of scale by consolidating increasingly available land as the rural population migrates to towns or abandons agriculture altogether.
10. Optimizing this opportunity will require more work on inclusive value chain development, where IFAD has a core competency in the identification of pathways for commercial smallholders to upgrade their production to meet the increasingly stringent quality, quantity and reliability standards imposed not only by the EU but the growing supermarketization process.

<sup>4</sup> See, for example, EU Commission: [Moldova Spring 2024 Economic Forecast](#), Brussels 2024.

<sup>5</sup> World Bank, 2024.

<sup>6</sup> More information can be found in the Social, Environmental and Climate Assessment Procedures (SECAP) background study, appendix IV.

### **Fiduciary profile<sup>7</sup>**

11. Moldova's score on the 2023 Corruption Perceptions Index puts it at moderate risk,<sup>8</sup> with an improving trend. In 2021, the Government announced reforms in the areas of governance, corruption and conflicts of interest. The public financial management (PFM) system has gradually improved<sup>9</sup> in terms of budget transparency, debt/arrears management and accounting integrity. More reforms are needed for EU accession (i.e. International Public Sector Accounting Standards [IPSAS] adoption, public procurement and sustainable agricultural intensification [SAI] independence). IFAD's investments have relied on robust PFM elements (organization, budget, treasury). Project financial management quality has been consistently satisfactory and financial management risk low. Organizational inefficiencies have been addressed; however, persistent disbursement lags require shorter procurement delays. SAI external audit will be introduced for new projects.

### **Government policy and institutional framework**

12. The Government's key policy objective for the past 15 years has been EU membership, which has shaped the institutional framework in Moldova in an effort to comply with the EU acquis, a process that has only accelerated since the country was granted candidate status in 2022.
13. However, a key barrier to EU membership has been the low quality of governance, although progress has been made in the past decade.
14. The overall policy framework is laid out in the 2022 National Development Strategy, "European Moldova 2030", which expresses a broad commitment to reaching EU quality-of-life levels, particularly in rural areas. The strategy also commits the Government to supporting farmers' efforts in ensuring sustainable value chains by developing post-harvest infrastructure and supporting agricultural production, while at the same time adopting quality and safety standards for agrifood products to meet EU food safety requirements.
15. At the sectoral level, the National Strategy for Agricultural and Rural Development 2023–2030 (SNDAR) is aimed at operationalizing the overall vision, which translates into four general objectives:
  - Strengthening the primary agriculture sector and promoting smart, sustainable and climate-resilient agricultural practices;
  - Developing the food industry and diversifying markets;
  - Supporting inclusive and sustainable rural socioeconomic development;
  - Ensuring the transposition of the EU acquis and its implementation.
16. This COSOP will align with and leverage the strategy, especially its focus on high-value crops and greater climate resilience.
17. Finally, the climate-related priorities in the SNDAR are also supported by Moldova's second Nationally Determined Contribution and National Climate Change Adaptation Programme up to 2030; and the National Afforestation and Reforestation Programme 2023–2032 and its Land Reclamation Programme to Ensure Sustainable Soil Management 2021–2025.

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<sup>7</sup> See appendix VIII.

<sup>8</sup> Transparency International – Corruption Perception Index 2023.

<sup>9</sup> Public Expenditure and Financial Accountability, Moldova – 2022.



## II. IFAD engagement: lessons learned<sup>10</sup>

### A. Results achieved during the previous COSOP

18. The previous COSOP sought to increase the well-being and assets of rural beneficiaries. At the engagement level, the strategy did deliver a series of robust results. The COSOP aimed at having 75 per cent of beneficiary households reporting increases in assets. For the Inclusive Rural Economic and Climate Resilience Programme (IRECR), completed in 2021, the results of an impact assessment indicated that only 1,241 out of the 20,525 households reached had seen their assets increase but that members of group enterprises generated an increase in total assets (54 per cent) and sales income (65 per cent). The Rural Resilience Project (RRP), completed in 2023, had more positive outcomes, with the impact survey reporting 22,886 out of 61,853 (37 per cent) of beneficiaries reporting an increase in the value of their household and production assets and 19,793 (32 per cent) reporting an increase in their income. Thus, the target of 75 per cent was arguably too ambitious in the context of generally rising poverty levels and the severe crises of 2020 and 2022. This COSOP will build on the achievements and lessons learned to replicate pathways for graduating smallholders. Concerning the first strategic objective of improving the adaptive capacity of smallholders and agribusinesses, the previous COSOP delivered good results. Together, the IRECR and RRP projects managed to bring 32,000 ha under climate-resilient production practices, against a target of 15,000 ha. Moreover, the RRP managed to reach nearly 1,000 households with irrigation systems (ponds), tripling the COSOP target. This COSOP will build on these results to increase climate and economic resilience.
19. As for effectiveness in meeting the second strategic objective (promote inclusive market linkages through enhanced access to financial services and markets in order to foster rural transformation), financial services played a key role. The COSOP set an explicit target of having at least 1,000 individuals utilizing rural financial services, specifically ensuring 30 per cent representation of women. This target was exceeded, which can be attributed to the programme-tailored approach to rural communities and household members, particularly women.
20. Furthermore, under this strategic objective, IFAD assisted in the development of more than 20 inclusive value chains and the establishment of 17 value chain clusters, promoting inclusive economic growth. Moreover, the successful negotiation of contractual agreements with processors and exporters through backward and forward linkages highlighted the collaborative efforts of stakeholders, resulting in the successful development of relevant value chains.

### B. Lessons from the previous COSOP

21. Moldova's partnership with IFAD is now at a crossroads, catalysed by a multiplicity of factors. First, its graduation to UMIC status has increased the pricing of its lending opportunities, which may require more targeted engagement with the Government and a different value proposition. Second, Moldova is set to meet stringent EU food safety standards, which is expected to accelerate the commercialization and consolidation trend while risking marginalization of the poorest, most vulnerable rural producers. The Government has broadly welcomed the commercialization of agriculture while acknowledging that efforts are needed to assist the marginalized population. Thus, poverty and vulnerability are dealt with in social migration and educational programmes. Third, given Moldova's geopolitical situation and the substantial support it has received from both bilateral and multilateral agencies, there will be competition from more concessional loan offers from development partners. IFAD will thus, in partnership with the Moldovan

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<sup>10</sup> This section draws extensively on the completion review of the previous COSOP. This, in turn, is based on the RRP and IRECR project completion reports. There has been no country- or project-level evaluation of these projects.

Government, adapt and focus on more cost-effective loans, avoiding high-risk investments.

22. A key lesson is that to remain relevant, IFAD should continue improving its agile approach by aligning even more closely with government priorities and strategies. By being flexible with targeting criteria and supporting fundamental institutional and technical innovations led by others when appropriate, IFAD can focus on incremental, iterative progress in areas such as conservation agriculture, rural financial services, high-value value chains and reforestation (learned, for example, from IRECR). These efforts significantly contribute to resilience and inclusion, reinforcing IFAD's positive impact and ability to graduate smallholders out of poverty. The same holds true for rural finance, which has played a critical role in boosting agricultural productivity and profitability in both the IRECR and RRP. The previous COSOP yielded many lessons on such graduation, especially concerning the need to target smallholders with a strong commercial upside.
23. A key lesson for rural finance is that there is still a need to support access to services, including through savings and credit associations. Collateral requirements are still high, and banks in particular perceive the risks as high, a perception that needs to change. Moreover, a key lesson from the RRP is also that matching grants do have a catalytic impact, especially for the poorer and younger segments of the target group, as they struggle especially to meet collateral requirements.
24. IFAD has also promoted collective action, with mixed results. An important lesson is that the approach should be based on organic organizations with strong domestic stakeholder accountability in place (e.g. primarily owned by and accountable to members and not the Government of Moldova/IFAD). Top-down organizations centred around grant distribution tend to fail once the grants end. This has informed the strategic choice in both irrigation (water users' associations) and farmers' organizations. Hence, IFAD will focus on specific value chains with good farmers' organizations and robust value chain linkages, including with exports. In this context, the United Nations Development Programme (UNDP) is currently supporting the development of 16 economic clusters in the rural economy. The importance of persuasiveness in demonstrating the benefits of working together through substantial investment in capacity-building was underscored during engagements with UNDP, as was the existence of an enabling regulatory environment. This will be carried forward in the coming COSOP.
25. A more financial management-related lesson is that the single consolidated programme implementation unit (CPIU) embedded in the Ministry of Agriculture and Food Industry (MAFI) offers a legacy for new project designs in terms of implementation readiness: (i) financial staff must be conversant and experienced with IFAD procedures; and (ii) accounting/reporting can quickly be tailored (through 1C software) to any new project in less than one month. Moreover, adequate expenditure control is operationalized, ringfenced and integrated into the national financial management information system. The new COSOP and current and future projects will build on this strength.

### **III. Strategy for transformational country programmes**

#### **A. COSOP theory of change**

26. The COSOP's main underlying theory of change is that IFAD can help drive inclusive transformation of the rural economy by helping rural farmers and agribusinesses become more resilient and competitive, thereby generating employment for the vulnerable rural labour force and increasing the Government's tax base, enabling it to finance its inclusiveness ambitions. This strategy will be complemented by a specific focus on the most vulnerable groups with the potential to become fully commercial farmers in profitable value chains (e.g. medicinal and aromatic plants [MAPs]), so that they can attain the degree of competitiveness

required in the context of EU accession. Thus, it will also include more prominent clustering of farmers to overcome the historical distrust of collective action.<sup>11</sup>

27. The development problems to be addressed are thus the growing marginalization of smallholders, their climate vulnerability, the rural exodus and access to markets. It is also clear, however, that IFAD will be able to assist only a minority of these farmers, as few have a commercial upside that allows for sustainable productive investments. The rest will likely continue to migrate or live off a combination of social transfers, remittances and "garden" subsistence microfarming, with little ambition to enter commercial value chains, sticking instead to household consumption and local informal markets, which are a shrinking phenomenon as supermarkets expand their reach.
28. IFAD will therefore work with smallholders and off-farm rural entrepreneurs with upside potential, helping them graduate towards a fully commercial, profitable and sustainable business model, while increasing their climate resilience and protecting biodiversity.
29. The main assumption is that IFAD can identify and graduate rural poor people. Its track record is promising, as also evidenced by the COSOP completion review.

## **B. Overall goal and strategic objectives**

30. **Goal:** To improve rural livelihoods and enhance the resilience of family farms, including small-scale farmers with commercial potential, by enhancing their adaptive capacity and increasing value addition (Sustainable Development Goals 1, 2, 5, 6, 13 and 15; see also appendix I).
31. **Strategic objective 1 (climate resilience).** Enhance the adaptive capacity of farmers to ensure climate-resilient livelihoods. This will be achieved through, for example, a greater focus on higher-value-added crops (e.g. MAPs), where irrigation is cost-effective, and on climate-smart agricultural practices suited to market and agronomic conditions.
32. For this strategic objective (SO), IFAD will invest in subsectors such as irrigation and conservation agriculture in climate-vulnerable areas, which will generate positive returns and drive new commercial opportunities. However, infrastructure must support market integration and be economically sustainable. SO1 will create a core adaptability platform for small-scale farmers that will enable them to enter the graduation pathways outlined in SO2. IFAD will thus help pilot new adaptability approaches and technologies, but with clearly laid out entry points and pathways that can be replicated and adapted by the rural productive poor.
33. **Strategic objective 2 (economic resilience).** Increase productivity and incomes and inclusive employment by enhancing rural competitiveness and access to finance. This objective will be achieved by promoting higher-productivity methods and systems in all aspects of the value chains, with a particular focus on models that are appropriate for smallholders. Moreover, IFAD will leverage its decade-long partnerships with financial institutions to further amplify impact, with a particular emphasis on sustainable product development that is relevant to smallholders.
34. SO2 will focus on promoting value chain development to intensify rural progress by enhancing access to financial services and markets. This core component involves increasing access to rural financial services and linking smallholders to markets, focusing on improving financial literacy and agribusiness capacity-building.

### **Scaling up**

35. The main priority will be to promote scaling up of innovations for smallholders' graduation by integrating them into profitable markets, including through better regulatory and quality compliance. At the project level, scaling up will be

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<sup>11</sup> See SECAP note for more detailed information (appendix IV).

systematically included in the underlying principles and expected outcomes of each new project, and a clear scaling-up strategy/mechanism will be defined during design. This will build on the good examples from the Agriculture Growth and Rural Innovation Project (AGRI-M), which includes planned scaling up of replicable models for small-scale farmers and youth inclusion, in which transformation drivers first spell out the business case and IFAD then assists in tailoring the technologies to smallholder capacities.

### **Sustainability**

36. IFAD will focus on a segment of rural dwellers who can ensure the sustainability and vitality of rural areas. By directly targeting smallholder farmers, small-scale enterprises and family farms with land, livestock and processing and marketing businesses, IFAD will foster sustainability and growth. These beneficiaries exhibit great potential for expanding production and diversifying incomes. This approach complements existing social programmes for the poorest rural dwellers, enabling IFAD to maximize its impact on sustainable development.
37. Sustainability will be further enhanced by the sharp focus on value chain integration and greater private sector involvement. The focus will be on sustainable financing mechanisms such as value chain financing, access to credit and financial inclusion through banks and microfinance institutions. Both current and future value chains will have robust profitability prospects, further enhancing sustainability.

### **Mainstreaming themes**

38. The COSOP will reinforce previous progress in the following mainstreaming areas:
  - (i) **Climate and environment.** This is a high priority for investment, guiding and refining interventions through the strategic selection of geographic target areas. Soil and water management are primary concerns in the agriculture, forestry, water and energy sectors. IFAD has extensive experience in sustainable soil management; the promotion of efficient irrigation systems, crop diversity and resilience; greater food security; and the promotion of integrated food, water and energy systems in smart, climate-resilient agriculture. More information is available in appendix IV.
  - (ii) **Gender.** Women's economic empowerment will be a priority that will be pursued through the diversification of rural labour market opportunities for women, which is becoming increasingly important as an adaptation strategy. The focus will be on value chains where women are heavily represented, along with tailored rural finance and marketing interventions, underpinning diversification efforts.
  - (iii) **Youth** employment will be a high priority, with interventions focused on building close ties within the broader farming community to create both self- and wage employment opportunities across the rural/peri-urban continuum. Information and communications technologies for development (ICT4D) will increase innovation among dynamic youth, attracting them to agroentrepreneurship and generating positive spillover effects, including wage employment for their peers.

Table 2  
**COSOP strategic objectives**

<i>Key development priority (strategic objective)</i>	<i>Underlying institutions</i>	<i>Policy reform challenges</i>	<i>Proposed interventions (lending, non-lending)</i>
SO1: Climate resilience. Enhance the adaptive capacity of farmers to ensure climate-resilient livelihoods.	MAFI, Ministry of Environment	Implementation of existing policy regimes and/or environmental laws	Capacity-building, technical assistance, advisory services, mentoring, irrigation and crop choice
SO2: Economic resilience. Increase productivity and incomes and inclusive employment by enhancing rural competitiveness and access to finance.	MAFI, Ministry of Economic Development and Digitalization, Ministry of Infrastructure and Regional Development, central bank and partnering financial institutions	Policy implementation, limit leakage and instil trust in the financial system	Access to advice and finance, value chain development, capacity-building

### **C. Target group and targeting strategy**

39. The nationwide targeting approach has been tailored to the unique Moldovan context – in particular, with respect to mainly targeting the subsegment of rural poor with a commercial upside. The strategy is aimed at benefiting those who are vulnerable to falling into poverty, with a focus on small-scale family farmers, including the poorest segment of rural communities with and without entrepreneurial skills; micro and small rural enterprises; and women and youth. Rural women usually engage in minimally mechanized physical and informal work in household processing, while young Moldovans face employment challenges that lead to rural outmigration. Poverty and vulnerability are linked primarily to land fragmentation, lack of access to economic opportunities, severe environmental degradation and climate shocks. IFAD has a robust track record in identifying and assisting these groups.
40. COSOP-related investments will be aimed at developing their commercial potential through the adoption of more productive and adaptive agricultural practices, technologies and infrastructure, better cooperation and improved market structures and distribution channels.
41. Targeting is anchored in livelihood analyses, economic opportunities and the climate and environmental vulnerability of the different socioeconomic groups to graduate them to sustainable and resilient livelihoods. While nationwide in principle, geographic targeting will nevertheless prioritize investment in highly vulnerable areas to ensure that the environmental, economic and social benefits of investment are leveraged synergistically. This will entail harmonizing considerations on rural poverty, environment and climate change vulnerability and potential value chain development. Self-targeting will be combined with sound eligibility criteria, with quotas to include the most vulnerable groups. At least 20,000 individuals and their households will be reached, which will be done by the Talent Retention for Rural Transformation Project (TRTP), AGRI-M and an additional project. More granular figures are available in the results management framework found in appendix I.

## **IV. IFAD interventions**

### **A. Financing instruments**

42. Moldova graduated from an International Development Association (IDA) country in 2020 to a UMIC in 2021. The country will be eligible to borrow through the Borrowed Resource Access Mechanism (BRAM) (on ordinary terms) if it is not at high risk of or in debt distress and its credit rating is above CCC.

### **B. Country-level policy engagement**

43. The country-level policy engagement (CLPE) agenda will support policy dialogue around the relevance and achievement of the COSOP's strategic objectives. Project

implementation lessons learned will provide robust evidence for conversations between IFAD and the core partners. Key issues will be addressing the drivers of the growing urban-rural and intra-rural inequalities. IFAD will not be involved in shaping the regulatory regime per se but will provide feedback to the Government on its implications for the poorer rural segments of the population and potential mitigation measures that offer IFAD's target groups options to comply with and thrive. More generally, IFAD will seek to discuss pathways for identifying capable young rural entrepreneurs and develop a conducive environment that will encourage some of them to remain in rural areas.

44. IFAD will also accelerate efforts to engage in policy dialogue on broader financial sector issues, including support to savings and credit associations and risk assessments. These institutions and rural producers' organizations will also receive training to improve their ability to engage in policy dialogue with, for example, the National Bank of Moldova, the Ministry of Finance (External Assistance Programme Management Office) and MAFI.
45. IFAD will play an active role, especially in the operationalization of SNDAR and its associated programmes, implementation of the Forest Code (adopted in March 2024) and support for the drafting and implementation of the family farming act (also supported by the Food and Agriculture Organization of the United Nations [FAO]).<sup>12</sup>

### **C. Institution building**

46. IFAD will work with a range of institutions and seek to build their capacity for inclusive and resilient rural development. At the producer level, this will entail working with IFAD-relevant farmers' associations and federations to ensure that they have the institutional capacity to upgrade their members' production and ensure an inclusive process in which gender and youth are an integral part. IFAD will also work to support core institutions that can support sustainable forest ecosystem planning, management and monitoring.

### **D. Innovation**

47. IFAD-supported ongoing, planned and pipeline projects will be the main drivers of innovation in this COSOP. Through embedded climate funds, successful innovations in conservation agriculture and climate resilience (including irrigation and water management, soil conservation and erosion control) will be scaled up. This aligns well with the country's evolving context, not least as recent droughts have heightened the need for conservation agriculture/soil, irrigation and improved water management. Scaling up and replication will rely on a combination of financial incentives (e.g. matching grants and loans targeted to smallholder resilience needs) and the provision of advisory and mentoring services to individual farmers and clusters.

### **E. Knowledge management**

48. The CPIU, the implementation entity of IFAD-financed projects, will continue to engage in effective knowledge management and communication activities. These efforts will aim at generating evidence and lessons learned through rigorous monitoring, evaluation and research activities to inform strategies, policies and other development interventions.

### **F. Information and communications technologies for development**

49. IFAD's focus will be on piloting digital solutions that promote growth of the priority value chain and subsectors, especially around productivity, market access and adaptation to climate change. Another priority is digital skills development/services for young farmers, small- and medium-sized processors and industry associations.

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<sup>12</sup> See SECAP note for more information on relevant policy engagement platforms (appendix IV).

IFAD projects will also link industry associations with relevant platforms, such as Digital Farmer and land registry.

## **G. Strategic partnerships and South-South and Triangular Cooperation**

50. IFAD will encourage regional partnerships with countries facing challenges similar to those of Moldova in areas such as climate change, collective action and the depopulation of rural areas. Partner countries include Armenia, Georgia, Montenegro and Türkiye, which have comparable GDP per capita levels and share some aspects of socioeconomic history. IFAD regional grants will also be leveraged to foster stronger peer-to-peer learning through exchange visits. Institutionally, this will be implemented in cooperation with MAFI and farmers' organizations.

### **Government and civil society**

51. Implementation of the COSOP will be a joint IFAD and Government undertaking through the close partnership between IFAD and MAFI, the Ministry of Environment, the Ministry of Finance and their executing entities.<sup>13</sup> The partnership with the Agency of Intervention and Payments in Agriculture in particular will be instrumental in engaging the most vulnerable farmers, supported with subsidies, in agribusiness development activities. At the municipality level, *primarias* (municipalities) will continue to play a key role in financial and administrative support for COSOP-related investments. IFAD will intensify its triangular cooperation with the EU and the Government.
52. In terms of civil society organizations, IFAD is planning to strengthen its partnerships with industry organizations,<sup>14</sup> especially within MAP and organic producers, and will further intensify its work with local and national farmers' organizations in climate-smart agriculture. Agro-environmental and social NGOs, as well as research institutes, will play a critical role and be leveraged to empower farming communities with education, training and awareness-raising in sustainable agriculture, environmental protection and social development, further consolidating an already robust partnership.

### **Development partners**

53. IFAD will pursue its collaboration with the United Nations Country Team in delivering United Nations Sustainable Development Cooperation Framework (UNSDCF) outcomes. In this regard, Rome-based agency initiatives will continue to be sought to support rural poor livelihoods and promote sustainable, inclusive food systems. Joint financing with climate cofinanciers will allow for impact at scale while adopting integrated transformational approaches to the environment and climate, gender, nutrition and youth. Cofinancing opportunities with selected development partners (including the EU) will be explored to tackle the country's vulnerability to natural hazards and climate risks.

### **Private sector**

54. The COSOP will scale up its engagement with private sector actors, which will play different roles in the strategy's implementation. The private sector will be a critical partner and cofinancier, giving IFAD target groups access to jobs, markets, finance, technologies and services. Farm and industry associations will receive direct support to strengthen targeted value chains. Micro, small and medium-sized enterprises (MSMEs) will continue benefiting from inclusive, diversified rural finance services.

<sup>13</sup> Such as the Agency for the Development and Modernization of Agriculture, the Agency of Intervention and Payments in Agriculture, and the Office for the Management of External Assistance Programs.

<sup>14</sup> Such as the National Sheep and Goat Federation, the incipient National Association of Vegetable Growers, the Moldovan Association of Aromatic and Medicinal Plant Producers, and the Moldova Organic Value Chain Alliance.

### South-South and Triangular Cooperation

55. The South-South and Triangular Cooperation (SSTC) strategy developed under the Twelfth Replenishment of IFAD's Resources (IFAD12) relies on SSTC as an instrument for promoting sustainable and inclusive food systems transformation and the recovery, rebuilding and resilience of rural livelihoods by supporting Member States in delivering on their development priorities.

## V. COSOP implementation

### A. Investment volume and sources

56. BRAM resources will be provided on ordinary terms, with a maturity period of up to 35 years, including a grace period of up to 10 years.
57. Given the past cofinancing ratio and shared commitment to partnering with IFIs (e.g. the World Bank) and climate and environment funds, the cofinancing target of 1:2.1 (1:0.93 for domestic and 1:1.16 for international) could be met over the COSOP period.

Table 3

#### IFAD financing and cofinancing of ongoing and planned projects

(United States dollars)

Project	Source		Cofinancing		Cofinancing ratio
	IFAD financing		Domestic	International	
<b>Ongoing</b>					
TRTP	20 750 000	PBAS	24 232 000	5 537 000	1:1.4
<b>Planned</b>					
AGRI-M	40 000 000 <sup>a</sup>	BRAM	10 000 000	69 000 000 <sup>b</sup>	
Non-sovereign operation	5 000 000				
<b>Total</b>	<b>65 750 000</b>		<b>34 232 000</b>		

<sup>a</sup> This includes US\$20 million for AGRI-M and US\$20 million for the financing gap (expected to be co-funded by the World Bank, as well as US\$55 million for the Agriculture Governance, Growth and Resilience Investment Project (AGGRI).

<sup>b</sup> This includes US\$10 million from the Adaptation Fund, US\$4 million from the Global Environment Facility (GEF), and US\$20 million from the potential World Bank-cofinanced AGGRI.

### B. Resources for additional activities

58. The COSOP benefits from one ongoing and two planned grants provided by climate finance donors. The Adaptation Fund is currently financing US\$5.537 million for TRTP-Adapt, and additional resources will be mobilized to invest US\$10 million in climate adaptation and resilience enhancement for Moldova to build climate resilience while increasing the productivity of selected value chains. In continuity with the previous COSOP, GEF resources of around US\$4 million will have been mobilized for the Integrated Sustainable Forest Ecosystem Management Project to increase the share of forests to reduce greenhouse gas emissions.

### C. Transparency

59. The country programme will maintain the high standards of financial management, auditing and reporting established by the Government and IFAD to ensure transparency.

### D. Country programme management

60. The portfolio will be managed by IFAD's Istanbul office. MAFI has overall responsibility for implementing IFAD-financed projects through the CPIU. CPIU capacity will be ensured through the retention, recruitment and training of experienced staff.

### E. Monitoring and evaluation

61. The country programme's monitoring and evaluation (M&E) system will be centred around the results management framework, which will serve as the overarching logical framework for IFAD-funded projects. The outcome, output and impact



indicators will be adopted and integrated, where applicable, into project logframes and/or M&E systems to allow for consistent data collection and analysis, aggregation of results and coherent reporting. The CPIU will be responsible for regularly updating project results for annual COSOP reviews, planned for midterm in 2028 and completion in 2030. Third-party surveys that follow IFAD's M&E guidelines will assess the impact of different projects. Lessons learned will be shared through special events and publications and also inform the CLPE knowledge agenda.

## **VI. Target group engagement**

62. Selection of the target group will be based on gender equality and social inclusion studies with socioeconomic profiling. The programme will set quotas for access by women and youth to services and financial products; engage in inclusive outreach and communication activities tailored to the various target groups through industry associations, e-platforms and multimedia channels; provide tailor-made support to develop business plans and related skills for accessing markets, subsidies and financing; provide bonuses to the matching grants disbursed to youth and women; and give MSMEs access to loans. For grievance redress, IFAD, in consultation with MAFI, has created a specific mechanism to address and document complaints and notifications of emerging conflicts or grievances alleging actual or potential harm to people affected by project activities.

## **VII. Risk management**

63. The country programme will manage risks by encouraging open interaction between project stakeholders, development partners and government stakeholders. This will include public disclosure of COSOP and project supervision, midterm and completion reports with financial, physical and outreach data and grievance and feedback mechanisms.
64. See also appendix IX (integrated country risk matrix) for more details on risks during the COSOP period.

