PERFORMANCE AND LEARNING REVIEW

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INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND
MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP STRATEGY FOR THE REPUBLIC OF MOLDOVA FOR THE PERIOD FY14-FY17

April 25, 2016

Belarus, Moldova and Ukraine Country Management Unit
Europe and Central Asia Region

International Finance Corporation
Europe and Central Asia Region

The Multilateral Investment Guarantee Agency

The date of the last Country Partnership Strategy was August 9, 2013.

CURRENCY EQUIVALENTS	GOVERNMENT FISCAL YEAR
(Exchange Rate Effective as of March 11, 2016)	January 1 to December 31
Currency Unit = MDL (Moldovan Leu)	WEIGHTS AND MEASURES
USD 1 = MDL 19.90	Metric System

ABBREVIATIONS AND ACRONYMS

AA	Association Agreement
AAA	Analytical & Advisory Activities
AF	Additional Financing
ANRE	National Agency for Energy Regulation
ASA	Advisory Services and Analytics
A2F	Access to Finance
BEEPS	Business Environment and Enterprise Performance Survey
BEM	Banca de Economii
BNPP	Bank Netherlands Partnership Program
B40	Bottom 40 percent of the population
CE	Citizens' engagement
CEP	Competitiveness Enhancement Project
CFR	Corporate Financial Reporting
CHP	Combined Heat and Power
CIS	Commonwealth of Independent States
CoA	Court of Accounts
CODB	Cost of Doing Business
CPAR	Central Public Administration Reform
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CPS	Country Partnership Strategy
CSD	Centralized Securities Deposit
DCFTA	Deep and Comprehensive Free Trade Area
DFID	UK Department for International Development
DH	District Heating
DHEIP	District Heating Energy Efficiency Improvement Project
DLI	Disbursement Linked Indicator
DP	Development partner
DPO	Development Policy Operation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia
EIB	European Investment Bank
EMCWF	European Center for Medium-Range Weather Forecasting
EMIS	Education Management Information System
ENPI	European Neighborhood and Partnership Instrument
ESMAP	Energy Sector Management Assistance Program
ESREI	Energy Sector Restructuring and Efficiency Improvement
EU	European Union
FD	Family Doctor
FDI	Foreign Direct Investment
FinSAC	Financial Sector Advisory Center
FSA	Food Safety Agency
FSAP	Financial Sector Assessment Program
FY	Fiscal Year
GAC	Governance and Anti-Corruption
GCal	Gigacalorie
GDP	Gross Domestic Product
GEF	Global Environment Facility
GeT	Governance e-Transformation
GIZ	German Federal Enterprise for International Development
GPSA	Global Partnership for Social Accountability
HBS	Household Budget Survey
HD	Human Development
HTO	Health Transformation Operation
IBRD	International Bank for reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IDF	Institutional Development Fund
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INT	Department for Institutional Integrity
IPF	Investment Project Financing
KST	Korea Trust Fund to Support Transitions
LFS	Labor Force Survey
LRIP	Local Roads Improvement Project

MACP	Moldova Agriculture Competitiveness Project
MAFI	Ministry of Agriculture and Food Industry
MDL	Moldovan Leu
MGSP	Modernization of Government Services Project
MIEPO	Moldova Investment and Export Promotion Organization
MIGA	Multilateral Investment Guarantee Agency
MITC	Ministry of Information and Communications Technology
MLSPF	Ministry of Labor, Social Protection and Family
MoH	Ministry of Health
MoJ	Ministry of Justice
MSIF	Moldova Social Investment Fund
MSMEs	Micro, Small and Medium Enterprises
NBM	National Bank of Moldova
NBS	National Bureau of Statistics
NCFM	National Commission of Financial Market
NPLs	Non-performing Loans
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
PAR	Public Administration Reform
PAYG	Pay-As-You-Go Pension System
PCG	Partial Credit Guarantee
PD	Professional Development
PEFA	Public Expenditure & Financial Accountability
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program-for-Results
PHRD	Policy and Human Resources Development Fund
PIE	Public Interest Entity
PISA	Program for International Student Assessment
PLR	Performance and Learning Review
PPP	Purchasing Power Parity
PPPs	Public Private Partnerships
p.p	Percentage points
PSD	Private Sector Development
P4P	Pay for Performance
RBF	Results-based Financing
RBI	Risk Based Inspection
ROSC	Report on Observance of Standards and Codes
SABER	Systems Approach for Better Education Results
SDR	Special Drawing Right
Sida	Swedish International Development Cooperation Agency
SIFMIS	Sustainable and Integrated Forest Management and Carbon Sequestration through Forestation
SME	Small and Medium-sized Enterprises
SPS	Sanitary and Phytosanitary
STAR/Eap	Strengthening Auditing and Reporting in Countries of the Eastern Partnership
TA	Technical Assistance
TAMP	Tax Administration Modernization Project
TF	Trust Fund
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WBG	World Bank Group
WBI	World Bank Institute

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PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP STRATEGY FOR THE REPUBLIC OF MOLDOVA

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I. INTRODUCTION

1. **This Performance and Learning Review (PLR) summarizes implementation of the FY14-17 Moldova Country Partnership Strategy (CPS)**, which is organized around three pillars: *Increasing Competitiveness*; *Enhancing Human Capital and Minimizing Social Risks*; and *Promoting a Green, Clean and Resilient Moldova*. The CPS has a cross-cutting emphasis on Governance, particularly in the public sector. The CPS is closely aligned to the agenda for European integration which has remained the Government's stated intent despite several changes of government since 2013. This PLR does not extend the CPS period.

2. **The CPS is on course to deliver the CPS outcomes, but further progress is contingent on strong commitment to improvements in governance.** Enhanced efficiency of the education sector, improved targeting of social assistance, adaptation to climate change, and improved natural resources management all represent successful CPS outcomes. However, many actions intended to increase competitiveness are undermined by weakened governance and control of corruption, notably a large banking fraud, and other outcomes such as improvements in the quality of education and quality of healthcare are at risk because political instability has led to frequent changes in counterparts and delays in policy decisions.

3. **The strategic areas of focus in the CPS remain valid for the World Bank Group (WBG)'s engagement in Moldova, but some adjustments are required to address the challenges which have emerged since 2013.** The CPS was optimistic in terms of the commitments it expected from the Government. Going forward, the WBG should on the one hand make fewer assumptions in project design about institutional integrity and the commitment to reform, and on the other address governance challenges more directly.

II. MAIN CHANGES IN COUNTRY CONTEXT

4. **Political instability became more marked between 2013 and 2015, manifesting itself as frequent changes of governing coalitions.** There were seven prime ministers or acting prime ministers and three periods without a Government between September 2014 and January 2016. The November 2015 Public Opinion Barometer[1] showed that 88 percent of Moldovans thought that the country was moving in the wrong direction.

5. **Corruption and governance indicators have worsened markedly.** Moldova fell from the 30th to the 20th percentile for Control of Corruption between 2012 and 2014.[2] The Business Environment and Enterprise Performance Survey (BEEPS) shows a fourfold increase in the percentage of firms that rate the bribing of both officials and members of parliament during 2005-13 as negatively impacting the business environment. Moldova's Country Policy and Institutional Assessment (CPIA) score fell in 2014 by one tenth of a point.

6. **The large 2013-14 bank fraud in Banca de Economii, Banca Sociala and Unibank demonstrated the workings of Moldova's political economy.** Starting in late-2013, data suggesting banking fraud became apparent and were noted in the 2014 Financial Sector Assessment Program (FSAP). From April 2014, therefore, it was decided that World Bank (WB) budget support would not be provided until the authorities' response to the banking sector risks was clear. After the three banks collapsed in November 2014 it transpired that around 12 percent of the Gross Domestic Product (GDP) had been lost to fraud. The subsequent monetization of the

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[1] Bi-annual poll measuring political, social and economic sentiment. The poll has a margin error of +/-3 percent and was done on a representative sample of 1,160 people aged 18 and over, during November 8-December 1, 2015.
[2] 2015 World Governance Indicators.

losses contributed to the depreciation of the Moldovan Leu (MDL) in early 2015, to inflation, and thus to high real interest rates, and will impair public debt sustainability when the Government guarantee to the National Bank of Moldova (NBM) in respect of the failed banks' deposits is securitized. The WBG was concerned that many of the governance conditions which permitted the 2013-14 fraud persisted beyond 2015. Specifically, lack of clarity concerning the timetable for carrying out and acting upon the diagnostic audits of Moldindconbank, MAIB and Victoria Bank was a factor contributing to the delay of WB budget support into 2016. Governance issues and vested interests in the financial sector have restricted intermediation. This in turn has negatively impacted the sector's role in reducing poverty and promoting shared prosperity.

7. **Moldova's formal integration with the European Union (EU) has continued during the CPS period.** Moldova and the EU signed an Association Agreement (AA) and a Deep and Comprehensive Free Trade Area (DCFTA) agreement in June 2014. The DCFTA provides for mutual elimination of customs duties for industrial and most agricultural products, further liberalization of the services market, and addressing other barriers to trade. The AA also provides a framework for critical cross-cutting area reforms in governance, public administration, independent judiciary, and rule of law. Visa-free access for Moldovan citizens travelling to the Schengen area came into effect in April 2014. However, in 2014, the food safety agency of another major trading partner, Russia, imposed restrictions on Moldovan fruit, vegetable and wine exports.

8. **While significant uncertainties remain concerning Transnistria, there is sufficient space for dialogue.** The resumption of dialogue – the so-called 5+2 settlement process – in February 2012, after being stalled for six years, provides an opportunity for further progress[3], although developments in eastern Ukraine and Transnistria's difficult economic situation are new sources of risks.

9. **Extreme weather events have impaired macroeconomic stability.** Droughts in 2012 and 2015 suggest that meteorological phenomena once considered exceptional are now routine. Both droughts affected Moldova's growth, fiscal balance and poverty levels; the WB supported an emergency response to the 2013 drought.

Recent Economic Developments

10. **Despite external challenges, Moldova's economic performance until late-2014 was strong; however, the economy is slowing and downside risks are materializing.** After a drought-induced contraction of the economy in 2012, a record harvest in 2013 drove GDP growth of 9.4 percent year on year (YoY). In 2014, economic activity slowed and real GDP grew 4.6 percent YoY. On the expenditure side, strong growth in fixed investment (10.1 percent YoY), was driven by higher public capital expenditure, while the expansion of private consumption was moderate (2.9 percent) due to lower remittances in the fourth quarter. The growth of real exports was faster than that of imports; however, the contribution of net exports to growth was zero. In the third quarter of 2015, the Moldovan economy entered into recession, decreasing 3.6 percent YoY. A bad harvest contributed negatively to the overall growth. On the expenditure side, due to anemic internal demand, consumption and investment contributed negatively. While benefitting from the depreciation of the national currency, net exports contributed 2.8 percentage points (p.p.).

11. **Greater flexibility of the exchange rate and a policy shift toward inflation targeting allowed the NBM to maintain Consumer Price Index (CPI) inflation within the target range**

[3] Moldova, Transnistria, Ukraine, Russia, and the OSCE are direct participants in this process, and the United States and the EU act as external observers.

of 5 percent +/- 1.5 percent until 2014. However, by end-2014, on the back of currency depreciation and monetization of the bailout of three troubled banks, inflationary pressures increased. By end-2015, consumer prices increased 13.6 percent YoY due to the pass-through from currency depreciation and liquidity injections to support 100 percent guarantee to depositors of three failed banks and higher utility and energy prices. In response, base interest rates were raised to a record high level of 19.5 percent (from 3.5 percent in early December 2014) and mandatory reserves in national currency were sharply increased.

12. **The unfavorable regional environment affected Moldova's external position.** The current account deficit narrowed from 8.8 percent of GDP in 2012 to 6.6 percent of GDP in 2013. A sharp drop of remittances from the Commonwealth of Independent States (CIS) countries in 2014 widened the deficit to 8.0 percent of GDP. In 2015, recessions in eastern trading partners and Russia's trade restrictions reduced foreign inflows to Moldova. As of end-2015, transfers through the banking sector, a proxy for remittances, decreased 30 percent YoY. As a result, in the first nine months of 2015 the MDL lost a quarter of its value against the USD (United States Dollar), while reserves decreased by a fifth in the same period, still covering three months of imports.

13. **After maintaining fiscal discipline throughout 2013 and 2014, the government faced fiscal pressures in 2015 due to lower tax collections and lower external assistance, while public debt increased due to the public guarantee to depositors of the three failed banks.** Moldova restrained transfers and public consumption while increasing capital expenditures, reducing the overall fiscal deficit from 4.3 p.p. of GDP in 2009 to 1.8 percent of GDP in 2013. In 2014, despite higher recurrent expenditures introduced at the end of the year, additional one-off telecom licenses revenue of 1 percent of GDP helped to keep the deficit at 1.8 percent of GDP. In 2015, weaker economic activity and tighter monetary conditions, coupled with lower external assistance, have imposed the rationalization of government spending. Most capital investments were cut, and beginning in summer 2015 the procurement of goods and services was halted. As a result, the government deficit in the first nine months of 2015 was 1 percent of GDP. Recognition of losses in the banking sector as a result of a large-scale banking fraud increased public and publicly guaranteed debt to almost 50 percent of GDP.

Table 1: Key Macroeconomic Indicators

	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F
Nominal GDP, *MDL billion*	60.4	71.9	82.3	88.2	100.5	111.8	119.3	131.7	144.4
Real GDP, *% change*	-6.0	7.1	6.8	-0.7	9.4	4.6	-2.0	0.5	4.0
Private Consumption, *% change*	-8.0	9.6	9.3	1.0	6.4	2.9	-1.8	0.6	3.7
Government Consumption, % change	-2.0	-1.1	-1.0	0.6	-0.8	0.2	-2.0	0.2	2.2
Gross Fixed Investment, *% change*	-30.9	17.2	13.0	0.4	3.8	10.1	-7.3	-0.8	1.4
Export, *% change*	-12.1	13.7	27.4	2.3	9.6	1.1	-1.1	3.7	4.5
Import, *% change*	-23.6	14.3	19.7	2.5	4.4	0.4	-3.5	2.8	3.8
GDP deflator, *% change*	2.2	11.3	7.2	7.9	4.1	6.3	8.9	9.8	5.4
CPI, *% average*	0.0	7.4	7.6	4.6	4.6	5.1	9.5	11.9	5.0
Current Account Balance, *% GDP**	-8.2	-7.5	-11.0	-8.8	-6.6	-8.0	-8.1	-7.4	-6.4
Remittances, *% change, USD*	-36.2	13.2	21.7	10.7	10.7	-1.0	-19.4	1.6	6.7
Terms of Trade, *% change*	0.1	0.0	-1.4	-0.6	-1.1	-1.4	6.3	0.2	-0.2
International gross reserves, million, USD, eop	1480	1717	1965	2515	2820	2156	1768		
In months of next year's imports	4.4	3.4	3.9	4.6	4.5	4.0	3.2		
Budget revenues, *% GDP*	38.9	38.3	36.6	38.0	36.7	38.0	36.0	36.9	37.2
Budget expenditures, *% GDP*	45.3	40.8	39.0	40.1	38.5	39.8	38.7	39.9	39.7
Fiscal balance, *% GDP*	-6.3	-2.5	-2.4	-2.1	-1.8	-1.8	-2.7	-3.0	-2.5
Public debt and guarantees, % GDP	28.7	31.9	30.4	33.2	31.7	32.5	47.5	47.0	44.8

Note:* Starting with 2012, BMP6 methodology is used.
Source: Moldovan Authorities, WB projections.

14. **In the current environment, Moldova's economy is estimated to have been in a recession in the second half of 2015, followed by a projected slow recovery in 2016.** Economic downturn in the eastern partners, trade restrictions, severe summer drought, and tight internal monetary and fiscal policies have pushed Moldova into an estimated 2 percent recession for 2015. The economy is likely to regain its growth momentum slowly in 2016, increasing 0.5 percent. The downside risks are substantial: with pending inclusion of fiscal costs of the bank resolution into state budget's debt service, lower economic activity, higher prices and lower foreign reserves, Moldova has limited macroeconomic buffers. The long overdue increase of utility tariffs will keep inflation above the target range in 2015-16. With a weaker economy, fiscal pressures will persist from high recurrent expenditures, increased debt service payments, recognition of the fiscal cost of bank resolution and lower external budget support.

Poverty and Shared Prosperity

15. **Moldova has made progress in reducing poverty and boosting shared prosperity in recent years, but remains one of the poorest countries in the region.** Following rapid growth in remittances and consumption, poverty continued to decline from 45.3 percent in 2011 down to 39.6 percent in 2013, and a projected rate of 36.6 percent in 2014[4] based on the Europe and Central Asia (ECA) regional poverty line of USD 5/day at Purchasing Power Parity (PPP). The incidence of extreme poverty (USD 2.5/day at PPP) is estimated to have more than halved between 2011 and 2013, going from 7 to 3.1 percent. National trends are also positive, with the national poverty rate falling from 17.5 percent in 2011 to 12.7 percent in 2013 (Figures 1 and 2). Consumption by the bottom 40 (B40) percent of the population increased by 5 percent between 2008 and 2013, outpacing the average growth rate of 1.8 percent.

Figure 1: National poverty rate in Moldova, by location, percent

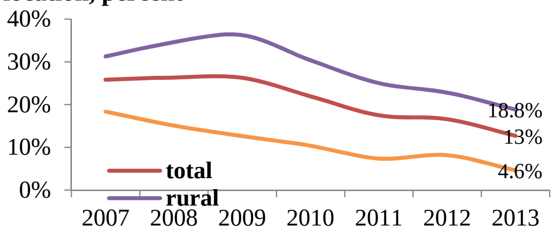
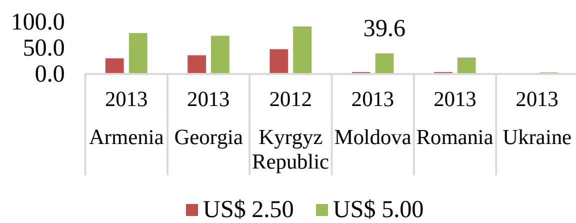


Figure 2: Poverty headcount at US$5 and $2.5 a day (PPP), percent (2012 and 2013)



Source: National authorities, *ECATSD*.

16. **Newly released data confirm that mean consumption growth, rather than changes in inequality, has played a key role in poverty reduction in recent years.** Increases in household income are mostly from remittances and pensions. Changes in poverty in 2011-13 are driven by higher mean growth in consumption, which in turn follows GDP growth closely. Pension income has increased across quintiles, particularly among those in the bottom quintile (4.3 percent over the period). Remittances have increased for all groups, but more so for the top 60 percent, with a 5 percent increase in remittances for the top quintile (compared to 1.2 percent for the bottom).