## Results management framework

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
			Overall goals and Strategic objectives	Investments and non-financial activities for the COSOP period	Impact/Outcome indicators	Outreach/Output indicators
<p><b>Moldova Govt, National Strategy for Agricultural and Rural Development 2023 – 2030</b></p> <p><b>Goal:</b> Development of a competitive agri-food sector, centered on value chains with increased potential, environmentally friendly and resilient to climate change, which strengthens security and safety food and provide welfare and better living conditions in the rural environment.</p> <p><b>Gov. Objective 3:</b> Supporting sustainable rural socio-economic development.</p>	<p>SDG 1 (poverty) SDG 2 (zero hunger), SDG 5 (Gender Equality), SDG 6 (availability and sustainable management of water and sanitation) SDG 13 (climate action) and SDG 15 (life on land).</p>	<p><b>IFAD Strategic Goal:</b> Poor rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods</p>	<p><b>Goal:</b> To improve rural livelihoods and enhance the resilience of family farms, including small scale farmers with commercial potential, by enhancing their adaptive capacity and increasing value addition.</p>	<p>Investment activities/mainstreaming Themes</p> <ul style="list-style-type: none"> <li>Ongoing: TRTP</li> <li>Indicative: AGRI-M Youth, climate adaptation and mitigation</li> <li>Non-financial activities</li> <li>KM</li> <li>Capacity-building</li> <li>Partnerships</li> <li>Private sector</li> <li>SSTC</li> <li>CLPE driven policy dialogue on e.g. financial access, CA, and regulatory implications for smallholders</li> </ul>	<p><b>Impact indicators</b></p> <ul style="list-style-type: none"> <li>Households experiencing economic mobility<sup>15</sup> (proxied by asset indicators i.e., household, durable, productive, and livestock, natural<sup>16</sup>, human<sup>17</sup>)</li> <li>Households reporting at least 20% increase in incomes deriving from agriculture-based activities.</li> <li>Households reporting an increase in resilience and recovery to shocks (economic and climate related)</li> <li>Number of CLPE policy dialogues</li> </ul>	<ul style="list-style-type: none"> <li>CI1. Persons receiving services promoted or supported by the project (disaggregated by gender and youth) <i>Total persons- 20,000</i> <i>Agri-M target – 7,900 persons, of which 40% female, 40% young.</i> <i>TRTP target – 8,945 persons, of which 40% female, 40% young</i></li> <li>CI1.a Corresponding number of households reached (number of households) <i>Total households – 20,000</i> <i>Agri-M target – 7,900 HHs</i> <i>TRTP target – 8,945 HHs</i> KM plan developed at country level. Partnership on developing digital systems for agriculture and improving youth engagement. SSTC knowledge sharing on climate adaptation and mitigation. No of KM product published.</li> </ul>

<sup>15</sup> Economic mobility is defined as the changes in economic status from one time period or generation to another (Fields and Ok 1999) and for the purpose of the project is proxied by assets indicator. Economic mobility measures welfare gains of farmers across the entire welfare distribution.

<sup>16</sup> Natural assets include farmland, water, etc.

<sup>17</sup> Human assets include labour power.

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
						10 policy dialogues / joint learning events on e.g. financial access, CA, and regulatory implications for smallholders.
<p><b>Gov. Objective 1:</b> Strengthening the potential of the primary agricultural sector and promoting smart, sustainable and climate-resilient agricultural practices.</p>	<p>UNSDCF OUTCOME 4: By 2027, institutions and all people of Moldova benefit from and contribute to green and resilient development, sustainable use of natural resources and effective gender-responsive climate change action and disaster risk management.</p>	<p>SO3: Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.</p>	<p><i>SO-1 (climate resilience):</i> Enhance the adaptive capacity of farmers, to ensure climate resilient livelihoods..</p>	<p>Outcome 1.1: Improved access to climate resilient infrastructure (such as irrigation systems, renewable energy, rainwater harvesting technology) to enhance agricultural productivity and climate change adaptation.</p>	<ul style="list-style-type: none"> <li>- CI 3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</li> <li><i>Households (Number) – 5,600</i></li> <li><i>Households (%) – 70%</i></li> <li>- On average 20% Increase in the renewable energy consumption ratio<sup>18</sup></li> </ul>	<ul style="list-style-type: none"> <li>• CI 3.1.4: Land brought under climate-resilient management. <i>Ha of land (area) - 5,000 ha</i></li> <li>• Installed capacity of renewable energy technologies to support agricultural productivity and climate resilient agriculture: Installed capacity for renewables: 500 KW Value of infrastructure contributing to climate resilience USD 6 million</li> </ul>
				<p>Outcome 1.2: Widespread adoption of climate resilient inputs, technologies and sustainable farming, land and water use practices that conserve natural resources, protect biodiversity, and mitigate climate change impacts.</p>	<p>CI 3.2.4: Biodiversity improvements at ecosystem-level</p> <ul style="list-style-type: none"> <li>- Area of Intact Biodiversity (AIB) in ha</li> <li>- Average Natural Capital per ha (ANC) in US\$/ha</li> <li>- Ecosystem based indicator.</li> </ul> <p><i>Target – to be defined at project level</i></p>	<ul style="list-style-type: none"> <li>• Households supported to sustainably manage natural resources and climate-related risks. <i>Households (Number) – 10,000</i></li> </ul>

<sup>18</sup> This indicator represents the proportion of total energy consumption that comes from renewable sources such as wind, solar, hydroelectric, biomass, and geothermal energy. The formula to calculate the renewable energy share is: (Renewable Energy Share = Renewable Energy Consumption/Total Energy Consumption) x100%.

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
<p><b>Gov. Objective 4:</b> Ensuring the transposition of the EU Acquis and its progressive implementation in the field of agriculture, rural development and food security</p>	<p>UNSDCF OUTCOME 3: By 2027, all people of Moldova, especially the most vulnerable, benefit from inclusive, competitive and sustainable economic development and equal access to decent work and productive employment.</p>	<p>SO1: Increase poor rural people's productive capacities.</p>	<p>SO-2 (<i>economic resilience</i>): Increased productivity, and incomes, and inclusive employment by enhancing rural competitiveness and improving access to finance..</p>	<p>Outcome 2.1: Increased income through access to financial resources and services, value-added agricultural inputs, technologies, including ICT4D, and practices that improve productivity, quality, and market competitiveness.</p>	<ul style="list-style-type: none"> <li>• CI 1.2.5: Households reporting using rural financial services. <i>Households (%) – 80%</i> <i>Households (Number) - 1200</i> <i>Households (%) – 40%</i> <i>Households (Number) – 8,000</i></li> <li>• CI 2.2.1: Persons with new jobs/employment opportunities. <i>Persons with new jobs/employment opportunities (Number) - 2000 (30% women, 30% youth)</i></li> <li>• CI 1.2.2: Households reporting adoption of new/improved inputs, technologies or practices. <i>Households (%) – 70%</i> <i>Households (Number) – 11,340</i></li> <li>• CI 1.2.4: Households reporting an increase in production. <i>Households (%) – 60%</i> <i>Households (Number) – 3500</i></li> </ul>	<ul style="list-style-type: none"> <li>• CI 1.1.5: Persons in rural areas accessing financial services. <i>Persons (Number) – 1500 (40% women, 40% young)</i></li> <li>• Rural enterprises/entrepreneurs accessing business development services. <i>Enterprises/entrepreneurs (Number) - 4500</i></li> <li>• CI 2.1.2: Persons trained in income-generating activities or business management. <i>Persons (Number) - 4000</i></li> <li>• Persons accessing production/processing inputs and/or technological packages. <i>Persons (Number) - 1200</i></li> <li>• CI 1.1.4: Persons trained in production practices and/or technologies <i>Persons (Number) - 15000</i></li> </ul>

Country strategy alignment	Related UNSDCF/SDG outcomes	IFAD's SOs	Key COSOP results			
<p><b>Gov. Objective 2:</b> Development of the food industry and diversification of markets.</p>		<p>SO2: <i>Increase poor rural people's benefits from market participation</i></p>		<p>Outcome 2.2: Improved production of safe and more nutritious foods and access to post harvest infrastructure and methods and adherence to European Union (EU) food safety standards across the value chains, towards market-oriented agri-businesses.</p>	<ul style="list-style-type: none"> <li>• CI 2.2.6: Households reporting improved physical access to markets, processing and storage facilities. <i>Households (%) – 75%</i> <i>Households (Number) –</i></li> <li>• Households with improved food safety knowledge, attitudes, and practices. <i>Households (%) – 60%</i> <i>Households (Number) - 9000</i></li> </ul>	<ul style="list-style-type: none"> <li>• CI 2.1.6: Market, processing or storage facilities constructed or rehabilitated. Total number of facilities Number - 40</li> <li>- Market facilities constructed/rehabilitated (Number) - 10</li> <li>- Processing facilities constructed/rehabilitated (Number) - 10</li> <li>- Storage facilities constructed/rehabilitated (Number) - 20</li> <li>-</li> <li>• Households provided with targeted support to improve food safety. <i>Households (Number) – 15,000</i></li> </ul>

## Key files

### Key file 1: Rural Poverty and agricultural sector issues

Priority Areas	Affected Groups	Major Issues	Action Needed
<p><b>Poverty and vulnerability to poverty</b> Rural poverty has been increasing, and many farms are not sustainable with importantly vulnerability growing driven by, ageing population and higher food safety standards and increase competition;</p>	<ul style="list-style-type: none"> <li>Isolated retired people,</li> <li>People with disabilities and extreme poor and minorities</li> <li>Rural HHs especially in remote and deserted areas</li> </ul>	<ul style="list-style-type: none"> <li>Climate change poses risks to all rural households, but affects more vulnerable HHs, and remote communities;</li> <li>Limited employment and labour opportunities in rural areas;</li> <li>Lack of property ownership among women and youth restricts access to finances;</li> <li>Migration from rural areas to urban settlements and abroad;</li> <li>Remittances used for consumption;</li> <li>The social targeted assistance may promote 'inactive' behaviour</li> </ul>	<ul style="list-style-type: none"> <li>For the most vulnerable and marginalised, the government will have to expand the social safety nets incl. pensions. IFAD cannot contribute here.</li> <li>State policies and strategies supported by IFAD are to be inclusive;</li> <li>Support to sub sectors dominated by the productive poor, vulnerable and smallholders with economic upside;</li> <li>Wide outreach and information dissemination on IFAD programme's benefits for inclusion;</li> <li>Promote diversification of income streams;</li> <li>Target rural areas with potential in policies and investments with higher poverty incidents and climate change vulnerability;</li> <li>Direct targeting of vulnerable groups to improve nutrition and incomes (women headed HHs and youth)</li> </ul>
<p><b>Vulnerability to climate change and natural disasters</b> Resilience of small scale famers to climate change</p>	<ul style="list-style-type: none"> <li>Rural HHs,</li> <li>HHs in southern areas</li> </ul>	<ul style="list-style-type: none"> <li>Growing incidents of drought, hail, frost and other natural disasters;</li> <li>Increase of temperatures and dry spells;</li> <li>Variability of precipitations;</li> <li>Increase of eroded areas due to water and wind erosion;</li> <li>Unauthorized deforestation on agricultural lands;</li> <li>Lack of appropriate forest buffer zones;</li> <li>Depletion of aquifers;</li> <li>Inexistence of irrigation infrastructures among small-scale farmers;</li> <li>Use of inappropriate soil cultivation technologies; degradation of natural resources because of lack of policies and legislation in water management;</li> <li>Lack of technological investment</li> <li>Limited access to information about the efficient use of soils;</li> <li>Limited knowledge on climate-smart technologies;</li> </ul>	<ul style="list-style-type: none"> <li>Support policies, legislation, strategies on sustainable management of natural resources;</li> <li>Support adaptation of sustainable agricultural technologies and ecosystem based practices by smallholder farmers in agriculture to enhance climate change resilience;</li> <li>Support shelterbelts and re- and afforestation.</li> <li>Build capacities for diversification and off farm incomes;</li> <li>Promote use of greenhouse climate control systems</li> <li>Develop CA techniques:</li> <li>No till, mini-till, use of organic mulching, free movement shelter (on improved pastures), free movement shelter without grazing, using forage blend...;</li> </ul>

Priority Areas	Affected Groups	Major Issues	Action Needed
<b>Low agricultural productivity</b>	<ul style="list-style-type: none"> <li>• Subsistence oriented and small scale farmers;</li> <li>• Farmers in deserted areas;</li> <li>• Smallholder farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Very small land plots suitable for cropping;</li> <li>• Animal and crop diseases;</li> <li>• Rural infrastructure in state of disrepair;</li> <li>• Poor governance of infrastructure and natural resources;</li> <li>• Quality standards underdeveloped, squeezing smallholders</li> <li>• Insufficient 'quality infrastructure'</li> <li>• Weak value chains esp. for smallholders</li> <li>• Limited access to irrigation water;</li> <li>• Low yield, limited production, limited returns</li> <li>• Lack of knowledge of adequate agricultural practices and limited access to extension</li> <li>• Limited use of inputs (seeds, breeds, fertilizers)</li> </ul>	<ul style="list-style-type: none"> <li>• Investments focus on improvements in horticulture productivity</li> <li>• Support access of smallholders to improved inputs and technologies</li> <li>• Enhance capacity of smallholders</li> <li>• Encourage and incentivize links between farmers to form groups</li> <li>• Provide support to improve resilient production and management</li> <li>• Promote "green jobs" together with the development of Climate-Smart Agriculture techniques;</li> </ul>
<b>Weak Value Chains</b>	<ul style="list-style-type: none"> <li>• Smallholder farmers, inputs suppliers, small and medium size enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• EU requirements for food safety to be fully to introduced, will mostly affect smallholders and squeeze many from small scale production</li> <li>• Small producers have difficulties to meet market requirements in quantity, quality and food safety</li> <li>• Poor level of organization along the value chain</li> <li>• Limited processing and short value chains</li> <li>• Limited access to finances</li> </ul>	<ul style="list-style-type: none"> <li>• Provide support to viable smallholders with meeting food safety requirements;</li> <li>• Support efficient linkages and partnerships among producers and processors;</li> <li>• Support improved access to modern technology;</li> <li>• Investments in supportive infrastructure and services;</li> <li>• Improving access to finances</li> </ul>

## Key file 2: Target group identification. Priority issues and potential response

Typology	Poverty Levels And Causes	Coping Actions	Priority Needs	COSOP Response
<b>Rural population, including small-scale famers and family farms</b>	<ul style="list-style-type: none"> <li>• Vulnerable of falling into poverty owing to socio-economic and ECC-related challenges</li> <li>• Poor working and living conditions with low access to quality public services (health care, education, energy, water supply and sanitation)</li> <li>• Low level of qualification and of agricultural working experience</li> <li>• Low salary</li> <li>• High land fragmentation</li> <li>• Low competitiveness and viability and involved in marketing agricultural products to Russia and Belarus</li> <li>• Low level of mechanization and innovation</li> <li>• Inadequate storage and processing infrastructure</li> <li>• Sever floods and droughts</li> <li>• Pollution of surface and ground water</li> <li>• Land erosion and degradation</li> <li>• Reduced crop production and yields</li> </ul>	<ul style="list-style-type: none"> <li>• Migration to urban areas and abroad</li> <li>• Remittances</li> <li>• Informal and unpaid jobs</li> <li>• Building small-scale storage reservoirs, harvesting rainwater, and making greater use of local water sources for irrigation, such as creeks and groundwater</li> <li>• Moving vegetable production to greenhouses</li> </ul>	<ul style="list-style-type: none"> <li>• Need for better organization and integration agrifood value-chains</li> <li>• Capacity building on adaptative and sustainable farming practices</li> <li>• Climate resilience infrastructures</li> <li>• Access to finance</li> </ul>	<ul style="list-style-type: none"> <li>• Conservation agriculture techniques</li> <li>• Micro-irrigation systems &amp; technologies for water resources management</li> <li>• Value chain development</li> <li>• Extend farmers' access to financial resources and creation of incentives to adapt</li> </ul>
<b>Rural women</b>	<ul style="list-style-type: none"> <li>• Unequal access to and controlling of economic resources</li> <li>• Stereotypes and traditionalism on the distribution of roles at the household and community level</li> <li>• Lack of financial resources</li> <li>• Lower education level</li> <li>• Lower employment</li> <li>• Involved in minimally mechanized physical work</li> <li>• Reduced access to public and social services</li> <li>• Domestic violence</li> </ul>	<ul style="list-style-type: none"> <li>• Engaged in harvesting in greenhouses, manual spraying and in small livestock rearing</li> <li>• Selling in small markets outdoors</li> <li>• Seasonal and informal employment</li> </ul>	<ul style="list-style-type: none"> <li>• Development of small and medium women-led enterprises</li> <li>• Access to finance for business initiation and development</li> <li>• Access to formal market</li> <li>• Empowerment measures</li> <li>• Positive measures to ensure the registration of women as landowners</li> <li>• Initiatives to address persistent gender stereotypes</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of the rural labour market offer for women in agriculture and off-farm sectors of the economy</li> <li>• Capacity-building to increase women's entrepreneurship skills and address knowledge gap</li> <li>• Selection of value-chains where women are strongly represented</li> <li>• Tailored rural finance and marketing intervention</li> <li>• Labour-saving technologies and gender-sensitive and sustainable farming practices</li> <li>• Adoption of gender-transformative approaches to address key areas of gender inequality</li> </ul>



Typology	Poverty Levels And Causes	Coping Actions	Priority Needs	COSOP Response
<b>Rural Youth</b>	<ul style="list-style-type: none"> <li>• Lack of employment opportunities and low salaries</li> <li>• Skill mismatch</li> <li>• Lack of access to coaching and support to develop sound business ideas</li> <li>• Lack of access to capital and collateral to access institutional credit</li> <li>• Lack of technical knowledge, information, and access to markets</li> <li>• Unattractiveness of rural environment</li> <li>• Poor public and social services</li> </ul>	<ul style="list-style-type: none"> <li>• Try to engage in very diverse forms of agro-based enterprise development in rural areas, but with many challenges</li> <li>• Migration to urban areas and abroad</li> <li>• Look for a new activity/field</li> </ul>	<ul style="list-style-type: none"> <li>• Access rounded skill-set to start a business</li> <li>• Tailored financial products combined with financial guarantee</li> <li>• Mentoring and coaching support</li> </ul>	<ul style="list-style-type: none"> <li>• Tailored approaches to rural enterprise development and financial support</li> <li>• Comprehensive support packages of knowledge, skills, financial and inputs support, including job placements, internships and apprenticeships, and provisions of mentoring and post-development support</li> <li>• Use of credit guarantees</li> <li>• ICT4D solutions to increase innovativeness and attractiveness of jobs in agribusiness</li> </ul>

### Key file 3: Organization matrix (strength, weaknesses, opportunities and threats analysis)

Organization	Strengths	Weaknesses	Opportunities	Threats
Ministry of Finance	<ul style="list-style-type: none"> <li>Well-developed and generally efficient financial management system in place</li> <li>Efficient use of IFAD revolving funds under EAPMO (ex-CLD).</li> <li>Strong role in enforcing state policies on financial issues, budgeting and taxes.</li> <li>Robust expertise in loan negotiations, concluded by GoM, controls their realization and loan's return.</li> <li>Capacity to provide and manage state budget funds and control their transfer within Moldova.</li> </ul>	<ul style="list-style-type: none"> <li>Does not always have technical capacity to analyses the benefits of IFAD projects</li> <li>Limited donor coordination capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Recent government reforms create space for improved donor coordination</li> <li>Key driver in EU legislative alignment.</li> </ul>	<ul style="list-style-type: none"> <li>Limited staff in reformed ministry may prove to undermine its effectiveness</li> <li>May translate IMF requirements into blanket refusal to take IFAD loans</li> <li>Limited cooperation from line ministry may undermine coordination</li> </ul>
Ministry of Agriculture and Food Industry	<ul style="list-style-type: none"> <li>Strategic planning capacity and translate them into concrete planning</li> <li>Good cooperation with external development partners, IFAD included</li> <li>Key agency in development and implementation of unified government policy on the development of the rural sector of Moldova and protection of the environment.</li> <li>Has a range of technical and administrative capabilities.</li> <li>Supports the development of rural cooperation and regional development</li> <li>Protects the environment</li> <li>Strong human resources on environment and climate change</li> <li>Robust structure for implementation of regional development projects through the three regional agencies (north, center &amp; south)</li> <li>Promotes processing of primary agricultural and food products;</li> <li>Important Legal Entities under the Ministry: Agricultural Intervention Agency and Payments Agency (AIPA). State Commission of the Republic of Moldova for Plant Variety Testing and Consolidated Program</li> <li>Implementation Unit (CPIU).</li> </ul>	<ul style="list-style-type: none"> <li>Significant recent staff reductions undermine capacity to fulfill mandate esp. within agriculture;</li> <li>Limited synergy between agriculture, regional development and environment;</li> <li>Too high workload for EU alignment of policies and strategies;</li> <li>Agricultural agencies are scatter geographically, limiting coordination and coherence.</li> </ul>	<ul style="list-style-type: none"> <li>More coherent policies and synergies between agriculture, regional development and the environment;</li> <li>New civil servant code may allow key ministry staff to stay in their positions after elections, reducing turnover and promoting institutional stability;</li> <li>EU Association Agreement provides alignment and clarity of legal and regulatory framework.</li> </ul>	<ul style="list-style-type: none"> <li>Merging the ministries will continue to undermine capacity;</li> <li>Merging of agriculture and environment may reduce the regulatory and protective clout of environment leading to unsustainable practices (e.g. depletion of aquifers and increased pollution);</li> <li>Started reforms may only be partially implemented due to the organizational turbulence;</li> <li>Reduced capacity to implement EU conditions may jeopardize funding from budget support.</li> </ul>

Organization	Strengths	Weaknesses	Opportunities	Threats
The rural private sector	<ul style="list-style-type: none"> <li>• Increased market orientation to EU stimulate better quality management system and improved food safety</li> <li>• Active and competent food safety agency.</li> <li>• Moldovan wine is increasingly recognized for its quality outside CIS</li> <li>• Some land consolidation has allowed the emergence of efficient large-scaling farming, competitive on international markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Growing number of semi-subsistence farmers becoming fully subsistence.</li> <li>• Slow process of cooperation and organization of smallholders.</li> <li>• Too many labour intensive production systems.</li> <li>• Ageing structure agriculture.</li> </ul>	<ul style="list-style-type: none"> <li>• Land consolidation could be accelerated.</li> <li>• EU markets are opening and quotas increasing.</li> <li>• Potential markets are being developed outside EU and CIS</li> <li>• Diversification of business e.g. agro-tourism growing.</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change reducing yields</li> <li>• New EU supermarket chains may increase competitive pressures in Moldova by importing produce and marginalize smallholders</li> <li>• Worsening quality of governance may deter rural investments</li> <li>• Continued massive migration may depopulate entire areas and reduce access to labour</li> <li>• Geopolitically dependent on what events can occur in the neighbouring countries.</li> <li>• Uncertainty of government policy.</li> </ul>
Local NGOs, CSOs, service providers	<ul style="list-style-type: none"> <li>• Several organizations active, with different expertise, degree of community outreach and knowledge.</li> <li>• Some have well qualified and experienced personnel, strong advocacy/lobbying skills and the cultural knowledge that is essential for successful grass roots development.</li> <li>• Strong technical and networking capacity and also ability to engage with international organizations.</li> <li>• Service providers for training have strong capacity and teaching abilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Most only based in center (often Chisinau) and have limited outreach.</li> <li>• High dependence on donor funding</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for providing rural business services (incl. extension) on a commercial basis.</li> <li>• Reforms in agricultural research &amp; education may bring new market opportunities for rural services.</li> </ul>	<ul style="list-style-type: none"> <li>• Smallholders refusing to pay for rural services (after having been subsidized)</li> <li>• Donors may withdraw funding</li> </ul>

### Key File 4: Strategic partnerships potential

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
Co-financing	Adaptation Fund	<ul style="list-style-type: none"> <li>TRTP Adapt aims to strengthen the agroecological and social resilience to climate change in the climate vulnerable areas of Moldova by enhancing water availability, water us efficiency, and promoting adaptive agriculture production systems and technologies for improved livelihoods and food security for rural household.</li> <li>CARE-M The aim of the Adaptation Fund project Climate Adaptation and Resilience Enhancement for Moldova is to build climate resilience into the agricultural value chain, while improving productivity, product quality, and reduce poverty. It will do this through the promotion of climate resilient agricultural techniques, water-efficient climate smart irrigation technologies, Disaster risk reduction approaches to mitigate against hailstorms, capacity building, awareness raising and improving governance through strategies that will benefit Conservation Agriculture and sustainable water management (SWM). The Adaptation Fund project will be fully integrated into the IFAD-financed Agriculture Growth and Rural Innovation (AGRI-M) project. AGRI-M's objective is to increase the income of small-scale farmers and rural young people from enhanced productivity, market access and organization in target sectors.</li> </ul>	<ul style="list-style-type: none"> <li>National coverage except Chisinau and Transnistria region</li> <li>National coverage except Chisinau and Transnistria region</li> </ul>	<p>Ongoing</p> <p>Pipeline</p>	<p>Mobilization of grant resources (\$5,537,000)</p> <p>Mobilization of grant resources (\$10,000,000)</p>
	GEF	<ul style="list-style-type: none"> <li>NARP seeks to afforest and reforest a substantial 100,000 hectares of land, comprising state-owned, community-owned, and private lands. This initiative is a response to multifaceted challenges facing Moldova, including climate change impacts and the need to enhance forest cover. Importantly, the plan envisages the creation of both natural-type and production-type forests, highlighting the need to diversify the forestry sector's contributions beyond traditional purposes.</li> </ul>	<ul style="list-style-type: none"> <li>National coverage except Chisinau and Transnistria region</li> </ul>	Pipeline	Mobilization of grant resources (\$10,000,000)
	World Bank	<ul style="list-style-type: none"> <li>Moldova Agriculture Competitiveness Project phase II - The World Bank designed a new project in the agricultural sector, in order to enhance the sector's competitiveness and resilience, as well as to diversify sales markets. Main activities to be financed are modernization of food products' safety system; creation of farmers' register and development of value chains.</li> </ul>	<ul style="list-style-type: none"> <li>National level</li> </ul>	Potential	US\$ potential co-financing mobilised
	French Development Agency	<ul style="list-style-type: none"> <li>Strengthening of governance and rehabilitation of infrastructure for enhanced resilience to climate change - is an irrigation project which will be designed in the first quarter of 2025. The investment loan will range from 30 to 40 USD M aiming at increasing the resilience of the farming system in vulnerable areas as well as the productivity, yields and competitiveness of the sector;</li> </ul>	<ul style="list-style-type: none"> <li>South</li> <li>Central Region</li> <li>Cahul, Ungheni, Etulia and Puhaceni</li> <li>Stefan Voda</li> <li>Floresti area</li> <li>Dancu area</li> </ul>	Potential	US\$ potential co-financing mobilised

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
	European Union	<ul style="list-style-type: none"> <li>In 2021 the EU approved its Multi Annual Indicative Programme (MIP) for the Eastern Neighbourhood, which sets the basis of the cooperation with the Moldova for the years 2021-2027. The document is organised around five priorities areas. Particular relevant are the first and third objectives “together for a resilient, sustainable and integrated economies” and “together for environmental and climate resilience”. In June 2021 the European Commission announced an Economic Recovery Plan for the Republic of Moldova. The Commission has been mobilising up to €600 million over the next three years to promote investments in Moldova and support recovery from the COVID-19 crisis in the country, in exchange for structural reforms. Following the Russo-Ukrainian conflict, the EU will provide a macro-financial assistance operation of €150 million in the form of loans and grants to benefit the Republic of Moldova. The allocation of funding for ‘sustainable food systems’ under the EU-Moldova Annual Action programme 2022 will be programmed in December 2022.</li> </ul>	<ul style="list-style-type: none"> <li>National coverage</li> </ul>	Potential	Mobilization of grant resources
Policy Engagement	FAO	<ul style="list-style-type: none"> <li>FAO is a key development partner for agriculture and food systems in the Republic of Moldova and in the last five years has been providing assistance within the Country Programming Framework 2016–2022 focusing on increasing competitiveness of the agrifood sector, fostering sustainable agriculture and rural development and improving capacity for sustainable management of natural resources and disaster risk management. A new cooperation framework for the period of 2023–2027 is in development and consultation with the government and donor community. Following the conflict in Ukraine, FAO started an emergency programme in the Republic of Moldova with a budget of USD 500 000 and managed to mobilize another EUR 2 million, implemented jointly with UNDP from financial support of Austrian Development Agency through the Moldova 2030 Sustainable Development Goals Partnerships Trust Fund. These investments will help 10 000 vulnerable farmers mitigate the economic and social effects of the conflict. It will supply them with seeds and animal feed.</li> </ul>	<ul style="list-style-type: none"> <li>National coverage</li> </ul>	Potential	<ul style="list-style-type: none"> <li>•policy engagement on sensitive reforms and initiatives;</li> <li>•dialogue and exchange of lessons learned in the implementation of rural and agricultural development projects;</li> <li>•organise roundtable discussions with the MoA on monthly basis to find common solutions for the impact of the ongoing war in Ukrainian conflict to the food security situation</li> </ul>
	UNDP	<ul style="list-style-type: none"> <li>UNDP is working extensively with the ministry of Agriculture on digitalisation of farmer registry and land parcel information as well as farmer accountancy networks. This work is foundational to compliance with EU requirement for free trade with Moldova. UNDP is also pursuing work related to update of legislations required to implement the farmer registry system and the agriculture chambers. IFAD project supported beneficiaries will need to be integrated with the digital systems and also comply with requirements of agriculture chambers in the future,</li> </ul>	<ul style="list-style-type: none"> <li>Pilot stage with national coverage in next few years</li> </ul>	Potential	

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
Implementation support	Tekwill/ATIC	<ul style="list-style-type: none"> <li>Tekwill is a public private partnership between government of Moldova and USAID and SIDA implemented by Moldovan Association of ICT Companies (ATIC) in partnership with Technical University of Moldova. They specialise in areas related to digital technology development, adoption and capacity building.</li> </ul>	<ul style="list-style-type: none"> <li>National with offices in 3 regions (Cahul, Balti and Comrat)</li> </ul>	Potential	Can be a good partner to work with industry associations and SME's to support digitalisation in IFAD supported projects especially AGRI-M
	Office for the Management of External Assistance Programs (OEAPM)	<ul style="list-style-type: none"> <li>OEAPM is the responsible public entity within the Ministry of Finance managing the revolving funds of IFAD funded projects. The revolving credit lines managed by OEAPM are meant to ensure access to funds for beneficiaries to invest and scale-up their farming as a business. The strong monitoring system that is already in place at EAPMO allows for follow up and assessment of the performance of the revolving RRP credit lines beyond project completion. With support from IFAD, EAPMO is further enhancing its system to include additional output indicators (e.g. gender, sub-sector of investment, etc.) that will remain fully available to the CPIU and the Government for monitoring and lessons learned</li> </ul>	<ul style="list-style-type: none"> <li>National coverage</li> </ul>	Ongoing	Implementation support of rural finance activities implemented by RRP through wholesale lending to PFIs
	Municipalities (Primarias)	<ul style="list-style-type: none"> <li>Primarias represent the local municipality in Moldova and have a critical role in disseminating project opportunities to the rural beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>National Coverage</li> </ul>	Ongoing	Implementation support especially of the infrastructure activities implemented by IFAD funded projects.
Private Sector Engagement	Value Chain Associations (VCAs) and Producer Groups (PGs)	<ul style="list-style-type: none"> <li>IFAD funded projects will scale up their partnerships with Value Chain Associations and Honey producer groups, including : <ul style="list-style-type: none"> <li>- Dairy Farmers Association;</li> <li>- Association of Producers and Exporters of Grapes from Moldova(APESM);</li> <li>- Moldova Fruct</li> <li>- National Federation of Associations of Sheep and Goat Producers;</li> <li>- Association of Lavender Cultivators and Processors from Moldova</li> <li>- Berry of Moldova Association</li> <li>- "Honey PGs.Dumbrăvița – Singerei" and</li> <li>- "Sandic Honey Group – Orhei"</li> </ul> </li> <li>The VCAs and PGs remained a strong entry point for TRTP target beneficiaries, esp. in the dairy, berry and honey sub sectors. Complementing the market exposure events, these partnerships will keep mobilizing women pilot interventions, especially in the livestock and honey value chains.</li> </ul>	<ul style="list-style-type: none"> <li>National Coverage</li> </ul>	Ongoing	Scale up value chain activities implemented by TRTP and AGRI-M.
	Local Financial Institutions	<ul style="list-style-type: none"> <li>To implement IFAD credit lines IFAD will partner with several financial institutions, including: <ul style="list-style-type: none"> <li>- Moldova AgroInd Bank (MAIB)</li> <li>- FinComBank,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>National Coverage</li> </ul>	Ongoing	Extension of the line of credit to IFAD beneficiaries and potential beneficiary of NSOs.

Partnering objective	Partner	Nature of project or justification for partnering	Project/Programme Coverage	Status	Expected results from the partnership
		<ul style="list-style-type: none"> <li>- Moldinonbank,</li> <li>- OTP Bank,</li> <li>- Procredit Bank,</li> <li>- Comert Bank</li> <li>- EuroCredit Bank</li> <li>- NBCO MikroKapital and</li> <li>- SCA Botna.</li> </ul>			
	Proparco	<ul style="list-style-type: none"> <li>• Proparco, is AFD subsidiary focused on private sector development and based in Istanbul. The minimum ticket size for the investment is USD 10 Mln. PROPARCO signed in May 2022 its first operation of 8 million euro debt to help the country's leading microfinance institution Microinvest to serve an increased number of micro entrepreneurs and SMEs, in particular businesses in rural areas and in the agricultural sector and to further develop its loan portfolio.</li> <li>• Identify possibilities to collaborate throughout private sector operations in the country;</li> <li>• Exchange of information about potential private sector operations Moldova which could benefit IFAD target groups (i.e. market integration).</li> </ul>	<ul style="list-style-type: none"> <li>• National Coverage</li> </ul>	Potential	<ul style="list-style-type: none"> <li>• Identify possibilities to collaborate throughout private sector operations in the country;</li> <li>• Exchange of information about potential private sector operations Moldova which could benefit IFAD target groups (i.e. market integration).</li> </ul>
Knowledge generation / Innovation	Centre for smart agriculture (CSA) setup by Chemonics and Helvetas with funding from USAID and SIDA	<ul style="list-style-type: none"> <li>• CSA is envisioned as hub for research, innovation, and education in the fields of smart agriculture, with a particular focus on drone technology, mechatronics, and smart irrigation. They centre will promote cross-cutting knowledge encompassing both digital technologies and agricultural production.</li> </ul>	<ul style="list-style-type: none"> <li>• National with centre at the Technical University of Moldova (Chisinau_</li> </ul>	Potential	Can be a partner for IFAD supported projects especially around capacity building, package of practices as well transfer and adoption of digital technologies

## Transition projections

1. Moldova was classified as an upper-middle-income country by the World Bank for the first time in 2021. This has been made possible by a combination of strong growth in remittance but as due to improved productivity in agriculture, where a sixfold increase in output per worker in has led to a movement of abundant workers from smallholder agriculture to low-skill manufacturing and services sectors, as employment in primary agriculture (excl. food industries) declined from 20% in 2004 to 5% in 2021. This sectoral reallocation was a key driver of economic growth as the average labour productivity in the low-skill manufacturing and services sectors absorbing these workers such as trade, transport, or personnel services was still higher at the time. Given the strong catch-up of agriculture productivity, however, workers' productivity has become more similar across sectors, eliminating the past source of growth from structural change.
2. This has also made Moldova ineligible for concessional loans from most development financing institutions, including IFAD where the new Agri-M project is to be financed by the borrowed resource access mechanism on ordinary terms, but completed by grants from non-IFAD sources (e.g. AF and GEF). However, with harder terms comes harder government scrutiny of the IFAD support projects and this pose new challenges in managing the country partnership. In particular challenging is the balancing of IFAD's rural inclusiveness and poverty strategies with the governments drive for agricultural commercialisation, consolidation and competitiveness.
3. **The Debt Sustainability Analysis (DSA)**<sup>19</sup> assesses Moldova at low risk of external debt distress and at moderate risk of overall public debt distress, unchanged from the December 2022 DSA. Moldova's public debt is considered sustainable with current debt carrying capacity assessed as strong. This is despite the increased financing needed to mitigate the economic and humanitarian fallout of the war in Ukraine and projected medium-term developmental spending needs. Overall, the public debt trajectory remains vulnerable to risks, particularly from shocks to real GDP growth, calling for broadening growth drivers, sustaining reform momentum, and remaining committed to prudent fiscal policy under the ECF/EFF<sup>20</sup> program, while reducing longer-term risks stemming from climate change through the new RSF<sup>21</sup>. In addition, improving governance, enhancing effectiveness of public spending, and strengthening management of fiscal risks, including from SOEs, are priorities to contain public debt vulnerabilities, as well as reducing vulnerabilities to extreme weather events and energy shocks.
4. **External borrowing.** The DSA assumes that contracted but undisbursed concessional loans will be fully disbursed over the medium-term as planned by the authorities. Commercial borrowings, with Moldova having graduated from IDA-eligible borrowing in 2021, are projected to rise over the longer term to finance the country's high development needs. This plays a key role in the DSA. However, Moldova will continue to benefit from significant concessional and grant financing in the medium term, driven in large part by the profile of the new concessional borrowing. In the short-term, the external financing need—estimated at about \$883 million in 2023—will be fully covered by the WB's Development Policy Operation (DPO) (\$221 million), the European Union (\$197 million), other development partners (about \$253 million), and augmented ECF/EFF disbursements of about \$218 million, all of which are to be disbursed for budget support.<sup>7</sup> In 2024, an external financing gap of \$548 million will be financed by

<sup>19</sup> IMF-WB Article IV-Moldova-Dec 2023

<sup>20</sup> The IMF Extended Fund Facility (EFF)/Extended Credit Facility (ECF) envisage up to USD 796 mln disbursement under Moldova's blended 40-months ECF/ECF arrangements.

<sup>21</sup> IMF approved an arrangement for Moldova under the Resilience and Sustainability Facility (RSF), in an amount equivalent to USD 173 mln to strengthen resilience against climate shocks, support energy sector reforms, enhance domestic financial sector preparedness, and mobilize sustainable finance.



IMF disbursements (around \$270 million) under the ECF/EFF program, along with disbursements from the IBRD, the EU, and other development and bilateral partners.

5. **The public debt-to-GDP ratio is expected to increase modestly in 2023–25 with an increase in domestic and external borrowing.** An increase in public debt reflects financing needs to mitigate the economic and humanitarian spillovers of the war in Ukraine, while also responding to rising energy cost and food prices. In 2023, external debt is envisaged to increase slightly, before rising to just over 70 percent of GDP in 2024. Domestic borrowing is assumed to be balanced in 2023 with significant financing coming from external sources. Demand for government securities is expected to improve from 2025 onwards. The weighted average interest rate on short-term debt is assumed to be around 7 percent in 2023, continuing the reversal in yields that spiked in 2022, and is projected to remain there over the medium term.
6. **Public investment and growth.** The ECF/EFF-supported program aims at augmenting public investment with growth-enhancing structural reforms, including SOEs reform, and an improvement of the business environment. The new RSF also aims to catalyse external private financing into the energy sector and for climate-related projects, though the exact impacts of this will only become clearer once the reform measures are implemented. Reforms under both programs would be expected to crowd-in and enhance domestic and foreign private investments in support of the higher projected growth trajectory over the medium term.

# SECAP Background Study

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## Introduction

This SECAP was prepared to provide guidance for directing the Country Strategic Opportunities Programmes (COSOP) in terms of social, environmental and climate change considerations that are specific to Moldova's context. Extensive discussions were held with Government authorities including line Ministries and Divisions within the Ministries, donors working in the country, the consolidated IFAD Programme Implementation Unit (CPIU), the Country Strategic Opportunity Programme (COSOP) design team and other relevant stakeholders.

## Part 1 - Situational analysis and main challenges

### Socioeconomic situation and underlying causes

According to the National Bureau of Statistics (NBS), the positive poverty reduction trend observed in the last decade – when absolute poverty declined from 29.5 per cent in 2014 to 24.5 percent in 2021 – stopped. In fact, compared with 2021, Moldova is one of the countries facing the most drastic impacts of the global cost-of-living crisis catalyzed by war in Ukraine: food prices were almost a third higher and solid fuel prices including coal, briquettes, and firewood – which the poor disproportionately use as fuel sources – have increased substantially<sup>22</sup>. Against this backdrop, the **incidence and depth of poverty** followed an upwards trend, reaching **31.6 percent in 2023**. The absolute rural poverty rate is far higher, 42 percent – almost three times higher than in urban areas (17.7 percent). The total severe poverty also increased, from 1 percent in 2019 to 1.4 percent in 2023, with a higher magnitude of increase in rural areas, from 1.5 percent in 2019 to 2 percent in 2023.

Notwithstanding **internal migration** pressures from rural areas to the capital city and urban settlements, Moldova remains a rural country, with about 57 percent of the population living in rural areas. Inequalities between the urban and rural population is one of the factors triggering internal migration and depopulation of rural areas. In fact, **multidimensional poverty** is primarily characterised by unequal access to quality public services such as health care, education, energy, water supply and sanitation but also in terms of access to employment<sup>23</sup>. In this regard, the **particularly vulnerable groups** are the rural population in general, women, youth, people with disabilities, elderly, and members of the Roma community. Income remained among the lowest among neighbouring countries, with no clear convergence trends and with a worrying trend of a widening gap between rural and urban populations. According to the 2023-2030 National Strategy on Agriculture and Rural Development (NSARD), the average income per person in rural areas hardly covers the minimum subsistence income (1,658 lei). An increasing number of rural families are living on subsistence farming only. A quarter of the income is coming from social benefits; remittances (22.3 percent) have an equally large weight in the total income, which are used for amortizing poverty and highlighting the amplitude of the emigration phenomenon<sup>24</sup>.

**Low-income levels and increased risks of poverty** are due to **limited economic opportunities**. The Republic of Moldova registers one of the lowest employment rates in the region, with huge gender employment gap: 56.4 percent in urban areas (76.6 percent employment rate for men and 39 percent for women) and 43.3 percent in rural areas (53 percent employment rate of men and 35 percent of women). In combination with demographic factors and low fertility rates, the **share of the working-age population** represents one of the major challenges, contributing to the increasingly higher pressure on the social protection system. This vicious cycle is further exacerbated by the **outmigration** to other countries, with over a quarter of the country's population currently

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<sup>22</sup> WB, 2023. Poverty & Equity Brief.

<sup>23</sup> Swedish Embassy, Moldova, 2020. Multidimensional Poverty Analysis (MDPA).

<sup>24</sup> NBS, Persons aged between 25-29 with at least one child.

residing abroad (NBS, 2020), and approximately 346,400 of temporary labour migrants predominantly coming from rural Moldova<sup>25</sup>. Recently, Moldova's migration dynamics as well as patterns in remittance flows are starting to change. In fact, approximately 65,000 people have returned and remained in Moldova since the COVID-19 outbreak. Notwithstanding the fact that the majority of returnees will re-emigrate, 37 percent intend to either find a job or start a business in Moldova<sup>26</sup>. This cohort of people have different employment experience and skills, and if they will be able to integrate effectively into the labour market, this could represent an opportunity to engage and prevent or delay Moldovans from massive outmigration.

Notwithstanding the fact that the share of social benefits and remittances in disposable income has increased, reaching respectively 19 and 13 percent in 2020, they cannot be considered as sustainable livelihood sources. Owing to the Moldovan socio-economic context and the current macroeconomic challenges, they might rather become a source of risk. In fact, remittances more than halved in 2021, from 35 percent of country's GDP in 2006 to about 16 per cent. On the other hand, the current budgetary and demographic circumstances may lead to a gradual reduction of the social safety nets.

**The agricultural sector** in Moldova is still considered to comprise the backbone of the economy. Agricultural land represents 62.5 percent of the country's total land, and the sector remains one of the most important employers, **providing jobs for around 21 percent of the active population**. However, this percentage drastically dropped from the pick of 36.1 reached in 2018. The salary level of agricultural employees is among the lowest, with an average monthly wage of about 4,376 lei for women and 5,000 for men (NSARD). This is about 34.1 per cent lower than the national average, due to the seasonality of labour demands, and the low level of qualifications among agricultural workers. Low salary, poor working and living conditions in rural areas are among the main causes of the low attractiveness of jobs in the rural economy.

The redistribution of former state farmlands to people living in the villages has turned the latter into "**new**" **smallholders** with limited agricultural working experience and with farms that are not economically viable, leading to the emergence of pockets of rural populations who remain poorer and more vulnerable. Over the years, this has contributed to a large degree of **heterogeneity** and **dualistic farm structures** with many small and individual farms – mostly peasant farms and household plots under private ownership – and few large-scale enterprises and corporate farms. The General Agricultural Census in 2011 reported about 900,000 agricultural holdings, with an average land size of 2.5 ha. The level of **land fragmentation** varies according to the population density, being highest in the central part and lower in the south. The 2023 survey on "*Agricultural activity of small agricultural producers*" combined with the data from the 2023-2030 NARD shed light on the farmland' makeup and its distribution.

Taking into consideration the land size holdings, agricultural enterprises and peasant households that manage more than 10 ha cover about 75 percent of agricultural land surfaces (NARD), while 131,327 is the number of farmers that cultivate an average land area of up to 10 ha (NBS survey)<sup>27</sup>. Some of them can be considered semi-subsistence in nature while a significant proportion has a commercial orientation<sup>28</sup>. The NBS survey also shows that they are mostly engaged in the production of high-value crops, particularly **melons and culturi bostănoase** (89.3 percent) and **potatoes** (88.4 percent) – where they supply 93 percent of the production – **vegetables** (74.4 percent) – covering 78 percent of the total production – and **fruits and berries** (46.4 per cent), where the supply 61 per cent of the total production. Individual households and small-scale producers are

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<sup>25</sup> Migration and Asylum Office, Ministry of Internal Affairs of the Republic of Moldova, 2019.

<sup>26</sup> IOM and WB's nationally representative study on returnees, 2020.

<sup>27</sup> Agricultural activity of small agricultural producers of the Republic of Moldova in 2023.

[https://statistica.gov.md/files/files/publicatii\\_electronice/Activitatea\\_agricola/Activitatea\\_agricultura\\_editia\\_2023.pdf](https://statistica.gov.md/files/files/publicatii_electronice/Activitatea_agricola/Activitatea_agricultura_editia_2023.pdf)

<sup>28</sup> FAO, 2019. Smallholders and family farms in the Republic of Moldova.

also heavily involved in beekeeping – particularly rural business-women – owning 98 per cent of the bee-families (NBS), and in milk production (FAO). They usually practice a crop mix of high-value crops and grains, which leads to better land productivity, preservation of soil fertility, and greater biodiversity. When we look instead at the makeup of the **food processing industry, horticulture** has been emerging as a priority sub-sector with higher value added, and noticeable improvements in quality have been achieved by the vegetable sector. However, over the past two decades, land areas used for high-value crops have decreased twofold (FAO). **Livestock production** is still underdeveloped and emerging slowly, owing to the high costs of breeding and processing, but also to a lack of the required infrastructure and food safety standards.

Agricultural output is affected by climate change and faces challenges related to the **underutilization of modern technologies and innovations**. As a result, it is growing at a slower rate than the emerging ICT, construction, and service sectors. Taken as a whole, the existing **rural advisory service system** does not work at optimal capacity and does not meet the current technical needs of the agri-food sector.

The **processing sector** has been neglected over the last 10 years, with exports mainly focusing on raw materials – with negative implications for the income level growth path – and the unprecedented increase in the areas cultivated with field crops. A much greater emphasis on food-processing is required in order to gain ground in this often-neglected sector, which used to be one of main employers (NARD).

Agri-food products made up 42.6 percent of total exports. **Exports of agri-food products** with higher added value are still limited due to the inadequate storage and processing infrastructure, as well as poor marketing capacities<sup>29</sup>.

**Throughout the COSOP design mission**, all stakeholders interviewed strongly pointed out that all official figures on the number of smallholders with up to 10 ha of land are potentially misleading as data from the Land Cadastre of the Republic of Moldova are not constantly updated and not all of them are actively engaged in farming activities and large areas of smallholders' land are rented out to bigger operating farms with more than 50 ha. This circumstance is reflected by the recent approved law on the subsidy in agriculture and the rural environment (Law No. 71 of 31-03-2023)<sup>30</sup> where the land size holding is no longer a qualifying condition for a smallholder, who is instead classified according to its number of employees and volume of turnover as a micro, small, medium, or large farmer. In alignment to this, the Ministry of Agriculture is also developing a new law on Family Farming.

**Gender.** Women comprise 52 percent of the population in 2022. They are among Moldova's vulnerable groups, particularly owing to imbalances in gender relations concerning rights in accessing and controlling resources, unemployment, and domestic violence. Rural women are the most affected by social and economic challenges, also due to stereotypes and the existing traditionalism on the distribution of roles at the household and community level. About 60 percent of all women in rural areas mainly live in a family environment and about 21 percent of the active ones are employed<sup>31</sup>, and their job ensures interaction with the community in general and also with the environment outside the community.

The level of women's education in rural communities is much lower than that of women in the cities; in 2014<sup>32</sup>, only 46.4 percent of active rural women had higher education, specialized secondary or vocational secondary education – with a steadily reduction

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<sup>29</sup> UN Moldova, 2021. Common Country Analysis.

<sup>30</sup> [https://www.legis.md/cautare/getResults?doc\\_id=136602&lang=ro](https://www.legis.md/cautare/getResults?doc_id=136602&lang=ro)

<sup>31</sup> European Union, 2021. *Country Gender Profile, Republic of Moldova*.

<sup>32</sup> These are the most updated figures with the rural/urban disaggregation; more updated data disaggregate by gender and age only. NBS, <https://statistica.gov.md/en/publications?domains%5B0%5D=28>

tendency observed in recent years – compared to 75 percent in urban areas. This is correlated with fewer opportunities in using acquired knowledge and in finding a job, excluding agriculture, to generate revenue. In fact, almost half of them are employed in agriculture along with men, in addition to the activities they have as homemakers; 17.5 percent of businesses in agriculture are owned by women entrepreneurs aged 15-34 (UN Women, 2021).

In 2020, women represented only around 19 percent of applicants for post-investment subsidies. Eligible women farmers are entitled to an additional 15+ percent increase over the authorized subsidy as a one-time incentive. In 2020, women were the largest group in this category, representing 49 percent of the total. However, when the share of women who benefited from the 15+ percent incentive is compared with all applicants for subsidies in the same year, women's representation is at only 2.7 percent. Households headed by women are more involved in vegetable and fruit production, which are eligible for export to the EU and other countries - provided that quality and food safety standards are met – and with potential to increase wage-earning opportunities in the marketing of fresh and processed products<sup>33</sup>.

The type of work that women usually do is minimally mechanized physical work such as harvesting in greenhouses, manual spraying, and selling in small markets outdoors. Moreover, women perform most of the seasonal informal work in crop harvesting, sorting, and packaging of agricultural products and, along the value chain, women process plant products, very often in household agricultural processing activities<sup>34</sup>.

Reduced access to social services combined with the lack of financial resources and underdeveloped/degrading social infrastructure represent other critical factors leading to women living in rural areas' vulnerability.

Women have less political representation in local councils and in the national parliament. However, a positive trend is observed; for instance, the share of women elected to positions of mayors increased from 18.2 percent in 2007 to 20.6 percent in 2015, also as members of local councils from 26.5 percent in 2007 to 30 percent in 2015<sup>35</sup>.

**Youth.** According to the Law on Youth (2016), youth is defined as "young people, citizens of the Republic of Moldova, aged 14 to 35". Young Moldovans face multiple and interconnected challenges, most notably in employment. Many young professionals do not have the right skills for the local labour market and often have difficulties in finding employment in their field of work.

According to the NBS, the **NEET** rate of young people aged between 15 and 34 reached 27.1 percent in the second quarter of 2023, compared to 26.4 per cent in 2021 (in the EU – 11.2 percent in 2023 among the 15-29 age group, EUROSTAT), with the majority of them being young women. About one third of the population has emigrated during the past two decades. During 2014-2018, young people aged 20-29 represented the highest share amongst **labour migrants**, with the share of the population aged 14-34 falling to just 26.9 percent in 2019 (UN Moldova, 2019). Moldova's young people mainly emigrate for educational purposes, with the majority choosing to resettle abroad, thus contributing to the loss of qualified human capital and placing Moldova in the top ten countries within the European region in terms of skilled labour-force emigration. This is particularly true for rural areas where each third employed young person is over-educated for the job he/she has<sup>36</sup>. The mismatching between the level of education/skills of young people and their job, forces them to choose and look for a new activity or to migrate. These statistics

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<sup>33</sup> USAID, 2017. Value Chain Assessment and Selection. Moldova High Value Agriculture Activity.

<sup>34</sup> National Strategy on Agriculture and Rural Development for the period 2023-2030.

<sup>35</sup> NBS, <https://statistica.gov.md/en/publications?domains%5B0%5D=28>.

<sup>36</sup> ILO, 2017. *Youth on the labour market in the republic of Moldova: Competences and Aspirations*.

confirm the fact that the rural environment remains unattractive for young people due to the lack of employment opportunities, poor living conditions, and low wages.

Younger people in rural areas have seen their **income** from agricultural activity **decreasing by half in recent years**, while at the same time, most of them are now earning part or all of their income in other areas of the economy, above young households aged 23-38. In 2009, over 22 percent of men and 20.3 percent of women in this age group were solely reliant on income from agricultural activities; by 2018, this had decreased to 10.4 percent for men and 10 percent for women<sup>37</sup>. Young men and women are trying to engage in very diverse forms of agro-based enterprise development in rural areas, but **they face many challenges**, such as lack of: (i) access to mentoring, coaching and support to develop business plans to identify feasible options; (ii) access to capital and collateral to access credit; (iii) technical knowledge, information, and access to markets.

**Marginalised groups.** In a 2021 study by the OSCE, national minorities in Moldova expressed a multifaceted identity, aligning themselves with Moldovan citizenship and their ethnic backgrounds. Among these, the Roma community places more emphasis on their ethnicity and faces a poverty rate twice as high as other ethnic communities in the country<sup>38</sup>. Recent studies suggest that 95 percent Roma women living in rural areas who are aged over 50 and have a low level of education are the most vulnerable social group financially<sup>39</sup>. Tolerance towards Roma and LGBTI communities is extremely low, which expose them to stigma and discrimination.

**People with disabilities (PwD).** According to the NBS, 6.7 percent of Moldova's population has some kind of disability. PwD are often subject to stigma and limitations in exercising their rights. They have limited access to education, health, and political representation. The population in general has little awareness and legal institutions often have poor knowledge of the rights of people with mental and/or physical disabilities. All these factors make PwD, especially women, particularly vulnerable to discrimination and ill-treatment.

**Nutrition.** Moldova experiences a relatively low level of hunger and ranks 32<sup>nd</sup> (moderate) on the Global Hunger Index. The per capita daily food energy consumption exceeds the WHO's recommendations, yet there's still concern about the 21 percent of people who consume inadequate food quantities. A Health Behaviour among School-age Children Survey (2014) indicated that only one third of respondents (33 percent) eat fruits daily and one fifth (21 percent) reported eating fruits once a week or less often. The health of the rural population seems to be lagging behind when compared to urban residents, with prominent gender differences<sup>40</sup>. Moldova faces a significant disease burden, primarily arising from **non-communicable diseases (NCDs)** which are caused by behavioural and other socio-economic factors. In 2019, 93 percent of all deaths were attributable to NCDs. High blood pressure, dietary risks, and tobacco are the main **risk factors driving mortality and disability**<sup>41</sup>. No progress has been made towards achieving the target of reducing anaemia among women of reproductive age, with 26.1 percent of women aged 15 to 49 years now affected. The prevalence of overweight and obesity in Moldova has been increasing in recent years. Among the adult population, 47 percent of people aged over 18 was overweight and 22.9 percent of adult women and 18.3 percent of adult men are living with obesity<sup>42</sup>. Moldova is 'on course' to meet the target for stunting and no sufficient data are available to assess its performance on reducing wasting.

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<sup>37</sup> UN Moldova, 2021. *Common Country Analysis*.

<sup>38</sup> ILO, *Promoting Decent Work for Roma Youth in Moldova*

<sup>39</sup> Committee on the Elimination of Racial Discrimination, June 2020.

<sup>40</sup> The average daily intake of fruit and vegetables was 4.2 in rural areas versus 3.9 in urban areas.

<sup>41</sup> HME, Institute for Health Metrics and Evaluation, Republic of Moldova.

<sup>42</sup> Global Nutrition Report, 2022. Country Nutrition Profiles.

## Environment and climate context, trends and implications

**Geographical context.** In Moldova there are three agro-ecological zones (AEZs): (i) Northern Zone, located along the Dniester River with a forest steppe ecosystem, and high productivity rates for forages, pastures and livestock; (ii) Central Zone, a hilly and forested area suited for perennial crops including orchards; and (iii) Southern Zone, composed of hills and plains, with higher temperatures and lower rainfall than the other two zones<sup>43</sup>. Moldova is divided into two major natural zones: forest-steppe zone and steppe zone. Most of the steppe lands are used in agriculture.