17. **Higher inflation, lower remittances and a severe summer drought are estimated to negatively impact living standards in Moldova in 2015.** Remittances and agricultural income are key sources of income for households (particularly the less well-off, at 12 percent and 18 percent, respectively, among the bottom 40). Poverty is estimated to increase from 36.6 in 2014 to

[4] Based on the World Bank's Macro-Poverty Outlook, October 2015.

37.8 in 2015 (USD 5/day at PPP) as the economy is expected to contract in 2015 and, with a low projected recovery in 2016, gains in poverty will be very limited. If the economy picks up as expected in 2017 – the final year of the CPS period – poverty reduction trends could resume.

III. SUMMARY OF PROGRAM IMPLEMENTATION

18. **CPS objectives remain valid but some outcomes could end up not being delivered.** The WBG has continued to support the Government in implementing a reform agenda, but the governance trends noted above and the frequent changes in government led to operational delays and uncertainty in policy direction. For example, instability in the policy-making process and changing counterparts affected policy-related operations in the education and health sectors. CPS outcomes linked to support from the International Finance Corporation (IFC) and WB support for competitiveness are likely to be compromised by the weakened governance environment in the implementation of business regulations and by the after-effects of the banking fraud. WBG support for the e-Governance Strategy has improved delivery of some government services, but is insufficient to address broader concerns regarding public sector capacity. In addition to the summary below, further details are presented in Annex 9.

Pillar 1: Increasing Competitiveness

19. **The Development Policy Operation (DPO) series was intended to support improvements in the business climate, promote financial sector stability, and improve the equity and efficiency of public expenditure, but the authorities' delayed response to improper behavior in the banking sector delayed the second operation.** The first DPO was approved in March 2014. Despite progress on most agreed measures of DPO-2, supported by pillars for improving the business climate and equity and efficiency of public expenditure, there were delays in addressing the large macro-fiscal risks related to stability of the banking sector. Political changes have also impinged upon discussions with the International Monetary Fund (IMF). Therefore, DPOs[5] are not expected to resume until Q4 FY16 at the earliest.

20. **Reforms have been made to improve competitiveness but challenges remain, in particular continuing regulatory constraints and limited access to financial services due to the banking crisis.** With support of the Competitiveness Enhancement II project (CEP-II) the Government is developing a system of performance indicators for public authorities with business regulatory functions and undertaking other reforms related to licensing and permits. IFC and WB advisory services and analytics have helped the Government focus on the most promising actions and instruments in export development, and to target government support at high-potential sectors and companies. The CEP-II Matching Grants Facility, launched in September 2015, provides for business improvement projects aimed at export development and promotion. This co-financing will be available for exporting Small and Medium Enterprises (SMEs), and aims to improve company competitiveness. In addition, a Credit Line of USD29.4 million is being disbursed to eligible direct and indirect exporters. The Government remains committed to implementing the activities supported by CEP-II.

21. **Alongside CEP-II, IFC's Investment Climate Reform (ICR) project supports reforms to improve the business climate and enhance competitiveness.** The insolvency framework has been modified and streamlined, leading to accelerated restructuring procedures, simplified dissolution procedures, practical clarifications with respect to rights and obligations of participants

[5] Other providers of donor support include the EU and Romania.

to the process and timeframes for procedural phases of insolvency. However, further legal reform is required, as is full implementation of these reforms to speed up insolvency proceedings. Remaining weaknesses in the insolvency regime create uncertainty and discourage financial transactions. The project has also supported trade facilitation through, *inter alia,* support to Moldova's Customs Administration to establish a trade facilitation committee, to strengthen trade automation and risk management and support for drafting of a new Customs Code and related regulations, and help with strengthening logistics services. Publication of the Investor Incentives Inventory developed by the project has closed an important information gap raised by the 2013 Investor Perception Survey and has effectively increased the transparency of investor incentives in Moldova. Phase II (2015-18) will tackle continuing deficiencies in the regulatory framework, agribusiness and food safety, customs administration, and investment policy.

22. **Despite such improvements in the de jure regulatory framework, WBG analytics have shown that growing corruption in regulatory implementation has produced a deterioration in the investment climate and private sector outlook.** IFC's Cost of Doing Business and BEEPS surveys indicate that enterprises perceiving a decline in the business environment outnumbered those seeing an improvement by 4:1 and 2:1 in 2014 and 2015, respectively. The percentage of a Government contract's value spent on bribes rose from 8 percent to 11 percent during 2008-13. The percentage of firms saying that bribes were at least moderately important in getting business went up from 12 percent to 53 percent during 2005-13. The percentage of firms saying they had to pay a bribe to get a construction permit rose from 23 percent to 43 percent during 2008-13; it went up from 7 percent to 22 percent to get an operating license. Private firms in 2014 rated corruption as their number 2 problem (after political instability). The WB's FY16 Trade Study documents the impact of this decline in economic governance upon firms' productivity, performance and international competitiveness.

23. **Financial support and technical assistance (TA) have increased market access for farmers.** Twenty eight producer groups have been established and utilized the support of the Moldova Agriculture Competitiveness project (MACP) to develop productive partnerships and realize investments for mutual benefit, particularly in cold storage facilities. These partnerships have also been a vehicle for providing support to farmers in implementing sustainable land management practices. The International Development Association (IDA) also financed through MACP Additional Financing (AF) compensations to smaller fruit farmers, who are most disadvantaged and affected by Russia's 2014 export restrictions. In 2014, the IFC provided financing to the Trans-Oil group of companies, a leading integrated agro-industrial group focused on grain origination trading and oilseed crushing. The transaction has had a positive impact on farmers through the procurement of agricultural commodities from around 15,000 farmers in FY2015. Furthermore, the transaction provided better opportunities to local farmers by integrating them with higher value added international markets. Moreover, the IFC has provided loans to Moldovan banks to finance SMEs with at least three credit lines extended during the CPS period.

24. **Significant progress has been made in increasing agricultural competitiveness but recent political and institutional instability has hampered progress.** The IFC's ICR project and IDA-financed MACP supported the creation of a single Food Safety Agency (FSA), a pre-condition for signing of the AA/DCFTA with the EU and for realizing Moldova's food export potential. FSA capacity has been enhanced through training of staff responsible for inspections and controls in the newly introduced risk-based inspections approach. Due to changes in government, the FSA has not had an effective leadership for some time, which limits the implementation of the overall food safety reform agenda and affects the IDA operation.

Pillar 2: Enhancing Human Capital and Minimizing Social Risks

25. **Results in this pillar have been variable, with good progress in the implementation of some education reforms, more moderate progress in the health sector, and limited progress or even regression in pensions and social assistance due to ad hoc policy actions by the Government.** Efficiency improvements in the education sector are demonstrated through the introduction of per student financing in 2013 and increases in the student-teacher ratio. Quality improvements are underway with improvements to the student assessment system introduced in 2015 and quality assurance standards for hub schools approved in 2013, but implementation of these standards has been slow. As with other sectors, progress in education was affected by the political context and a significant staff turnover at the Ministry of Education, leading to concerns over policy direction and the sustainability of interventions.

26. **There have been a number of ad hoc pension increases, but these have not improved the replacement rate, which in 2014 was 26 percent of the average wage, and pensions could further be put at risk because of fiscal pressures.** Coverage of the *Ajutor Social* assistance system among the poorest quintile was reduced between 2012 and 2014, driven by policy changes in the program, poor outreach by social workers and ad hoc increases in categorical benefits. These ad hoc increases have also increased spending on categorical benefits, reversing earlier progress in reducing the delivery of these costly and poorly targeted programs. The Government has more recently made concerted efforts to reverse the declining coverage of *Ajutor Social*. The Government has provided pension top-ups for recipients of lower pensions, but due to strong GDP growth, pension spending has remained static proportionate to GDP.

27. **In the health sector, health insurance coverage reached the 2017 target of 85 percent by 2015, but this has been driven by higher income households taking up insurance.** The 2013 Health Budget Survey shows that coverage amongst the B40 percent of households had reduced over the previous two years. There has been some reduction in reported out-of-pocket expenditures, but among the B40 percent of households such payments have not reduced as a proportion of household non-food expenditure. Delays in the implementation of the Health Transformation Operation (HTO), together with high turnover of staff in the Ministry of Health, have slowed reforms to improve the quality and efficiency of the sector. Additionally, the IFC successfully committed one Public-Private Partnership (PPP) during the CPS period, with a second one delayed due to the turnover of personnel within the Ministry of Health.

28. **Previous gains in education and health infrastructure rationalization will be further strengthened by the new Local Roads Improvement project (LRIP) approved in FY16.** One of the main expected results of LRIP, which is the largest project to date in our portfolio, is improved physical access of the rural population, as one of the most vulnerable groups, to vital education and health services, as well as regional markets, connected by better local roads.

Pillar 3: Promoting a Clean, Green and Resilient Moldova

29. **Progress in this pillar has been driven by achievement of results in adaptation and climate change and improved natural resource management.** There has been substantial progress in capacity to forecast severe weather and respond accordingly. Investment grants have produced positive results by providing farmers with information on practical techniques for adaptation to climate risks. Delays in implementation of the District Heating Efficiency Improvement project (DHEIP) have hampered progress on energy efficiency and security. Government changes led to DHEIP being declared effective 10 months after approval. In a

relatively poor regulatory environment, the National Agency for Energy Regulation (ANRE) has delayed increasing DH tariffs, which in turn delays the restructuring of the utility Termoelectrica's debt and thus take-up of an International Bank for Reconstruction and Development (IBRD) partial risk guarantee. Moldova is also part of the Danube Water Program, which supports policy dialogue and capacity development to achieve smart policies, strong utilities, and sustainable services in the water supply and wastewater sector of the Danube region. The European Neighborhood and Partnership Instrument – Forest Law Enforcement and Governance II Program (ENPI-FLEG 2) TA has supported improvement of forest and land management in non-state (including municipal) lands, which often suffer from weak management practices. Along with these interventions, the ongoing Climate TA will provide further guidance on how to address increasing climate change challenges, including for the most vulnerable, in a follow-up project.

Governance as a cross cutting issue and opportunities to support citizens' engagement

30. **The WBG fulfilled its commitment to identify opportunities to support governance across the program, but not necessarily as explicitly as the context now requires.** Government services have increasingly been delivered through the Government's shared computing infrastructure, financed by the Government e-Transformation (GeT) project. Utilization rates and service quality ratings increased consistently during 2013-15. More than 2,000 public servants have received e-government training, and there are estimated to be more than 350,000 beneficiaries, 52 percent of whom are women. The underlying rationale for most regulatory reforms supported by CEP-II, the ICR project, the programmatic Financial Sector TA and the DPO series was to improve private sector profitability by reducing rent-seeking opportunities for state institutions. The IFC's ICR project, along with the WB/EBRD BEEPS and Cost of Doing Business, served as a key objective metric of deteriorating corruption. The Public Investment Management TA has recommended processes for transparency and rules-based decision-making.

31. **The WB is carrying out its CPS commitment to identify opportunities to support social accountability.** A full schedule of citizens' engagement (CE) activities is described in Annex 6. This includes Global Partnership for Social Accountability (GPSA) activities in education and health, customer perceptions surveys and complaints mechanisms for Chisinau's district heating sector, community monitoring of road rehabilitation, gender-representative road-user consultations, advocacy for pension reform, an Open Contracting Initiative, DPO actions on public investment transparency, and collaboration with the Open Government Partnership.

Portfolio Performance

32. **Since the beginning of the CPS period, five projects and two AFs have been approved for a total of USD240.3 million** (USD160.8 million IDA financing and USD79.5 million IBRD lending), while five projects exited the portfolio. Currently, there are nine active projects totaling USD335.3 million, of which 66.3 percent is undisbursed. Portfolio implementation was smooth in FY14, with a 30.2 percent disbursement ratio. However, program implementation has worsened and the number of problem projects reached a peak in FY15 – four out of eight projects (50 percent). After turning around these projects through a Country Program Problem Review, regular dialogue on required policy decisions, technical portfolio discussions and exceptions monitoring, and after a 25.8 percent disbursement ratio in FY15, two other projects entered into problem status in FY16. Proactivity has been at 100 percent. The current disbursement ratio looks promising – 26.3 percent for FY16 to March – but further progress on policy decisions is required to sustain program implementation.

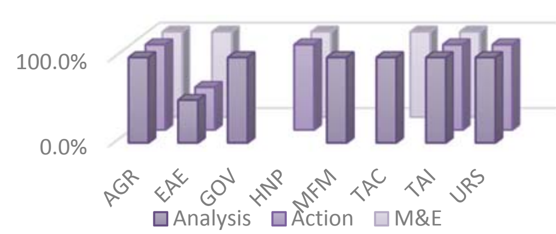
33. **Lengthy parliamentary ratification procedures, interruptions in normal government operation and policy questions have also affected and delayed the processing cycle of our lending and Trust Fund (TF) portfolio.** A critical project preparation grant for local roads was lost in 2015 due to non-ratification, the failure to address banking fraud in 2014-15 held up the DPO program, and the energy regulator's non-implementation of approved tariff formulae has blocked the IBRD district heating guarantee. However, the April 2016 legal amendment dispensing with ratification of grants was a positive development.

34. **Moldova's original indicative IDA17 allocation was SDR115.0 million, of which SDR4.7 million were on hard terms, as determined at the start of IDA17.** In FY16, the IDA17 indicative allocation was revised downward, to SDR103.4 million (including SDR4.0 million on hard terms), partly because of the downgrading of Moldova's CPIA score. For FY16 and FY17, Moldova's remaining indicative IDA envelope is SDR26.5 million, or, at current exchange rates, about USD36.88 million (see Table 2: Proposed Indicative Lending Program, FY14-17 CPS in Section V). The potential revision of Moldova's CPIA score may lead to a change in its FY17 indicative allocation[6]. The IDA16 allocation was fully used in FY14.

35. **There has been solid progress in mainstreaming gender in projects across the portfolio.** Social sectors such as health, education, and social protection have historically had a stronger gender focus. Since FY14 to date, 100 percent of new projects have been gender-informed in at least one dimension (Figures 3 and 4), and 36.4 percent of projects on all three dimensions. Although women's and girls' access to services was already being addressed by the design of WB social sector programs, the 2014 gender assessment highlighted unequal labor market outcomes as "the most prominent gender gaps", and that these are determined in the latter years of education. While IFC's FY16 ICR project has a component on gender equality in business regulation, the FY16-17 Systematic Country Diagnostic (SCD) and an FY17 TA on skills will identify entry points for WBG to support women's preparation for the labor market during the FY18-21 CPF.

Figure 3: Gender informedness by dimension, FY14-16

Figure 4: Gender informedness by dimension & GP, FY14-17



Source: Own staff estimates.

36. **IFC's committed portfolio in Moldova is USD63.6 million (USD60.6 million outstanding**), consisting of 83 percent loans and 17 percent equity and quasi-equity. In FY15, IFC completed a pre-export financing transaction of USD30 million with a major agribusiness group, building on more than a decade of IFC experience in this sector. The IFC has targeted yearly commitments of USD30 million (not including mobilization) depending on market

[6] Actual IDA allocation for FY17 will depend on: (i) total IDA resources available; (ii) the country's performance rating, per capita GNI and population; (iii) the country's financing terms of IDA assistance (grants/credits); (iv) the country's allocation deductions associated with MDRI annual debt service foregone (as applicable); (v) performance, allocation parameters and IDA assistance terms of other IDA borrowers; and (vi) number of IDA eligible countries.

conditions. Due to the challenging investment climate, the program of USD30 million might not be achieved in the years to come. In parallel, the IFC noted a weaker quality of its portfolio.

37. **A significant challenge for IFC's operations in Moldova stems from insufficient enabling conditions for private sector development.** As highlighted previously, Moldova faces significant challenges in the business environment investment climate. Governance and transparency in the banking sector must be addressed to allow for IFC to develop local capacity and create a platform for attracting investment. The primary challenge for the Moldovan banking sector is the lack of transparency in ownership structures. Complicated shareholding structures of domestic banks lead to diminished shareholder transparency and, as a result, diminished corporate governance and distortion of competition in the sector. At the same time, the challenges could present an opportunity for the IFC. The Moldovan banking sector is quite underdeveloped when it comes to financial products and risk mitigation and governance best practices. As a result, the banking system does not provide sufficient private sector friendly products, especially for MSMEs. The IFC and other IFIs have the opportunity to provide long-term capital for on lending to MSMEs by working with foreign banks on risk-sharing and co-financing frameworks. However, the extent of this support will depend on concerted actions by the Government to tackle issues surrounding ownership in local banks and steps to address judicial reform.

38. **The current net exposure of the Multilateral Investment Guarantee Agency (MIGA) in Moldova amounts to USD20.3 million in four projects.** All projects support foreign banks' subsidiaries in the country, including micro-finance organizations and leasing operations. MIGA’s continuing support to these projects signals the Agency’s efforts to underwrite projects in Moldova, encourage inward foreign direct investment (FDI), and add to the WBG’s strategy of encouraging private sector development in the country.

External Partnerships

39. **Partnerships with other donors have been effective in leveraging co-financing and speaking as one on key reforms.** The WBG convened the multi-donor Briefing Book which has been the basic document for donors’ policy dialogue with governments during 2015-16. The WB also organized a cabinet-level one-day retreat with the government and three policy meetings with the political leadership during 2015. The WB leads the transport donor group, is setting up a similar arrangement for the energy sector, informally coordinates health donors, participates actively in all government’s sector councils and hosts the monthly donor forum. The WBG’s SCD is being coordinated with the EU’s joint programming process. Collaboration with the EU Delegation, EU Commission and EU member states has been essential in the CPS period, particularly in the energy sector and on governance reforms. Operations in the WBG portfolio have also attracted the support of other development partners (DPs), including the Global Environment Facility (GEF), the Governments of the Netherlands, Sweden, Switzerland, Japan, the United Nations Children’s Fund (UNICEF), and the U.S. Agency for International Development (USAID), which co-financed IDA operations, financed carbon operations, and provided other forms of support, including for Advisory Services and Analytics. The size of the active TF portfolio is USD23.9 million. Extensive use has been made of the ECAPDEV TF for project preparation which has helped in an environment of constrained lending resources and internal BB funds. TFs will continue to play an important role in leveraging financing for analysis and reforms.

Advisory Services and Analytics (ASA)

40. **Despite resource constraints, TFs and rationalization of the lending program have enabled an active ASA program.** In energy, Swedish, Korean and multi-donor TFs have provided support to DH restructuring and reform, informing the design of the DHEIP. In the financial sector, FIRST TFs have helped to strengthen the National Commission for Financial Markets' (NCFM) institutional capacity and to advise on financial sector regulation. Various IFC groups, teams, practices, and projects have provided continued assistance for private sector development through regulatory and business environment reform. In addition to monitoring the macro-fiscal, financial and socio-economic situation (labor market, poverty, skills and pensions, and programmatic human development TA), and ongoing IFC advisory support for the investment climate, key ASA comprised economic and sector work on road financing, water sector regionalization, water and wastewater state of the sector country note, public expenditure, land governance, trade, and a number of activities supporting public sector capacity. There were no major changes from the original ASA program: the Village Development Scoping Study aiming at the geographical targeting of the most vulnerable and the DFID-financed Good Governance TF TAs are the few examples of new activities. Annex 4 presents the link between our ASA and lending programs.