**Main environmental challenges.** Overall, Moldova has sufficient surface and groundwater resources, but surface water availability is noticeably constricted by inefficient infrastructure for its delivery to rural agricultural lands; groundwater is polluted. Soil erosion and land degradation are prevalent in rural, agricultural areas and low forest cover plays a role in accelerating erosion; poor agricultural practices are contributing to land degradation. Biodiversity degradation, especially in forests and wetlands, have also contributed to soil erosion, flash floods and landslides. Low forest cover has contributed to reduced water retention and infiltration capacity in watersheds; increased forest cover would contribute to enhancing those, as well as to other ecosystem services such as carbon sequestration and availability of non-wood forest resources. Climate change is being increasingly felt, in particular an increase in severe floods and drought. Floods are a major concern, the most recent occurring in 2006, 2008, and 2010. The 2008 flood, which spilled over the Dniester and Prut riverbeds, caused a total damage amounting to US\$ 120 million and affecting around 6,525 hectares of agricultural land. The risk of increased frequency and intensity of floods is higher in the center (hot semi-humid areas)<sup>44</sup>. The 2007 and 2012 droughts caused an estimated economic loss of about US\$1.0 billion and US\$0.4 billion, respectively. The 2020 drought caused a reduction of over 26 percent in agricultural production with significant socio-economic impacts, including almost 20 percent of job losses in the agricultural sector. Insufficient rainfall drastically reduced agricultural production in 2022, with wheat and maize production estimated to be down by over 30 percent compared to 2021<sup>45</sup>.

**Forests.** The National Forest Fund (NFF) accounts for roughly 12.7 percent of the territory<sup>46</sup>; 49,100 ha of forest vegetation is outside the NFF of which 29,800 ha is protection belts (for agricultural fields<sup>47</sup>, roads, rivers and water basins, etc.) and 19,200 ha is other types of forest vegetation<sup>48</sup>. There are 45 native tree species, 81 native shrub species, and three native vine trees species<sup>49</sup>. Forest lands are highly fragmented, and from 2001-2023, Moldova lost 13.4 kha of tree cover, equivalent to a 3.8 percent decrease in tree cover since 2000. Deforestation (including illegal logging/wood for domestic use), fragmentation and climate change are major drivers of forest loss, affecting the growth and productivity of forests; invasive alien species are also an issue. Although the forestry sector's direct economic contribution to GDP is small, it has the potential to increase as the value of direct and indirect forest ecosystems services develops (wood, nontimber

<sup>43</sup> [https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA\\_percent20Moldova.pdf](https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA_percent20Moldova.pdf)

<sup>44</sup> Republic of Moldova. The National Climate Change Adaptation Programme Until 2030.

[https://unfccc.int/sites/default/files/resource/NAP\\_Moldova\\_2024.pdf](https://unfccc.int/sites/default/files/resource/NAP_Moldova_2024.pdf)

<sup>45</sup> Ibid.

<sup>46</sup> The exact updated figures are not available as different data sources report different figures. A recent (UNECE 2023 Forest Landscape Restoration in the Republic of Moldova Feasibility study on the production of forest reproductive material) report states that overall forest cover is just over 11 percent of total land area. In contrast, the Environment Strategy for the years 2023-2030, which is currently being considered for approval by the Government of Moldova, states that forest ecosystems have grown in recent years by 8 thousand ha, reaching 13.4 percent of the country's total area.

<sup>47</sup> Forest shelterbelts constitute 1.22 percent of the area of agricultural lands (UNECE, 2023).

<sup>48</sup> <https://www.moldsilva.gov.md/pageview.php?l=en&idc=180&t=/National-Forest-Land/Forest-Resources>

<sup>49</sup> Republic of Moldova. National Afforestation and Reforestation Programme (NARP) for 2023 – 2032.



products, carbon sequestration, water retention, soil erosion regulation, and tourism, for example)<sup>50</sup>.

**Land.** The main type of soil in Moldova is black soil, characterized by high productivity potential, a high degree of land usage (over 75 percent) and a rugged terrain (over 80 percent of cropland is located on slopes, making it vulnerable to the effects of soil erosion)<sup>51</sup>; soils become less fertile in the south. Land fragmentation has resulted in a mosaic of land cover patterns where land is intensively used and agricultural practices are unsustainable. The current soil cover condition is unsatisfactory on about 50 percent of agricultural lands and critical on about 10 percent. The area of eroded land has been increasing annually by 0.9 percent, and 26 million tons of fertile soil are lost annually from agricultural land. The annual damage to the national economy as a result of soil degradation is estimated at about 3.1 billion lei (about 155 million US dollars)<sup>52</sup>. Moldova is increasingly exposed to land and soil degradation, and drought hazards, caused by poor land management; land privatization and parcelling; lack of crop rotation; reduction of fodder and leguminous crops; reduction of the use of organic and mineral fertilizers; improper tillage; improper management of pastures; improper use of heavy machinery in agriculture; and shrinking of areas of protective forest cover strips – but also erosion by water and wind, excessive humidity, salinization, alkalinization and landslides<sup>53</sup>.

**Water.** Moldova is not poor in water resources, however water availability is an issue. Agriculture is largely rainfed, making this sector vulnerable to shocks, including climactic ones. The main water source is inflows from the Dniester and Prut rivers (around 91 percent of Moldova's surface water); Moldova has two river basin districts: (i) Dniester district (around 57 percent of the country); and (ii) Danube–Prut–Black Sea basin district (around 43 percent of the country), and includes the three hydrographic basins of the Prut, Danube, and Black Sea<sup>54</sup>. As of 2020, approximately 40 percent of the rural population is supplied with groundwater, reportedly from about 4,970 wells of which 47 for agricultural use<sup>55</sup>. As mentioned, agriculture is largely rainfed, but represents just 42 percent of average crop water demand across agroecological zones. Irrigation infrastructure is weak – of 88 central water pumping stations, only 22 are functional; the remainder are either not working or only partially functional<sup>56</sup>. Water is polluted from fertilizers, manure disposal, and lack of rural sanitation – high salinity and mineralization are also found in surface waters in lakes and ponds, compromising their use for irrigation<sup>57</sup>. The impacts of climate change on water availability are already being felt and are projected to worsen – demands for irrigation increase during periods of little rainfall, and because of climate change-related hotter and drier periods, and erratic rainfall patterns, the demand will increase. Most likely, this will result in the expansion of water stress hotspots along the north and middle Prut, and in the south-east and south-west of the country<sup>58</sup>.

**Biodiversity.** There are 5,568 plant species in Moldova. According to the floristic composition, the richest are the forest ecosystems (over 850 species), steppe ecosystems (over 600 species), meadow ecosystems (about 650 species), pteridophytes (about 250 species), aquatic and marsh ecosystems (about 160 species). There are about 1200

<sup>50</sup> Smets, Susanna, Amelia Midgley, Zhimin Mao, Veaceslav Vladicescu, James E. Neumann, Ken Strzepek, and Felicia Pricop. 2020. "Moldova: Water Security Diagnostic and Future Outlook." Water Security Diagnostic. World Bank, Washington, DC.

<sup>51</sup> Republic of Moldova. 2020. Second Nationally Determined Contribution to the UNFCCC.

<sup>52</sup> Republic of Moldova. National Afforestation and Reforestation Programme (NARP) for 2023 – 2032.

<sup>53</sup> Republic of Moldova. 2023. Fifth National Communication of the Republic of Moldova to the UNFCCC.

<sup>54</sup> Smets, Susanna, Amelia Midgley, Zhimin Mao, Veaceslav Vladicescu, James E. Neumann, Ken Strzepek, and Felicia Pricop. 2020. "Moldova: Water Security Diagnostic and Future Outlook." Water Security Diagnostic. World Bank, Washington, DC.

<sup>55</sup> Republic of Moldova. 2023. Fifth National Communication of the Republic of Moldova to the UNFCCC.

<sup>56</sup> Pers. comm. Land Improvement and Land Management Division, MoA. 15 May 2024.

<sup>57</sup> Smets, Susanna, Amelia Midgley, Zhimin Mao, Veaceslav Vladicescu, James E. Neumann, Ken Strzepek, and Felicia Pricop. 2020. "Moldova: Water Security Diagnostic and Future Outlook." Water Security Diagnostic. World Bank, Washington, DC.

<sup>58</sup> Republic of Moldova. 2023. Fifth National Communication of the Republic of Moldova to the UNFCCC.

species of fungi. There are over 15,000 animal species, of which 461 are vertebrates and over 14,000 invertebrates. Currently, 5.8 percent of Moldova is "State Protected Natural Areas", including three Ramsar wetland sites in the areas of the Lower Prut, Lower Dniester and Unguri-Holoșnița Lakes<sup>59</sup>. The five main direct drivers of biodiversity loss include land use change, overexploitation, climate change, pollution and invasive alien species<sup>60</sup>. Biodiversity loss is an issue affecting soil fertility, forests, wetlands and watersheds, and ecosystem services. Biodiversity loss has implications for climate regulation, with far-reaching implications for human populations and their livelihoods, especially those in rural agricultural areas who are more dependent on natural resources and ecosystem services.

**Climate change.** Moldova ranks 75th in the ND-Gain Country Index<sup>61</sup> (score of 51.8). Its vulnerability score is 0.406, and its readiness score is 0.442<sup>62</sup>; it ranks 84th (score of 0.512) with regards to adaptive capacity<sup>63</sup>. In 2020, the agriculture sector was responsible for 1.44 Mt CO<sub>2</sub>eq<sup>64</sup> - and while overall GHG emissions in Moldova are amongst the lowest in Europe, it is one of the most vulnerable counties with regards to the agriculture sector because of the sector's high employment rate and contribution to the country's economy. This is especially true in rural areas where the population is relatively larger and which practice subsistence agriculture as a source of income, making the rural population more vulnerable to negative climate change impacts.

In Europe, Moldova is one of the countries most vulnerable to natural disasters, as well as being amongst the least prepared for effective implementation of adaptation actions. In the agriculture sector, its adaptive capacity to climate shocks is weak referring in particular to its poorer quality of infrastructure, and reliable access to water and water storage infrastructure. Furthermore, although governance and climate actions are improving, Moldova still remains comparatively less well prepared for effective implementation of adaptation actions<sup>65</sup>.

In Moldova, climate change is already causing temperature increases, changes in precipitation regimes, and increase in climate aridity from extreme weather events such as heatwaves and frost, floods, storms with heavy rains and hails, and severe droughts (recently, in 2020 and 2022), impacting agricultural production. Based on full irrigation regime and pessimistic risk level scenarios, Figure 1 shows projections of impacts of climate variability and change on crop yields, until 2034. The country is also experiencing late springs and early fall frosts. Since the middle of the last century, the number of the risk phenomena caused by weather conditions and climate change has increased 5.5-fold<sup>66</sup>.

<sup>59</sup> Republic of Moldova. Environment Strategy for the years 2023-2030. Currently awaiting Government approval (as of 20 May, 2024).

<sup>60</sup> Republic of Moldova. Environment Strategy for the years 2023-2030. Currently awaiting Government approval (as of 20 May, 2024).

<sup>61</sup> A country's ND-GAIN index score is composed of a Vulnerability score and a Readiness score. Vulnerability measures a country's exposure, sensitivity and ability to adapt to the negative impact of climate change. ND-GAIN measures the overall vulnerability by considering vulnerability in six life-supporting sectors – food, water, health, ecosystem service, human habitat and infrastructure.

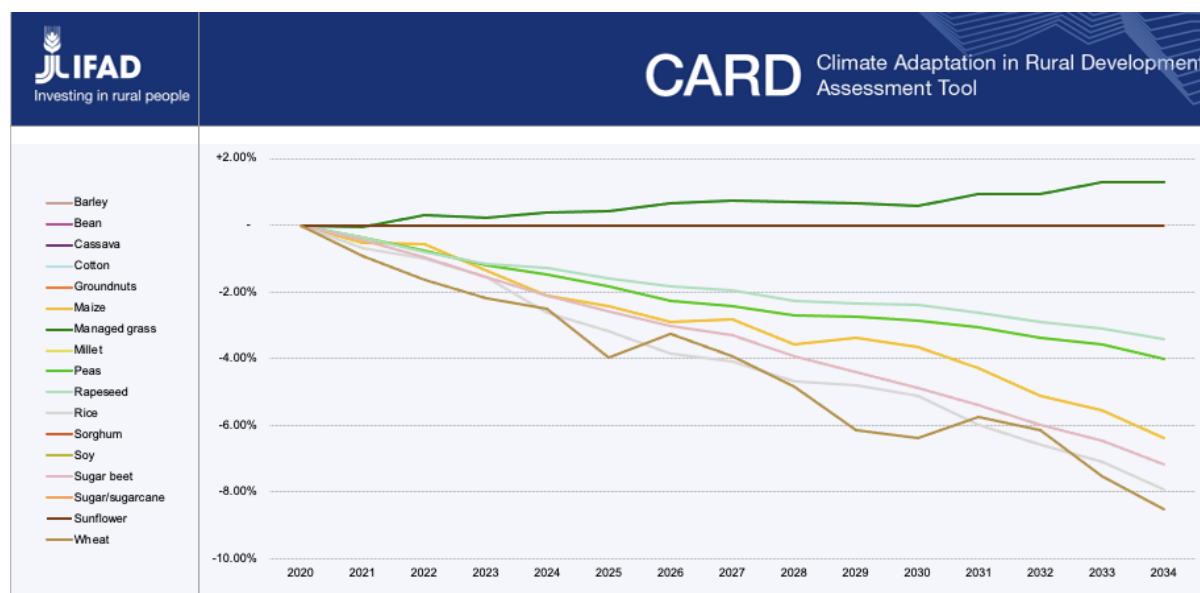
<sup>62</sup> <https://gain.nd.edu/our-work/country-index/rankings/> (Accessed 14 May 2024)

<sup>63</sup> Adaptive capacity: The availability of social resources for sector-specific adaptation. In some cases, these capacities reflect sustainable adaptation solutions. In other cases, they reflect capacities to put newer, more sustainable adaptations into place.

<sup>64</sup> Latest available data from ClimateWatchData.

<sup>65</sup> Fouejieu, Armand (2024). Opportunities and Challenges of Climate Adaptation Policies, Republic of Moldova, Washington DC: International Monetary Fund, Selected Issues Paper, SIP/2024/002

<sup>66</sup> FAO. 2023. Comprehensive analysis of the disaster risk reduction system for the agriculture sector in the Republic of Moldova. Budapest. <https://doi.org/10.4060/cc4759en>

**Figure 1. IFAD CARD climate variability impact on crops in Moldova.**

*Climate projections.* Annual temperature changes are homogenous across all AEZs. By the 2080's, the rate of warming is expected to be higher under RCP8.5 (+4.6°C), medium under RCP4.5 (+2.4°C), and lowest under RCP2.6 (+1.3°C). Winter warming is expected to be slightly higher (+4.6°C) over Northern AEZ, as compared to the Central and Southern AEZs (+4.2°C) whereas summer warming is projected to be highest over Southern and Central AEZs, and higher by +6.1°C in the South, by 2100. Between 2016-2100, precipitation is projected to increase by 0.6-2 percent over all of Moldova's AEZs, and especially during the summer and autumn months. The greatest summer rainfall reduction is predicted to occur by 2100, by 25.1 percent in Central AEZ and 18.1 percent, in Northern AEZ. It is therefore expected that there will be more precipitation in winter and less water in summer.

By 2081-2100, drought conditions (shown by the hydrothermal coefficient (HTC) <0.7) will be observed over the entire territory (including in August in the Northern AEZ) and under RCP8.5, in the Central (July and August) and Southern (July-September) AEZs. At this time droughts could reach medium (HTC=0.6) and strong (HTC<0.5) drought conditions<sup>67</sup>.

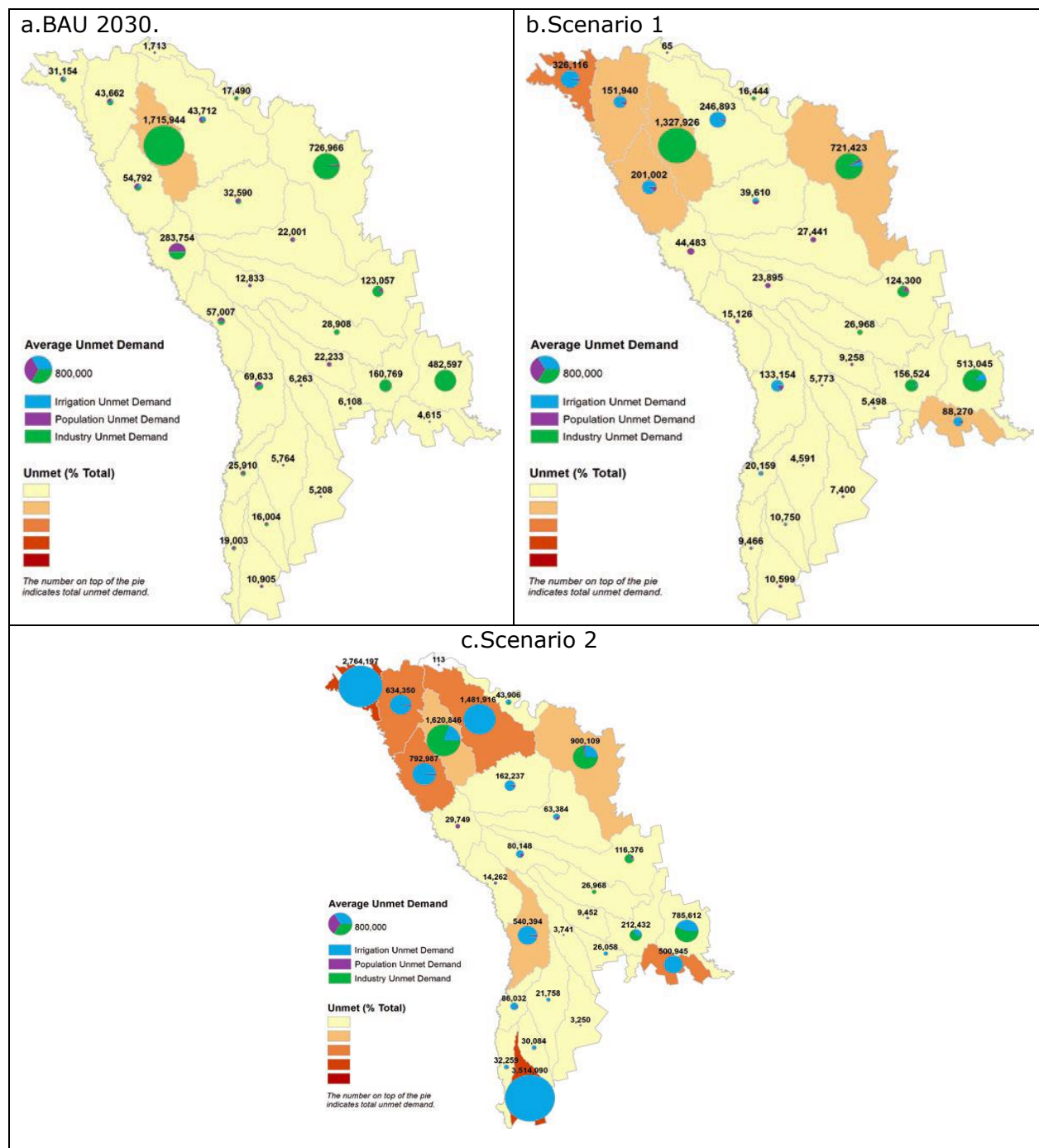
While the Dniester River Basin district covers 57% of the country's territory in the eastern and north-eastern regions, and the Prut-Danube- Black Sea River Basin district covers 35% of the country's territory in the West and Northwest, it is estimated that climate change will cause a decrease in surface water flows by 16-20% by 2030 and reduce annual runoff by 13% between 2010 and 2040. Furthermore, while these values suggest that the trends of the current hydrological regime of small rivers in Moldova will be maintained, the flow will be significantly below normal, especially in the summertime (due to frequent droughts). In particular, the south of Moldova will most likely experience drying up of rivers<sup>68</sup>. Figure 2 shows the average annual unmet water demand at the catchment level as a percentage of the total demand in the catchment, for irrigation, population and industry, using three scenarios: business as usual (BAU) and dry and wet climates. This figure gives a snapshot of the spatial distribution of hotspots across Moldova, as can be seen by the catchments with a darker orange colour. As water demand increases along the scenarios with increased investments, several more hotspots occur. In Scenario 2

<sup>67</sup> Republic of Moldova. 2020. Second Nationally Determined Contribution to the UNFCCC.

<sup>68</sup> Republic of Moldova. The National Climate Change Adaptation Programme Until 2030. [https://unfccc.int/sites/default/files/resource/NAP\\_Moldova\\_2024.pdf](https://unfccc.int/sites/default/files/resource/NAP_Moldova_2024.pdf)

especially, where irrigated agriculture is more intensively developed, hotspots intensify in the north, and in the southern catchments of the Prut-Danube and Black Sea catchments. Hotspot catchments will expand across large parts of the country, as a result of a projected drier climate, reducing the reliability of supply for the irrigated agriculture sector, and rainfed farming<sup>69</sup>.

**Figure 2. Average Annual Unmet Demand per Catchment in Absolute and Relative Terms as of Total Demand**



Source: Moldova: Water Security Diagnostic and Future Outlook.

69 Smets, Susanna, Amelia Midgley, Zhimin Mao, Veaceslav Vladicescu, James E. Neumann, Ken Strzepek, and Felicia Pricop. 2020. "Moldova: Water Security Diagnostic and Future Outlook." Water Security Diagnostic. World Bank, Washington, DC.

Aridity, leading to a high incidence of droughts, is expected to increase considerably by 2040. Aridity will be more pronounced during the plant growing season (June-October). The assessment of the hydrothermal coefficient (HTC) shows that the basic climatic conditions of HTC ranged from 1.4 in the north to 0.8-0.9 in the south-east of the country during the period 1986-2005. In the north, values recorded are characteristic of a moderately dry climate, and dry climate in the south-east. According to Moldova's updated NDC, an HTC assessment revealed that moisture insufficiency will become even more pronounced in the future, resulting in a gradual aridization of the territory, including the Northern AEZ (in August), which is currently considered to be still sufficiently wet<sup>70</sup>. This is supported by data analysis showing that during the 2081-2100 timespan, the HTC will be <0.7 (drought conditions). Under RCP 8.5, medium drought conditions (HTC=0.6) can be reached in the central AEZ (July and August), and strong drought (HTC≤0.6) in the southern AEZ (July, August and September)<sup>71</sup>.

Although Moldova's current exposure to negative climate change impacts is, in fact, similar to other European emerging economies, past climate disasters have been more costly; *Moldova is among the least prepared European countries for effective implementation of adaptation actions*<sup>72</sup>. Key vulnerabilities for the agricultural sector include water scarcity and irrigation challenges, reduced crop production and yields, risks to animal health and productivity (due to potential fodder shortages), soil degradation, salinization and erosion, and increased pest and disease pressure. Furthermore, rural farmers have fewer resources with which to avoid risks. Strengthening rural farmers' adaptive capacity should be a priority.

Selected adaptation priorities identified in Moldova's 2nd NDC and NAP Until 2030, relevant to IFAD, include sustainable soil management (conservation, precision, organic agriculture, etc.); crop improvement and development of drought and heat tolerant cultivars and hybrids; promoting efficient irrigation systems; increasing supply and efficient management of water demand, taking into account social and gender issues; promoting diversity and resilience of agricultural crops; promoting integrated food, water, and energy systems in a smart and climate change resilient agriculture; increasing the use of renewable energy sources; afforestation/reforestation; promoting the ecosystem approach in adaptation of forests to climate change; promoting agroforestry and silvo-pastoral practices; sustainable management of forests and ecosystem services; and organic matter restoration in degraded pastures.

## Part 2 -Institutions and legal framework

### Institutions

The **Ministry of Agriculture and Food Industry** is responsible for developing and implementing national and sectoral strategies, policies, programs, action plans, standards and requirements related to agriculture and food safety. Subordinate to the Ministry, the **Food Safety State Agency** is responsible for food safety standards and the **Land Improvement and Land Management Division** for issues relating to land protection and irrigation infrastructure.

The **Ministry of Environment (MoE)** is the state authority responsible for developing and promoting state policies and strategies in the field of environmental protection, climate change and natural resources. Subordinate to the MoE, the agency "**Apele Moldovei**" is responsible for implementing the state policy in water basin management, rational use and protection of water resources. The **Agency "Modsilva"**, also subordinate to the MoE, is the central public administration body on state policy in forestry and hunting. Its

<sup>70</sup> Ibid.

<sup>71</sup> Republic of Moldova. 2023. Fifth National Communication of the Republic of Moldova to the UNFCCC.

<sup>72</sup> Fouejieu, Armand (2024). Opportunities and Challenges of Climate Adaptation Policies, Republic of Moldova, Washington DC: International Monetary Fund, Selected Issues Paper, SIP/2024/002

functions include expansion, regeneration and conservation works; ecological reconstruction; rational use of forest resources; and guarding, protection and development the national forestry and hunting fund.

The review of the **National Commission on Climate Change (NCCC)** is in the final Government endorsement phase; the definition of the NCCC is detailed in the **Law on Climate Action** which will enter into force in November 2025.

**Agriculture chambers.** According to the **draft law** approved by the Government<sup>73</sup>, Agricultural chambers will be set up for the first time in Moldova in two levels: 10 Regional Agricultural Chambers and 11 National Agricultural Chambers. They are conceived to be consultative organizations, with the objective to facilitate a dialogue between farmers and the state authorities competent in the agricultural sector. The law – **which still needs to be approved by the Parliament** – also foresees a compulsory membership fee for farmers to finance the functioning of the Chambers, which will basically represent critical entry points to the agricultural community for the promotion of new technologies, innovations and good practices, access to information – including training programs, funding sources, projects that are ongoing or are to be implemented – consultancy, and the facilitation of knowledge and experiences exchange.

Association of Women Entrepreneurs in Moldova (AFAM), founded in May 2023, is a nationwide non-governmental organization, which mission is to support growth of the female entrepreneurs.

**UN Women** has set four strategic areas of action for the period 2023-2027: (1) gender-based violence, (2) women economic empowerment and resilience, (3) women leadership and gender-sensitive governance, (4) peace and security. UN Women have active programmes on women's self-confidence, business development, and mentorship.

### **Policy and regulatory frameworks**

Moldova's **National Development Strategy "European Moldova 2030"** is the overarching policy document which, among other things, was prepared in light of accession to the EU. Among the strategic objectives there are the increase of income from sustainable sources and the mitigation of inequalities through (i) acceleration of labour productivity growth, (ii) development of opportunities for innovation and entrepreneurship, (iii) improvement of the working conditions and reduction of informal employment.

Moldova's **National Strategy for Agriculture and Rural Development 2023–2030** has a vision for a competitive agri-food sector, centred on value chains with increased potential, is environmentally friendly and resilient to climate change, which strengthens food security and safety and ensures increasing institutional strengthening capacities, well-being and better living conditions in rural areas. The Ministry of Agriculture is currently in the process of developing the programmes implementing the strategy for the period 2024-2027.

**United Nations Framework Convention on Climate Change (UNFCCC).** Moldova ratified the Paris Agreement on 20 June 2017 and the Kyoto Protocol on 22 April 2003. It submitted its 2<sup>nd</sup> Nationally Determined Contribution (NDC) in 2020 and adopted its National Climate Change Adaptation Program (NAP) until 2030 in September 2023. In its **Second NDC**, Moldova's economy-wide unconditional target is to reduce its greenhouse gas emissions by 70 per cent below its 1990 level in 2030, instead of 64-67 percent as committed in its first NDC. Its cross-sectorial adaptation priorities include policy enforcement, knowledge and capacity building, improved climate information, integrated

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<sup>73</sup> Draft Law on the [Organization and Functioning of Agricultural Chambers](#). The document will be finalized after consultations with agrarians and will be considered by Parliament in the second reading.

disaster risk management, community-level climate change adaptation, technology transfer and uptake, financing climate change adaptation, private sector engagement in building climate change resilience, and gender. Moldova's **NAP** goal is to ensure the medium and long-term climate resilience of economic, social and ecological systems, addressing six vulnerable sectors including agriculture, energy, water resources and forestry. Moldova's new **Law on Climate Action** was approved on 16 May 2024 and will enter into force in November 2025. Moldova's **Low Emission Development Strategy until 2030** and the Action Plan for its implementation was developed to achieve the objectives of reducing greenhouse gas emissions set forth in Moldova's Second NDC. It includes a section on actions in the agriculture sector, intended to (conditionally) In lreduce emissions for this sector by 41% as compared to 1990. Actions include the use of green fertilizers (legumes mixed with cereal crops): introduction of temporary vegetation carbon into the soil; adding plant residues to the soil; optimization of fertilizer use; crop rotations and adding legumes to the crop rotation; and reducing tillage.

**United Nations Convention on Biological Diversity (CBD)**. Moldova ratified the CBD on 20 October 1995. Its National Biodiversity Programme (NBP) for the years 2024-2030 is currently under development. The concept note for the NBP has been finalized and approved by the State Chancellery. The Programme is in the process of being prepared. Completion is expected by September 2024. With respect to the agriculture sector, selected actions include ecosystem restoration, reducing genetic erosion, and no GMOs. The NBP is in line with existing policy strategies but also management plans such as the Management Program of the Danube – Prut and Black Sea hydrographic basin district, cycle II (2023-2028), which aims to ensure adaptation to climate change through the use of efficient irrigation technologies, afforestation of land, especially in water resource protection areas, and the promotion of conservation agriculture.

The **National Afforestation and Reforestation Programme (NARP) for 2023 – 2032** focuses on the sustainable development of the forestry sector, through the conservation and expansion of national forest resources, with the aim of increasing climate resilience in the long term and meeting the needs of the country regarding the products and services generated by forests. The new **Forest Code** was adopted in March 2024. Among other things it governs activities for monitoring the condition and sustainable use of the forest and hunting fund; forest use rules; measures to protect the forest fund; and conservation and improvement of forest biodiversity.

**United Nations Convention to Combat Desertification (UNCCD)**. Moldova ratified the UNCCD on 3 October 1999 and joined the Land Degradation Neutrality (LDN) global initiative in May 2016. It prepared its **National Drought Plan** in 2019 and its **Voluntary LDN Targets** in 2017, whose main interventions included ecological restoration and improving degraded lands; enhancing greenbelt plans to protect farmland areas; and increasing national forest cover to up to 15 percent. The **Land Reclamation Programme to Ensure Sustainable Soil Management 2021–2025** entered into force in 2021 and aims to ensure the sustainable management of soil resources. It provides for land improvement works, protection, conservation and increased soil fertility.

Moldova's **Environmental Strategy for the years 2023-2030** is currently awaiting Government approval, expected to happen in coming months (i.e. end of June 2024<sup>74</sup>, or at least within the third quarter on 2024). It is intended to be the **sectoral** strategy for environmental protection, climate change and natural resources.

Environmental impact assessment is governed by Law No. 86 "On environmental impact assessment", which was last amended on 08 November 2023. It sets forth the legal basis for the environmental impact assessment of public and private projects or projected economic activities with a view of prevention or reduction of negative environmental

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<sup>74</sup> Pers. Comm. 20 May. Chief, Department of Policies in Nature Conservation.

impact and protection of public health at the initial stages of project performance. Chapter III establishes the environmental impact assessment procedure. Chapter IV establishes transboundary environmental impact assessment procedures, if the origin thereof is the Republic of Moldova, whereas Chapter V establishes the environmental impact assessment procedure if the affected party is the Republic of Moldova. Chapter VII concerns approval of the development of planned activities, establishes liability and appeal procedures.

The **Food Security Strategy of the Republic of Moldova for the years 2023-2030** specifically aims to increase access to sufficient, safe, and nutritious food, improve food quality, increase purchasing power, reduce food access gaps for the most vulnerable, and increase knowledge of healthy nutrition while incentivizing the growth and placement of fruits and vegetables on the market.

In 2010, the Moldovan government started a harmonization of all financial support programmes for farmers by aggregating all available resources into a farmers subsidizing fund managed by one institution only– the **Agency for Interventions and Payments for Agriculture (AIPA)**. A new law was approved in 2023 that reviewed the procedure for granting subsidies to farmers and attract new funding from the EU to support producers and exporters of agricultural products, **prioritizing subsidies for small and medium farmers**. There are currently more than **40 typologies of subsidies** granted by AIPA, with specific regulations that allocate higher resources for **priority such as, young farmers and women, migrants, cultivation of organic crops or livestock, start-ups, producer organizations/cooperatives**, etc. Notwithstanding the recent approval of this law, meetings with the Ministry of Agriculture confirmed the plan for its further revision after rounds of consultation held with experts from the EU; some of the planned revisions will, more in particular, aim at creating a stronger incentive framework for stimulating cooperation among farmers (i.e., subsidies for fruits might be accessible only if farmers will be associated).

**Family Farming**. The government is currently drafting **a new law on Family Farming (FF)** with the plan to extend up to 70 ha the categorization for smallholders. Moreover, it is projected to give to peasant farms the status of a legal entity to promote their transition into the category of family farming as economic based on the personal labour of its members. Moreover, **FAO** is currently supporting the government with the development of an **Action Plan on FF**, which is still under discussion. It is therefore highly recommended to monitor the upcoming developments related to the new law as per its substantial implications on targeting.

**ODA Credit Guarantee Fund** is an entrepreneurial support instrument, created and managed by the Entrepreneurship Development Organisation, whose mission is to issue financial guarantees (collaterals) guaranteeing loans requested by Micro, Small and Medium Enterprises<sup>[1]</sup> from partner financial institutions (commercial banks). The current products managed by the CGF can cover from 50 to 80 percent of the amount of the contracted loan and the maximum amount of the financial guarantee varies from 500 thousand lei to 7 million lei, depending on the product requested.

### **Programmes and partnerships**

**UNDP's** Focus Area on Climate Change, Environment and Energy places special focus is placed on exploring the greenhouses gas emissions mitigation potential in various sectors, such as transportation, agriculture, waste management, promotion of renewable energy solutions, energy efficiency measures and resource efficiency production and consumption patterns. It also aims to support to the reform and modernization of environmental management systems conducive to green development and EU standards are being provided.



**USAID's** Rural Competitiveness and Resilience Activity aims to stimulate the competitiveness of key economic sectors, including the wine industry, high-value agriculture, and tourism.

The **Agence Française de Développement (AFD)** is designing a major irrigation program (starting 2025) that will finance small-scale irrigation systems building on small lakes and existing water basins. It is also in discussion with MoAFI (Land Improvement and Land Management Division) for the rehabilitation of selected central irrigation systems.

The **World Bank's (WB)** FY23-FY27 Country Partnership Framework for The Republic of Moldova identifies three High-Level Outcomes: opportunities for formal employment, improving human capital, and increasing resilience to climate change and crises. Objective 1.1 is to increase the competitiveness of Moldovan enterprises. Among other things, this includes support to SME and agriculture sectors. Objective 3.2 is to promote green and resilient investments in infrastructure and agriculture. Here, the WB will continue to support important services linked to climate change in the agriculture sector by increasing the use of sustainable land management practices, and through water-efficient irrigation upgrades and water-saving measures for farmers - including a focus on geographically lagging regions and communities—as well as climate-smart livestock and strengthening agricultural public institutions. Work under the WB's Moldova Agriculture Governance, Growth and Resilience Investment (AGGRI) is continuing until 31 December 2024. Of interest is the third component, to enhance land productivity through sustainable land management. This includes mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts. It would also support governance and resource endowment/depletion aspects that can increase competitiveness of the agriculture sector by enhancing land productivity. The WB is also currently finalizing its Country Climate and Development Report. Farmers' adaptability to climate change depends on irrigation uptake on farms. Here, **Water User Associations (WUA)** would be necessary players in managing agricultural irrigation schemes however many of these are not well established, and/or have weak governance structures.

The **GEF-funded** project *Moldova Agriculture Competitiveness Project* received additional funding and aims 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. The **GEF** project *Enabling a policy environment for integrated natural resources management and implementation of an integrated approach to achieve land degradation neutrality in Moldova* is on-going and has been extended till May 2025.

In a recent study, **OSCE** (2020)<sup>75</sup> presents the cluster development approach as a valuable tool to **promote the long-term viability and competitiveness of smaller producers, increase their innovation and enhance co-operation**, and ultimately increase the competitiveness of the food sector in Moldova. In the 2023-2030 **NSARD**, the Moldovan government emphasises cluster development for small and micro producers as a form of support to improve access market, and **UNDP** is collaborating with both the Ministry of Economic Development and Digitalization and Ministry of Agricultural to develop a framework on economic cluster development to guide its application in different sectors. UNDP is currently supporting the development of 16 economic clusters in the rural economy.

**UN Women** have active programmes on women's self-confidence, business development, and mentorship. They also carry out capacity-development for service providers to increase local capacities for the implementation of gender-responsive and socially inclusive interventions in the agriculture sector. In May 2023, UN Women launched the "Women in

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<sup>75</sup> ECD, 2020. Promoting Exports and Supply-Chain Linkages in the Food Industry in the Republic of Moldova.

Finance Programme” with the objective of providing training and skill development opportunities for women in the financial sector. They have also piloted a referral mechanism in the Cahul and Ungheni districts with the objective of improving the coordination between the employment intermediaries, women who have experienced violence and service providers who assisting them. The piloting is currently being expanded in five more districts.

In 2023, the **Ministry of Labour and Social Protection** launched the reform of the National Employment Agency (ANOFM), focusing on measuring the impact of employment measures and strengthening the institution’s capacities at the different level. In order to inform and stimulate the inclusion of inactive people in the labour market, **mobile teams of ANOFM specialists** have been set up to travel to remote localities in the republic’s districts. Currently 15 mobile teams are active.

### Part 3 - Strategic recommendations

#### Lessons learned

- 1) Previous investment in Moldova have heavily relied on self-targeting and on demand-based applications, neglecting the geographic focus. Against this backdrop, it should also be noted that the fragmented and dualistic farms’ structure in Moldova and the subsequent high heterogeneity of farmers’ financial capacity, interest, and willingness to invest in climate resilient infrastructures, technologies, and practices, make the use of geographic targeting particularly challenging.
- 2) UNDP is currently supporting the development of 16 economic clusters in the rural economy. During meetings held with UNDP representatives, among the main challenges currently encountered in this process there are the farmers’ mindset (lack of cooperation and willingness to engage in joint actions) and the availability of skilled workforce. They also underlined the importance of being persuasive in showing the benefits of working together through substantial investment in capacity building as well as the existence of an enabling regulatory environment.
- 3) Recent experiences from IFAD-funded youth-sensitive projects have given good foundation of key lessons: (1) projects and programmes that have been most successful are those that adopt tailored approaches to rural enterprise development and financial support; (2) Comprehensive support packages to emerging youth-led businesses are pivotal in creating and preserving jobs; (3) it is crucial that provisions for post-development support are put in place; (4) Youth have enjoyed more returns to their labour where significant progress has been recorded with respect to the enabling environment. This makes it strategically necessary to invest more into the ecosystem while focusing on rural youth; (5) Youth participation works best when it is built on a sustainable base.
- 4) Last implementing projects are witnessing an increasingly lower appetite of targeted small-scale farmers for investment in rehabilitation of irrigations schemes. There are likely to be various factors (i.e., small size of farmers, low quality of water for irrigation, low interest of WUAs, competition with government subsidies, etc.)<sup>76</sup> preventing small-scale farmers from embarking in such investment, even when there are funds set aside at particularly concessional terms, and analysis is required to identify and address the specific barriers. Some climate adaptive activities, in particular grassland cover rehabilitation, were not as successful because of poor planning regarding timing/climactic considerations; consulting with the meteorological services before undertaking planting activities is recommended.
- 5) Beekeeping is emerging as an important entry point for women empowerment and as engines for environmentally, economically, and socially sustainable enterprises. Beekeeping is a promising example of green jobs and an excellent choice to create employment opportunities in rural communities not only for women but also for youth. Young people usually face similar challenges in terms of accessing land, finance, and

<sup>76</sup> TRTP Implementation Support Mission, December 2023.

productive assets. In fact, the low start-up costs required to begin a beekeeping operation and the very little land and time required, if performed at a small/medium scale, make it an ideal path for both women and youth employment creation. Beekeeping also offers huge potential for enhancing biodiversity and a more sustainable management of natural resources such as through afforestation and establishing hedgerows. The development of win-win propositions on pollination services between beekeepers and farmers, as well as improving collaboration with the Government to facilitate greater access to the forest honey base, definite represent a future area to be explored.

- 6) SECAP procedures need to be better integrated within project structure, from the very beginning of the project. What this means specifically is to ensure an Environmental and Social Safeguards (ESS) Focal Person is part of the Country Project Implementation Unit (CPIU) staff; the Grievance Redress Mechanism (GRM) is established at project start-up; training is given to CPIU staff on: ESS and applying ESS in the project, the GRM, and stakeholder engagement; and ensure the application of safeguards in specific tendering processes and application selection process. Finally, safeguards measures should be included in Annual Work Plans and Budget (AWPB).

### **Strategic orientation**

The COSOP is aligned with the 3 Strategic Objectives of IFAD's Strategic Framework 2016-25, as well as with the Moldova's National Strategy for Agriculture and Rural Development 2023-2030, and the National Development Strategy, and 2<sup>nd</sup> NDC and NAP, which provide actions for the agriculture, water and forestry sectors. Adaptation priorities by sectors and measures defined in Moldova's NAP, and relevant to IFAD, include: (i) Agriculture: sustainable soil management (conservation, precision, organic agriculture, etc.); promoting efficient irrigation systems; promoting diversity and resilience of agricultural crops; increased food security; promoting integrated food, water, and energy systems in a smart and climate change resilient agriculture. (ii) Water Resources: increasing supply and efficient management of water demand, taking into account social and gender issues; management of extreme events (floods, droughts). (iii) Forestry: afforestation/reforestation, promoting the ecosystem approach in adaptation of forests to climate change; promoting agroforestry and silvo-pastoral practices; sustainable management of forests and ecosystem services; organic matter restoration in degraded pastures.

The COSOP aligns with overall objective 1 of the NDS, in particular with respect to: (1) 50 percent reduction in the level of absolute poverty and poverty in all its dimensions for men, women and children of all ages, with a focus on the most disadvantaged groups; (2) promotion of productive employment and decent work for all women and men, including young people and people with disabilities, and equal pay for work of equal value. The COSOP aligns with provision 5.26 of the NDS in supporting young people in the NEET group, especially those in rural areas, by stimulating financial inclusion, employment, return to education and training, soft skills and life skills development (O1.1-O1.3, O3.2, O3.3, O7.1, O9.1). It also aligns to the NSARD's objective of facilitating the development of agricultural and non-agricultural businesses led by young people and women. NSARD 2023-2030 includes transversal dimensions related to gender equality and the principle of equal treatment, to ensure appropriate adjustment of interventions across the different sectoral programs.

Measures that improve sectoral and overall country climate resilience and adaptation to climate change will contribute to a number of Sustainable Development Goals (SDG), including: 1.5, 9.1, 9.4, 11.2, 13.1, 13.2, 13.3, 15.2, 15.3, 15.5 and 15.9<sup>[1]</sup>. The COSOP also considers objectives and priorities in Moldova's National Afforestation and Reforestation Programme (NARP) for 2023 - 2032; Land Reclamation Programme to Ensure Sustainable Soil Management 2021-2025; Low Emission Development Strategy

until 2030; and Food Security Strategy of the Republic of Moldova for the years 2023-2030.

### Strategic actions and targeting

- 1) Owing to the specific context of Moldova, alternative and innovative forms of farmers sectorial aggregation governance should be explored along flexible and dynamic configurations that range in formality and geographic scale as part of the quest for the most effective ways for small-scale farmers to be integrated into and benefit from competitive value-chains. Against this backdrop, **the farmers' clustering approach shows good potential** to overcome Moldovan context-specific challenges (mistrust towards and low attractiveness of traditional cooperatives or formal producers' groups and associations, adoption of the same technologies and production practices to achieve higher harvest homogeneity, establishment of market linkages, etc.) and to adopt a **combination of self, direct, and geographic targeting** to leverage on the environmental, economic, and social benefits of investment in an integrated and synergistic manner;
- 2) **Livelihoods development approaches** should gain higher prominence to better tailor investments to the specific socio-economic aspects of vulnerability of Moldovan small-scale farmers, especially to climate and environmental risks.
- 3) Based on lessons presented in the above section, IFAD's piloted initiatives on "*Integrated agribusiness models*" and "*Youth Grassroots Approach*" represent two strategic references to explore in future project designs. More in particular, when it comes to design youth employment components, the following aspects should be given particular attention: (1) a good understanding of the business ecosystems, which has proved critical to close the gap between the demand and supply of labour; (2) forging strategic and mutually rewarding relationships with the broader farming community actors across public and private sectors and civil society with the objective of scoping out relevant synergies and facilitated capital, assets, market access and other real-world constraints; (3) the adoption of an integrated investment approach anchored on market-driven production, post-harvest growth, and linkages with appropriate goods and services (MFIs, extension etc.) around select commodity value chains and the specific nodes where youth have the highest potential of landing a job; (4) the design of comprehensive and tailored package of knowledge, skills, financial and inputs support, including job placements, internships and apprenticeships for youth; (5) in wage employment, sustained support and peer-to-peer exchanges should be facilitated; in enterprise development, continue mentorship support to youth in their business growth; (6) enterprise development should be largely premised on **linking with private sector financing** for job creation and preservation.
- 4) Small-scale family farmers, but also women and youth, are disadvantaged from both socio-economic and environmental perspectives. For the agriculture, water and forestry sectors - as relevant to rural farmers - main issues for productivity *and* climate resilience remain water management and soil degradation. While Moldova is a country vulnerable to climate change because of its low adaptive capacity, adaptive practices can contribute to increasing the climate resilience of rural farmers. IFAD's focus has been and will continue to be in-line with many of the adaptation actions outlined in Moldova's NAP and in line with Moldova's Second NDC; some of these actions have mitigation co-benefits, such as agroforestry, planting shelterbelts, soil and water management, crop diversification and rotation (with potential market but also nutritional benefits) and pasture management for small ruminants. Moldova is a low GHG emitter, however its policies are geared towards more sustainable energy sources (renewables), and photovoltaic energy can be considered for other areas along the value chain such as improving small-scale irrigation pumps, or storage and processing facilities. These are areas where women can have strong representation. Joint financing with climate co-financiers such as the Adaptation Fund (AF) and GEF will allow promoting impact at scale while adopting integrated and transformational approaches to environment and climate, gender, nutrition and youth.

## **Monitoring**

Project effectiveness on mainstreaming themes would need to be monitored using gender and youth disaggregated indicators and adopting compulsory outcome indicators for the mainstreaming themes as per IFAD Core Outcome Indicators Guidelines. IFAD indicators for corporate commitments will monitor climate finance for both adaptation and mitigation. Continued efforts should be deployed in constantly tracking the performance of the targeting strategy by collecting a wide spectrum of data on the socio-economic profile of beneficiaries beyond sex and age disaggregation levels (municipality, village, number and typology of employment, landholding size, income and profit margin, etc.). Information on the type of support received across project component and sub-component (grant, training, loans etc.) would be critical to monitor synergies between components and to avoid double counting at outreach level. This will allow monitoring the degree to which the target group will effectively benefit from investment on an on-going basis and to identify relevant corrective measures as appropriate. More specifically, poverty data and household surveys would need to be leveraged to complement the selection of the final beneficiaries.

A comprehensive stakeholder engagement plan has been developed in consultation with government and Country Programme Implementation Unit with the purpose of ensuring that a consistent and coordinated approach is taken to engage stakeholders throughout the COSOP design phase. A list of organizations and persons met and consulted is provided in appendix V.

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## COSOP preparation process

The COSOP 2025-30 was prepared under the joint supervision of the Country Director for Moldova based in IFAD's Multi-country Office for Eastern Europe and Central Asia in Istanbul and the government of Moldova, represented by the Ministry of Finance and Ministry of Agriculture and Food Industries (MAFI), in discussion with the Ministry of Environment. A twelve member COSOP design mission undertook the preparation of the COSOP. The list is attached at Appendix 1. The COSOP formulation process was highly participatory involving a wide range of in-country stakeholders including government partners, development partners, private sector, CSOs and representatives of Farmers' organisations and farmers.

Preparatory and remote consultations: The government and IFAD started preparing for the new COSOP while simultaneously doing the completion of the previous COSOP. The field mission was staged in mid-May, 2024. The team composition is given in table 1 below. The COSOP mission met with a large number of stakeholders. The list is in table 2. Individual meetings were used to discuss the overall strategic orientation of the country programme, the key strategic objectives and outcomes and their links with the country priorities and strategies.

Table 1. Core COSOP Completion review and formulation team:

Name:	Specialization:	Contact:
Mr Pierre Daniel. Telep,	Rural Infrastructure Specialist, staff	<a href="mailto:p.telep@ifad.org">p.telep@ifad.org</a>
Ms Federica Emma	SECAP/Social Inclusion Specialist, staff	<a href="mailto:f.emma@ifad.org">f.emma@ifad.org</a>
Ms Nadine Azzu	SECAP/ Environmental and Climate Change Specialist, consultant	<a href="mailto:nadinedha@gmail.com">nadinedha@gmail.com</a>
Ms Guranda Machaidze	Procurement Specialist, consultant	<a href="mailto:g.machaidze@ifad.org">g.machaidze@ifad.org</a>
Ms Lilit Saryan	M&E Specialist, consultant	<a href="mailto:lilit.saryan@gmail.com">lilit.saryan@gmail.com</a>
Mr Yiorgo Polenakis	Financial sector specialist	<a href="mailto:gpolen@gmail.com">gpolen@gmail.com</a>
Mr Peter Christensen	Consultant team leader, rural economist	<a href="mailto:peter@devas.dk">peter@devas.dk</a>
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Mr Marc de Souza Shields	Rural Finance Specialist and Project Team Leader for RRP, staff	<a href="mailto:m.desousashields@ifad.org">m.desousashields@ifad.org</a>
Mr Nadhem Mtimet	Value Chains Specialist and Project Team Leader for TRTP, staff	<a href="mailto:n.mtimet@ifad.org">n.mtimet@ifad.org</a>
Ms Esha Singh	ICT4D, staff	<a href="mailto:e.singh@ifad.org">e.singh@ifad.org</a>
Mr Carlo Spinello	Financial Specialist, consultant	<a href="mailto:c.spinello@ifad.org">c.spinello@ifad.org</a>

Table 2: List of persons met

Name	Position	Organisation
Vladimir BOLEA	Minister	Ministry of Agriculture and Food Industry
Vasile ŞARBAN	State Secretary	Ministry of Agriculture and Food Industry
Alexandra ŞIAN	State Secretary	Ministry of Agriculture and Food Industry
Iurie SCRIPNIC	State Secretary	Ministry of Agriculture and Food Industry
Aliona RUSNAC	State Secretary	Ministry of Environment
Sergiu LAZARENCU	Minister	Ministry of Environment
Simon Springett	Resident coordinator	United Nations

<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Angela DOGOTARI	Head	Land Improvement and Land Management Division, Ministry of Agriculture and Food Industry
Valeriu Piercamble	Head	Land Improvement and Land Management Division, Ministry of Agriculture and Food Industry
Paola	Chief	External Relations, Ministry of Environment
Victor DURBALA	Director	Agency "Modsilva"
Ion PLATAN	Deputy Director	Agency "Modsilva"
Iulian MAMAİ	Deputy Director	Agency "Modsilva"
Ana MARDARE	State Secretary	Ministry of Infrastructure
Nicolai MÎNDRA	State Secretary	Ministry of Infrastructure
Eugeniu HARABARA	Deputy Secretary General	Ministry of Infrastructure
Igor SPIVACENCO	Project Management Specialist, Economic Growth / Private Sector	U.S.A.I.D.
Viorel LEAHU	Deputy Chief of Party. Rural Competitiveness and Resilience Activity	Chemonics
Radu MUSTEATA	Director General	ANSA/Food Safety State Agency
Liliana MARTIN	Head of Public Policy Coordination and European Integration Department	Ministry of Agriculture and Food Industry
Vitalii DRAGAN	Head of Biosecurity Department	Ministry of Environment
Andrei DARIE	Programme Specialist, Inclusive Growth Cluster Lead	UNDP
Tudor RADU	Assistant FAO Representative	FAO
Arianna LoOMBARI	Project Assistant	FAO
Anatol GOBJILA	Senior Agriculture Economist	World Bank
Bojan Kolundzija, Anna Tibuleak	Country Manager Project Manager- OPTIM	Helvetas
Ana Christa, Lubovi Mitioşlo	Project Director	Tekwill
Viorel Leahu, Roman Palancuic	Digitalisation Managers	Chemonics
Serghei Botezatu	Project Manager Accelerating Digital Transformation in Public Sector	UNDP
Ilona Gruenewald	Programme manager for Agriculture and Rural development, Food safety, Environment	EU Delegation to Moldova
Tudor Robu	Country director	FAO
Ms Matveeva	Head of Department	Ministry of Finance
Ion Gumene	State Secretary	Ministry of Finance
Lilia Taban	Economic Finance Division	Ministry of Finance
Maxim Popov	Director	ADMA
Pavel Cerevan	Head of M&E analysis	ADMA
Vitalii Dragan	Head of biosecurity Department	Ministry of environment
Radu MUSTEATA	Director	ANSA/ Food Safety Agency
Valentin Nuca	Director, SME banking	Moldindconbank
Vasilina Sumer	Head of IFI resources	Moldindconbank
Diana COSALIC	Act. head	AIPA, paying agency
Raisa Cantemir	Director	Office for Management of External Assistance Projects, incl. credit lines



## **South-South and Triangular Cooperation Strategy**

### **I. Introduction**

The South-South and Triangular Cooperation (SSTC) strategy developed under IFAD12 relies on SSTC as an instrument for promoting sustainable and inclusive food systems transformation and the recovery, rebuilding and resilience of rural livelihoods in supporting member countries deliver on their development priorities.

The IFAD SSTC vision for the 2022-2027 horizon is meant to be achieved through two strategic objectives, which consist of (SO1) systematically identifying and disseminating knowledge and innovations at the country programme and project level; and (SO2) supporting enhanced policy engagement to build rural poor people's productive capacity, market access and resilience. The implementation efforts will be supported by three pillars aligned with the country programme approach, mainly (1) policy engagement, (2) partnership development, and (3) knowledge management.

The SSTC strategy for the COSOP in the Republic of Moldova will align with both strategic objectives, yet particularly with SO1.

### **II. Opportunities for rural development investment promotion and technical exchanges**

IFAD will encourage regional partnerships with countries facing similar challenges to those in the Republic of Moldova, including on climate change, collective action and depopulation of rural areas. Partner countries would include Armenia, Bosnia and Herzegovina, Georgia, Montenegro and Türkiye, which have comparable GDP per capita levels and share some aspects of socio-economic history. IFAD regional grants will also be leveraged to foster stronger peer-to-peer learning. Institutionally this will be implemented in cooperation with MAFI and farmers' organizations. South-south and triangular cooperation activities will be financed by donors or through the grants from IFAD.

As an upper-middle income country (UMIC), the Republic of Moldova could offer opportunities of direct exchange of knowledge, experiences, skills, resources and technical know-how with other developing countries. Through its country programme, IFAD will explore venues for facilitating the country's connection with development partners and other governments.

Past and recent IFAD operations at country level have identified over years, potential areas for SSTC. These include the core intervention areas of conservation agriculture, rural finance, women empowerment as well as food system transformation practices.

### **III. SSTC engagement rationale**

Under this COSOP, SSTC is expected to play a key role in the area of conservation agriculture, by exchanging practices which could help building resilience against natural hazard – especially drought - by protecting the soil structure.

ICT4D by applying technology for social and economic development with focus on the digitalization of agriculture, the development of innovative financial products, and the development of the platform to connect small producers with the market.

IFAD's current operations are also testing effective financial instruments with the purpose of enabling small scale farmers and vulnerable groups to access to financial resources for developing their own farming businesses. Under the COSOP, Moldovan portfolio will both contribute to bringing to scale the best cases and support stakeholders to learn from successful practices for replication through SSTC activities.