41. **A noteworthy example of a WB-led analytical effort is the Briefing Book consisting of twenty eight policy notes**, developed by Moldova's partners in FY15, setting out Development Partners' collective recommendations on development policy and providing a potential platform for dialogue and strategic partnership with governments.

IV. EMERGING LESSONS

Rapid changes in Moldova's development context have provided a range of salutary lessons:

42. **Frequent government changes have affected portfolio performance,** for example on the consolidation of the tax service and hospitals and the lengthy ratification of recipient-executed grants for project preparation.

43. **Risks to program implementation from political fluidity are amplified when a large portion of the portfolio and pipeline is in policy-based lending (DPOs, Results-based Financing [RBF] and Program-for-results [PforR]).** There was a hiatus of nearly two years in the DPO program due to the authorities' tolerance of banking irregularities and political instability, and the political backing for education, health and social protection reforms, which are supported by policy-based financing, is unclear.

44. **The lending pipeline should remain flexible and selective to adapt to changing priorities.** With successive governments proving slow to address financial sector risks and to agree an IMF-supported macroeconomic framework, pipeline resources were reallocated away from budget support to emergency investment projects and rural roads. Program consolidation has also taken place to accommodate budget constraints.

45. **Coordination among development partners providing budget support is necessary for effective leverage over key governance issues.** The WBG's leadership of the multi-donor Briefing Book and public communications on anti-corruption have helped to harmonize policy positions among development partners. This has established a solid track record for the WBG's convening power and leading role as a knowledge bank.

46. **Electronic governance projects should be set within a broad governance reform agenda for maximum impact.** While the Governance e-Transformation project has delivered

significant benefits, there is further scope for cost-savings and systems integration. The FY17 Modernization of Government Services project will therefore integrate front-end digitization and back-end process re-engineering.

47. **The IFC's investment climate research uncovers a widening divergence between investment climate reforms and their implementation, the "regulatory implementation gap".** While this does not reduce the need for regulatory reform, it indicates the importance of monitoring implementation through instruments such as the Cost of Doing Business survey and BEEPS.

48. **The WB's procurement procedures, notably the "No Objection" process, were a critical protection against attempts to interfere in larger tenders.** Indeed, there was a degree of skepticism regarding RBFs and PforRs from implementing institutions, which valued the protection afforded by the WB's "No Objection". This would suggest a preference for continued use of WBG fiduciary controls as the WB's procurement reforms are implemented in Moldova.

V. ADJUSTMENTS TO CPS AND FUTURE ENGAGEMENT

49. **Therefore, while the original CPS pillars and objectives remain relevant, changing country circumstances and project-level experience have called for adjustments.** The main modifications relate to: (i) WB flexibility in responding to urgent emerging needs; (ii) an adjustment to program content in respect of corruption and state capture[7]; (iii) pipeline consolidation; (iv) delay of some operations, pending policy decisions and commitment; and (v) project-level adjustments based on implementation experience. Revisions to CPS outcomes and indicators are presented in annexes, most of them being due do project-level implementation experience. This PLR does not extend the CPS period.

50. **The WB has been flexible in respect of unexpected needs.** In FY15, the WB allocated USD12 million of IDA resources to finance compensation for fruit-growers affected by Russian import restrictions. The second MACP AF will be brought forward from FY17 to FY16 to reflect the rapid implementation of the matching grants component. The WB also approved USD2 million of IDA AF to cover a cost-overrun under the Disaster and Climate Risk Management project (DCRMP).

51. **The weakening in governance will require flexibility from the WBG during FY16-17.** There are possible lending trajectories in which zero, one, or two DPOs are approved before June 30, 2017. However, that flexibility will be strictly bounded by an understanding of the state's governance performance. The WBG has informed the current Government that this understanding will be informed, inter alia, by: (i) the state's response to WBG proposals for prior actions addressing state capture in future DPOs; (ii) data from IFC enterprise surveys; (iii) measures taken to improving financial sector governance, notably when and how the observations of ongoing diagnostic audits are addressed; and (iv) the degree of interference in WB-funded procurement and recruitment. The WB will maintain its close alignment with the IMF on financial sector governance and fiscal stability; an IMF-supported program will be a prerequisite for WB budget support for the foreseeable future.

52. **One side of the WBG's response to the heightened governance and corruption challenge is to address them explicitly.** The WB has informed the Government that any further DPO would contain proposals to address state capture. Two governance projects are under preparation for FY 2016-17: Tax Administration Modernization project (TAMP) and

[7] Meaning the control of public institutions by private interests through private channels of influence.

Modernization of Government Services project (MGSP). Four new TAs to be implemented under the cross-cutting governance theme will be financed from the new UK's "Good Governance and Investment Climate" TF: Tax Legislation Revision, State Owned Enterprise Reform, Justice Sector Reform, and Government Reform Scorecard. The ongoing SCD will explicitly analyze the impacts of corruption upon growth. The IFC and IBRD have both disseminated analysis of governance and corruption metrics extensively in the broadcast and electronic media.

53. **The other facet of the WBG's response has been to reallocate resources away from policy-based lending.** While the WBG remains open to budget support, delays in addressing banking sector risks meant that the planned DPO was not approved in FY15, and approval envisaged for FY16 is not certain at the time of writing. IDA resources can thus be reallocated to investment project financing (IPF). For example, the FY16 LRIP was increased from USD30 to USD80 million, and available IDA funds could also be redirected to climate change adaptation investments in FY17. Total IBRD commitments could be reduced, as the regulator's failure to implement its tariff methodology means that there is uncertainty about the IBRD guarantee to support the financial restructuring of the combined heat and power company Termoelectrica. More generally, in the design of IPFs, the WB will be more cautious in committing to support activities which depend upon difficult policy decisions or inter-institutional collaboration. For example, the Education Reform project will reallocate funds from RBF to WB-supervised procurement. The mix of IFC activity will continue to shift away from investment towards ASA, particularly on agri-business, in reflection of economic governance and the outlook for the investment climate. The design of IFC and WB ASA will shift somewhat the mix of activities from analysis towards communication and technical support for implementation.

54. **It was necessary to rationalize the lending program to protect the ASA budget.** A single Climate Adaptation and Forestry project for over USD20 million replaced the Forestry and Sustainable Land Management and the Climate Adaptation and Resilience project. The FY17 MGSP combines support for public administration reform and e-governance, which were conceived in the CPS as separate projects.

55. **In addition to the abovementioned factors, other adjustments to the CPS results framework have been necessitated by delays in decision-making or by project-level developments.** Political fluidity has caused delays in the project cycle (e.g. preparation of the TAMP) and hampered policy-dependent operations (e.g. restructuring of hospitals, consolidation of social benefits). At a more mundane level, with the passage of time some projects turned out differently than expected (e.g. no WB support for information technology parks, as envisaged in the original CPS). Indicators and targets have been adjusted to reflect the latest information.

56. **Any future agreement on the indicative lending program would be subject to revision, depending upon future events**, notably emerging priorities, progress on reforms, fulfilment of budget support prior actions, revision of IDA allocation for FY17, global economic developments affecting IBRD's financial capacity, country demand, and demand from other IBRD borrowers. Current PLR modifications and program adjustments are reflected in Table 2 and Annex 4.

Table 2: Proposed Indicative Lending Program, FY14-17 CPS

Project name (as per CPS)	IDA, USD M	IBRD, USD M	Change vs. original CPS	Status December 2015
FY14				
Development Policy Operation (DPO)	21.0	9.0	-	Closed
Health Transformation Operation (PforR)	30.8		-	Active
FY15				
Competitiveness Enhancement II	15.0	30.0	Titled "Private Sector Development" in the original CPS	Active
District Heating Efficiency Improvement		40.5	FY14 in the original CPS	Active
Disaster and Climate Risk Management Additional Financing (AF)	2.0		Cost overrun. Not planned in the original CPS.	Active
Agriculture Competitiveness AF	12.0		Compensation for fruit growers. Not planned in the original CPS.	Active
FY16				
Local Roads Improvement	80.0	0.0	USD30 M in the original CPS	Approved
Tax Administration Modernization	20.0		FY15 in the original CPS	Pipeline
Agriculture Competitiveness AF2	10.0		Advanced from FY17 in the original CPS, amount reduced	Pipeline
DPO-2	10.0	35.0	Increase from USD30 M; IDA/IBRD split to be confirmed.	Pipeline
FY17				
Modernization of Government Services	7.0	13.0	Replaces 2 projects in the original CPS (USD30 M); IDA/IBRD split to be confirmed.	Pipeline
Education Reform AF	15.0		-	Pipeline
District Heating Partial Credit Risk Guarantee		80.0	FY14 in the original CPS	Pipeline
Climate Adaptation and Forestry	1.5	18.5	Replaces 2 projects in the original CPS (USD40 M); IDA/IBRD split to be confirmed.	Pipeline
Economic Governance DPO-1		30.0	-	Pipeline
TOTAL	**224.3**	**256.0**		

VI. RISKS TO THE COUNTRY PARTNERSHIP STRATEGY

57. **The CPS assessment remains valid and the overall risk rating is Substantial**, warranted by the following High and Substantial risk categories, discussed below.

58. **Political instability has exacerbated the risk of policy volatility, but there is renewed opportunity to advance policy dialogue and action on necessary reforms.** The WBG has taken a lead in structuring DPs' policy dialogue with successive governments. The Briefing Book lays out the most urgent and longer-term required actions, which have been widely endorsed by all governments since February 2015, by civil society and by DPs. Support for policy reforms through DPOs envisaged in the CPS remain the base case. However, if these do not materialize, resources will be reallocated to IPFs with tangible results for the population, with particular focus on projects that alleviate the impact on the most vulnerable and affected. The Government sworn in on January 20, 2016 reopens the opportunity for policy dialogue and action on immediate reforms.

59. **The commercial and reputational risks associated with investment in the private sector are generally high**. Consequently, it is expected that the mix of IFC's activities in Moldova will shift away from investment towards Advisory Services.

60. **Macroeconomic risks have materialized, with the downturn in Russia and Ukraine cutting an estimated 4.6 percent from the 2015 GDP and over 12 percent of GDP lost to the banking sector fraud.** The economic downturn has led to severe fiscal compression, with customs receipts and VAT falling below expectations and public spending 15.8 percent below planned budget as of November 2015. While according to the Joint IMF-WB DSA (December 2015)

Moldova’s risk of debt distress is low even after absorbing the fiscal costs of the three insolvent banks, fiscal disciple is critical to ensuring debt sustainability. Potential downward revision of Moldova’s CPIA score could lead to negative changes in the risk category. The WBG will continue to support improved macroeconomic management and good governance in the banking sector through its budgets support series and financial sector TA, and will remain flexible and supportive to the unforeseen economic challenges and emerging priorities. Should structural reforms stall or macroeconomic risks materialize, DPOs will not be considered and resources will be reallocated towards IPFs with tangible benefits for the population, with particular focus on the most vulnerable and poor.

61. **The institutional capacity and sustainability of our interventions has been affected by staff turnover which accompanied each government change**, and the WB will be therefore more cautious in project design in committing to support activities that depend upon difficult policy decisions or inter-institutional collaboration. The WB will continue to actively engage with counterparts to maintain adequate implementation capacity and streamline burdensome national requirements for grant and project processing.

62. **Fiduciary risks have grown and have affected project implementation.** The WBG’s Department for Institutional Integrity (INT) has received a large number of reports referring to Moldova in the past five years, most related to procurement. To prevent and mitigate these risks, the WB will: (i) continue strong anti-corruption communications efforts; (ii) enhance awareness of how supervision and control are applied in our operations; and (iii) build a record of suspicious cases for further analysis and action. Although procurement thresholds will remain unchanged, they may be applied flexibly in suspicious circumstances.

63. **Extreme weather events have impaired macroeconomic stability and impacted the structure of our portfolio.** Droughts in 2012 and 2015 suggest that meteorological events once considered exceptional are now routine and are affecting Moldova’s growth and fiscal balance, thus diluting the macroeconomic stability results of budget support operations. These risks can be partially mitigated by building resilience through the ongoing and planned lending and ASA program. Better preparedness capacity has been enhanced through the DCRMP, and adaptation measures have been included in MACP and a series of soil conservation activities. An ongoing Climate TA will inform the preparation of a climate change adaptation investment project.

Risk Categories	Rating
1. Political and governance	High
2. Macroeconomic	Substantial
3. Sector strategies and policies	Moderate
4. Technical design of project or program	Moderate
5. Institutional capacity for implementation & sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and social	Moderate
8. Stakeholders	Moderate
Overall	**Substantial**

Annex 1: Updated CPS Results Matrix

Country Development Goals	Outcomes Directly Influenced by the Program	World Bank Group Instruments
	Pillar 1: Increasing Competitiveness	
	CPS Outcome 1.1. Improved business environment and access to finance for business operation	
Improving the business climate, promoting competition policies, and streamlining the regulatory framework (Moldova 2020 Priority #4).	**Customs procedures are streamlined and more transparent.** *Indicator1:* Reduced number of days to prepare documents for export operations ("Trading Across Borders" indicator of Doing Business) Baseline: 20 (2012) Target: 16 (2017)	**Ongoing:** IFC Investment Climate Reform (ICR) project **ASA:** Trade Study **Partners:** USAID, EU
	Decreased regulatory burden on enterprises. *Indicator 1:* Reduced management time for regulatory requirement compliance (annual domestic Cost of Doing Business (CODB) survey) Baseline: 10 percent (2012) Target: 8 percent (2017) *Indicator 2:* Implemented risk-based inspection methodologies Targets: 40 percent (2017) of inspection bodies (baseline: 0 percent) follow the risk-based inspection (RBI) methodologies, based on clear risk criteria and approved plan for inspections. Ad-hoc inspections are reduced to 7 percent (2017) (from a baseline of almost 100 percent), under clear criteria for unplanned inspections. 100 percent of planned inspections are published on the e-Government Center's website. *Indicator 3:* Reduced number of permits and licenses Baseline: 416 (2015) Target: 238 (2017)	**Ongoing:** Competitiveness Enhancement II project (CEP-II) IFC ICR project **Partners:** USAID
Improving the competitiveness of enterprises to increase growth and employment	**Cumulative number of business development services provided to Small and Medium Enterprises (SMEs) with the support of WBG investment.** Baseline: 0 (2013) Target: 240 (2017)	**Ongoing:** CEP-II IFC ICR project
Reducing financing costs by increasing competition in the financial sector and developing risk management tools (Moldova 2020 Priority #3).	**Improved access of private enterprises to formal sources of finance.** *Indicator:* Increased domestic credit to private sector as share of GDP in nominal terms (percentage) Target: 15 percent increase (2017) versus 2013 **Capital market continues to be strengthened to facilitate increased access to finance.**	**Ongoing:** CEP-II **Pipeline:** DPO-2 Direct IFC investment

Country Development Goals	Outcomes Directly Influenced by the Program	World Bank Group Instruments
	Indicator: Government bonds listed on the stock exchange Baseline: Non-existent (2012) Target: Government bonds with >1 year maturity are traded on the stock exchange (2017)	**TFs:** IFC has helped the NCFM with advice on financial sector regulation assistance Strengthening Auditing and Reporting in Countries of the Eastern Partnership (STAR/EaP) FinSAC (Vienna Center) **ASA:** Financial Sector Development TA (FY14-16) FSAP Update (FY15) **Partners:** IMF, EBRD
	Indicator 1: Number of known insolvent banks subject to regulatory forbearance Baseline: 3 banks known to be insolvent but still operating Target: 0 (all such banking licenses withdrawn, and liquidation initiated) *Indicator 2:* Number of at-risk banks subject to special diagnostic audits and/or restructuring Baseline: 0 Target: 3 banks audits and time-bound restructuring plans adopted and initiated *Indicator 3:* Legal framework for timely intervention in distressed banks Baseline: NBM regulations delayed by Ministry of Justice (MoJ) approval process; NBM staff lack immunity for duties carried out in good faith Target: Legal amendments: (i) eliminating MoJ power to delay registration of NBM regulations, and (ii) conferring immunity to NBM staff for duties carried out in good faith.	
	Greater alignment of the Corporate Financial Reporting (CFR) legislation and practice with the EU acquis through: (i) improved financial reporting standards in Public Interest Entities (PIEs) by implementing International Financial Reporting Standards (IFRS); (ii) redesigned audit public oversight system; (iii) further simplified and improved SME financial reporting standards; and (iv) enhanced public availability of financial statements. *Indicator 1.* Minimum 80 percent of PIEs file and publish IFRS-based financial statements (FSs) *Indicator 2.* Provisions of Directive 2006/43/EU (amended in June 2014) transposed in the draft Auditing Law, and draft Auditing Law passed to Parliament for adoption *Indicator 3.* Provisions of Directive 2013/34/EU (accounting directive) transposed in the draft Accounting Law, and draft Accounting Law passed to Parliament for adoption *Indicator 4.* Public Registry of FSs is fully operational, i.e. systems and processes in place to enable collecting and making financial statements available online	