#### **IV. Partnerships and initiatives**

The development of partnerships with other development agencies is fundamental in advancing the SSTC agenda in Moldova. Already, IFAD has active dialogue with the Rome-Based Agencies (RBAs) at country level, which must be strengthened further to encompass SSTC activities. The RBAs collaboration will touch upon opportunities for SSTC within the food system transformation framework. For the rural finance and infrastructure sectors, collaboration are foreseen with the other development institutions including the World Bank, the French Development Agency, the European Bank for Reconstruction and Development (EBRD), USAID for SSTC opportunities.

#### **V. Conclusions**

Opportunities of SSTC will be sought in key focus areas such as conservation agriculture, ICT4D services and rural finance. Digital agriculture as well as digital and financial literacy have the potential to help advance the digital agenda forward among rural communities and make it easier to develop sustainable digital offerings.

## Financial management issues summary

### FINANCIAL MANAGEMENT ISSUES SUMMARY – COSOP

COUNTRY	Republic of Moldova	COSOP PERIOD	2025-2030
<b>A. COUNTRY FM ANALYSIS</b>			
<i>Country Disbursement Ratio (rolling-year)</i>		31.5 %	
<i>Unjustified Obligations:</i>			
<ul style="list-style-type: none"> <li>• <i>Outstanding Ineligible Expenditure</i></li> <li>• <i>Outstanding Advances (Projects in Closed Status)</i></li> </ul>		<ul style="list-style-type: none"> <li>- None</li> <li>- None</li> </ul>	
<i>PBAS Available allocation (current cycle) :</i>		Allocated Amount: 0	
<i>BRAM access</i>		Yes (IFAD 13 – upon Government request)	
<i>Country income category</i>		UMIC	
<ul style="list-style-type: none"> <li>• <b>Context.</b> Moldova made commendable progress in rehabilitating the banking sector and bolstering macro-financial stability. However, the COVID-19 pandemic, repeated droughts<sup>77</sup> (2020 and 2022) and spillovers from the war in Ukraine (energy crisis and record-high inflation) have had a significant impact on Moldova and led to increased external financing needs. IMF support under the EFF/ECF<sup>78</sup> program has had a key role, while catalyzing additional external financing (e.g. WB, EBRD, EIB). Moldova became an EU candidate country in 2022, and work is ongoing to meet the required pre-accession actions, aligned with ECF/EFF reforms, and focusing on the rule of law, anti-corruption, and fiscal governance.</li> <li>• <b>Transparency International.</b> In 2023, Moldova ranks 76 (out of 180 countries) in the TI Corruption Perception index and scored 42 (Moderate) on an improving trend (+3 points) versus 2022.</li> <li>• <b>Debt sustainability</b><sup>79</sup>. Moldova's <i>risk of external debt distress remains low</i> but overall risk of public debt<sup>80</sup> distress is classified as moderate. While high private external debt in Moldova continues to pose risks to external debt sustainability, risk of external public debt distress continues to be assessed as low because Public and Publicly Guaranteed (PPG)<sup>81</sup> external debt is held mainly by multilateral and bilateral donors and is mostly medium and long term and on concessional terms. Moldova will continue to benefit from significant concessional and grant financing in the medium-term, driven in large part by the profile of the new concessional borrowing, leaving the <i>grant element</i> of new borrowing at about 18%<sup>82</sup>.</li> <li>• <b>IFAD Lending.</b> Moldova graduated IDA in 2020 and became UMIC from 2021. Moldova would be eligible to borrow under IFAD13 through the BRAM Mechanism (ordinary terms) if the country is not at high risk of or in debt distress and the country credit rating is above CCC. The design of Project AGRI-M (in Sept 2023 and currently under GoM scrutiny) has presented a financing package including an IFAD loan blended with AF and GEF grants. The grant element (i.e. level of</li> </ul>			

<sup>77</sup> IMF approved an arrangement for Moldova under the Resilience and Sustainability Facility (RSF), in an amount equivalent to USD 173 mln to strengthen resilience against climate shocks, support energy sector reforms, enhance domestic financial sector preparedness, and mobilize sustainable finance.

<sup>78</sup> The Extended Fund Facility (EFF)/Extended Credit Facility (ECF) envisage up to USD 796 mln disbursement under Moldova's blended 40-months EFF/ECF arrangements.

<sup>79</sup> IMF-WB Article IV-Moldova-Dec 2023

<sup>80</sup> Moldova's public debt includes obligations of the public sector (central government, local authorities, and public entities). Public debt includes external and domestic obligations, including arrears to suppliers and guaranteed debt. Domestic debt includes debt of state and municipal enterprises, companies with full or majority public ownership, and of local public authorities with maturity of a year and above, as stipulated in Law No. 419 (2006) on Public Sector Debt, State Guarantees and State On-lending.

<sup>81</sup> PPG debt covers gross debt of the general government. State Own Enterprise (SOE) debt in Moldova is primarily driven by externally financed project loans that are on-lent by the central government to SOEs. Both on-lending to the private sector (operationalized through commercial banks) and to SOEs are part of public guarantees and are included in the central government debt. Non-guaranteed SOEs debt is also included in the public debt. Debt of SOEs with maturity longer than a year accounts for about 2 percent of GDP as of 2022

<sup>82</sup> Reducing from 38,3% as reported in IMF-WB Article IV-January 2022.

concessionality) is indicatively assessed at 23% for the Loan and 56% for the blended package<sup>83</sup>, respectively.

- **Fiduciary profile.** Most recent CPF<sup>84</sup> is reporting WB and EU Collaboration on Financial Management (FM) issues in Moldova (based on PEFA). The Government and the EU are interested in this collaboration to continue, with follow-on support to strengthen PFM, develop implementation plans and enhance capacity, including in areas related to public investment management, public sector accounting, parliamentary budget oversight, and follow-up on the public auditors' recommendations. Financial management (FM) was assessed adequate, and compliance with financial reporting and auditing requirements was satisfactory. FM capacity was generally strong, and the interim financial reports for most WB projects were submitted on time. The pandemic affected the annual audit process in the last two years of the CPF, and in some instances the audit reports were submitted with delays. Audit opinions were unmodified with few exceptions. There were no significant issues, except for one case of ineligible expenditures – amount-wise immaterial – refunded to WB. The most significant challenges, from a fiduciary perspective, are the delays in the procurement cycle and increasing prices in construction. of the war in Ukraine is affecting supply chains, resulting in a decreased availability of materials and service providers, longer delivery times and an increase in the cost of materials for civil works contracts and may also limit the availability of vendors willing to bid on Moldovan contracts. Delays are gradually being addressed through the ongoing support to Project Implementation Units - e.g. (i) WB supports the participation of PIU Procurement Specialists in various learning events organized in the region or virtually; (ii) the increasing prices in construction are addressed by WB through close monitoring of contract implementation and adjustment of prices, where justified; (iii) procurement reviews are conducted by WB semiannually, and post-reviews are conducted annually or more frequently if needed. FM arrangements for operations are overall robust, and the overall fiduciary risk to the CPF is assessed moderate, by the WB.
- **Public Financial Management (PFM) System.** In 2021, Government announced a reform programme, including justice reform and anti-corruption package to face issues of low quality of governance, corruption and conflict of interest<sup>85</sup>. The PFM system in Moldova has been gradually strengthened, as indicated in PEFA 2022, with 22 indicators (out of 31) scoring A and B. Areas of strength in budget transparency, enhancement of annual/multiannual budgeting process, budget classification, management of debt and expenditure arrears, accounting/financial data integrity. However, further reforms are needed, including strengthening public investment management (e.g., rigorous economic analysis and life cycle costing of public investments), reinforcing asset management, improving monitoring of State Owned Enterprises (SOE) and accelerating the introduction of public sector accounting standards (i.e. National Accounting Standards require less disclosure than International Standards)<sup>86</sup>. Addressing these reforms will be critical for the country's path toward EU accession. It was initiated the process of alignment of national accounting to IPSAS standards and the Courts of Account (the Supreme Audit Institution - SAI) aligned to INTOSAI. Lower PEFA scores were recorded in public procurement, in internal audit (under-staffed) and SAI's independence (its budget being subject to MoF approval). Most WB Investment Projects rely on some elements of the country's PFM systems, such as budgeting/internal control/accounting/reporting and are fully integrated with the state budget and administered through the treasury system. The same applies to IFAD funded projects.
- **IFAD Fiduciary Inherent Country Risk.** Based on above diagnostic, the inherent risk is deemed Moderate.

<sup>83</sup> Upon request, IFAD presented a simulation of AGRI-M grant element at the Lending Term discussion with Minister MAFI on April 2024. The grant element calculation assumes equal amortization, equal disbursement over 6 years of project implementation period, and Q1 2024 interest rate applied for the life of the loan.

<sup>84</sup> Country Partnership Framework for Moldova for the FY23-FY27 - World Bank, January 2023

<sup>85</sup> PEFA assessment 2022\_Moldova

<sup>86</sup> Moldova reforms (under CPF 2018-2022) have achieved: (i) the auditing of the annual financial statements of state/municipal enterprises which are part of the medium, large, or public interest; (ii) classifies large SOEs as public interest entities and obligates them to prepare financial statements under International Financial Reporting Standards; and (iii) establishes improved institutional and funding arrangements for an audit oversight system.

## B. PORTFOLIO – LESSONS {Strengths and Weaknesses}

### Existing Portfolio:

Project	Project Status	%Disbursed of all financing instruments	Project FM inherent Risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds	Completion date
RRP*	Project Completed	89.4	Moderate	Satisfactory	Satisfactory	Moderately Satisfactory	Satisfactory	30/03/2024
TRTP	Available for Disbursement	15.5	Moderate	Satisfactory	Satisfactory	Highly Unsatisfactory	Satisfactory	29/03/2027

\*RRP disbursement rate after the refund of the outstanding balance on the DA of USD 1 082 000)

- IFAD experience.** IFAD's funded projects have suffered low levels of disbursement and budget utilization due to implementation delays. IFAD noted that the organizational structure of the CPIU<sup>87</sup> was not fit to manage efficiently the increasing workload arising from additional projects. Moreover, low competitiveness of salaries offered at IFAD's funded projects may have contributed to high staff turnover and slow implementation. A number of key project staff (CPIU Director, Procurement Specialists, Senior Climate Resilience Specialist, and Rural Development Specialist) resigned during the implementation period March 2022-March 2023. Based on IFAD proposal (2022) the Government approved (July 2023) a re-modelled CPIU structure (to improve implementation efficiency at single project level with dedicated Technical Units), as well as an increase in the salaries.
- Financial Management/Country systems.** From a FM perspective, the CPIU Finance Team is solid and projects are aligned, to a large extent, to country FM systems: the CPIU is well established within the LPA (organization); the budget process follows national procedures (budget); resources flow into designated accounts held by State Treasury at National Bank, as well as, payments execution is through the State Treasury system (treasury) On the other hand, the CPIU runs double accounting/reporting, as it adopts a dedicated accounting software (1-c), for recording/reporting by component/categories, which is linked to the national IFMIS. Internal controls mainly rely on the PIM procedures (and safeguards of the treasury system) as there is no dedicated internal audit and the IA unit established at MAFI is understaffed. Similarly to other donor's, external audits are carried out by private firms, however IFAD has established a dialogue with the SAI for future cooperation.
- FM Strengths.** The Single CPIU, embed into MAFI,<sup>88</sup> offers a legacy for new project designs, in terms of readiness to implementation: (i) FM staff is versant and experienced with IFAD procedures; (ii) accounting/reporting can quickly be tailored (into 1-c software) to any new project in less than one month. Moreover, adequate control over expenditure is operationalized and ringfenced through 1-c, as this is integrated into the national FMIS (through the treasury module) which does not allow overspending beyond the approved budget. The CPIU-FM also secures adequate follow up (beyond closing date) to the winding up activities for the timely closure of expired projects. Overall, external audits have been conducted satisfactorily by private firms, in line with ISA standards and ToRs agreed with IFAD.
- FM weaknesses.** On top of the mentioned implementation delay/low disbursement issues, the CPIU experienced delays in the appointment of the external auditor, partly for late start of the hiring process and partly for lengthy procurement procedure. In one case, this led to late submission of the audit report (though, one single case only). As a measure to speed up the process, for TRTP (2023 audit) a list of auditors already cleared for WB projects has been considered to identify potential bidders.
- FM Opportunities.** In Sept 2023, IFAD met the Court of Accounts (the SAI) and received confirmation the CoA's capacity and availability to conduct "financial" audits (aligned to INTOSAI) to potential new project designs. In particular, in order to secure timely submission as per IFAD deadlines, CoA has proposed that same audit team assigned to scrutinise MAFI would, in parallel, carry out the external audit for IFAD's new project. *The deadline for submitting applications to engage CoA is end of October. In such scenario, Private firms may be further engaged to carry out*

<sup>87</sup> Central Project Implementation Unit of IFAD's funded projects.

<sup>88</sup> Ministry of Agriculture, Food Industry.

“performance” audits, on specific expenditure lines of Project’s budget (i.e. credit lines, matching grants), given that SAI confirmed not to have, currently, sufficient capacity, nor staff, to support on such tasks.

- **FM additional learnings.** It is recommended that:

- Current AWPB template/file shall be used to monitor more regularly project actual performance and be more systematically circulated by the Finance Manager to CPIU budget holders, on a monthly basis, as a key tool for monitoring deviations and take decision for corrective actions; the finance team, who secured solid *financial accounting* practice, is further encouraged to play a pivotal role in *management accounting* to support CPIU decision-making through effective reporting (internal/external), sharp deviation analysis and lean-solutions proposal.
- CPIU Finance and Procurement agreed that any contract signed by CPIU Director submitted to Finance shall be accompanied by a presentation slip from the responsible Procurement Manager, to improve traceability of the approval/payment process.

Date: **18 June 2024**

## Procurement risk matrix – part A country level

Indicator # and Sub-Indicator #	Sub-Indicator Description	Findings regarding possible non-compliance with IFAD PPF	Inherent Risk of non-compliance with Project Objectives & IFAD PPF	Proposed Mitigation measure/s	Net Risk
Consolidated Findings at Country Level		<p>The public procurement law now provides a largely satisfactory, basic regulatory framework incorporating the fundamental EU principles governing the award of public contracts but will require further amendments. Existing standard documentation is very detailed and prescriptive, but to the point of making it complicated to ensure formal compliance with all details and to adapt its use to the circumstances in ways that allow the focus to be put on the outcomes of the contracts to be concluded, especially on value for money;</p> <p>Procurement planning and execution is mostly carried out on an annual basis, with operations often starting well after the beginning of the fiscal year and being rushed through towards its end.</p> <p>Public procurement is not officially recognized as a profession and, as a consequence, there are no specific public procurement positions with dedicated, matching approaches for engagement, management, training, evaluation and promotion of staff concerned.</p> <p>The analysis of the performance in practice of the procurement system faces methodological problems related mainly to the lack of comprehensive, reliable data.</p> <p>Formal measures for preventing, identifying and sanctioning fraud and corruption are in place, but handled by several institutions with partly overlapping roles;</p> <p>A system for debarring delinquent tenderers is in place, but its operation is complicated, while other information on past performance of suppliers, contractors and service providers is difficult to find.</p>	M	The use of the IFAD Procurement Guidelines, as well as regular monitoring by all means and supervision will mitigate the risks noted by MAPS.	M
<b>Pillar 1. Legal, Regulatory and Policy Framework</b>					
1.1.	<b>The public procurement legal framework achieves the agreed principles and complies with applicable obligations.</b>				
1.1.1.	Scope of application and coverage of the legal and regulatory framework	<p>Moldova's legal framework for public procurement is being brought close to European Union (EU) standards in line with the obligations taken on by the country when concluding an association agreement with the EU. In application of the Association Agreement, Moldova adopted its first Strategy for development the public procurement system for 2016 – 2020. The public procurement law now provides a largely satisfactory,</p>	M	<p>The following critical issues should be duly considered in setting the priorities for further reform of the public procurement system, as follows:</p> <ul style="list-style-type: none"> <li>- completing and harmonizing the legal and institutional framework;</li> </ul>	M

		basic regulatory framework incorporating the fundamental EU principles governing the award of public contracts but will require further amendments. State owned enterprises are not covered by the public procurement law, not even utilities. A separate law on procurement by utilities has been drafted and was adopted by Parliament on 21 May 2020 and published <sup>3</sup> on 26 June 2020. Procurement in the area of defense remains unregulated. The legal framework governing concessions and public-private partnerships requires revision and alignment with relevant EU legislation, in particular the Concessions Directive.		<ul style="list-style-type: none"> <li>- strengthening and promoting the procurement profession;</li> <li>- enhancing the planning and preparation stages of the procurement process;</li> <li>- improving the adequacy, efficiency and transparency of the evaluation and award process;</li> <li>- strengthening contract management and monitoring public procurement outcomes.</li> </ul>	
1.1.2.	Procurement methods	<p>The public procurement law gives wide opportunities to select procurement procedures and award criteria appropriate to the individual case, but the e-procurement system does not allow the majority of them to be used. The PPL lists the various procedures and related methods that may be used in public procurement as well as the conditions for their use, reflecting the provisions in the applicable procurement directives of the European Union:</p> <ul style="list-style-type: none"> <li>a) open tender;</li> <li>b) restricted tender;</li> <li>c) competitive dialogue;</li> <li>d) negotiated procedure;</li> <li>e) request for proposals;</li> <li>f) design contest;</li> <li>g) procurement of social services and other specific services;</li> <li>h) innovation partnerships;</li> </ul> <p>and as the means for applying the above procedures or their outcomes,</p> <ul style="list-style-type: none"> <li>i) framework agreements (Art. 61);</li> <li>j) dynamic purchasing systems (Art. 62);</li> <li>k) electronic auctions (Art. 63);</li> <li>l) electronic catalogues (Art. 64).</li> </ul> <p>Contracting authorities are free to use open and restricted tenders without any limitations, while the other procedures can be used only if specific conditions set out in the law are duly met.</p>	<b>M</b>	Ensure that the e-procurement system fully matches the requirements of the public procurement law	<b>M</b>
1.1.3.	Advertising rules and time limits	<p>Publication of some procurement documentation<sup>89</sup>, in particular procurement plans, is not regulated in a way that ensures easy access and use. According to the PPL, Art. 28, contracting authorities first have to publish a “notice of intention” separately for each</p>	<b>M</b>	Require all public procurement documentation of the new project to be published and freely accessible on or through a central website in a machine-readable format	<b>M</b>

<sup>89</sup> “procurement documentation” includes standard documentation (cf. above) as well as items like procurement plans, minutes of evaluation and other records of the procurement process, and complaints made and corresponding rulings



		procurement procedure no later than 30 days from the date of approval of the budget of the respective contracting authority; however, contracts whose estimated value is less than MDL 800,000 for goods and services and less than MDL 2,000,000 for works is not subject to mandatory publication of this kind			
1.1.4.	Rules on participation	The PPL does not limit the right of the resident or non-resident economic operator, natural or legal person of public or private law or association of such persons to participate in public procurement procedures. On the other hand, in practice, as stated by the PPA, because of the particularities of the applicable legislation, non-resident economic operators cannot submit tenders within the public procurement procedures if they do not have legal representatives on the territory of the Republic of Moldova. (PPL, Art. 33, para. 14 i) & Law no. 91/2014). However, available data is not sufficient to determine to what extent this restriction affects public procurement.	<b>S</b>	The recommendation of the use of the IFAD Procurement Guidelines system will make it possible to mitigate the risk and even make it "low", in particular that a verification has been made on the official website: <a href="https://tender.gov.md/en/con%C8%9Binut/legisla%C5%A3ie">https://tender.gov.md/en/con%C8%9Binut/legisla%C5%A3ie</a> where it was noted that only a few texts appeared after the MAPS evaluation and which had no impact on improvement on the criteria evaluated by MAPS.	<b>S</b>
1.1.5.	Procurement documentation specifications and	Existing standard documentation <sup>90</sup> is very detailed and prescriptive, but to the point of making it complicated to ensure formal compliance with all details and to adapt its use to the circumstances in ways that allow the focus to be put on the outcomes of the contracts to be concluded, especially on value for money.	<b>L</b>	Simplify the form and contents of the standard documentation (MAPS recommendation). For the project use of IFAD standards procurement documents is recommended	<b>L</b>
1.1.6.	Evaluation and award criteria	As required by the PPL, the award criteria have to be objective, relevant to the object of the contract and specified in the tender documentation in advance. The decision to award the contract must not depart from the criteria initially set out. According to the PPL, Art. 26, the four possible award criteria are : lowest price; lowest cost; best quality-price ratio; and best quality-cost ratio. This provision presupposes and, in practice, even requires that price (or cost) is evaluated separately from quality characteristics and technical or functional merit, before somehow combining the two. This approach has methodological shortcomings which make it open to manipulation, but the wording of the provision would seem to prevent the use of alternative approaches, such as attributing a monetary value to the extent to which each non-price element exceeds the minimum characteristics required and adjusting the evaluated price (or cost) accordingly for the purpose of determining the most advantageous tender. However, although the PPL sets out the four criteria for awarding the contract, the	<b>M</b>	After verification of the PPL, it turns out that the recommendations of MAPS ( <i>The contracting authority must specify in the award documentation the relative weight it gives to each evaluation factor, as well as the calculation algorithm or the concrete scoring methodology that is applied to determine the most economically advantageous offer, unless the most economically advantageous offer is determined by applying the lowest price criterion. The examination, evaluation and comparison of the offers must be performed without the participation of the bidders and other unauthorized persons</i> ), have not been implemented which leads us to recommend the IFAD Procurement Guidelines to mitigate the risk.	<b>M</b>

<sup>90</sup> "Standard documentation" refers to standard tender documents and other prescribed forms for notices and reports

		<p>corresponding secondary regulatory framework is incomplete and not fully harmonized with the requirements of the PPL, creating confusion in the application of the law.</p> <p>The PPL does not contain separate, special provisions for consulting services, though the general provisions are adequate for setting and assessing the technical capacity needed. On the other hand, the possibility to ensure high quality of consulting services is limited by the just mentioned restrictions in setting the award criteria to be applied.</p>			
1.1.7.	Submission, receipt and opening of tenders	<p>According to point 21 of GD 667/2016, the working group is obliged to draw up, in the presence of the bidders, the minutes of the opening of the tenders. However, the regulation mentioned fails to cater for the use of e-procurement. The template of the evaluation report ("award decision") that has to be created at a later stage of the process contains elements concerning the opening of the tenders, but it is not publicly available.</p>	<b>H</b>	<p>In all operations of communication, exchange and storage of information, the contracting authority must ensure the maintenance of data integrity and the protection of confidentiality of tenders and requests to participate. The holder of the "State Register of Public Procurement" (MTender) is obliged to ensure the confidentiality of the content of offers until the date for opening them. At the same time, the MTender operator and platform operators must implement mechanisms to ensure the confidentiality of tenderers or candidates until the deadline for submission of tenders, defined by the contracting authority in the respective procurement procedure.</p> <p>In addition to the MAPS recommendation above, the project must comply with IFAD rules relating to submission, receipt and opening of tenders.</p>	<b>H</b>
1.1.8.	Right to challenge and appeal	<p>The right to lodge complaints against contracting authority decisions before the signature of the contract is regulated in the PPL, Art. 76, which gives legal standing to : <i>"Any person who has or has had an interest in obtaining a public procurement contract and who considers that an act of the contracting authority has, in the course of a public procurement procedure, undermined his right under the law, which he has incurred or can sustain is entitled to challenge the act in the manner established by this law"</i>. However, the rules for publication of award notices and for the standstill periods mean that, in practice, only participating tenderers have the possibility to complain against an award decision before the contract is signed, and this only for a limited range of contracts.</p> <p>The competent body to resolve complaints regarding the public procurement procedures is the National Agency</p>	<b>M</b>	<p>IFAD will require compliance with publication procedures so as to allow transparency of information and the possibility of complaints and benefit from standstill periods before the award of contracts (in fact the use of standard procurement documents will help meet IFAD requirements and thereby mitigate risk).</p> <p>Also, regular monitoring alongside IFAD supervision missions and prior review will also make it possible to detect any deviation and to recommend compliance with procedures.</p>	<b>M</b>

		<p>for the Resolution of Complaints (ANSC), whose decisions can be appealed in the competent court.</p> <p>The PPL regulates the terms for filing, examining and resolving complaints. While not obviously contrary to the requirements of the EU Directives, the current provisions in the PPL mean that it is very difficult for a potential tenderer or any other interested party to effectively, that is, before the contract is signed.</p> <p>Complaints can be submitted online or at the headquarters of the ANSC. The application form can be downloaded from the ANSC website. The decisions on the complaints submitted are published on the ANSC website.</p>			
1.1.9.	Contract management	<p>As per Art.76 amended by Law no.229 of 23.09.2016, and reflecting the requirements in the EU Directives, public procurement contracts may be amended in some situations. Which regarding it, the experience shows that some clarifications of what would constitute a change that is (not) substantial would be needed for contracting authorities.</p> <p>The PPL does not provide for the settlement of disputes during the execution of the contract other than by declaring that any disputes and requests regarding the execution, nullity, cancellation, resolution, or termination of the public procurement contracts fall under the responsibility of the competent court according to the applicable provisions in commercial law or other civil law, as may be the case. In the field of public procurement, dispute resolution is thus dealt with in the courts and an alternative procedure – e.g., arbitration, is missing. For these reasons, litigation procedures are cumbersome, costly, time consuming and often ineffective, which makes it difficult to effectively sanction breaches of contractual obligations by either party, the end effect being to reduce value for money for all concerned. The courts mentioned issue final, binding and enforceable decisions as provided for in separate legislation.</p>	<b>M</b>	It is recommended to use the IFAD Standard Bidding Documents which cover all the obligations and rights of both parties to guarantee good performance of the contract as well as value for money.	<b>M</b>
1.1.10.	Electronic Procurement (e-Procurement)	<p>The legal framework allows but only partly mandates the use of e-procurement solutions; in addition, the provisions of the public procurement law (PPL) are partly contradicted by the current implementing regulations and by their application through the existing e-procurement system.</p> <p>A requirement for publication of notices on the PPA website is explicitly stated regarding invitations to participate but not for procurement plans, nor for award notices.</p>	<b>M</b>	It is recommended not to use the e-procurement system for the project until a positive evaluation recognized by donors.	<b>M</b>

1.1.11.	Norms for safekeeping of records, documents and electronic data.	The contracting authority has the obligation to draw up the public procurement file. All information related to a public procurement procedure registered in the e-procurement system is also considered to be part of the respective public procurement file. On the other hand, the list of documents to be included in the file and the manner of storage is still regulated by Government decree 9/2008 (as amended in 2009) which no longer matches the current PPL and therefore creates confusion, since no other implementing regulation has been issued to provide further details on the obligation to draw up the procurement file. With the implementation of the E-Tender system, the tenders are presented in electronic format and not on paper, but the legal framework does not regulate exactly which documents can be kept electronically and which on paper.	<b>H</b>	IFAD must require, in the PIM, that project documents be filed and recorded in accordance with its requirements. IFAD will also verify compliance with this requirement during each supervision mission.	<b>H</b>
1.1.12.	Public procurement principles in specialized legislation	The primary legislation is well aligned with good international practice, but the corresponding secondary legislation is partly outdated and contradictory and requires revision.	<b>M</b>	The MAPS recommendation is to Continue amending the primary procurement legislation and update and revise all secondary legislation accordingly. So, for the Project it's recommended to use IFAD Procurement Guidelines, which made the risk low.	<b>M</b>
<b>1.2.</b>	<b>Implementing regulations and tools support the legal framework</b>				
1.2.1.	Implementing regulations to define processes and procedures conditions	The normative framework does not fully cover all public procurement procedures regulated by law, and it is also not fully harmonized, with some of the secondary regulations either exceeding or contradicting what the PPL requires or allows.	<b>S</b>	It is recommended that the project uses the IFAD Procurement Guideline, which offer less risk.	<b>S</b>
1.2.2.	Model procurement documents for goods, works and services	Standard documentation is issued by the Ministry of Finance for the procurement of goods, works and services using competitive procedures as well as for the use of price quotations. The standard documentation, including the ESPD <sup>91</sup> , is readily accessible on the website of the Public Procurement Agency. For the major procedures as well as for some particular types of goods and services, the standard documentation typically includes (example taken from the standard documentation for goods): 1. Instructions to tenderers 2. Tender data form 3. Tender form, including tender guarantee and performance guarantee forms 4. Technical specifications, price break-down form.	<b>M</b>	The recommendation is to use IFAD's standard procurement documents for the project until improving the functionalities of document processing in order to minimize the administrative effort needed, in ways that match other administrative approaches, systems and tools used in the contracting authorities as recommended by MAPS.	<b>M</b>