	CPS Outcome 1.2. Improved competitiveness in agriculture	
Enhancing agricultural export competitiveness, attracting investments and achieving closer trade integration with the EU.	**Enhanced competitiveness of the agro-food sector by supporting the modernization of the food safety management system.** *Indicator 1:* Completion of targeted food safety actions for approximation to EU Sanitary and Phytosanitary (SPS) requirements Baseline: 20 percent (2013) Target: 100 percent (2017) **Increased market access for farmers.** *Indicator 1:* Increased sales in volume terms (domestic and exports) of high value crops by targeted partnerships that receive investment support grants Baseline: 0 percent (2013) Target: 50 percent (2017) **Stabilized level of production of apples, plums and grapes among beneficiaries of compensatory grants.** Baseline: 100 percent (2014 – average production for 2012-14 for apples, plums and grapes) Target: 85 percent (2016 – average over 2015-17)	**Ongoing:** Moldova Agriculture Competitiveness project (MACP) and AF IFC ICR project IFC investments in agriculture **Pipeline:** MACP 2nd AF **TFs:** MACP GEF **ASA:** DCFTA Preparation Support in Agriculture TA Food Security and Agricultural Policy Formulation TA
	Pillar 2: Enhancing Human Capital and Minimizing Social Risks	
	CPS Outcome 2.1. Improved quality of and access to health and education services	
Strengthening the quality of education, while supporting the efficiency reforms being implemented in the education sector.	**Strengthened quality of education.** *Indicator 1:* Implementation of quality assurance standards for hub schools initiated and scaled up (percent of hub schools) Baseline: 0 percent (2013) Target: 70 percent (2017) *Indicator 2:* Improved student assessment system Revised tests administered and baseline for grade 4 and grade 9 tests established in 2015, including disaggregation by socio-economic background. **Improved efficiency of the education sector.** *Indicator 1:* Implementation of per-student financing nationwide (in 2013) *Indicator 2:* Increased student-teacher ratio Baseline: 10.85:1 (2011-12 school year) Target: 11.5:1 (2015/16 school year)	**Completed:** Quality Education in Rural Areas of Moldova project AF **Ongoing:** Moldova Education Reform project (MERP) Moldova Labor TA on skills mismatch linked to information asymmetries **TFs:** Education GPSA Japan PHRD Disability and Development Grant for the integration of children with disabilities into hub schools **Partners:** Japan
Increasing access to quality and efficient health services with the aim of increasing life expectancy,	**Improved access to quality healthcare.** *Indicator 1*: Better population coverage with mandatory health insurance Baseline: 81 percent (2013) Target: 85 percent (2017) (of which 44% are male and circa 56% are female)	**Completed:** Health Services and Social Assistance project IDF Health Management Information System grant

and reducing premature mortality and disability.	*Indicator 2*: Share of out-of-pocket payments (formal and informal) in total health expenditure reduced Baseline: 45 percent (2013) Target: 35 percent (2017) *Indicator 3*: Number of family doctor (FD) visits per person Baseline: 2.9 (2014) Target: 3.2 (2017) *Indicator 4*: Annual acute care hospital discharges per 100 persons Baseline: 17.6 (2011) Target: 16.0 (2017)	**Ongoing:** Health Transformation Operation (PforR) **TFs:** Health GPSA PPP in health structured by IFC
	Improved physical access to rural education and health services. *Indicator 1:* Number of schools connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 10 (2017) *Indicator 2:* Number of health facilities connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 9 (2017)	**Ongoing:** Local Roads Improvement project (LRIP)
	CPS Outcome 2.2. Fiscally sustainable and equitable pension and social assistance systems	
Creating an equitable and sustainable pension system (Moldova 2020 Priority #6)	**Fiscally sustainable pension system** *Indicator 1:* Pension (PAYG) expenditures are kept below 8 percent of GDP (without intervention expenditures will increase) Baseline: 8 percent (2013) Target: <8 percent (2017) *Indicator 2:* Pension system fairness is improved through maximized replacement rates within a given PAYG budget envelope Baseline: 28 percent (2013) Target: 30 percent (2017)	**Pipeline:** New DPO series **ASA:** Programmatic HD (pension policy TA) **Partners:** IMF **Ongoing:** Strengthening the Effectiveness of the Social Safety Net (SESSN) RBF project
Implementing a well-targeted and sustainable cash transfer program to improve the poverty impact of resources for transfers through reduced inclusion and exclusion errors, and a system focused on a welfare concept of poverty.	**Improved equity of social assistance.** *Indicator 1:* Improved equity in social assistance system, measured as percentage of population in the poorest quintile receiving *Ajutor Social* benefits (gender estimates will be provided by adult recipients) Baseline: 14.9 percent (2011) Target: 20 percent (2017) *Indicator 2:* Consolidated categorical benefits: spending on categorical benefits further reduced by 20 percent Baseline: 7 percent (2012) Target: 30 percent (2017)	

	Pillar 3: Promoting a Green, Clean and Resilient Moldova	
	CPS Outcome 3.1. Greater adaptation and resilience to climate change	
Reducing the country's adaptation deficit to climate variability and climate change.	**Strengthened State Hydro-meteorological Service's ability to forecast severe weather and Moldova's improved capacity to prepare for and respond to natural disasters.** *Indicator 1:* Issuing more accurate and specific forecasts of weather conditions Baseline: Scale of weather forecasts at 5000 sq. km (2013) Target: Scale of weather forecasts reduced to 300 sq. km (2017) *Indicator 2:* Expanded lead-time for weather warnings to users Baseline: Lead time for severe weather warnings only 10 minutes to 1 hour (2013) Target: Lead time for severe weather warnings expanded to 12 hours (2017) *Indicator 3*: Strengthened capacity to coordinate emergency responses Baseline: No Emergency Command Center to coordinate response among relevant agencies (2013) Target: Emergency response drill shows capacity improvements as compared to the baseline and the recent test of the system (2017)	**Ongoing:** Disaster and Climate Risk Management project (DCRMP) and AF **ASA:** Social Dimensions of Climate Change Country assessment (BNPP) **TFs:** Global Fund for Disaster Risk Reduction: Moldova Disaster and Climate Risk Management Capacity Building
	CPS Outcome 3.2: Improved Natural Resources Management	
Reducing environmental degradation and negative impacts of economic activities on the environment, natural resources and human health.	**Sequestration of 0.8 million tons of CO2 through forestation of degraded lands (during the CPS period – 2014-17).** **Enhanced competitiveness of the agro-food sector by mainstreaming agro-environmental and sustainable land management practices.** *Indicator 1:* Increased on-farm area benefitting from sustainable land management practices Baseline: 0 hectares (2013) Target: 10,000 hectares (2017) *Indicator 2*: Increased area protected by robust anti-erosion shelterbelts rehabilitated Baseline: 0 hectares (2013) Target: 50,000 hectares (2017)	**Ongoing:** MACP ENPI Forest Law and Enforcement and Governance II Program **ASA:** Forestry Policy Note (delivered in FY15) Climate TA (FY16) **TFs:** Community Forestry Project Soil Conservation Project Community Support Program for Sustainable and Integrated Forest Management and Carbon Sequestration through Forestation (SIFMSF) **Potential partners:** GEF, Climate Investment Fund, Green Climate Fund

	CPS Outcome 3.3 Increased energy efficiency and security	
Increasing energy efficiency and security.	**Decreased energy supply costs, increased quality of supply and improved affordability of heat supply in Chisinau.** Implementation of building level metering and temperature controls, with incentives for customers to decrease energy use. *Indicator 1:* People that gained access to more energy-efficient cooking and/or heat-generating facilities (number) Baseline: 27,000 (2015) Target: 63,000 (2017), of which 50 percent female beneficiaries *Indicator 2:* Actual fuel savings (GCal) Baseline: 0 GCal (2015) Target: 52,759 GCal (2017) **District Heating Company debt restructured by 2017 to improve its creditworthiness.** *Indicator 1:* Debt Restructuring Plan signed with Moldovagaz	**Ongoing:** District Heating Efficiency Improvement project (DHEIP) **ASA:** TA Program: Energy Sector Restructuring and Efficiency Improvement (ESREI) TA TA Program: DH and Electricity Tariff Affordability Analysis **Pipeline:** DH sector debt and financial restructuring IBRD PCG Project (FY16) Potential IFC PPPs Advisory Program on resource efficiency for SMEs Potential IFC provision of energy efficiency credit lines through financial intermediaries subject to adequate market conditions Potential IFC direct investment to improve resource efficiency in private sector companies **Partners:** Sweden, EBRD, EIB, EU
Reducing power sector vulnerability to supply shortfall due to limited supply options and aging of assets.	*Indicator 1:* Identified options for diversification of electricity supply (Ukraine, Cuciurgan Power Station (MGRES), Chisinau CHPs, and interconnections with ENTSO-E (via Romania).	Potential IFC project in renewable energy
	Governance as a cross-cutting theme	
Establishing a professional and motivated civil service.	**Professionalization of the public service increased through implementation of the position of state secretaries.** *Indicator 1*: Level of professional management of public services Baseline: Ministries and central agencies are managed by politically appointed officials (2013) Target: All (percent) of ministries are managed by professional state secretaries (2017) *Indicator 2*: Number of professional development (PD) initiatives implemented, number of state secretaries involved in professional development programs Baseline: Number of PD programs for senior executive officials, including state secretaries (2013)	**Completed:** Central Public Administration Reform project **Pipeline:** Government Services Modernization Reform project (MGSP) **Partners:** Sida, EU

	Target: PD program based on a defined set of competences and performance requirements is approved and under implementation (2017). Percent of program-covered state secretaries (90 percent).	
	Improved legislative framework for tax administration. *Target:* Adoption of a revised Tax Code in line with requirements of the EU-Moldova Association Agreement.	**Pipeline:** Tax Administration Modernization project (TAMP) DFID Good Governance TF: Tax Legislation Revision TA
	Strengthened capacity for monitoring of governance reform implementation in Moldova. *Target:* Initial Governance Scorecard is publicly available on-line (April 2017)	**Pipeline:** DFID Good Governance TF: Governance Reform Scorecard TA
Establishing effective and efficient government programs, aligned with national strategic goals.	**The Government monitors public investment as a means of improving strategic decision making and resource allocation.** *Indicator 1:* Mechanism for monitoring of public investment projects Baseline: No mechanism (2014) Target: Monitoring mechanism is developed and used. Existing public investment project databases are developed, with update possibilities (2017) **Improved accountability of the Executive for public investment through access to information.** Baseline: No cumulative information on public investments is available to citizens Target: Program evaluation mechanism is developed and used. At least 3 programs evaluated for targeting, effectiveness and efficiency of outcomes and impact.	**TFs:** Public Investment Management TA
Increasing reliance on country institutions with medium-term focus on strengthening the capacity of public external audit and treasury system and the public procurement system.	**Improved capacity for audit oversight of public expenditure.** Target: Minimum 3 projects use national auditing procedures which meet the following criteria: (i) audit performed in accordance with generally accepted auditing practices; (ii) audit is carried out by adequate staff with appropriate professional qualifications and experience; (iii) audit is performed under constitutional or legal provisions designed to assure independence. (Baseline: 0) **Improved business processes in the Treasury system.** Baseline: Manual processing of payment orders Target: Real-time processing of payment orders	**Ongoing:** GPSA WBI support **Pipeline:** Government Services Modernization project **ASA:** Financial Management TA **TFs:** Strengthening the CoA
	Improved functionality and uptake of the electronic procurement system. Baseline: Paper-based public procurement procedures (2011) Target: Technically upgraded e-procurement software, rolled out for use by 100 percent of central line ministries and subordinated agencies (2015)	**TFs:** Strengthening Public Procurement IDF Grant
	Improved social accountability environment through opening of government data and opportunities and capacity building for broad citizen engagement in service delivery and public expenditure management processes.	**Ongoing:** Governance e-Transformation (GeT) project Education GPSA

	More participatory nature of decision making processes and enhanced quality of public debate. *Indicator 1:* Number of WB-supported communities applying social accountability tools in the education sector Baseline: 0 (2013) Target: 40 (2016) *Indicator 2:* Number of government data sets' downloads from the Open Data Portal Baseline: 0 (2013) Target: 1,450,000 (2016)	
Using ICT to support effective, efficient, transparent and accessible public services to citizens.	**Increased uptake of government e-services, including female users (percent)** *Indicator 1:* Percent of direct project beneficiaries (including female) Baseline: 20,000 (40 percent female) (2013) Target: 300,000 (50 percent female) (2017) **Increased favorable citizen perception of quality of public service** *Indicator 1:* Citizen perception of public service quality (percent of satisfied citizens accessing Government Services Portal) Baseline: 45 percent (2013) Target: 60 percent (2017)	**Ongoing:** GeT project **Partners:** GIZ: Modernization of Local Public Services Project (extension of some e-services to regional development agencies)
	Improved interaction and strengthened understanding of development challenges between representatives of both banks of Nistru river. *Indicator 1.1*: Introduction to WBG work and instruments Baseline: 0 (2013) Target: 40 Transnistrian representatives + 15 representatives of the right bank (2015) *Indicator 1.2*: Training in international procurement and best practices Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015) *Indicator 1.3*: Training in public-private partnerships Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015)	**TFs:** Korean TF for Knowledge Program for Confidence Building in Moldova and Transnistria

Annex 2: Matrix of changes to the original FY14-17 CPS Results Matrix

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Pillar 1: Increasing Competitiveness	
CPS Outcome 1.1. Improved business environment and access to finance for business operation *(The formulation of Outcome 1.1 was revised to articulate clearly the type of business infrastructure, namely access to finance, that the WBG is supporting")*	
Effective and efficient tax administration that will improve voluntary compliance and self-assessment and will reduce compliance costs. *Indicator 1:* Decreased cost of compliance as measured by share of audited companies selected based on risk profiles Baseline: 0 percent (2013) Target: 100 percent (2017) *Indicator 2:* Improved effectiveness of tax collection (PEFA PI-15 "Effectiveness in collection of tax payments") Baseline: D+ (2013) Target: B (2017)	**Indicator dropped.** This indicator was proposed as part of the Tax Administration Modernization project, which was scheduled for FY15 in the original CPS. Due to delays caused by political fluidity, the project will only become effective in FY17, and the indicator could be achieved in the next CPF period. **Indicator dropped.** Moved to the next CPF period to include the contribution of TAMP activities.
Customs procedures are streamlined and more transparent. *Indicator1:* Reduced number of days to prepare documents for export operations ("Trading Across Borders" indicator of Doing Business) Baseline: 20 (2012) Target: 16 (2017)	**Unchanged.**
Decreased regulatory burden on enterprises. *Indicator 1:* Reduced management time for regulatory requirement compliance (annual domestic CODB survey) Baseline: 10 percent (2012) Target: 8 percent (2017) *Indicator 2:* Reduced inspection coverage (except tax, customs and financial – banking and non-banking) Baseline: 100 percent Target: 40 percent (2017)	**Unchanged.** **Indicator revised** to highlight the results-based inspection (RBI) methodology supported under IFC's ICR project, which besides reducing inspection coverage notes the existence of a clear methodology and risk criteria for unplanned inspections and enhances transparency. ***Implemented risk-based inspection methodologies.*** Targets: 40 percent (2017) of inspection bodies (baseline: 0%) follow the risk-based inspection (RBI) methodologies, based on clear risk criteria and approved plan for inspections. Ad-hoc inspections are reduced to 7 percent (2017) (from a baseline of almost 100%), under clear criteria for unplanned inspections. 100 percent of planned inspections are published on the e-Government Center's website.

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Indicator 3: Reduced number of permits and licenses Baseline: 416 (2015) Target: 238 (25 percent reduction) (2017)	**Indicator unchanged but baseline revised** according to the latest feasibility study (December 2015) for establishment of a one-stop shop for permissive documents under CEP-II.
Strengthened business managers' capacity to make strategic decisions that increase competitiveness and job creation. *Indicator 1:* Additional number of managers trained in business strategy, financial management, and other relevant areas with the support of a new WBG project/investment Baseline: 0 (2013) Target: TBC in the design of the PSD project (FY15)	**Revised** and established as per the FY15 CEP-II design, which focused on the number of business development services. ***Cumulative number of business development services provided to Small and Medium Enterprises (SMEs) with the support of WBG investment.*** Baseline: 0 (2013) Target: 240 (2017)
Indicator 1: **IT direct employment (number of people).** Baseline: 21,000 (2012) Target: 25,000 (2017) **Improved access to broadband Internet.** *Indicator 1:* Access to broadband Internet services (number of subscribers per 100 people) Baseline: 11 percent (2012) Target: 20 percent (2017) *Indicator 1.1:* Access to Internet services for the bottom 40 percent (number of subscribers per 100 people) Baseline: 9 percent for bottom 40 percent (HBS 2011) Target: At least 16 percent for the bottom 40 percent (i.e. at least 82 percent increase, as targeted for the average population)	**Dropped.** Ultimately, this objective was not covered by the Governance e-Transformation (GeT) project, which was developed later and focused on e-service delivery and cloud infrastructure for government services. **Dropped.** This objective was not covered by the GeT project
Improved access of private enterprises to formal sources of finance. *Indicator:* Domestic credit to private sector as share of GDP Baseline: 38.8 percent (2011) Target: 45 percent (2017) **Capital market continues to be strengthened to facilitate increased access to finance.** *Indicator:* Government bonds listed on the stock exchange Baseline: Non-existent (2012) Target: Government bonds with >1 year maturity are traded on the stock exchange (2017) *Indicator 1:* Number of known insolvent banks subject to regulatory forbearance Baseline: 3 banks known to be insolvent but still operating Target: 0 (all such banking licenses withdrawn, and liquidation initiated)	**Indicator revised** due to the downturn in the economy and banking crisis, which distorted the real situation, with the team considering that it's best to measure change in percentage (nominal terms). ***Increased domestic credit to private sector as share of GDP in nominal terms (percentage)*** Target: 15 percent increase (2017) versus 2013 **Unchanged.** **New indicators.** Three new indicators directly influenced by DPO-2, and addressing directly governance challenges in the financial sector, are added to measure enhanced financial stability,

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Indicator 2: Number of at-risk banks subject to special diagnostic audits and/or restructuring Baseline: 0 Target: 3 banks audits and time-bound restructuring plans adopted and initiated *Indicator 3:* Legal framework for timely intervention in distressed banks Baseline: NBM regulations delayed by MoJ approval process; NBM staff lack immunity for duties carried out in good faith Target: Legal amendments: (i) eliminating MoJ power to delay registration of NBM regulations, and (ii) conferring immunity to NBM staff for duties carried out in good faith.	stemming irregularities and losses in the banking sector, improved bank resolution framework and implementation. Bank resolution is now the main focus of the WB's financial sector work.
Strengthened CFR institutional framework through improvements in A&A ROSC update indicators, i.e. greater alignment of the CFR legislation and practice with the EU *acquis*, namely: (i) Public Interest Entities (PIEs) implement IFRS in practice; (ii) quality of external audits is strengthened through an operational audit oversight system; (iii) SME financial reporting standards are improved; (iv) public availability of financial statements.	**Revised** to improve formulation and facilitate further measurement. ***Greater alignment of the Corporate Financial Reporting (CFR) legislation and practice with the EU acquis*** through: (i) improved financial reporting standards in Public Interest Entities (PIEs) by implementing IFRS; (ii) redesigned audit public oversight system; (iii) further simplified and improved SME financial reporting standards; and (iv) enhanced public availability of financial statements. *Indicator 1.* Minimum 80 percent of PIEs file and publish IFRS-based financial statements (FSs) *Indicator 2.* Provisions of Directive 2006/43/EU (as amended in June 2014) transposed in the draft Auditing Law, and draft Auditing Law passed to Parliament for adoption *Indicator 3.* Provisions of the Directive 2013/34/EU (accounting directive) transposed in the draft Accounting Law, and draft Accounting Law passed to Parliament for adoption *Indicator 4.* Public Registry of Financial Statements is fully operational (i.e. systems and processes in place to enable collecting and making financial statements available online)
CPS Outcome 1.2. Improved competitiveness in agriculture	
Enhanced competitiveness of the agro-food sector by supporting the modernization of the food safety management system. *Indicator 1:* Completion of targeted food safety actions for approximation to EU Sanitary and Phytosanitary (SPS) requirements Baseline: 20 percent (2013) Target: 100 percent (2017)	**Unchanged.**
Increased market access for farmers. *Indicator 1:* Increased sales in volume terms (domestic and exports) of high value crops by targeted partnerships that receive investment support grants Baseline: 0 percent (2013)	**Unchanged.**

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Target: 50 percent (2017) **Stabilized level of production of apples, plums and grapes among beneficiaries of compensatory grants.** Baseline: 100 percent (2014 – average production for 2012-14 for apples, plums and grapes) Target: 85 percent (2016 – average over 2015-17)	**New outcome and indicator (achieved)** for the emergency support under MACP AF, reflecting the WB's flexibility to emerging needs and provided for purposes of compensating smaller fruit farmers, who are most disadvantaged and were affected by Russia's 2014 export restrictions. The team chose to include the MACP AF PDO indicator to reflect the stabilization of the level of production for these farmers.
Pillar 2: Enhancing Human Capital and Minimizing Social Risks	
CPS Outcome 2.1. Improved quality of and access to health and education services	
Strengthened quality of education. *Indicator 1:* Implementation of quality assurance standards for hub schools initiated and scaled up (percent of hub schools) Baseline: 0 percent (2013) Target: 70 percent (2017) *Indicator 2:* Improved student assessment system Revised tests administered and baseline for grade 4 and grade 9 tests established in 2015, including disaggregation by socio-economic background. **Improved efficiency of the education sector.** *Indicator 1:* Implementation of per-student financing nationwide (in 2013) *Indicator 2:* Increased student-teacher ratio Baseline: 10.85:1 (2011-12 school year) Target: 11.5:1 (2015/16 school year)	**Unchanged.** **Unchanged and achieved.** **Unchanged and achieved.** **Baseline revised and indicator achieved.** The baseline originally included schools, teachers and students from private schools, schools servicing students with special needs, republic schools, sanatoria schools, colleges, and schools under the responsibility of other ministries. None of those schools are part of the school optimization effort and they don't get financing through the per capita financing formula so it is incorrect to include them in the indicator. In the last two years it also includes pedagogical staff supporting children with special needs, which came into effect two years ago with the new education code. The baseline will be amended under the ongoing project restructuring.
Improved access to quality healthcare. *Indicator 1*: Better population coverage with mandatory health insurance (will be disaggregated by gender) Baseline: 81 percent (2013) Target: 85 percent (2017) (of which 44% are male and circa 56% are female) *Indicator 1.1:* Coverage of the bottom 40 percent (B40) Baseline*:* 71.5 percent (HBS11) versus 81 percent for the top 60 percent Target*:* At least 76.5 percent *Indicator 2*: Share of out-of-pocket payments (formal and informal) in total health expenditure reduced	**Unchanged and achieved.** **Sub-indicator dropped** as the Health Transformation Operation (HTO) did not cover this. **Unchanged.**

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Baseline: 45 percent (2013) Target: 35 percent (2017) *Indicator 2.1:* Percentage of the B40 who report having spent >10 or 25 percent of their total expenditure on health Baseline: 14.2 percent of B40 spend more than 10 percent / 1.2 percent of B40 spend more than 25 percent (HBS11) Target: Less than 10 percent of B40 spend more than 10 percent /less than 1 percent of B40 spend more than 25 percent (2017)	**Sub-indicator dropped** as the HTO did not cover this.
Indicator 3: Number of family doctor visits per person Baseline: 2.9 (2014) Target: 3.2 (2017)	**New indicator** as per the design of the HTO.
Indicator 4: Annual acute care hospital discharges per 100 persons Baseline: 17.6 (2011) Target: 16.0 (2017)	**New indicator** as per the design of the HTO.
	New outcome and indicators as part of the FY16 Local Roads Improvement project (LRIP) which will consolidate previous gains in education and health infrastructure rationalization. One of the main expected results of LRIP, which is the largest project to date in our portfolio, is improved physical access of the rural population, as one of the most vulnerable groups, to vital education and health services, as well as regional markets, connected by better local roads, to demonstrate tangible results for the population. ***Improved physical access to rural education and health services.*** *Indicator 1:* Number of schools connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 10 (2017) *Indicator 2:* Number of health facilities connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 9 (2017)
CPS Outcome 2.2. Fiscally sustainable and equitable pension and social assistance systems	
Fiscally sustainable and fair pension system. *Indicator 1:* Pension (PAYG) expenditures are kept below 8 percent of GDP Baseline: 8 percent (2013) Target: <8 percent (2017)	**Unchanged.**
Indicator 2: Pension system fairness is improved through maximized replacement rates within a given PAYG budget envelope Baseline: 28 percent (2013) Target: 30 percent (2017)	**Unchanged.**

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Improved equity of social assistance. *Indicator 1:* Improved equity in social assistance system, measured as percentage of population in the poorest quintile receiving *Ajutor Social* benefits (gender estimates will be provided by adult recipients) Baseline: 14.9 percent (2011) Target: 20 percent (2017) *Indicator 2:* Consolidated categorical benefits: spending on categorical benefits further reduced by 20 percent Baseline: 7 percent (2012) Target: 30 percent (2017)	**Unchanged.** **Unchanged.**
Pillar 3: Promoting a Green, Clean and Resilient Moldova	
CPS Outcome 3.1. Greater adaptation and resilience to climate change	
Strengthened State Hydro-meteorological Service's ability to forecast severe weather and Moldova's improved capacity to prepare for and respond to natural disasters. *Indicator 1:* Issuing more accurate and specific forecasts of weather conditions Baseline: Scale of weather forecasts at 5000 sq. km (2013) Target: Scale of weather forecasts reduced to 300 sq. km (2017) *Indicator 2:* Expanded lead-time for weather warnings to users Baseline: Lead time for severe weather warnings only 10 minutes to 1 hour (2013) Target: Lead time for severe weather warnings expanded to 12 hours (2017) *Indicator 3*: Strengthened capacity to coordinate emergency responses Baseline: No Emergency Command Center to coordinate response among relevant agencies (2013) Target: Emergency response drill shows capacity improvements as compared to the baseline and the recent test of the system (2017)	 **Unchanged.** **Unchanged.** **Unchanged and achieved.**
CPS Outcome 3.2: Improved Natural Resources Management	
Sequestration of 2.5 million tons of CO2 through forestation of degraded lands. **Enhanced competitiveness of the agro-food sector by mainstreaming agro-environmental and sustainable land management practices.** *Indicator 1:* Increased on-farm area benefitting from sustainable land management practices Baseline: 0 hectares (2013) Target: 10,000 hectares (2017) *Indicator 2*: Increased area protected by robust anti-erosion shelterbelts rehabilitated Baseline: 0 hectares (2013)	**Revised and achieved.** ***Sequestration of 0.8 million tons of CO2 through forestation of degraded lands (during the CPS period – 2014-17).*** The target was revised downward to only reflect the contribution of this CPS period to the sequestered volume, while also reporting that the overall target of 2.5 million tons under the operation (including and beyond this CPS) was also achieved. **Unchanged.** **Unchanged.**

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Target: 50,000 hectares (2017)	
CPS Outcome 3.3 Increased energy efficiency and security	
Decreased energy supply costs, increased quality of supply and improved affordability of heat supply in Chisinau. Implementation of building level metering and temperature controls, with incentives for customers to decrease energy use. *Indicator1:* Direct beneficiaries in buildings with new individual heat substations (number), of which female (percent) *Indicator 2:* Average specific heat consumption of buildings with modernized heating substations (KWh/m2 annually) *Indicator 3*: Total amount of energy saved Baselines and targets will be determined at appraisal (fall 2013) **Debt of the new DH Company restructured by 2013 to improve its creditworthiness, and debt burden to Moldovagaz reduced by at least 20 percent by 2017** *Indicator 1:* Debt Restructuring Plan signed with Moldovagaz *Indicator 2:* Debt repayment of at least 5 percent per annum to reduce the debt burden by at least 20 percent by 2017 Baseline and target TBC following completion of the financial model by the consultant	**Indicator revised** as per the DHEIP design approved in FY15. *Indicator 1:* People that gained access to more energy-efficient cooking and/or heat-generating facilities (number) Baseline: 27,000 (2015) Target: 63,000 (2017), of which 50% female beneficiaries **Indicator dropped** and moved to the next CPF period as it is unachievable till FY17 due to the project's delayed approval compared to the original CPS plan. **Indicator revised** as per the DHEIP design approved in FY15. *Indicator 3:* Actual fuel savings (GCal) Baseline: 0 GCal (2015) Target: 52,759 GCal (2017) **Outcome revised** as per the DHEIP design. ***District Heating Company debt restructured by 2017 to improve its creditworthiness.*** *Indicator 1:* Debt Restructuring Plan signed with Moldovagaz **Indicator dropped** and moved to the next CPF period as it is unachievable till FY17 due to the project's delayed approval compared to the original CPS plan.
Indicator1: Identified options for enhanced diversity of electricity supply (Ukraine, Cuciurgan Power Station (MGRES) and Chisinau CHPs.	**Revised and achieved,** as per the outcomes of the energy sector TA. ***Identified options for diversification of electricity supply (Ukraine, Cuciurgan Power Station (MGRES), Chisinau CHPs, and interconnections with ENTSO-E (via Romania).***
Governance as a cross-cutting theme	
Professionalization of the public service increased through implementation of the position of state secretaries. *Indicator 1*: Level of professional management of public services Baseline: Ministries and central agencies are managed by politically appointed officials (2013) Target: All (percent) of ministries are managed by professional state secretaries (2017) *Indicator 2*: Number of professional development (PD) initiatives implemented, number of state secretaries involved in professional development programs Baseline: Number of PD programs for senior executive officials, including state secretaries (2013)	 **Unchanged.** **Unchanged.**

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Target: PD program based on a defined set of competences and performance requirements is approved and under implementation (2017). Percent of program-covered state secretaries (90 percent).	
	New outcome supporting legal reforms necessary to underpin improvements in the tax administration as part of the WBG emphasis on addressing weaknesses in public sector management and governance. ***Improved legislative framework for tax administration.*** *Target:* Adoption of a revised Tax Code in line with requirements of the EU-Moldova Association Agreement.
	New outcome in respect of the WB's commitment to addressing directly governance issues. ***Strengthened capacity for monitoring of governance reform implementation in Moldova.*** *Target:* Initial Governance Scorecard is publicly available on-line (April 2017)
The Government evaluates programs and related expenditure programs as a means of improving strategic decision making and resource allocation. *Indicator 1*: Number of government programs evaluated Baseline: No mechanism for program evaluation Target: Program evaluation mechanism is developed and used. At least 3 programs are evaluated for targeting, effectiveness and efficiency of outcomes and impact.	**Revised outcome** in respect of addressing governance challenges. ***The Government monitors public investment as a means of improving strategic decision making and resource allocation.*** *Indicator 1:* Mechanism for monitoring of public investment projects Baseline: No mechanism (2014) Target: Monitoring mechanism is developed and used. Existing public investment project databases are developed, with update possibilities (2017)
	New outcome in respect of addressing governance challenges. ***Improved accountability of the Executive for public investment through access to information.*** Baseline: No cumulative information on public investments is available to citizens Target: Program evaluation mechanism is developed and used. At least 3 programs evaluated for targeting, effectiveness and efficiency of outcomes and impact.
Improved accountability of the Executive for public expenditure through better quality of audit reports. *Indicator1*: Involvement of Supreme Audit Institution in audit of World Bank-financed projects Target: At least 2 projects are fully audited by the CoA	**Revised** to reflect better a change/improvement in processes and facilitate further measurement **(achieved)**. ***Improved capacity for audit oversight of public expenditure.*** Target: Minimum 3 projects use national auditing procedures which meet the following criteria: (i) audit performed in accordance with generally accepted auditing practices; (ii) audit is carried out by adequate staff with appropriate professional

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
	qualifications and experience; (iii) audit is performed under constitutional or legal provisions designed to assure independence. (Baseline: 0)
Improved business processes in the Treasury system. *Indicator 1*: Capacity building workshops and seminars for Supreme Audit Institution and State Treasury Target: (i) Consolidated capacity of auditors to conduct the audit of public institutions and government programs; (ii) Real-time processing of payment orders.	**Revised** to improve formulation and facilitate further measurement. ***Improved business processes in the Treasury system.*** Baseline: Manual processing of payment orders Target: Real-time processing of payment orders
Improved transparency and efficiency of the public procurement system: (i) by improved e-procurement system and rolling it out for use by contracting agencies and economic operators; and (ii) adopted international standards and practices.	**Revised** to improve formulation and facilitate further measurement **(achieved)**. ***Improved functionality and uptake of the electronic procurement system.*** Baseline: Paper-based public procurement procedures (2011) Target: Technically upgraded e-procurement software, rolled out for use by 100 percent of central line ministries and subordinated agencies (2015)
Enhanced quality of public debate. **Improved social accountability environment through opportunities and capacity building for broad citizen engagement in service delivery and public expenditure management processes.** **More participatory nature of decision making processes.**	**Revised outcome and new indicators** to reflect better the demand-side of CE. ***Improved social accountability environment through opening of government data and opportunities and capacity building for broad citizen engagement in service delivery and public expenditure management processes.*** ***More participatory nature of decision making processes and enhanced quality of public debate.*** *Indicator 1:* Number of WB-supported communities applying social accountability tools in the education sector Baseline: 0 (2013) Target: 40 (2016) *Indicator 2:* Number of government data sets' downloads from the Open Data Portal Baseline: 0 (2013) Target: 1,450,000 (2016)

Outcomes in the Original CPS Results Matrix	Status of Outcomes in the Revised CPS Results Matrix
Increased number of direct project beneficiaries, including female (percent). *Indicator 1:* Percent of direct project beneficiaries (including female) Baseline: 20,000 (40 percent female) (2013) Target: 300,000 (50 percent female) (2017)	**Revised and achieved**, as per the GeT project design. ***Increased uptake of government e-services, including female users (percent)*** *Indicator 1:* Percent of direct project beneficiaries (including female) Baseline: 20,000 (40 percent female) (2013) Target: 300,000 (50 percent female) (2017)
Increased favorable citizen perception of quality of public service. *Indicator 1:* Citizen perception of public service quality (percent of satisfied citizens accessing Government Services Portal) Baseline: 45 percent of total users (2013) Target: 60 percent of total users (2017)	**Unchanged and achieved.**
Improved interaction and strengthened understanding of development challenges between representatives of both banks of Nistru river. *Indicator 1.1*: Introduction to WBG work and instruments Baseline: 0 (2013) Target: 40 Transnistrian representatives + 15 representatives of the right bank (2015) *Indicator 1.2*: Training in international procurement and best practices Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015) *Indicator 1.3*: Training in public-private partnerships Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015)	**New outcome and indicators (achieved)** to reflect our engagement in Transnistria.

Annex 3: Matrix summarizing progress toward CPS objectives

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Pillar 1: Increasing Competitiveness		
CPS Outcome 1.1. Improved business environment and access to finance for business operation		
Customs procedures are streamlined and more transparent. *Indicator1:* Reduced number of days to prepare documents for export operations ("Trading Across Borders" indicator of Doing Business) Baseline: 20 (2012) Target: 16 (2017)	**Underway:** The IFC Investment Climate Reform project will address customs logistics and trade across borders indicator, and the target is achievable by 2017.	**Ongoing:** IFC ICR project **ASA:** Trade Study **Partners:** USAID, EU
Decreased regulatory burden on enterprises. *Indicator 1:* Reduced management time for regulatory requirement compliance (annual domestic CODB survey) Baseline: 10 percent (2012) Target: 8 percent (2017) *Indicator 2:* Implemented risk-based inspection methodologies Targets: 40 percent (2017) of inspection bodies (baseline: 0 percent) follow the risk-based inspection (RBI) methodologies, based on clear risk criteria and approved plan for inspections. Ad-hoc inspections are reduced to 7 percent (2017) (from a baseline of almost 100 percent), under clear criteria for unplanned inspections. 100 percent of planned inspections are published on the e-Government Center's website *Indicator 3:* Reduced number of permits and licenses Baseline: 416 (2015) Target: 238 (2017)	**Underway:** The share of management time spent interacting with representatives of state agencies decreased between 2002 (an average of 19%) and 2015 (10.4%) but has increased from the 2012 base year level of 10%. Rural businesses spend a greater (and increasing) share of management time on compliance activities than urban companies. **Underway:** Legislation was passed in 2012 to specify the obligations for inspections and for entities subject to inspection. The Government has established a website to provide information on inspection requirements, results of inspections and details of complaints. The most frequent inspections of companies are performed by the Tax Inspectorate (58% of companies), the Fire Department (56%) and the Sanitary Epidemiological Service (48%). Labor Inspectors and Police have audited 40% of firms. **Underway:** In the last 3 years no significant actions have been taken to reduce the number of permits and licenses. CEP-II will continue to address this. The baseline was revised in December 2015 under the CEP-II feasibility study for the one-stop shop for permissive documents.	**Ongoing:** CEP-II IFC ICR project **Partners:** USAID
Cumulative number of business development services provided to SMEs with the support of WBG investment. Baseline: 0 (2013)	**Underway:** A public awareness and capacity building campaign for businesses to improve their understanding of DCFTA requirements and build skills and competencies for initiating and maintaining export activities provided 47 workshops and reached over 1,000	**Ongoing:** IFC ICR project CEP-II

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Target: 240 (2017)	companies throughout Moldova (including Transnistria) from June 2014 to July 2015. The indicator has been revised to reflect the activities of the CEP II project, through which a Matching Grants Manual has been developed and a matching grants facility for SME business development services was launched. 4 matching grants have been approved by the validation committee; however these were not disbursed yet, awaiting the implementation of their business improvement projects by grant beneficiaries.	
Improved access of private enterprises to formal sources of finance. *Indicator:* Increased domestic credit to private sector as share of GDP, nominal terms Target: 15 percent increase (2017) versus 2013 **Capital market continues to be strengthened to facilitate increased access to finance.** *Indicator:* Government bonds listed on the stock exchange Baseline: Non-existent (2012) Target: Government bonds with >1 year maturity are traded on the stock exchange (2017)	**Underway:** Net domestic credit to private sector rose to 42.4 percent of GDP in 2013, but dropped to 36.9 percent in 2014. **Underway:** In 2014 the NCFM approved regulations on trading of government bonds on the stock exchange. Further progress is dependent on the establishment and functioning of the Centralized Securities Depository (CSD) at the NBM. An action plan has been prepared, and NBM has requested TA from the IMF to establish the CSD.	**Ongoing:** CEP-II **Pipeline:** DPO-2 Direct IFC investment **TFs:** IFC has helped the NCFM with advice on financial sector regulation assistance Strengthening Auditing and Reporting in Countries of the Eastern Partnership (STAR/EaP) FinSAC (Vienna Center) **ASA:** Financial Sector Development TA (FY14-16) FSAP Update (FY15) **Partners:** IMF, EBRD
Indicator 1: Number of known insolvent banks subject to regulatory forbearance Baseline: 3 banks known to be insolvent but still operating Target: 0 (all such banking licenses withdrawn, and liquidation initiated) *Indicator 2:* Number of at-risk banks subject to special diagnostic audits and/or restructuring Baseline: 0 Target: 3 banks audits and time-bound restructuring plans adopted and initiated *Indicator 3:* Legal framework for timely intervention in distressed banks Baseline: NBM regulations delayed by MoJ approval process; NBM staff lack immunity for duties carried out in good faith Target: Legal amendments: (i) eliminating MoJ power to delay registration of NBM regulations, and (ii)	**All are included as prerequisites under DPO-2.** The resumption of dialogue with the new government will indicate whether/when further progress can/will be made. Another imperative prerequisite is a program with the IMF.	