<sup>91</sup> ESPD : European Single Procurement Document

		5. Conditions of contract. However, as for the secondary legislation, the standard documentation is not quite up to date and is not fully harmonised with the actual functions of the e-procurement system (MTender) which, in turn, is not harmonised with the PPL.			
1.2.3.	Standard contract conditions	All standard documentation issued by the Ministry of Finance contains forms of contract. They thus cover goods, works and services and are broadly in line with internationally accepted practice, with the exception that some economic operators contributing their views to the assessment have mentioned that the model forms of contract seem to be more in favour of the contracting authority, meaning that rights and obligations of the parties are not quite proportionate. This disproportion of penalties in contract execution adds risks of corruption and are not necessarily conducive to proper contract execution.	<b>L</b>	Even the risk of using Moldova's standard contracts is low, the recommendation to use IFAD's system and standard documents systematically includes the use of existing template of contracts in tender and proposal documents, which are proportional in terms of the rights and obligations of both parties, thus excluding the risk of corruption identified by MAPS and offers greater reassurance for bidders.	<b>L</b>
1.2.4.	User's guide or manual for procuring entities (insert link to manual if possible)	Apart from what is contained in considerable detail in the secondary legislation issued by the Government, the standard procurement documentation issued by the Ministry of Finance contains a number of methodological details aimed at helping contracting authorities and economic operators to properly apply the procurement regulations. Further guidance is provided in manuals issued by the PPA. As an example, the principles and practicalities of preparing technical specifications is described in a corresponding guideline that can be downloaded ( <a href="https://tender.gov.md/ro/content/ghid-de-specifica%C8%9Bii-tehnice">https://tender.gov.md/ro/content/ghid-de-specifica%C8%9Bii-tehnice</a> ). In addition 54 different, standard technical specifications for frequently procured items. In addition, the PPA has also developed a video guide which is published on its web page ( <a href="https://tender.gov.md/ro/content/instruc%C8%9Biun">https://tender.gov.md/ro/content/instruc%C8%9Biun</a> ). The document does not include further details on its preparation, such as when the individual standard specifications were originally drafted and if and when they have been updated. It is therefore not possible for the occasional users to know if they are up to date and, consequently, if they match today's market practices and refer to e.g. the latest, currently applicable standards and technical regulations. There are also cases when it is not clear whether e.g. precise, specific dimensions of various items are so indicated because of a corresponding standard or other legal obligation, or if the contracting authorities have some flexibility in setting those values in accordance with their particular needs (and, if so, what may need to be considered in	<b>M</b>	The project PIM and standard IFAD documents will be used	<b>M</b>

		<p>order to keep the specifications suitably open in order to invite effective competition).</p> <p>Several of the standard specifications listed have a relatively strong focus on the physical characteristics of the items, as opposed to their performance, and may not quite reflect the potential advantages of functional specifications. They also provide limited guidance on how to draft specifications and to set corresponding evaluation criteria with a view to obtain value for money (life cycle costing, value of quality or performance exceeding minimum requirements). On the other hand, sustainability considerations are presented in a separate guidance issued by the PPA.</p> <p>Although a wide range of guidance documents has been published, not all of those have been updated.</p>			
<b>1.3.</b>	<b>The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations</b>				
1.3.1.	Sustainable Public Procurement (SPP)	<p>The PPL allows the use of sustainability approaches and criteria and there is official guidance for using them: <a href="https://tender.gov.md/sites/default/files/document/attachments/md_guide_to_spp_en_final_28feb2018_1.pdf">https://tender.gov.md/sites/default/files/document/attachments/md_guide_to_spp_en_final_28feb2018_1.pdf</a></p> <p>However, their use in practice is very limited, both because of widespread lack of corresponding knowledge and skills and the failure of the compulsory e-procurement system to allow their incorporation among the award criteria.</p>	<b>S</b>	Use of the IFAD Procurement Guidelines, its SECAP requirements to achieve best value for money on a whole life cycle basis in terms of generating benefits, whilst minimizing damage to the environment	<b>S</b>
1.3.2.	Obligations deriving from international agreement	<p>Obligations deriving from international agreements are broadly reflected in the primary legislation, although the alignment of the PPL with the applicable parts of the EU's public procurement directives is not fully progressing according to the agreed timetable set out in the Association Agreement.</p>	<b>S</b>	The secondary legislation to be brought up to date and complemented accordingly, for the e-procurement system to fully allow contracting authorities to apply the PPL in a way that not only meets its formal requirements but, even more so, the important general principles of transparency, economy and efficiency, for sustainable procurement to be more widely used and for the alignment with the EU Directives to be brought back on schedule.	<b>S</b>
<b>1.4. Consolidated findings for Pillar 1.</b>		<p><b>Moldova's legal framework for public procurement is being brought close to European Union (EU) standards in line with the obligations taken on by the country when concluding an association agreement with the EU. In application of the Association Agreement, Moldova adopted its first Strategy for development the public procurement system for 2016 – 2020. The public procurement law now provides a largely satisfactory, basic regulatory framework incorporating the fundamental EU</b></p>	<b>M</b>	<p><b>Continue amending the primary procurement legislation and update and revise all secondary legislation accordingly to ensure that the e-procurement system fully matches the requirements of the public procurement law; Simplify the form and contents of the standard documentation; Request that all public procurement documentation to be published and freely accessible on or</b></p>	<b>M</b>

		<p>principles governing the award of public contracts but will require further amendments. State owned enterprises are not covered by the public procurement law, not even utilities. A separate law on procurement by utilities has been drafted and was adopted by Parliament on 21 May 2020 and published<sup>3</sup> on 26 June 2020. Procurement in the area of defence remains unregulated. While each of them now broadly reflects appropriate public procurement principles and policies, the PPL, the utilities law and the regulation on procurement by SOEs, as well as the procurement related provisions of the PPP law, are not fully harmonized.</p> <p>Existing standard documentation is very detailed and prescriptive, but to the point of making it complicated to ensure formal compliance with all details and to adapt its use to the circumstances in ways that allow the focus to be put on the outcomes of the contracts to be concluded, especially on value for money;</p> <p>Publication of some procurement documentation, in particular procurement plans, is not regulated in a way that ensures easy access and use.</p>		<p>through a central website in a machine readable format.</p> <p>The use of the IFAD Procurement Guidelines, as well as regular monitoring by all means and supervision will mitigate the risks noted by MAPS.</p>	
<b>Pillar 2. Institutional Framework and Management Capacity</b>					
<b>2.1.</b>	<b>The public procurement system is mainstreamed and well-integrated with the public financial management system</b>				
2.1.1.	Procurement planning and the budget cycle	Procurement planning and execution is mostly carried out on an annual basis, with operations often starting well after the beginning of the fiscal year and being rushed through towards its end.	M	Align the timeline and the approach for procurement planning and adjust budget and disbursement regulations to allow procurement to proceed in a regular fashion throughout the year.	M
2.1.2.	Financial procedures and the procurement cycle	<p>Law 181/2014 on public finance and fiscal budgetary responsibility clearly establishes that the initiation of procurement procedures is not allowed without corresponding financial coverage (Art. 66). The corresponding procedural rules are clear and are reported to be strictly applied.</p> <p>A major gap in the integration of public procurement into public financial management is the limited possibilities for contracting authorities to reliably plan procurement in a medium-term perspective and to run procurements regularly throughout the year and with continuity from one year to another. The immediate reason is the rigidity (at least, as so presumed by many individual budget entities) of the budgetary and disbursement regulations, which do not seem to fully reflect the particularities of public procurement. At the same time, the development of medium-term budgeting is proceeding, in parallel with other steps to improve public financial management.</p>	M	PP, AWPB and IFAD supervision missions can mitigate the risk	M

<b>2.2.</b>	<b>The country has an institution in charge of the normative/regulatory function</b>			
2.2.1.	Status and legal basis of the normative/regulatory institution function	The Public Procurement Agency (PPA) is an administrative authority subordinated to the Ministry of Finance, established in order to strengthen the capacities of contracting authorities and develop their business skills in the field of public procurement, to monitor compliance with public procurement procedures and to perform analyses of the public procurement system. The work of the PPA is regulated by the PPL, Art. 10, and Government decree no. 134/2017.	<b>L</b>	<b>L</b>
2.2.2.	Responsibilities of the normative/regulatory function	Much of PPA work would normally take place in an e-procurement context but this is not well reflected in the applicable regulations. In particular the item of manage the automated information system of public procurement which does not seem to be fully applied, in that the current e-procurement system is managed in other ways	<b>M</b>	The recommendation is not to use the e-procurement system for the project until it is improved
2.2.3.	Organization, funding, staffing, and level of independence and authority	The definition of public procurement authorities is broadly in line with that in the EU directives, but leads to a large number of them (around 3 000), many with very limited skills and resources, and leaves the status of many state and municipally owned enterprises unclear. The present organization of the PPA and the distribution of roles and responsibilities among its staff members (As appears from e.g., <a href="https://tender.gov.md/ro/contacte-aap">https://tender.gov.md/ro/contacte-aap</a> ) may thus have room for better alignment with its current, main tasks, thereby helping it better meet its obligations.	<b>M</b>	Address the lack of skills and resources in many small contracting authorities; review and categorize all public enterprises according to which procurement rules they should apply (MAPS recommendation)
2.2.4.	Avoiding conflict of interest	General provisions regarding the prevention and mitigation of conflicts of interest are found in the PPL, Art. 79, as well as specific provisions for the particular cases of tenderers (Art. 19) and members of the ANSC (Art. 81). <u>More detail in the law on integrity no. 82/2017, the law regarding the declaration of wealth and personal interests no. 133/2016 and the law regarding the National Integrity Authority no. 132/2016. The regulations concerning conflicts of interest are thus focused on the roles and interests of the individual</u>	<b>L</b>	When applying the IFAD Procurement Guidelines, IFAD conflict of interest rules will also be applied
<b>2.3.</b>	<b>Procuring entities and their mandates are clearly defined.</b>			
2.3.1.	Definition, responsibilities and formal powers of procuring entities	Within contracting authorities, public procurement is not carried out by a dedicated administrative (sub-)unit but by “working groups” set up for the purpose and composed by officials who mostly have other tasks in their primary, official positions.	<b>M</b>	Replace the “working groups” for public procurement by a requirement for all contracting authorities either to use an administrative unit dedicated to public procurement or, possibly, and only for small contracting authorities, to assign the public



				procurement function to a duly knowledgeable and experienced staff member having this as his or her primary duty	
2.3.2.	Centralized procurement body	A significant number of institutions have various roles and responsibilities in supervising public procurement and auditing procedures and performance; however, in the absence of a broad, overarching policy to this effect, there are some conflicts of roles and gaps and overlaps in responsibilities	<b>M</b>	Strictly observe existing legal obligations for public consultations; ensure that objectives and regulations for supervision and audits are harmonized (MAPS recommendation)	<b>M</b>
<b>2.4.</b>	<b>Public procurement is embedded in an effective information system</b>				
2.4.1.	Publication of public procurement information supported by information technology	In principle, information on procurement is easily accessible by electronic means. The PPA is in charge of maintaining the official website on public procurement of the Republic of Moldova: <a href="https://tender.gov.md">https://tender.gov.md</a> , where much of the information published is available in a timely manner. The information is public, with open access. However, procurement plans are not centrally published and some key information, like award notices, is allowed to be published with considerable delay. In practice, MTender is not fully functional, in that only the participation announcements, the participation documentation and the offers submitted can be published. The system does not have adequate possibility to generate documents related to the procedure, procurement contracts and award notices. Procurement plans cannot be published in the system. MTender is not integrated in the other databases, information on the decisions taken for resolving complaints appeals cannot be viewed directly ...	<b>S</b>	For the project, it is recommended to use IFAD Procurement Guidelines and require publications in the PIM with regular monitoring as part of project supervision missions.	<b>S</b>
2.4.2.	Use of e-Procurement	The current edition of e-procurement system ("MTender"), developed by the Ministry of Finance with the support of the EBRD, is not fully aligned with all e-procurement provisions in the PPL.	<b>M</b>	It is recommended not to use the e-procurement system for the project.	<b>M</b>
2.4.3.	Strategies to manage procurement data	Public procurement data is generated in ways that are not fully conducive to easy collection, compilation, and analysis, with some aspects (e.g., small value contracts) hardly covered at all; as a consequence, there is not a strong evidence basis available for policy making	<b>M</b>	Identify the measures required for generating, collecting, compiling, analyzing and publishing a full range of data on what happens in public procurement, in particular, through an up-to-date e-procurement system, and take corresponding actions (MAPS recommendation). For the project, the use of IFAD systems (CMT & OPEN) will ensure retention and management procurement data.	<b>M</b>
<b>2.5.</b>	<b>The public procurement system has a strong capacity to develop and improve</b>				
2.5.1.	Training, advice and assistance	The PPA is preparing a system for certification of public procurement officials. However, no concrete measures to this effect have been taken yet.	<b>M</b>	IFAD will take all necessary measures to develop the skills of the team which will be responsible for project procurement in this	<b>M</b>

				area, through the organization of a workshop at the start of the project and throughout the registration of the entire procurement team in BuildPROC Program.	
2.5.2.	Recognition of procurement as a profession	Correspondingly, public procurement is not officially recognized as a profession and, therefore, there are no specific public procurement positions with dedicated, matching approaches for engagement, management, training, evaluation and promotion of staff concerned	<b>M</b>	Recognize public procurement as a profession, including it in the official classification of occupations of the Republic of Moldova (MAPS Recommendation). For the project, both the current team and new recruits will attend the BuildPROC program and utilize IFAD assistance, enabling them to become proficient, especially in relation to IFAD Procurement Guideline, CMT and OPEN.	<b>M</b>
2.5.3.	Monitoring performance to improve the system	As noted by the PPA and the review body, there is room for improvement of the skills of contracting authorities in planning and preparing public procurement, evaluating tenders and awarding contracts, and managing contracts concluded.	<b>L</b>	Systematize the collection and use of aggregated data on public procurement performance.	<b>L</b>
<b>2.6. Consolidated findings for Pillar 2.</b>		<b>The integration of public procurement in public financial management in general appears to be slightly lopsided, in that budget and disbursement regulations and practices put considerable constraints on the contracting authorities, while the potential for public procurement to improve value for money in the use of public funds is not fully utilized. Procurement planning and execution is mostly carried out on an annual basis, with operations often starting well after the beginning of the fiscal year and being rushed through towards its end. Public procurement is not officially recognized as a profession and, as a consequence, there are no specific public procurement positions with dedicated, matching approaches for engagement, management, training, evaluation and promotion of staff concerned. Centralized procurement is little developed, and its use in practice (mainly for medical supplies and equipment) is hampered by regulatory problems (e.g., no provisions for framework agreements) and inadequate e-procurement systems. Public procurement data is generated in ways that are not fully conducive to easy collection, compilation and analysis, with some aspects (e.g. small value contracts) hardly covered at all; as a consequence, there is not a strong evidence basis available for policy making</b>	<b>M</b>	<b>Align the timeline and the approach for procurement planning and adjust budget and disbursement regulations to allow procurement to proceed in a regular fashion throughout the year; Recognize public procurement as a profession, including it in the official classification of occupations of the Republic of Moldova; Identify the measures required for generating, collecting, compiling, analyzing and publishing a full range of data on what happens in public procurement, in particular, through an up-to-date e-procurement system, and take corresponding actions. The use of the IFAD Procurement Guidelines, as well as regular monitoring by all means and supervision will mitigate the risks noted by MAPS.</b>	<b>M</b>

<b>Pillar 3. Public Procurement Operations and Market Practices</b>					
<b>3.1. Public procurement practices achieve stated objectives</b>					
3.1.1.	Procurement Planning	Procurement planning and execution is mostly carried out on an annual basis, with operations often starting well after the beginning of the fiscal year and being rushed through towards its end. Monitoring by the PPA confirms that contracting authorities often make mistakes during planning and preparation and that, as a result, the outputs often prove to be deficient.	<b>M</b>	Align the time horizon and the approach for procurement planning and adjust budget and disbursement regulations to allow procurement to proceed in a regular fashion throughout the year. The use of the AWPB and the PP as well as IFAD's prior review will ensure the proper planning and implementation of activities within the approved annual budget.	<b>M</b>
3.1.2.	Selection and contracting	The PPL and the corresponding secondary legislation put a wide range of procurement methods at the disposal of the contracting authorities. However, in practice, contracting authorities rarely use any other competitive procedure than open tender. A sufficient reason for this is certainly that the use of the e-procurement system is mandatory, but the system is not designed to allow easy handling of other procedures. Appropriate techniques to ensure best value for money are provided by PPL for but most often not applied. As reported by the PPA, contracting authorities sometimes have difficulties in completing the award documentation or otherwise fail to make full use of them. The procedures for submitting, receiving and opening tenders are clearly described in the PPL and other texts. However, it is not clearly described in the legislation how this process should take place when the procurement procedure is carried out by electronic means, and the e-procurement system used has no particular facility available for the purpose. The standard contract clauses provide for sanctions in case of failure by the contractor to meet the contractual obligations. However, in practice it is not well applied due to several reasons.	<b>M</b>	To mitigate risk, it is recommended to use IFAD's selection and contracting procedures.	<b>M</b>
3.1.3.	Contract management in practice	As reported by the Ministry of Internal Affairs, 90% of contracts for goods and services are executed on time, while 90% of works contracts exceed the contractual time limits by 1/3, on an average. Also, some 90% of works contracts are amended in ways that increase the contract value. There are many causes behind the weaknesses in the management of contracts: inadequate planning and preparation, unclear or otherwise deficient contractual requirements, insufficient monitoring and enforcement of contractual performance and, underlying these problems, a lack in many contracting authorities of suitably knowledgeable, skilled and experienced public procurement staff.	<b>M</b>	The use of standard IFAD procurement documents, in particular the appropriate contract models, as well as the training of staff who will be responsible for procurement, will make it possible to remedy these weaknesses and others in contract management indicated in the MAPS report.	<b>M</b>

<b>3.2. The public procurement market is fully functional</b>					
3.2.1.	Dialogue and partnerships between public and private sector	The opportunities for policy dialogue at the level of specific sectors of the economy, from the perspective of enhancing the benefits from and for public procurement, are limited and have only been little used.	<b>M</b>	Do not use the e-procurement system for the project and ensure that participation in the procurement of IFAD funded projects is encouraged through good publications, transparency and the use of standard documents.	<b>M</b>
3.2.2.	Private sector's organisation and access to the public procurement market	Perceptions of unfair competition, both for objective reasons (shortcomings in the e-procurement system) and based on unproven presumptions, may discourage well qualified and competitive firms from participating in public procurement. In application of the corresponding requirements in the EU Directives, the PPL includes several provisions intended to facilitate SME participation in public procurement, such as provisions on division into lots and on preliminary market consultations. Also, in line with EU policies, there are no provisions for local preference or for other preferential treatment of SMEs or other categories of prospective tenderers. Some systemic constraints have the effect of limiting private sector access to the public procurement market.	<b>M</b>	Good communication on IFAD financing for procurement projects can encourage the private sector to participate in tenders (RFB & RFP).	<b>M</b>
3.2.3.	Key sectors and sector strategies	There is little evidence of any analysis by the Government of the Moldovan supply market from the point of view of public procurement and of any efforts to proactively develop the competitiveness of enterprises in sectors of importance to public procurement.	<b>M</b>	Procurement of IFAD-financed projects in Moldova must be supported by adequate procurement strategies and accompanied by market surveys by sector as well as a good communication to ensure private sector participation and good implementation of activities.	<b>M</b>
<b>3.3. Consolidated findings for Pillar 3.</b>		<b>The analysis of the performance in practice of the procurement system faces methodological problems related mainly to the lack of comprehensive, reliable data. Nevertheless, the indications received during the assessment point to a room for improvement in a number of respects, while many of the conditions for this have to be met by measures of more general character.</b> Data on actual public procurement practices is limited, and it is therefore difficult to identify skill gaps and training needs and to take action to address them, as well as to improve documentation and tools for facilitating public procurement	<b>M</b>	<b>Collect more detailed and reliable data on actual procurement practices, and use for improving policies and procedures as well as documentation, information and training; Examine in further detail the reasons why economic operators would or would not participate in public procurement, and change policies and practices accordingly in order to raise the level of trust in the system and encourage wider participation; Raise contracting authorities' skills in preparing and carrying out procurement, e.g. through improved guidance materials and training; The use of the IFAD Procurement Guidelines. as well as regular monitoring</b>	<b>M</b>

				<b>by all means and supervision will mitigate the risks noted by MAPS.</b>	
<b>Pillar 4. Accountability, Integrity and Transparency of the Public Procurement System</b>					
<b>4.1. Transparency and civil society engagement strengthen integrity in public procurement</b>					
4.1.1.	Enabling environment for public consultation and monitoring	There is a legal framework in place which stipulates that changes in legal/policy framework (including in public procurement one) should be transparent and consultative. However, not all legal drafts and policy proposals have been subject to public consultations in full accordance with legal framework and many amendments have been approved without consultations. There are no legal or policy documents that would envision systematic support from the public sector for CSOs in the area of public procurement	<b>M</b>	The use of the IFAD Procurement Guidelines, as well as regular monitoring by all means and supervision will mitigate the risks noted by MAPS.	<b>M</b>
4.1.2.	Adequate and timely access to information by the public	The legal framework on public procurement is accessible free of charge. However, not all documents that should be open are published in full by the contracting authorities and they are not all readily accessible from a single, national point of access.	<b>M</b>	Adequate and timely access to information by public will be guaranteed for projects financed by IFAD through the application of its rules and procedures.	<b>M</b>
4.1.3.	Direct engagement of civil society	The most important gap in the environment for public consultation and monitoring lies in the limited availability of detailed and reliable data that would allow civil society and the competent authorities themselves to take measures to analyse the way public procurement is carried out and the outcomes of it and thereby to determine ways for improving the economy, efficiency and effectiveness of public procurement proceedings. A secondary gap is constituted by the weak support offered to civil society organisations in terms of access to information and opportunities for participation.	<b>M</b>	Take steps to allow civil society to effectively monitor all stages of the public procurement cycle, and offer corresponding training	<b>M</b>
<b>4.2. The country has effective control and audit systems</b>					
4.2.1.	Legal framework, organisation and procedures of the control system	Several supervisory and inspection agencies interpret and apply the public procurement law and corresponding secondary legislation when reviewing the operations of contracting authorities, but their approaches are not harmonised, so economic operators may face conflicting expectations and requirements. There is no evidence of a harmonised, overarching approach to the need to ensure, in an effective and efficient manner, that rules and regulations for supervision and audits are properly applied .	<b>M</b>	In addition to supervision, IFAD will require each project to finance an audit and monitoring in accordance with international standards and its requirements.	<b>M</b>
4.2.2.	Co-ordination of controls and audits of public procurement	Internal audit is well regulated, with corresponding training and guidance materials, but remains little applied in practice, in particular to public procurement.	<b>M</b>	Intensify the introduction and development of internal audit, especially with respect to public procurement. IFAD Prior and post review, financial management recommendation and IFAD supervision mission (monitoring) will mitigate the risk.	<b>M</b>

4.2.3.	Enforcement and follow-up on findings and recommendations	Audits are still little focused on outcomes and performance, and recommendations made are not always well followed up.	<b>M</b>	The IFAD supervision missions will ensure the proper monitoring and implementation of the recommendations indicated in the audit reports.	<b>M</b>
4.2.4.	Qualification and training to conduct procurement audits	The various institutions involved in audit and control suffer from a lack of a harmonised, overarching approach for audit and control; as a result, there are gaps and overlaps in their roles, responsibilities and activities and the requirements and criteria applied in their work are not uniform across the board, so contracting authorities may face repeated checks of the same actions as well as diverging or even contradictory expectations and obligations. Internal audit still remains very underdeveloped and has a long way to go. Policies and procedures as well as guidance and training materials are available but internal audit is not yet widely practised by knowledgeable and skilled practitioners.	<b>M</b>	IFAD will put precautionary measures in the PIMs and organize adequate training for projects Units and stakeholders involved to compensate for these deficiencies.	<b>M</b>
<b>4.3.</b>	<b>Procurement appeals mechanisms are effective and efficient</b>				
4.3.1.	Process for challenges and appeals	The National Agency for the Settlement of Complaints (ANSC) is the specialized appeal body responsible for the first examination of complaints against decisions and actions or inactions of contracting authorities in the preparation and award of public contracts. It is not necessary to lodge a formal complaint with the contracting authority first. The ANSC's decision is taken solely on the basis of the evidence submitted by the parties. The ANSC's decision to annul, in whole or in part, the contested act is binding on the contracting authority and, in general, ANSC decisions apply to the entire contract. Nevertheless, ANSC decisions can be challenged in court. Complaints have to be lodged no more than five or ten days (depending on the estimated value of the contract) after the complainant learned about the decision or other action against which the complaint is made. The ANSC has to resolve the complaint on its merits within 20 working days from the date of receipt of the complaint. In duly justified cases, the time limit for resolving the complaint may be extended once by 10 days. As required by the Remedies directives of the EU, Art. 32 of the PPL includes an obligation to observe a stand-still period of 11 or 6 days, depending on the contract value, until the contract can be signed.	<b>M</b>	The IFAD supervision missions will ensure the proper monitoring of handling complaints and application of appeals mechanisms	<b>M</b>

4.3.2.	Independence and capacity of the appeals body	No fee is charged for lodging complaints. There is no automatic suspension of public procurement proceedings when a complaint is lodged. The ANSC has always delivered its decisions within the legal time frame. The PPL states that the decisions of the ANSC are binding on the parties. Parliament decision 271/2016 sets the number of ANSC staff positions to 30, remunerated according to the applicable legislation. However, in 2019, these staff positions were only filled to 63.3 %. Among other possible reasons, this reflects the fact that reviewing and resolving complaints is a fairly narrow area, where it is necessary to accumulate knowledge and skills in the field of law and public procurement, concessions, utilities. This is said to be a major difficulty in recruiting competent staff, since such specialists are not available on the labour market in sufficient numbers to cover demand.	M	The National Agency for the Settlement of Complaints (ANSC) shall have a complete autonomy from the rest of the system, to ensure that its decisions are free from interference or conflict of interest.	M
4.3.3.	Decisions of the appeals body	A survey conducted by the ANSC itself in the second half of 2019 indicates that 73% of responding economic operators consider the decisions of the ANSC to be "credible" and that 93% of the respondents consider that the procedure for examining complaints is duly carried out inter parties, in compliance with the principles of legality, speed and the right to defence..	M	Introduce the possibility to briefly suspend the procurement process when a complaint is made and introduce a standstill period to prevent a contract from being concluded before a decision is taken on a complaint against the award decision, as per IFAD Procurement Handbook.	M
<b>4.4.</b>	<b>The country has ethics and anti-corruption measures in place</b>				
4.4.1.	Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountability and penalties	Definitions of fraud, corruption and other prohibited practices in public procurement are found in the legislation. Definitions of fraud, corruption and other prohibited practices, applicable to public procurement, can also be found in a number of other normative acts adopted from 2016 onwards. These include the National Strategy for Integrity and Anti-corruption (SANI) for the years 2017-2020 and its action plan, which regulates the aspects of integrity in the public / private sector and define the general notions of corruption, corruption manifestations and other corrupt facts	M	IFAD policies shall be mandatory in all bidding documents; reporting hotlines shall also be included.	M
4.4.2.	Provisions on prohibited practices in procurement documents	The legal framework does not specify the obligation to insert in the procurement documents and the procurement contract the provisions regarding the prohibited practices, nor are there any instructions in this regard. Nevertheless, references in this regard are found in some standard documentation, though with certain overlaps, e.g. an obligation of the economic operator to include a "Declaration on ethical conduct and non-involvement in fraudulent and corrupt practices".	M	IFAD policies shall be mandatory in all bidding documents; reporting hotlines shall also be included.	M