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
conferring immunity to NBM staff for duties carried out in good faith.		
Greater alignment of the Corporate Financial Reporting (CFR) legislation and practice with the EU acquis through: (i) improved financial reporting standards in Public Interest Entities (PIEs) by implementing IFRS; (ii) redesigned audit public oversight system; (iii) further simplified and improved SME financial reporting standards; and (iv) enhanced public availability of financial statements. *Indicator 1.* Minimum 80 percent of PIEs file and publish IFRS-based financial statements *Indicator 2.* Provisions of the Directive 2006/43/EU (as amended in June 2014) transposed in the draft Auditing Law, and draft Auditing Law passed to Parliament for adoption *Indicator 3.* Provisions of the Directive 2013/34/EU (accounting directive) transposed in the draft Accounting Law, and draft Accounting Law passed to Parliament for adoption *Indicator 4.* Public Registry of Financial Statements is fully operational (i.e. systems and processes in place to enable collecting and making financial statements available online)	**Underway:** The CFRR continued its in-country engagement to take forward reforms necessary to align with the EU *acquis communautaire*, including technical discussions with the MoF on transposition tables to benchmark Accounting and Auditing legislation to EU standards The Ministry drafted and made public Accounting and Auditing transposition tables which will serve as a sound analytical underpinning for the development of new laws on accounting and auditing in 2015-16.	
CPS Outcome 1.2. Improved competitiveness in agriculture		
Enhanced competitiveness of the agro-food sector by supporting the modernization of the food safety management system. *Indicator 1:* Completion of targeted food safety actions for approximation to EU SPS requirements Baseline: 20 percent (2013) Target: 100 percent (2017) **Increased market access for farmers.** *Indicator 1:* Increased sales in volume terms (domestic and exports) of high value crops by targeted partnerships that receive investment support grants Baseline: 0 percent (2013)	**Underway:** 60 percent of targeted actions had been completed by May 2015, including harmonization of the national regulatory framework with EU regulations on food safety, and strengthening the Food Safety Agency's (FSA) human capacity. **Underway:** there has been a 10 percent increase in sales through more than 20 productive partnerships which have received financial support.	**Ongoing:** MACP and AF IFC ICR project IFC investments in agriculture **TFs:** MACP GEF **ASA:** DCFTA Preparation Support in Agriculture TA Food Security and Agricultural Policy Formulation TA

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Target: 50 percent (2017) **Stabilized level of production of apples, plums and grapes among beneficiaries of compensatory grants.** Baseline: 100 percent Target: 85 percent	 **Achieved** through the MACP AF (project's PDO), supporting small farmers affected by the Russian restrictions imposed in 2014.	
Pillar 2: Enhancing Human Capital and Minimizing Social Risks		
CPS Outcome 2.1. Improved quality of and access to health and education services		
Strengthened quality of education. *Indicator 1:* Implementation of quality assurance standards for hub schools initiated and scaled up (percent of hub schools) Baseline: 0 percent (2013) Target: 70 percent (2017) *Indicator 2:* Improved student assessment system Revised tests administered and baseline for grade 4 and grade 9 tests established in 2015, including disaggregation by socioeconomic background. **Improved efficiency of the education sector.** *Indicator 1:* Implementation of per-student financing nationwide (in 2013) *Indicator 2:* Increased student-teacher ratio Baseline: 10.85:1 (2011/12 school year) Target: 11.5:1 (2015/16 school year)	**Underway:** Quality assurance standards for hub schools were developed and approved in 2013 and implementation has begun. 11% of schools have met the quality assurance standards. **Achieved:** Revised tests for 4th graders and 9th graders were administered in May 2015, with the analysis of results (including disaggregation by student socioeconomic background) delivered at the end of the year. **Achieved:** Per-student financing was introduced nationwide in 2013. **Achieved:** Student-teacher ratio in the 2015/16 school year is 11.89:1, registering a 9.5% increase in the student/teacher ratio.	**Completed:** Quality Education in Rural Areas of Moldova project AF **Ongoing:** Moldova Education Reform project Moldova Labor TA on skills mismatch linked to information asymmetries **TFs:** Education GPSA Japan PHRD Disability and Development Grant for the integration of children with disabilities into hub schools **Partners:** Japan
Improved access to quality healthcare. *Indicator 1*: Better population coverage with mandatory health insurance Baseline: 81 percent (2013) Target: 85 percent (2017) (of which 44% are male and circa 56% are female) *Indicator 2*: Share of out-of-pocket payments (formal and informal) in total health expenditure reduced Baseline: 45 percent (2013) Target: 35 percent (2017)	**Achieved:** National Health Insurance House/MoH data showed that health insurance coverage reached 85 percent by January 2015. **Underway:** National Health Accounts data for 2013 provide an estimate of 42.3 percent for out-of-pocket expenditures (formal and informal) in total health expenditures.	**Completed:** Health Services and Social Assistance project IDF Health Management Information System grant **Ongoing:** Health Transformation Operation (PforR) **TFs:** PPP in health structured by IFC Health GPSA

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Indicator 3: Number of family doctor (FD) visits per person Baseline: 2.9 (2014) Target: 3.2 (2017) *Indicator 4*: Annual acute care hospital discharges per 100 persons Baseline: 17.6 (2011) Target: 16.0 (2017)	**Underway**: The PforR addresses improvement in the performance-based incentive scheme in primary care and revision of reimbursement rate for antihypertensive drugs. The Government is annually revising the P4P scheme in family medicine. The GPSA project is looking at the performance of FDs as well. The Ministry of Health undertook measures to reduce the number of acute care hospital beds and greater emphasis will be placed on the gatekeeping function of FDs.	
Improved physical access to rural education and health services. *Indicator 1:* Number of schools connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 10 (2017) *Indicator 2:* Number of health facilities connected by rehabilitated/upgraded local roads corridors Baseline: 0 (2015) Target: 9 (2017)	**Underway:** One of the main expected results of LRIP is improved physical access of the rural population, as one of the most vulnerable groups, to vital education and health services, as well as regional markets, connected by better local roads. This will consolidate the gains made through the rationalization of education and health infrastructure. Activities will start as soon as the project becomes effective, and are achievable by 2017.	**Ongoing:** Local Roads Improvement project (LRIP)
CPS Outcome 2.2. Fiscally sustainable and equitable pension and social assistance systems		
Fiscally sustainable pension system *Indicator 1:* Pension (PAYG) expenditures are kept below 8 percent of GDP Baseline: 8 percent (2013) Target: <8 percent (2017) *Indicator 2:* Pension system fairness is improved through maximized replacement rates within a given PAYG budget envelope Baseline: 28 percent (2013) Target: 30 percent (2017)	**Underway (static):** Pension spending remained at 8 percent of GDP in 2014. The Government introduced pension top-ups for recipients of lower pensions but this did not show in a higher GDP-pensions ratio because of strong GDP growth. **Underway (negative trend):** Ad hoc pension increases did not improve the replacement rate. At the end of 2014, the average old-age pension benefit was slightly above 26 percent of the average wage. This is explained by wage growth but also by a low initial replacement rate of new pensioners due to lack of wage valorization of their salary base used for benefit calculation.	**Pipeline:** New DPO series **ASA:** Programmatic HD (pension policy TA) **Partners:** IMF **Ongoing:** Strengthening the Effectiveness of the Social Safety Net RBF project
Improved equity of social assistance. *Indicator 1:* Improved equity in social assistance system, measured as percentage of population in the poorest quintile receiving *Ajutor Social* benefits (gender estimates can be provided by adult recipients) Baseline: 14.9 percent (2011) Target: 20 percent (2017)	**Underway:** Expansion of *Ajutor Social* benefits increased the program's coverage from to18.8 percent of the poorest population quintile by 2012. However, since then the number of beneficiaries has decreased to 12.2 percent, according to 2014 Household Budget Survey data. The decline was driven by ad-hoc increases in categorical benefits, changes in treatment of the rural self-employed,	

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
	inadequate adjustment of *Ajutor Social* eligibility parameters, and insufficient outreach by social workers. Recently, the Government has made concerted efforts, to expand the coverage of the program, with a reversal in 2015 of the declining coverage trend observed in 2013-14. At the same time, the program remains well targeted by ECA regional standards.	
Indicator 2: Consolidated categorical benefits: spending on categorical benefits further reduced by 20 percent Baseline: 7 percent (2012) Target: 30 percent (2017)	**Underway**: Eliminating the nominative compensation program in 2012 enabled the Government to consolidate social assistance spending and meet the target of 30 percent in 2013. Subsequent increases in a number of categorical benefits in late 2013-14 increased the spending and reversed previous progress: in 2014, this indicator was back to the baseline level.	
Pillar 3: Promoting a Green, Clean and Resilient Moldova		
CPS Outcome 3.1. Greater adaptation and resilience to climate change		
Strengthened State Hydro-meteorological Service's ability to forecast severe weather and Moldova's improved capacity to prepare for and respond to natural disasters. *Indicator 1:* Issuing more accurate and specific forecasts of weather conditions Baseline: Scale of weather forecasts at 5000 sq. km (2013) Target: Scale of weather forecasts reduced to 300 sq. km (2017)	**Underway:** The use of the European Center for Medium-Range Weather Forecast (EMCWF) numerical model has been mainstreamed, which will lead to accomplishment of the target.	**Ongoing:** Disaster and Climate Risk Management project and AF **ASA:** Climate Change Adaptive Capacity and Resilience Study Social Dimensions of Climate Change Country assessment (BNPP) **TFs:** Global Fund for Disaster Risk Reduction: Moldova Disaster and Climate Risk Management Capacity Building
Indicator 2: Expanded lead-time for weather warnings to users Baseline: Lead time for severe weather warnings only 10 minutes to 1 hour (2013) Target: Lead time for severe weather warnings expanded to 12 hours (2017)	**Underway:** Target partially completed with the installation and operationalization of the Doppler Radar System.	
Indicator 3: Strengthened capacity to coordinate emergency responses Baseline: No Emergency Command Center to coordinate response among relevant agencies (2013)	**Achieved:** The Emergency Command Center has been established and emergency response drills performed.	

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Target: Emergency response drill shows capacity improvements as compared to the baseline and the recent test of the system (2017)		
CPS Outcome 3.2: Improved Natural Resources Management		
Sequestration of 0.8 million tons of CO2 through forestation of degraded lands (during the CPS period 2014-17). **Enhanced competitiveness of the agro-food sector by mainstreaming agro-environmental and sustainable land management practices.** *Indicator 1:* Increased on-farm area benefitting from sustainable land management practices Baseline: 0 hectares (2013) Target: 10,000 hectares (2017) *Indicator 2*: Increased area protected by robust anti-erosion shelterbelts rehabilitated Baseline: 0 hectares (2013) Target: 50,000 hectares (2017)	**Achieved:** Altogether 2.5 million tons of CO2 were sequestered through afforestation of about 30 thousand ha of degraded agricultural lands under the ongoing operations, of which 0.8 million tons attributable to this CPS period. **Underway:** Target is expected to be met by the end of 2015 – beginning of 2016. **Underway:** 24,600 ha has been protected as the result of about 900 ha of rehabilitated anti-erosion shelterbelts under MACP.	**Ongoing:** MACP ENPI Forest Law and Enforcement and Governance II Program **ASA:** Forestry Policy Note (delivered in FY15) Climate TA (FY16) **TFs:** Community Forestry Project Soil Conservation Project Community Support Program for SIFMSF **Potential partners:** GEF, Climate Investment Fund, Green Climate Fund
CPS Outcome 3.3 Increased energy efficiency and security		
Decreased energy supply costs, increased quality of supply and improved affordability of heat supply in Chisinau. Implementation of building level metering and temperature controls, with incentives for customers to decrease energy use. *Indicator 1:* People that gained access to more energy-efficient cooking and/or heat-generating facilities (number) Baseline: 27,000 (2015) Target: 63,000 (2017), of which 50 percent female beneficiaries *Indicator 2:* Actual fuel savings (GCal) Baseline: 0 GCal (2015) Target: 52,759 GCal (2017)	**Underway:** Several procurement packages have either been approved or are under review. The indicators are achievable by 2017.	**Ongoing:** District Heating Efficiency Improvement project (DHEIP) **ASA:** TA Program: Energy Sector Restructuring and Efficiency Improvement (ESREI) TA TA Program: District Heating and Electricity Tariff Affordability Analysis **Pipeline:** District Heating (DH) sector debt and financial restructuring IBRD PCG Project (FY16)

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
District Heating Company debt restructured by 2017 to improve its creditworthiness. *Indicator 1:* Debt Restructuring Plan signed with Moldovagaz	**Underway:** The Memorandum of Understanding for the main terms of the debt restructuring plan has been developed and is now with Gazprom for review and approval.	Potential IFC PPPs Advisory Program on resource efficiency for SMEs Potential IFC provision of energy efficiency credit lines through financial intermediaries subject to adequate market conditions Potential IFC direct investment to improve resource efficiency in private sector companies **Partners:** Sweden, EBRD, EIB, EU
Indicator 1: Identified options for diversification of electricity supply (Ukraine, Cuciurgan Power Station (MGRES), Chisinau CHPs, and interconnections with ENTSO-E (via Romania).	**Achieved.** The ESMAP Moldova Power Sector Note identified the options for enhanced diversity of electricity supply.	**ASA:** ESMAP Moldova Power Sector Note Potential IFC project in renewable energy **Partners:** EU, Sweden, EBRD, EIB
Governance as a cross-cutting theme		
Professionalization of the public service increased through implementation of the position of state secretaries. *Indicator 1*: Level of professional management of public services Baseline: Ministries and central agencies are managed by politically appointed officials (2013) Target: All (percent) of ministries are managed by professional state secretaries (2017) *Indicator 2*: Number of professional development (PD) initiatives implemented, number of state secretaries involved in professional development programs Baseline: Number of PD programs for senior executive officials, including state secretaries (2013) Target: PD program based on a defined set of competences and performance requirements is	**Underway:** Position of State Secretary introduced in legislation in 2014 and by spring 2015 State Secretaries in 9 out of 16 ministries had been competitively recruited. Accountabilities, functions and division of labor between State Secretaries and Deputy Ministers are still unclear and so it may be premature to suggest that ministries are managed by State Secretaries. **Underway:** Training of State Secretaries is a Government priority (as reflected in draft PAR roadmap of 2014) and State Secretaries are being trained under an EU funded twinning project, launched in spring 2015. Competencies and performance requirements for senior civil servants' training are yet to be developed and approved.	**Completed:** CPAR project **Pipeline:** Government Services Modernization of Reform project **Partners:** Sida, EU

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
approved and under implementation (2017). Percent of program-covered state secretaries (90 percent).		
Improved legislative framework for tax administration. *Target:* Adoption of a revised Tax Code in line with requirements of EU-Moldova Association Agreement.	**Underway:** Supporting legal reforms necessary to underpin improvements in the tax administration are part of the WBG emphasis on addressing broader weaknesses in public sector management and governance. The project is planned for Board discussion by the end of FY16. Activity under the Tax Legislation Revision TA has commenced and is achievable by 2017.	**Pipeline:** Tax Administration Modernization project **Ongoing:** Good Governance TF: Tax Legislation Revision TA
Strengthened capacity for monitoring of governance reform implementation in Moldova. *Target:* Initial Governance Scorecard is publicly available on-line (April 2017)	**Underway:** The TA will help the State Chancellery strengthen the monitoring arrangements for Governance reform in Moldova through the development of a Governance Scorecard. The Scorecard will measure the performance of the Moldovan Government towards reform goals in selected areas of governance and public administration reform and communicate progress made to the public.	**Ongoing:** Good Governance TF: Governance Reform Scorecard TA
The Government monitors public investment as a means of improving strategic decision making and resource allocation. *Indicator 1:* Mechanism for monitoring of public investment projects Baseline: No mechanism (2014) Target: Monitoring mechanism is developed and used. Existing public investment project databases are developed, with update possibilities (2017) **Improved accountability of the Executive for public investment through access to information.** Baseline: No cumulative information on public investments is available to citizens Target: Program evaluation mechanism is developed and used. At least 3 programs evaluated for targeting, effectiveness and efficiency of outcomes and impact.	**Underway:** The Ministry of Finance provided initial collection of information about existing state and local public investment projects. During preparation of the State Budget 2015, the MoF received project concepts from state and local levels authorities for budget allocation in 2015 and estimations for 2016-17 fiscal years. This information is used as a basis to develop appropriate requirements for the monitoring mechanism and the databases. **Underway:** The implementation of program evaluation mechanisms will support improved transparency in decision making and greater public awareness of investments. Preliminary mapping of selected public investment projects on both central and local levels has been completed. Once the monitoring mechanism is developed, the form of quarterly information will be prepared.	**TFs:** Public Investment Management TA
Improved capacity for audit oversight of public expenditure. Target: Minimum 3 projects use national auditing procedures which meet the following criteria: (i) audit performed in accordance with generally accepted auditing practices; (ii) audit is carried out by adequate staff with	**Achieved:** Capacity building workshops and seminars for the Supreme Audit Institution have been delivered. Workshops on WB fiduciary practices/procedures were conducted with representatives of the CoA and Treasury. As of now we have three big operations audited by the Court of Accounts.	**Ongoing:** Governance Filter Global Partnership for Social Accountability (GPSA) WBI support **Pipeline:**

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
appropriate professional qualifications and experience; (iii) audit is performed under constitutional or legal provisions designed to assure independence. (Baseline: 0) **Improved business processes in the Treasury system.** Baseline: Manual processing of payment orders Target: Real-time processing of payment orders	 **Underway.**	Government Services Modernization project GPSAs **ASA:** Financial Management TA **TFs:** Strengthening the CoA
Improved functionality and uptake of the electronic procurement system. Baseline: Paper-based public procurement procedures (2011) Target: Technically upgraded e-procurement software, rolled out for use by 100 percent of central line ministries and subordinated agencies (2015)	**Achieved:** The e-procurement system was further developed and new functionalities added, such as: announcement of intended procurement activities, availability of electronic bidding documents, the automated public procurement bulletin, and generation of an electronic bid template for economic operators. Furthermore, the system provides more procurement information and collects data for statistical and audit use which in turn ensures a greater transparency in public procurement procedures. The system lacks the electronic bid submission functionality. However, this functionality was outside the scope of the project due to limited budget available under the Grant. As of October 2014, a total number of 149 contracting authorities were using the system (advertisement, uploading of bidding documents, contracts, and contract amendments), including all central public authorities, numerous public institutions subordinated to them and some local public authorities. Standard Procurement Documents and various Guidance Notes were developed. All authorities are staffed with at least one certified public procurement officer and further 16 Public Procurement Agency Certified Procurement Officers were trained as part of this grant and were placed in the field thus covering the entire country.	**TFs:** Strengthening Public Procurement IDF Grant
Improved social accountability environment through opening of government data and opportunities and capacity building for broad citizen engagement in service delivery and public expenditure management processes. **More participatory nature of decision making processes and enhanced quality of public debate.** *Indicator 1:* Number of WB-supported communities applying social accountability tools in the education sector Baseline: 0 (2013) Target: 40 (2016)	 **Underway:** The Education GPSA is contributing to better public debate and enhanced citizen engagement in service delivery and public expenditure management. Every year, a group of 20 schools (communities) is selected. As a result of project implementation, 40 local community-level coalitions mobilized and engaged in evidence-	**Ongoing:** Governance e-Transformation project Education and Health GPSA

Outcomes Directly Influenced by the Program	Progress to Date	World Bank Group Instruments
Indicator 2: Number of government data sets' downloads from the Open Data Portal Baseline: 0 (2013) Target: 1,450,000 (2016)	based policy and budget dialogue regarding educational reform, quality of services and allocation of resources at schools. Each school organizes meetings/public hearings; prepares education stakeholder report cards, analyzes the results and presents them to the public to facilitate discussion on next year budget and priorities. **Underway and close to being achieved.** Over 1,000,000 downloads have already been registered at the end of 2015.	
Increased uptake of government e-services, including female users (percent) *Indicator 1:* Percent of direct project beneficiaries (including female) Baseline: 20,000 (40 percent female) (2013) Target: 300,000 (50 percent female) (2017) **Increased favorable citizen perception of quality of public service** *Indicator 1:* Citizen perception of public service quality (percent of satisfied citizens accessing Government Services Portal) Baseline: 45 percent (2013) Target: 60 percent (2017)	**Achieved:** 306,565 direct project beneficiaries by 2015, of which 51.6 percent were female. **Achieved:** The 2014 National Annual Public Perception Survey reported that 66.3 percent of respondents were satisfied.	**Ongoing:** Governance e-Transformation project **Partners:** GIZ: Modernization of Local Public Services Project (extension of some e-services to regional development agencies)
Improved interaction and strengthened understanding of development challenges between representatives of both banks of Nistru river. *Indicator 1.1*: Introduction to WBG work and instruments Baseline: 0 (2013) Target: 40 Transnistrian representatives + 15 representatives of the right bank (2015) *Indicator 1.2*: Training in international procurement and best practices Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015) *Indicator 1.3*: Training in public-private partnerships Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015)	**Achieved.**	**TFs:** Korean TF for Knowledge Program for Confidence Building in Moldova and Transnistria

Annex 4: FY14-17 CPS Lending and Analytics

	FY14	FY15	FY16	FY17	Advisory Services and Analytics	Changes to ASA
Pillar 1: Increasing Competitiveness						
Development Policy Operation	30				Accountancy curricula improvement TA (FY14) Moldova Public Expenditure Reviews (FY14-FY17) Moldova FSAP Update (FY15) MD Food Security Notes (FY14-15) Trade Study (FY16) District Heating and Electricity Tariff (FY16) Programmatic Financial Sector Monitoring TA (FY14-16) Advice on Strengthening Public Invt. Mgm (FY15-16) Energy Efficiency Transformation in DH (FY17) Power System Interconnection Analysis (FY17)	Power System Interconnection Analysis (FY17)
DPO-2			45			
Competitiveness Enhancement II		45				
Agriculture Competitiveness AFs		12	10			
District Heating Partial Credit Risk Guarantee				80		
Pillar 2: Enhancing Human Capital and Minimizing Social Risks						
Health Transformation Operation	30.8				Local Road Management and Finance (FY14) Programmatic Human Development TA: Health, Pensions, Jobs & Skills (FY14-15) Moldova Poverty Assessment (FY16) Labor TA Moldova (FY16)	
Education Reform AF				15		
Local Roads Improvement			80			
Pillar 3: Promoting a Green, Clean and Resilient Moldova						
District Heating Efficiency Improvement		40.5			Water Sector Regionalization Review (FY14) Land Governance Assessment Framework TA (FY14) Social Accountability in Forestry TA (FY14) Moldova Forest Policy Note (FY15) Electric Power Market Options (FY15) Village Development Scoping Study (FY16) Climate TA (FY16)	New Village Development Scoping Study (FY16)
Disaster and Climate Risk Management AF		2				
Climate Adaptation and Forestry				20		
Cross-cutting Governance theme						
Tax Administration Modernization			20		Knowledge for Confidence Building: MD/TN (FY14-17) Open Contracting in Moldova (FY15-16) SOE Reform TA (FY16) Governance Reform Scorecard (FY17) Tax Legislation Revision TA (FY17)	3 new TAs financed from the UK's DFID "Good Governance and Investment Climate" TF: Support to Moldova's Tax Code Revision, State Owned Enterprise Reform and Government Reform Scorecard
Modernization of Government Services				20		
Economic Governance DPO				30		
TOTAL US$480.3 million	**60.8**	**99.5**	**155**	**165**		

Annex 5: World Bank Group Portfolio in Moldova

WB Active Portfolio in Moldova

Proj ID	Project Name	Practice Manager	Date, Board App *	Rev Closing	Proj Age in Yrs	Lst DO	Lst IP	Port Stat	Net Comm Amt ($m)	IDA Comm Amt ($m)	IBRD Comm Amt ($m)	Tot Disb ($m)	IDA Disb ($m)	IBRD Disb ($m)	Tot Undisb Bal ($m)	% Disb	Tot Undisb Begin FY ($m)	Disb in FY ($m)	% Disb Ratio
P127388	EDUCATION REFORM	Mario Cristian Aed	01/24/2013	08/31/2018	3.1	MS	MS	A	40.00	40.00	0.00	17.82	17.82	0.00	19.16	44.6%	26.28	7.12	27.1%
P132443	DIST HEAT EFFIC IMPR	Ranjit J. Lamech	11/21/2014	06/30/2020	1.3	MS	MU	A	40.50	0.00	40.50	2.51	0.00	2.51	37.99	6.2%	40.40	2.41	6.0%
P118518	AG COMP	Marianne Grosclau	05/01/2012	06/30/2017	3.9	MS	MS	A	30.00	30.00	0.00	20.21	20.21	0.00	8.32	67.4%	24.09	15.77	65.4%
P144892	Moldova Health Transformation Proje	Enis Baris	05/22/2014	03/30/2019	1.8	MU	MU	A	30.80	30.80	0.00	2.91	2.91	0.00	24.56	9.4%	27.47	2.91	0.0%
P120913	Strengthen SSN - Results	Andrew D. Mason	06/09/2011	06/30/2017	4.8	MS	MS	A	37.00	37.00	0.00	25.84	25.84	0.00	8.04	69.8%	10.96	2.92	26.6%
P115634	DISASTER & CLIMATE RISK MGT	David N. Sislen	08/05/2010	06/30/2016	5.6	MS	MS	A	12.00	12.00	0.00	11.40	11.40	0.00	0.97	95.0%	2.17	1.20	55.4%
P144103	Second Competitiveness Enhancem	Lisa A. Kaestner	07/11/2014	01/31/2020	1.7	MS	MS	A	45.00	15.00	30.00	10.40	1.44	8.96	33.09	23.1%	39.69	6.61	16.6%
P121231	MOLDOVA eTRANSFORMATION	Randeep Sudan	06/09/2011	12/31/2016	4.8	S	S	A	20.00	20.00	0.00	13.79	13.79	0.00	4.68	69.0%	8.78	4.10	46.7%
P150357	Local Roads Improvement Project	Juan Gaviria	10/30/2015	03/31/2021	0.4	MS	MS	A	80.00	80.00	0.00	0.00	0.00	0.00	79.81	0.0%	0.00	0.00	0.0%
9									335.30	264.80	70.50	104.87	93.41	11.47	216.64	31.3%	179.85	43.02	26.3%

No signing, effectiveness, disbursement delays for the IDA/IBRD portfolio. No stale ISRs or ICRs.

IFC Portfolio in Moldova

International Finance Corporation

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 01/31/2016

Region(s):Europe and Central Asia

Country(s) : Moldova

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2008/ 2013	Bostavan	0	0	1.12	0	0	0	1.12	0	0	1.12	0	0	0	1.12	0.00
2011	Chisinau	5.73	4.27	0	0	0	0	5.73	0	5.73	0	0	0	0	5.73	0.00
2012/ 2013	Energo Continent	0	0	0	2.95	0	0	2.95	0	0	0	0	0	0	0	0.00
2012	GC Prim	2.08	0.92	0	7.00	0	0	9.08	0	2.08	0	7.00	0	0	9.08	0.00
1999/ 2000/ 2001	Orange Moldova	0	4.53	0	1.62	0	0	1.62	0	0	0	1.62	0	0	1.62	0.00
2013/ 2015	TransOil	32.13	35.67	0	0.00	0	0	32.13	9.51	32.13	0	0.00	0	0	32.13	9.51
2002/ 2010	UF Moldova	7.52	27.48	0	0	0	0	7.52	0	7.52	0	0	0	0	7.52	0.00
Total Portfolio		**47.46**	**72.88**	**1.12**	**11.58**	**0**	**0**	**60.16**	**9.51**	**47.46**	**1.12**	**8.62**	**0**	**0**	**57.20**	**9.51**

ASA Program (FY14-16)

FY14

Product Line	Project ID	Project Name	JIT/ Dis/ Subtask	Global Practice	Practice Manager	Resp Unit	Mgmt. Approval of Concept *	Mgmt Endor. Of Delivery *	Final Del./ Completion Summary *
EW		2					2	2	2
EW	P147451	Local Road Management and Finance	D	Transport & ICT	GAVIRIA	GTIDR	11/28/13 A	05/29/14 A	06/23/14 A
EW	P133219	Water Sector Regionalization Review	D	Water	UWANYILIGIRA	GWADR	05/09/13 A	02/05/14 A	12/30/13 A
TA		5					3	4	5
TA	P143560	Accountancy curricula improvement MD	J	Governance	FORTIN	GGOFR	NA	NA	01/01/14 A
TA	P132485	LGAF TF Supervision	D	Env. & Natrl Resrcs	na	GENDR	01/09/13 A	03/24/14 A	04/13/14 A
TA	P146628	Moldova PER 2014	D	MacroEco & Fis. Mgmt	KAHKONEN	GMFDR	10/04/13 A	05/17/14 A	06/23/14 A
TA	P146769	Knowledge for Confidence Building: MD/TN	D	Soc. Urb. Rur.& GP	BHATT	GSURR	11/06/13 A	06/13/14 A	06/26/14 A
TA	P145214	Social accountability in Forestry	J	Soc. Urb. Rur.& GP	BHATT	GSURR	NA	NA	12/29/13 A
TE		1					0	0	1
TE	P122122	Road Safety Workshop - Moldova		Transport & ICT	GAVIRIA	GTIDR	05/20/10		03/28/14 A
Total		8					5	6	8

FY15

Product Line	Project ID	Project Name	JIT/ Dis/ Subtask	Global Practice	Practice Manager	Resp Unit	Mgmt. Approval of Concept *	Mgmt Endor. Of Delivery *	Final Del./ Completion Summary *
EW		5					5	5	5
EW	P146476	Moldova Forest Policy Note	D	Env. & Natrl Resrcs	AHMED	GEN03	11/27/13 A	10/15/14 A	01/03/15 A
EW	P146486	Moldova FSAP Update	D	Finance & Markets	GUADAMILLAS	GFMDR	12/16/13 A	12/03/14 A	02/22/15 A
EW	P148765	Moldova - ICR ROSC	D	Finance & Markets	CIRASINO	GFMDR	11/25/13 A	12/15/14 A	03/16/15 A
EW	P124627	MD Food Security Notes	D	Agriculture	UMALI-DEININGE	GFADR	11/16/10 A	03/19/15 A	04/25/15 A
EW	P146401	Electric Power Market Options	D	Energy & Extractives	LAMECH	GEE03	10/15/13 A	03/05/15 A	06/26/15 A
PA		1					1	0	1
PA	P143613	Programmatic HD Technical Assistance	NA	Soc. Prot. & Labor	MASON	GSP03	04/02/13 A	NA	06/10/15 A
TA		5					2	2	5
TA	P152248	Health financing	Subtask	Soc. Prot. & Labor	MASON	GSP03	NA	NA	05/24/15 A
TA	P152249	Jobs and skills	Subtask	Soc. Prot. & Labor	MASON	GSP03	NA	NA	05/29/15 A
TA	P152247	Pension reform	Subtask	Soc. Prot. & Labor	MASON	GSP03	NA	NA	06/02/15 A
TA	P151612	Moldova PER 2015	D	MacroEco & Fis. Mgmt	IZVORSKI	GMF03	12/15/14 A	06/24/15 A	06/26/15 A
TA	P130155	Moldova #10151 Improv Access to Credit	D	Finance & Markets	FERRARI	GFMDR	01/23/12 A	11/28/14 A	12/13/14 A
Total		11					8	7	11

FY16

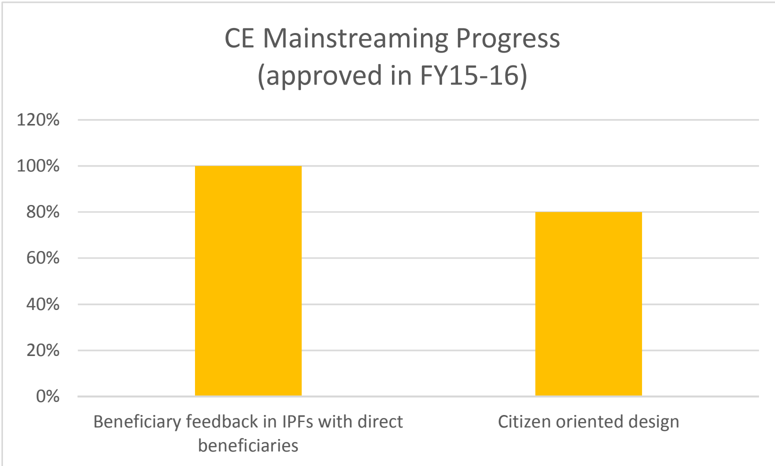
Product Line	Project ID	Project Name	JIT/ Dis/ Subtask	Global Practice	Practice Manager	Resp Unit	Mgmt. Approval of Concept *	Mgmt Endor. Of Delivery *	Final Del./ Completion Summary *
EW		4					4	1	1
EW	P148369	Trade Study	D	Trade & Cmptitvnss	KAESTNER	GTC10	06/10/14 A	01/15/16	02/12/16
EW	P151472	Moldova poverty assessment	D	Poverty and Equity	SANCHEZ	GPV03	02/13/15 A	04/20/16	05/20/16
EW	P157689	Moldova PFR2016	D	MacroEco & Fis. Mgmt	IZVORSKI	GMF03	12/21/15 A	04/20/16	05/31/16
EW	P151113	District Heating and Electricity Tariff	D	Energy & Extractives	LAMECH	GEE03	01/09/15 A	06/29/15 A	12/07/15 A
PA		1					1	0	0
PA	P147063	Programmatic FS Monitoring TA	NA	Finance & Markets	FERRARI	GFM03	11/15/13 A	NA	05/25/16
TA		6					5	0	0
TA	P152911	Labor TA Moldova	D	Soc. Prot. & Labor	MASON	GSP03	04/21/15 A	02/02/16	03/11/16
TA	P156336	Village Development Scoping Study	D	Soc. Urb. Rur.& GP	SISLEN	GSU09	11/04/15 A	04/22/16	04/28/16
TA	P154652	Moldova Climate TA	D	Env. & Natrl Resrcs	AHMED	GEN03	07/07/15 A	04/06/16	04/29/16
TA	P130304	Advice on Strengthening Public Invt. Mgm	D	Governance	FOZZARD	GGO15	03/25/14 A	04/30/16	05/30/16
TA	P157759	Advocacy for Pension Reform	D	Soc. Prot. & Labor	MASON	GSP03	11/23/15 A	05/15/16	05/31/16
TA	P156904	Moldova NRA	Subtask	Finance & Markets	PESME	GFMFI	NA	NA	06/30/16
Total		11					10	1	1
Grand Total		30					23	14	20

Annex 6: Social Accountability and Citizen Engagement

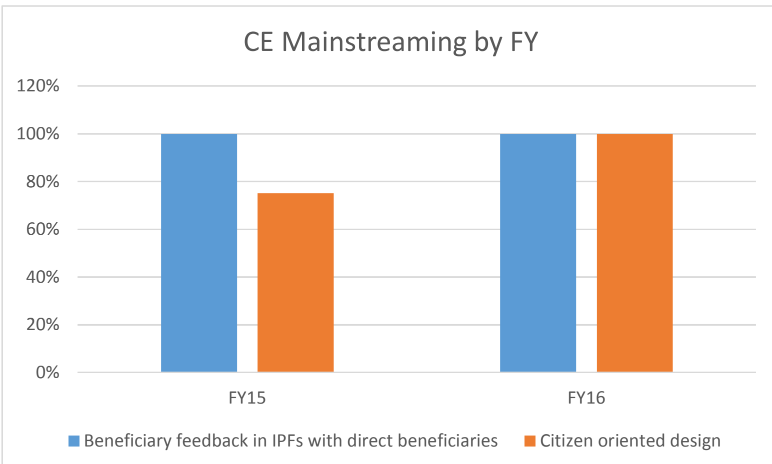
The WBG is carrying out its CPS commitment to identify opportunities to integrate social accountability and citizen engagement in its operations. Joint WB-IFC consultations with civil society and private sector stakeholders have taken place for all strategy products (FY14-17 CPS, PLR, ongoing SCD), PforR and IPFs across all three pillars of the CPS. Beneficiary feedback and grievance redress mechanisms are fully integrated in projects (see below FY14-16 WBG portfolio CE analytics) and all but one IPF have citizen-oriented designs. In addition, IFC promotes CE in public-private dialogue (ICR project), PPPs and through perception surveys such as Cost of Doing Business and BEEPS, along with involving business associations and the private sector in decision-making.