4.4.3.	Effective sanctions and enforcement systems	The PPA, the contracting authority and the economic operator are required to immediately report to the competent bodies each case of corruption or attempted corruption committed by the economic operator or the representative of the contracting authority. A similar requirement is found in the secondary legislation. However, it is not abundantly clear how this requirement should be met in practice.	<b>M</b>	IFAD policies shall be mandatory in all bidding documents; reporting hotlines shall also be included.	<b>M</b>
4.4.4.	Anti-corruption framework and integrity training	Formal measures for preventing, identifying and sanctioning fraud and corruption are in place, but handled by several institutions with partly overlapping roles; there is little evidence of effective sanctions being meted out, and the situation in public procurement is not quite clear.	<b>M</b>	IFAD policies shall be mandatory in all bidding documents; reporting hotlines shall also be included.	<b>M</b>
4.4.5.	Stakeholder support to strengthen integrity in procurement	There are civil society organisations that have strengthened their capacities, enjoying credibility in front of citizens, public authorities and international donors. Performing social audits and controls are some of the basic functions of civil society organisations and some of them are also specialised in public procurement.	<b>M</b>	IFAD policies shall be mandatory in all bidding documents; reporting hotlines shall also be included.	<b>M</b>
4.4.6.	Secure mechanisms for reporting prohibited practices or unethical behaviour	A system for debarring delinquent tenderers is in place, but its operation is complicated, while other information on past performance of suppliers, contractors and service providers is difficult to find	<b>M</b>	Review the system for prohibiting economic operators from participating in public procurement, and introduce measures to make past performance more transparent	<b>M</b>
4.4.7.	Codes of conduct/codes of ethics and financial disclosure rule	Law no. 158/2008 on the civil service and the statute of the civil servant stipulates the obligation of the civil servant to respect the rules of professional conduct. There is also a special law, no. 25/2008, on the Code of conduct of the civil servant, which is mandatory for all civil servants. Most of the central authorities have elaborated and approved, by internal order, Codes of Conduct for its officials. Such Codes of Conduct have also been approved by some local public authorities. Those public entities that elaborated and approved the Codes of Conduct, largely reproduced the provisions of the Code of conduct of the civil servant, adopted by law no. 25/2008. However, there is no data regarding the share of public entities, including contracting authorities, that have such a code of conduct in place.	<b>M</b>	IFAD's ethics and financial disclosure rules will be applied for the projects for which it finances	<b>M</b>
<b>4.5. Consolidated findings for Pillar 4.</b>		<b>The legal and institutional framework contains a number of features intended to secure integrity in public procurement as well as in public administration in general; Several civil society organizations have an interest in public procurement and are trying to monitor it, but point to limited access to data and occasional lack of effective consultations;</b>	<b>M</b>	<b>Take steps to allow civil society to effectively monitor all stages of the public procurement cycle, and offer corresponding training Intensify the introduction and development of internal audit, ensure that all measures are in place for preventing, identifying and sanctioning fraud and</b>	<b>M</b>



	<p>A significant number of institutions have various roles and responsibilities in supervising public procurement and auditing procedures and performance; however, there are some conflicts of roles and gaps and overlaps in responsibilities;</p> <p>Internal audit is well regulated, with corresponding training and guidance materials, but still little focused on outcomes and performance, and recommendations made are not always well followed up</p> <p>Formal measures for preventing, identifying and sanctioning fraud and corruption are in place, but handled by several institutions with partly overlapping roles;</p> <p>A system for debarring delinquent tenderers is in place, but its operation is complicated, while other information on past performance of suppliers, contractors and service providers is difficult to find.</p>		<p>corruption. This would include raising the level of transparency of the review of declarations of conflicts of interest and of assets and of any corresponding sanctions.</p> <p>The use of the IFAD Procurement Guidelines, as well as regular monitoring by all means and supervision will mitigate the risks noted by MAPS.</p>	
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## Integrated country risk matrix

Risk type	Integrated Country Risk Matrix		
	Inherent risk	Residual risk	Mitigation measures
<p><b>Country context</b> The war in Ukraine has had profound economic, social and systemic repercussions in Moldova. Since the outbreak of the invasion in February 2022, Moldova has received over 974,151 forcibly displaced people and over 110,000 remain in the country as of end 2023, making Moldova the highest per capita host of refugees from Ukraine. The war and the subsequent rapid escalation in energy and food prices have disproportionately affected many vulnerable Moldovans, especially rural communities. This, combined with more frequent droughts, has led to a significant increase in rural poverty rates, with nearly one third of the Moldovan population now living below the poverty line, compared with 25 percent prior to the invasion.</p> <p>Simultaneously, as Moldova strives to achieve full membership of the European Union by 2030, it is undergoing rapid reforms in its economic, judicial, social, rural and environmental sectors in order to respond to the immediate crises and address the long-term development agenda. One key area of reform is the Moldova's food safety regime, which requires enhancements in its effectiveness, efficiency and compliance. This in turn also pose challenges for especially the small-scale poor rural producers</p>	Substantial	Substantial	With support from donors, including IFAD, the government will take measures to reduce the vulnerability of the country to external shocks. Substantial support is granted from EU to cushion the impact of the war. EU is also working to improve the regulatory framework including fiscal reforms, which have accelerated since 2022 when Moldova was granted EY candidate status. During the COSOP period, IFAD will work with the government to support interventions which will contribute in creating enabling environment for the successful and <i>inclusive</i> rollout of the reforms. Additionally, IFAD projects will help strengthening the capacity of Moldova for proper management of its natural resources, for integrated disaster risk management.
<p><b>Political commitment</b> Weak government political commitment to the COSOP resulting from limited commitment to COSOP priorities is deemed substantial. The EU granted Moldova candidate status in June 2022, and GoM is determined to align its policies and legal framework with that of the EU, as reflected overall European Moldova 2030 Strategy. However, this may leave limited space to deliver on the COSOPs commitments especially if IFAD posture is focused on investing in the most marginalised and vulnerable rural poor.</p>	Moderate	Moderate	Both the concrete investments as well as IFAD policy engagements are in line with the overall priorities of the agriculture and the financial sector in Moldova. The IFAD country team will continue its dialogue with rural development partners and strengthening interactions and cooperation with the EU.
<p>The most pressing governance challenge in Moldova is arguably the pervasive issue of corruption. This deeply rooted problem has manifested itself in various ways, including: <b>State Capture:</b> Powerful oligarchs have exerted significant influence over state institutions, leading to policies that favour their interests at the expense of the public good. <b>Weak Rule of Law:</b> The judiciary and law enforcement agencies have been compromised, hindering the fair and impartial application of the law. <b>Political Polarization:</b> Corruption has fuelled political divisions, making it difficult to build consensus on crucial reforms. <b>Economic Development:</b> Corruption has deterred foreign investment and hampered economic growth, as businesses face unfair competition and unpredictable regulations.</p>	Substantial	Substantial	At the macro level, the government is doing progress toward curbing corruption and improving governance, as evidence by improved rankings (e.g. TI). At project level, IFAD has strong safeguards in procurement, beneficiary selection and targeting. Moreover government has a strong EU-driven incentive to clean up as part of alignment with EU standards. Combatting corruption thus features prominently in the EU-reform package. Finally there are solid institutional relations and policy anchoring IFAD has developed in the rural finance sub-sector over the years in the country

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	Inherent risk	Residual risk	Mitigation measures
<p><b>Macroeconomic</b> Moldova's growth model reliant on remittance-induced consumption has generated high growth and reduced poverty, but has become less sustainable even before the COVID-19 pandemic. The decline in remittances, combined with a shrinking and aging population, has resulted in low productivity growth, and a significant number of the lower-income population has become dependent on pensions and social assistance. The pandemic, energy crisis and high inflation, have starkly exposed the vulnerabilities of this growth model to shocks. Moldova is one of the countries most affected by the war because of its inherent vulnerabilities as a small, landlocked economy with close linkages to both Ukraine and, now less so, Russia</p>	Substantial	Substantial	This COSOP aims to improve the livelihoods of small farmers and enhance economic growth in the rural areas. Priority will be given to markets that are accessible to Moldovan players, while training packages will help in raising capacities to comply with European standards. In case of aggravation of the impact of the war in Ukraine on the economy, IFAD is flexible to restructure/re-purpose the COSOP should the government request it.
<p><b>Fragility and security</b> Moldova is not on the World Bank's list of fragile and conflict-affected countries, but nevertheless remain fragile to both climate induced catastrophes and geopolitical ones. Climatic fragility is dealt with below. Geopolitical fragility relates to internal disputes and proximity to the ongoing war in Ukraine.</p>	Moderate	Moderate	IFAD will help increase rural resilience and enhance economic growth. Business information and planning will direct investors towards profitable, and less risky businesses. Financing packages will lower the cost of loans. In case of aggravation of the impact of the war in Ukraine on the economy, IFAD is flexible to restructure/re-purpose the COSOP should the government request it.
<b>Sector strategies and policies</b>			
<p><b>Policy alignment</b> The government's overriding policy is to align to the requirements of EU membership. This may cause the further marginalisation of the rural poor producers unable to comply with EU and commercial standards.</p>	Substantial	Substantial	IFAD will under this COSOP help those rural poor with a clearly evidenced economic upside. These will be assisted to upgrade their production methods, enabling them not only to survive but also thrive and take advantage of the new opportunities. The government also has strong commitment to the national agricultural and rural development strategy 2023-2030 to which IFAD aligns.
<p><b>Policy development and implementation</b> The strategy is aligned with existing government policies, which are not expected to change in fundamental respects, but implementation practices may deviate from policy objective (e.g. elite capture).</p>	Moderate	Moderate	Alignment is ensured between national policies and design. However, implementation practices can deviate from strategy intentions (also related to weak governance) and IFAD will again support the EU-driven agenda of e.g. reducing corruption and increasing safeguards. In IFAD project, strong safeguards are already instituted.
<p><b>Environmental, social and climate context</b> The COSOP's portfolio's extensive coverage of rural Moldova exposes it to several inherent environmental risks. One of the primary concerns is land degradation, a significant challenge that affects the agricultural landscape across the region. Moreover, the southern regions may face water shortages and droughts, particularly concerning irrigation for agricultural purposes.</p>	Substantial	Substantial	To address these challenges, the COSOP project will promote crop diversification, emphasizing the breeding of various crop varieties and promote a more sustainable approach to farming. Furthermore, the project will introduce drought-resistant varieties, which can thrive even in water-scarce conditions. By altering cropping patterns, the project intends to optimize resource usage while minimizing the risk of land degradation. Finally, conservation agriculture techniques, crop rotation and agro-forestry schemes are designed to promote soil health and fertility and reduces soil erosion.

Risk type	Integrated Country Risk Matrix		
	Inherent risk	Residual risk	Mitigation measures
<b>Financial management</b> <i>In 2023, Moldova ranked 76th out of 180 countries in the Transparency International Corruption Perception Index, with an improved score of 42, showing a positive trend (+3 points) compared to 2022. This places the country in the moderate risk bracket. The risk identification and mitigation measures for the financial pillars are outlined below.</i>	Moderate	Moderate	The current financial management system established by the Central Projects Implementation Unit (CPIU) are well developed and capable to manage IFAD funded projects. The CPIU has a good track record in the financial management performance. It is foreseen that CPIU will continue to implement IFAD-funded projects designed under this COSOP
<b>Organization and staffing</b> Turnover of key qualified financial management staff within CPIU or sudden structural changes without prior concurrence from IFAD	Moderate	Moderate	The approved finance structure for new projects to be adopted with any changes to key financial management staff subject to IFAD's prior no-objection. New staff should complete an online financial management course and attend IFAD-organized training. The appointment of key positions will be subject to IFAD clearance.
<b>Budgeting</b> (i) Projects approval has faced delays as it has not been aligned with national budget process delaying implementation. There has also been a challenge in adhering to cost categories set out in original budgets; (ii) overruns and unrealistic budget	Moderate	Moderate	(i) The national budget experienced in the past some delays in submission to the Parliament. These delays did not affect IFAD projects' budget preparation or resources availability materially. Projects should adhere to the cost tables overall categories/components allocation while preparing the AWPBs. (ii) systematic review of actual versus budget by project management to be implemented and actions are taken to address significant variances. Effective monitoring will be further ensured through the submission of quarterly interim financial reports
<b>Funds flow/disbursement arrangements</b> (i) timely transfer of funds from IFAD and counterpart (ii) un-used funds for credit/grant schemes left idle at implementing partners/PFIs; (iii) lack of clarity and control on the re-use of funds revolved from beneficiaries' credit lines through PFI to Borrower.	Moderate	Moderate	(i) disbursement from IFAD will be made on quarterly basis based on quarterly interim financial report including cash forecast for two rolling quarters. Projects to ensure adequate counterpart budget and ensure the budget is allocated and made available for project use timely. (ii) systematic quarterly monitoring of the liquidity levels available at PFIs.  (iii) agreement with PFIs to determine the conditions for use from the re-flow of loans; and regular reports from PFI on use of the reflow and the report be reviewed by monitoring and evaluation and finance team
<b>Country internal controls</b> (i) weak internal controls and monitoring relating to matching grant schemes and credit lines; (ii) Low capacity of Internal Audit at MAFI to cover CPIU projects	Moderate	Moderate	(i) a comprehensive financial procedures manual to be formulated in the PIM as part of the start-up phase; PIM to include detailed internal control arrangements for matching grants schemes and credit lines; On-grant/lend Agreement CPIU/MoF/PFIs to specify internal control arrangements at PFIs including requirements (a) on quarterly reporting to CPIU on funds use and funds revolved, (ib) on the provision of relevant documentation for the external audit.

Risk type	Integrated Country Risk Matrix		
	Inherent risk	Residual risk	Mitigation measures
			(ii) Internal control based on compliance with IFAD's requirements, national regulation and ringfenced through controls and authorization set by the FMIS; IFAD projects will be part in the larger scrutiny of the IA Unit to MAFI.
<b>Accounting and financial reporting</b> Lack of accounting software system to facilitate timely recording and reporting for new projects in accordance with acceptable international standards and IFAD requirements;	Moderate	Moderate	the CPIU utilizes the well-tested 1-C accounting software, fully integrated with the national FMIS system via the treasury module. The CPIU ensures the timely integration of new projects into the 1-C accounting system at start-up. All transactions will be recorded accurately and promptly, with quarterly interim financial reports and unaudited financial statements prepared in accordance with IPSAS cash basis and IFAD requirements and submitted within deadlines.
<b>External audit</b> (i) Supreme Audit institution lacks the capacity to carry out the annual external audit for projects and submits reports on timely manner (ii) the external audit does not comply with IFAD's requirements regarding quality, timing, and scope	Moderate	Moderate	((i) Similar to existing projects, private auditors will be engaged to conduct external audits in accordance with international auditing standards. The capacity of the Supreme Audit Institution will be further assessed during the COSOP to explore the potential for it to conduct the audits instead of private auditors. (ii) CPIU will ensure that the Terms of Reference (ToRs) for the appointment of the external auditor receive IFAD's no-objection and that the auditor is appointed before the start of each financial year.
<b>Procurement issues</b> <i>The risk of non-compatibility of project/programme procurement operations with the IFAD Project Procurement Framework (IFAD-PPF) and risk that inefficient or non-transparent procurement processes impact the achievement of the project/programme's intended objectives (outcomes and outputs).</i>			
<b>Pillar I. Legal, regulatory and policy framework</b> Moldova's legal framework for public procurement is being brought close to European Union (EU) standards in line with the obligations taken on by the country when concluding an association agreement with the EU. In application of the Association Agreement, Moldova adopted its first Strategy for development the public procurement system for 2016 – 2020. The public procurement law now provides a largely satisfactory, basic regulatory framework incorporating the fundamental EU principles governing the award of public contracts but will require further amendments. State owned enterprises are not covered by the public procurement law, not even utilities. A separate law on procurement by utilities has been drafted and was adopted by Parliament on 21 May 2020 and published <sup>3</sup> on 26 June 2020. Procurement in the area of defence remains unregulated. While each of them now broadly reflects appropriate public procurement principles and policies, the PPL, the utilities law and the regulation on procurement by SOEs, as well as the procurement related provisions of the PPP law, are not fully harmonized. Existing standard documentation <sup>5</sup> is very detailed and prescriptive, but to the point of	M	M	Continue amending the primary procurement legislation and update and revise all secondary legislation accordingly to ensure that the e-procurement system fully matches the requirements of the public procurement Law; Simplify the form and contents of the standard documentation; Require all public procurement documentation to be published and freely accessible on or through a central website in a machine readable format; The use of the IFAD system, as well as regular monitoring and supervision will mitigate the risks noted by MAPS.

Risk type	Integrated Country Risk Matrix		
	Inherent risk	Residual risk	Mitigation measures
making it complicated to ensure formal compliance with all details and to adapt its use to the circumstances in ways that allow the focus to be put on the outcomes of the contracts to be concluded, especially on value for money; Publication of some procurement documentation, in particular procurement plans, is not regulated in a way that ensures easy access and use			
<b>Pillar II. Institutional framework and management capacity</b>			
Procurement planning and execution is mostly carried out on an annual basis, with operations often starting well after the beginning of the fiscal year and being rushed through towards its end. Public procurement is not officially recognised as a profession and, as a consequence, there are no specific public procurement positions with dedicated, matching approaches for engagement, management, training, evaluation and promotion of staff concerned Centralised procurement is little developed, and its use in practice (mainly for medical supplies and equipment) is hampered by regulatory problems (e.g., no provisions for framework agreements) and inadequate e-procurement systems Public procurement data is generated in ways that are not fully conducive to easy collection, compilation and analysis, with some aspects (e.g. small value contracts) hardly covered at all; as a consequence, there is not a strong evidence basis available for policy making	M	M	Align the timeline and the approach for procurement planning and adjust budget and disbursement regulations to allow procurement to proceed in a regular fashion throughout the year; Recognise public procurement as a profession, including it in the official classification of occupations of the Republic of Moldova; Identify the measures required for generating, collecting, compiling, analysing and publishing a full range of data on what happens in public procurement, in particular, through an up-to-date e-procurement system, and take corresponding actions; The use of the IFAD system, as well as regular monitoring and supervision will mitigate the risks noted by MAPS.
<b>Pillar III. Public procurement operations and market practices</b>			
The analysis of the performance in practice of the procurement system faces methodological problems related mainly to the lack of comprehensive, reliable data. Nevertheless, the indications received during the assessment point to a room for improvement in a number of respects, while many of the conditions for this have to be met by measures of more general character. Data on actual public procurement practices is limited, and it is therefore difficult to identify skill gaps and training needs and to take action to address them, as well as to improve documentation and tools for facilitating public procurement	M	M	Collect more detailed and reliable data on actual procurement practices, and use for improving policies and procedures as well as documentation, information and training; Examine in further detail the reasons why economic operators would or would not participate in public procurement, and change policies and practices accordingly in order to raise the level of trust in the system and encourage wider participation; Raise contracting authorities' skills in preparing and carrying out procurement, e.g. through improved guidance materials and training; The use of the IFAD system, as well as regular monitoring and supervision will mitigate the risks noted by MAPS.
<b>Pillar IV. Accountability, integrity and transparency of the public procurement system</b>			
The legal and institutional framework contains a number of features intended to secure integrity in public procurement as well as in public administration in general; Several civil society organizations have an interest in public procurement and are trying to monitor it, but point to limited access to data and occasional lack of effective consultations; A significant number of institutions have various roles and responsibilities in supervising public procurement and auditing procedures and	M	M	Take steps to allow civil society to effectively monitor all stages of the public procurement cycle, and offer corresponding trainings, facilitate introduction and development of internal audit; ensure that all measures are in place for preventing, identifying and sanctioning fraud and corruption;

Integrated Country Risk Matrix			
Risk type	Inherent risk	Residual risk	Mitigation measures
<p>performance; however, there are some conflicts of roles and gaps and overlaps in responsibilities;</p> <p>Internal audit is well regulated, with corresponding training and guidance materials, but still little focused on outcomes and performance, and recommendations made are not always well followed up</p> <p>Formal measures for preventing, identifying and sanctioning fraud and corruption are in place, but handled by several institutions with partly overlapping roles;</p> <p>A system for debarring delinquent tenderers is in place, but its operation is complicated, while other information on past performance of suppliers, contractors and service providers is difficult to find.</p>			<p>The use of the IFAD system, as well as regular monitoring and supervision will mitigate the risks noted by MAPS.</p>

## **Appendix on the Rural Finance ecosystem in Moldova and potential entry points for engagement for VC development and NSOs (Working Paper)**

1. Sources of external finance for Agri MSMEs and smallholders are mainly the banks, the MFIs, the SCAs, GoM subsidies, and international support.
2. As of December 31, 2023, 11 banks are registered in Moldova and are supervised by the NBM (National Bank of Moldova). A series of measures implemented by the NBM (following the banking scandal of 2014) has secured high capital adequacy, liquidity, and profitability of commercial banks. By the third quarter of 2023, capitalization stood at 30%, well surpassing the regulatory minimum, while the liquidity coverage ratio soared to 256%, significantly exceeding the mandated 100% threshold. Conversely, credit expansion witnessed its slowest growth rate of less than 4%, reflecting a sluggish economic recovery and lingering uncertainty. Consequently, the loan-to-deposit ratio dwindled to 56.1%, marking its lowest level in the past five years. At the same time, there was a decrease in non-performing loans (5,6% on 31.12.2023, ranging from 2,4% to 7,2%, depending on the bank), indicating improved loan portfolio quality. Loans granted for service provision saw the most significant surge, rising by MDL 147.1 million (6.4%) to reach MDL 2.4 billion. Agricultural loans also experienced a notable increase, climbing by MDL 134.7 million (3.0%) to MDL 4.6 billion. Additionally, loans extended to individuals involved in business activities surged by MDL 131.9 million (8.1%) to MDL 1.8 billion. MAIB holds more than 50% of the market share in the rural areas. Its 56 offices offer all types of credit starting from US\$250, including unsecured lending up to US\$ 90.000 (10% to 18% interest rate). Unsecured loans represent 20% of its total operations in volume, while 50% of its rural clients borrow without collateral. With strong risk assessment procedures, the bank maintains NPL ratio in rural areas lower than 2%. The bank uses extensively credit guarantees to support clients with limited credit history and seeks cooperation with international players for setup risk-sharing facilities. MAIB shares the rural financial space with MicroInvest (an MFI). Being well-capitalized and liquid, banks can be incentivized through credit guarantees to extend credit to IFAD's beneficiaries further.
3. The non-banking financial sector (NBFIs) has also been growing. The share of total assets held by non-bank credit organizations (NBCOs), savings and credit associations (SCAs), and insurance firms accounted for almost 12.7 percent of total financial sector assets. The sector was a source of vulnerabilities in the past, with SCAs defrauding consumers. As of July 2023, however, the NBM regulates the NBFIs, leading to the sector's consolidation. Two main MFIs operate in rural areas, but only MicroCapital fulfills the minimum debt/equity ratio to benefit from GoM subsidies (leaving MicroInvest at a comparative disadvantage). They are expected to become banks soon. Smaller MFIs operate in rural areas, charging interest rates up to 50%. Agri-machinery leasing is picking up following ADMA's donor supported facility, while agri-insurance is practically inexistent or prohibitively expensive (the existing provider insures at 3% against hail and at 9% against draught. This leaves ample opportunity further to support agri-machinery leasing specific to targeted beneficiary segments and introduce agri-insurance products in the market.
4. SCAs are numerous (200 plus) but shrinking in number after strict regulatory requirements imposed by the NBM (only 100 are expected to survive). There are two categories: A – limited to granting loans to village members; B – deposit taking but limited to operating within their administrative area with branches and representative offices. They can acquire additional capital by borrowing through the Rural Finance Corporation (RFC) or the National Central Association of SCAs (NCASCA, which also



owns 92% of RFC's shares). They cover a segment not accessible to the banks and MFIs – this of the non-bankable smallholders without a credit history. They operate on social criteria, given they know their members personally, and offer credit averaging US\$ 1,500 at a 15%-20% annual interest rate. The RFC also provides loans directly to rural smallholders (between US\$ 800 and 20,000 at a 14% interest rate and no collateral requirements), covering an important position in the microfinance ecosystem. Given the tight regulatory supervision from the NBM, SCAs will need substantial TA to be able to continue borrowing capital.

5. The MAFI offers a series of grants and subsidies for attracting investments in agriculture and rural development through AIPA (Agency for Intervention and Payments in Agriculture). AIPA offers financial relief for natural disasters, livestock and dairy production grants, land improvement grants, and manages EU's pre-accession agri grants like ENPARD and LEADER. Most importantly, AIPA offers an 8% interest rate subsidy on all rural loans.
6. Under MAFI also operates ADMA (Agency for the Development and Modernization of Agriculture), which supports farmers for acquiring renewable energy equipment, digital transformation of their fields, livestock sector investments, high-value irrigated agriculture, and small-scale irrigation material. ADMA offers leasing products for modernizing agricultural machinery and equipment.
7. In one of its first operations in the country, IFAD has set up a successful revolving fund managed by the External Assistance Program Management Office (EAPMO). The Revolving Fund lends PFIs for on-lending to specific target groups. Targeted beneficiaries must provide a part of the loan in cash or in-kind. This vehicle has since been further endowed by other international partners, thus increasing its capital to around US\$ 300 million to date. EAPMO loans are offered by the PFIs at an 8% interest rate. The GoM is using the revolving fund for donor repayment, currently amounting to around US\$ 10 million per annum, leaving a limited lifespan for the fund if not replenished.
8. MAFI should be enticed to continue supporting IFAD beneficiaries with subsidies and the revolving fund, given IFAD will continue supporting MAFI's priority VCs, like fruits and vegetables, dairy products, and goats, organic production, and aromatic plants, including investments in climate resilience nurseries, water harvesting systems, product, harvesting, and post-harvest processing equipment, renewable energy sources, drip irrigation, and water pumps.
9. The Ministry of Economic Development Digitalization further supports entrepreneurship by offering individual credit guarantees through ODA (former ODIMM). ODA's guarantees include emergency agricultural credit of up to US\$ 25,000 for 18 months, agricultural working capital of up to US\$ 80,000 for up to 60 months etc. ODA offers individual guarantees but has recently partnered with the World Bank to start a US\$ 10 million portfolio guarantee scheme. The guarantees are translated into credit for beneficiaries through PFIs, including the two major MFIs. ODA's guarantee scheme leverages 6fold credit amounts. ODA is also the agency par excellence for financial literature and entrepreneurship training and coaching. ODA is prone to cooperate with IFAD to further improve the guarantee scheme for supporting IFAD's target group.
10. The international community, including the World Bank, EBRD, EIB, and the EU, offers grants and financing for agri entrepreneurs, including micro-entrepreneurs. A recent IFC US\$ 50 million loan to a major bank operating in agriculture targeted women micro-entrepreneurs in rural areas. The private sector is open for non-sovereign operations even at a smaller ticket size. The microfinance space is the most prominent candidate including MAIB and MicroInvest.

11. Expanding sources for credit information in 2021 was an important reform to boost access to finance in Moldova. Information is now collected from banks, MFIs, leasing companies, and other organizations, such as utility providers and telecommunications companies. This significantly broadened the coverage of credit information in Moldova from a very low base of only 18.2% before the reform to over 60% of the population today
12. Moldova conducted financial literacy surveys among its population on a more continuous basis in 2018, 2020, and 2022. The latest survey also feeds into formulating a new financial literacy strategy, which is still under preparation. The survey assesses the general population's financial literacy, not providing insights on entrepreneurship-related issues.
13. There is currently no strategy or action plan for digital finance in Moldova, and no inter-ministerial hub or task force has been set up to look into issues related to digital financial service provision. However, a dedicated FinTech division was created in the National Bank of Moldova in September 2022.

Interest rate structure for rural credit	
Banks	8%-18%
MFIs	10%-18%
RFC	14%
SCAs	15%-20%
Revolving Fund	8%
AIPA subsidy	-8% on any of the above