Specific examples illustrate the incorporation of Citizen Engagement into operations. These include: community monitoring of road rehabilitation under LRIP, direct access for citizens and private sector to electronic public services/data and customer perceptions surveys (GeT project), complaints mechanisms for Chisinau's District Heating customers under DHEIP, and further complaint handling under TAMP. Two GPSA activities are currently being implemented in the education and health sectors to enhance SA in the monitoring of use of public funds. An Open Contracting initiative is ongoing, aiming at increasing transparency and opening data in public procurement.

Support for open government approaches includes our collaboration with the Open Government Partnership, the use of the BOOST tool to publicize expenditure data, and DPO actions on public investment management and budget transparency.



Note: No IPFs were approved in FY14. FY14 approvals included a DPO and a PforR.



Note: No IPFs were approved in FY14.

Out of four IPFs approved in FY15, one AF (Disaster and Climate Risk Management) did not have a citizen oriented design due to its nature – purchase of meteorological systems.

Annex 7: Key Macroeconomic Indicators

Key Macroeconomic Indicators, **in percent of GDP unless otherwise indicated**

	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
Nominal GDP, *MDL billion*	60.4	71.9	82.3	88.2	100.5	111.8	119.3	131.7	144.4
GDP, *% real change*	-6	7.1	6.8	-0.7	9.4	4.6	-2	0.5	4
Consumption, *% real change*	-0.9	9.2	9.4	0.9	5.2	2.9	-1.8	0.6	3.6
Gross fixed investment, *% real c*	-30.9	17.2	13	0.4	3.8	10.1	-7.3	-0.8	1.4
Exports, *% real change*	-12.1	13.7	27.4	2.3	9.6	1.1	-1.1	3.7	4.5
Imports, *% real change*	-23.6	14.3	19.7	2.5	4.4	0.4	-3.5	2.8	3.8
GDP deflator, *% change*	2.2	11.3	7.2	7.9	4.1	6.3	8.9	9.8	5.4
CPI, *% change, average*	0	7.4	7.6	4.6	4.6	5.1	9.5	11.9	5
Current account balance *	-8.2	-7.5	-11	-7.4	-5	-8	-8.1	-7.4	-6.4
Remittances, *% change, USD*	-36.2	13.2	21.7	10.7	10.7	-1	-19.4	1.6	6.7
Terms of trade, *% change*	0.1	0	-1.4	-0.6	-1.1	-1.4	6.3	0.2	-0.2
External debt	79.6	81	76.4	82.6	83.6	82.5	103.5	102.2	99.1
Budget revenues	38.9	38.3	36.6	38	36.7	38	36	36.9	37.2
Budget expenditures	45.3	40.8	39	40.1	38.5	39.8	38.7	39.9	39.7
Fiscal balance	-6.3	-2.5	-2.4	-2.1	-1.8	-1.8	-2.7	-3	-2.5
Public Debt and Guarantees	28.7	31.9	30.4	33.2	31.7	32.5	47.5	47	44.8

Source: Moldovan Authorities, World Bank projections

*Note: * BMP6 methodology from 2014*

Annex 8: Consultations

To inform the PLR, the WBG Country Team for Moldova has undertaken broad ranging consultations with stakeholders. The team has met with Government counterparts, civil society organizations, private sector representatives and development partners to review the progress of the WBG's support to Moldova in light of socio-political and economic developments in the country. Following the successful online consultations for the development of the CPS, a similar web-based consultation on the PLR has been established, allowing a broader range of stakeholders including those from academia, think-tanks, individual experts and others to express their views on the PLR and the WBG's support.

Stakeholders have expressed broad support for the analysis and proposed adjustments to the program. The consultations have shown that partners and stakeholders are in agreement with the proposed pillars, the individual projects and advisory services and agree on the revised results and targets.

There is appreciation for the WBG's support in Moldova. Stakeholders and program partners, in particular Government partners, have expressed their appreciation for the WB-financed programs and advisory services and analytics provided to Moldova.

Annex 9: Extended version of overview of progress towards CPS Objectives

Pillar 1: Increasing Competitiveness

Outcome 1.1: Improved business environment and access to finance for business operation

The business environment in Moldova is improving gradually, but challenges remain. Regulatory reforms need to be deepened, and the rule of law strengthened to encourage private investment. The competitiveness of Moldovan firms remains limited by a business environment characterized by uncertainty and high transaction costs. The Government has developed a Regulatory Reform Strategy for the period 2013-20 which will require full implementation if some of the important barriers are to be addressed. The FY14-17 CPS has provided support to the Government in a number of these areas as part of support for improving the business environment.

Following a downward trend in the regulatory burden on businesses, this has recently increased. Management time spent interacting with state agencies decreased from an average of 19 percent in 2002 to 10 percent in 2012, but it rose to 11.3 percent in 2014 and 10.4 percent in 2015. Rural businesses face a significantly higher burden, on average spending 70 percent more time on regulatory activities than urban businesses. Legislation adopted in 2012 establishes an inspection regimen for businesses which are not subject to existing regulatory frameworks[8], identifying the type, frequency, duration, rights and obligations of inspectors and businesses. Over recent years, there has been little attention to reducing the number of activities which require inspection.

With support of the CEP-II and IFC's Investment Climate Reform Advisory program the Government is developing a system of performance indicators for public authorities with business regulatory functions and undertaking other reforms relating to licensing and permits. The CEP-II project became effective in October 2015. The system of performance indicators, together with the Regulatory Impact Assessment Secretariat developed under the previous CEP-I, aim to increase the accountability of government agencies which have a regulatory function related to business. The Project is also supporting strengthening of the Ministry of Economy's oversight of the implementation of the Regulatory Reform Strategy Action Plan. IFC's Investment Climate Reform advisory program, which focuses on regulatory streamlining and investment promotion in agribusiness, has targeted direct compliance cost savings to businesses of around US$6 million. Regulatory reform slowed following the resignation of the former minister in mid-2014 and the subsequent disruption of the series of elections.

The WBG program has supported competition policy reforms. Prior actions for DPOs supported a series of regulatory reforms stemming from the competition and state aid laws, and the adoption of instruments to support a network connecting state aid grantors and the Competition Council. CEP-II is providing specific support to identifying and addressing competition constraints in selected markets. The ICR project will support a review of competition conditions and identify regulatory changes in selected agribusiness markets (sugar, sunflowers, seed and wheat). The TA on strengthening the state aid control framework in Moldova (2013-16) under the Global Investment Climate project on Competition has provided support to implementation of a state aid control framework to reduce competition distortions and contribute to more efficient public spending.

[8] The State Tax Inspectorate, Customs Service, National Bank and the National Commission on Financial Markets maintain their own inspection regimes.

ASA services have helped the Government focus on the most promising actions and instruments in export development, and to target government support at high-potential sectors and companies. The Government is revising the strategies of the Moldovan Export Promotion Organization and Organization for SME development. A Matching Grants Facility (MGF), launched in September 2015, provides for business improvement projects (e.g. business development services, management and technical training) aimed at export development and promotion. In addition, a Credit Line of USD 29.4 million is being disbursed to eligible direct and indirect exporters, with USD 3.2 million equivalent of loans approved by the end of FY15. Disbursement has been slower than expected due to the ineligibility of the largest banks in Moldova failing the due diligence process due to high risks and poor governance. The Government is developing a new Investment attraction for Export promotion Strategy which will outline further reforms needed in the business and investment climate to achieve meaningful progress, and originally intended to be adopted by the end of 2015, but delayed.

As a result of the banking crisis in Moldova and weaknesses and risks in the financial system, access to financial services in Moldova remains relatively low. Credit to the private sector is about 35 percent of GDP, and deposits remain about 45 percent of GDP. Access to finance is identified as one of the most pressing issues for enterprise development. Weaknesses in the insolvency regime and in the rights of creditors and debtors, including the pledge system, create uncertainty and discourage financial transactions. Contributory factors are:

The Moldovan banking sector has been in crisis since a major fraud in three banks reached its culmination with the loss of USD 1 billion (12 percent of GDP). Three banks (Banca de Economii, Unibank, and Banca Sociala) were placed under special administration in late 2014 due to fraudulent transactions between themselves and with foreign banks and companies. A flawed recapitalization of BEM in 2013 by private investors diluted the government's majority stake and appears to have been financed by BEM itself through foreign bank intermediaries. The purpose of taking over BEM was: (i) to erase records of previous loans to related parties by means of "sales" of those loans to offshore entities in exchange for never-to-be-paid promissory notes; and (ii) to use BEM's deposit base to finance further never-to-be-repaid loans to related parties. In 2013, this group also gained control over UB and BS to tap their deposits for further lending.

Weak governance throughout the system, shown by the lack of shareholder transparency and protection of property rights, restrains further growth and competition in the financial sector. NBM has ordered special diagnostic audits in the next three largest banks in the system. Weaknesses in the share registry system have contributed to "raider attacks" in which securities are fraudulently transferred from their rightful owners to others. At least three banks and some insurance companies are believed to have been subject to a change of control as a result of such processes, which in turn jeopardizes good governance and enables fraud in the banking and insurance sectors. On September 21, 2015, the NBM governor announced his resignation in the wake of the banking fraud and political pressure, adding to the uncertainty facing the banking sector's future governance.

Weaknesses in the legal, regulatory, and supervisory system contributed to the authorities' inaction as risks in the financial system built up. A Constitutional Court ruling in 2013 on the NBM Law raised risks to the effectiveness of monetary policy and banking regulation. The government moved swiftly to put in place mitigating legislative measures and committed to further remedial actions, but other problems remain. The lack of legal immunity for NBM staff carrying out their duties has contributed to reluctance to intervene in distressed financial institutions. The

Ministry of Justice's authority to review NBM regulations has interfered with the substance of such regulations and delayed their approval, thus restricting NBM's ability to react promptly when risks are identified. Risks are rising in the insurance sector for similar reasons – a Constitutional Court decision restricting implementation of NCFM regulations; lack of immunity for NCFM staff carrying out their duties; and MOJ's power to review and delay NCFM regulations.

An IFC Financial Infrastructure project has supported NCFM to improve Moldova's credit reporting system. NCFM is the supervisory body for private credit bureaus and asked for support to amend the law on Credit History Bureaux and guidelines for supervision of private credit bureaus. Using the draft guidelines, the NCFM conducted its first on-site inspection of a private credit bureau in November 2015. The BAFI project will assist NCFM to draft amendments to the Law on Credit History Bureaus and undertake regulatory impact analysis.

Moldova's commitment to the regional program on Strengthening Auditing and Reporting in the Countries of the Eastern Partnership (STAREP) continues to be high. Ministry of Finance staff demonstrate increased knowledge and understanding of the provisions of the EU Accounting and Auditing Directives. Key policy areas for new accounting and auditing legislation were confirmed by the Ministry of Finance as part of the process of further alignment of the legislation with the EU *acquis communautaire*. By the end of 2015, MOF with CFRR's support discussed with key stakeholders the Concept of key policy areas for new Accounting and Auditing Laws which will incorporate the Accounting Directive for simplifying financial reporting for SMEs, and outline the new concept for public audit oversight, its scope and design, and other key aspects regulated by the Auditing Directive. The new Accounting and Auditing laws, based on the agreed Concept, will be developed in 2016. Also, the Bank CFRR assisted in developing a concept for improving the functionality of the Public Register of financial statements, which was agreed with key stakeholders. It will optimize the workflows related to filing of financial statements by business entities, will improve public access to financial statements by interested users, including investors and creditors, and will reduce the actual time related to registering, updating and analysis of data captured from financial statements. The Bank CFRR will help identify relevant support for implementing the concept.

The efficiency of tax administration has improved but remains insufficiently focused with too much attention on small taxpayers and minor compliance matters. The Development Plan for Tax Administration Reform for 2011-15 introduced reforms including simplification of procedures and improving the quality of services for taxpayers, functional and structural consolidation of the state tax service, broader use of information technologies and stronger human resource management. The Doing Business 2015 report showed that Moldova rose from 105^{th} to 70^{th} in the Paying Taxes indicator due to reforms including easier tax payment for companies through an electronic system for filing and paying social security contributions and introduction of new filing requirements for VAT. Large taxpayer offices use risk profiling to select companies for audit. As a result the number of audits went down from 971 in 2012 to 543 in 2014, while collections from audits increased from 39 to 46 MDL million. However, the decentralized structure of the State Tax Service complicates the use of compliance risk management and results in a large number of ad hoc audits of non-large taxpayers (about 70,000 in 2013). Legislation has been drafted to set a legal framework for unification of the tax administration. Approval of this law is critical to further strengthen tax administration. The Tax Administration Modernization Project, under development for approval in FY16, will focus on tax legislation reform, strengthening the institutional and operational capacity of the Main State Tax Inspectorate, and IT infrastructure and system modernization.

Outcome 1.2: Improved competitiveness in agriculture

Significant progress has been made in this outcome but recent political and institutional instability has hampered the functioning of the food safety management system. The IFC's Moldova Investment Climate Reform Project and the Bank's Agriculture Competitiveness Project supported the creation of a single Food Standards Agency, a pre-condition for signing of the AA/DCFTA with the EU. FSA capacity has been enhanced through training of staff responsible for inspections and controls in the newly introduced risk-based inspections approach. A potential cost overrun (due to exchange rate depreciations and unexpectedly high construction costs) on the food safety component of the MACP has been addressed in part by the Additional Financing of $12 million agreed in May 2015; the project, which became effective in September 2012, is due to be completed by June 2017. The FSA's institutional subordination was changed from the Ministry of Agriculture (MAFI) to the Government of Moldova in 2013. A recent demand by MAFI that the country's national laboratory for products of plant origin, on which construction was about to begin, be moved to a new location and come under the authority of MAFI runs counter to the single agency principle which has been at the center of the country's food safety reform agenda. Due to changes in Government, the FSA has not had an effective leadership for some time, delaying resolution of the laboratory issue and limiting the implementation of the overall food safety reform agenda.

IFC's operations in Moldova during the FY14-16 period have focused on investment and advisory activities that enable private sector growth and diversification in support of the proposed CPS pillars. Investments in key sectors, including agribusiness and related industries, are aimed to support competitive players, raise standards of service provision, provide an important demonstration effect, and attract additional investment. With deteriorating market conditions, IFC faced challenges in its efforts to strengthen the financial system, support trade and increase access to finance for micro, small, and medium enterprises (MSMEs) across sectors through advisory and investment in financial intermediaries. IFC has sought to attract private sector investors to develop infrastructure, including through PPPs and other instruments.

Financial support and technical assistance has increased market access for farmers. 28 producer groups have been established and utilized the support of the Bank to develop productive partnerships and realize investments for mutual benefit, particularly in cold storage facilities. These partnerships have also been a vehicle for providing support to farmers in implementing sustainable land management practices.

Pillar 2: Enhancing Human Capital and Minimizing Social Risks

Outcome 2.1: Improved quality of and access to health and education services

Moldova faces significant labor challenges, in particular in terms of labor force participation and productivity. Employment rates in Moldova are low compared to the 60-70 percent typical for ECA countries, mostly because of very low Labor Force Participation (LFP), which has decreased dramatically over the past ten years (from 53 percent in 2005 to 39 percent in 2014). The low employment rate is both a cause and a consequence of very high international migration – in 2013 about 14 percent of men and 8 percent of women of working age were working abroad or looking for work abroad. By contrast, internal mobility is low: less than 20 percent of the population aged 18 and older moved to a different city in the past 20 years.

Skills are missing in Moldova both in the current workforce and in the next generation. In the EBRD-WB BEEPS businesses mention skills as the third obstacle to their growth in 2013, up from fourth in 2008. More than 30 percent of firms cite lack of skills as a major challenge for their operations, one of the highest figures in ECA. Skills are also missing in the upcoming labor force: the latest available PISA results – conducted in 2010 - show that 57 percent of Moldova's 15 year-olds are functionally illiterate.

To improve labor productivity and the skills of the labor force, the Government of Moldova is aligning education with labor market needs and undertaking reforms to improve the quality of education. Moldova is conducting key activities and reforms to monitor and improve the quality of its education system introducing a PISA assessment for students aged 15, creating centers of excellence in vocational education, and creating the Agency for Evaluation and Accreditation in higher education. At the same time, the success rate at Baccalaureate decreased from 68 percent in 2013 to 56 percent in 2014 and 54 percent in 2015, suggesting increased quality standards for this exam.

On-going and planned WB support for labor in Moldova aims to better understand mismatches in the labor market. The WB has supported the Government with a diagnostic of its workforce development (Systems Approach for Better Education Results (SABER)) and has provided technical assistance with data collection and analysis to examine how individuals make schooling and jobs decisions. The results of this will feed into current career guidance activities in Moldova, and is closely related to the efforts of other development partners to support improved career guidance in Moldova. A recipient-executed trust fund has been raised for the Ministry of Labor Social Protection and Family (MLSPF) to undertake household and employer surveys on skills. Lastly, as part of the Poverty Assessment, the World Bank will examine the relationship between connectivity – distance to local roads – and labor market outcomes.

The efficiency of the education sector has improved, but quality improvements have been less steady. Efficiency improvements are demonstrated through the introduction of per student financing in 2013, and improvements in the student teacher ratio. 80 percent of primary and general secondary schools had 2015 budgets approved according to the financing formula, and a system is in place to monitor dropouts closely, including differential effects on girls and boys. Quality improvements have shown less progress: there have been delays in implementing school quality standards which were approved in 2013, and in establishing teacher and school directors' training and remuneration programs. Improvements to the student assessment system were introduced in 2015 with Moldova now enrolled in PISA, and with a national testing system for 4^{th} and 9^{th} grade students completed. A consolidated EMIS has been established. As with other sectors, progress in education was affected by the political context and a significant staff turnover at the Ministry of Education, leading to concerns over policy direction and sustainability of interventions.

In the health sector, increased access to healthcare may be limited to better-off households. Overall, health insurance coverage had reached the 2017 target of 85 percent by 2015, but this has been driven by higher income households taking up insurance. The 2013 Health Budget Survey shows that coverage amongst the bottom 40% of households had actually reduced over the previous two years. There has been some reduction in reported out of pocket expenditures, but amongst the bottom 40% of households, such payments have not reduced as a proportion of household non-food expenditure.

Delays in implementation of the Health Transformation Operation, together with the turbulent political environment have slowed reforms to improve the quality and efficiency of the health sector. The HTO implementation was delayed for six months after project agreement, and was then followed by changes in the MoH leadership and two MoH reorganizations leading to further delays. However, the Government is committed to the reform process and recent efforts have led to two out of eight Disbursement Linked Indicators being achieved. Other health outcome related DLIs related to reduction in Non-Communicable Diseases, in particular reduction in smoking which is prevalent amongst men, will require cooperation from other sectors and counterparts. Sensitive reforms in the health sector itself, such as hospital optimization will require commitment and support from the current Government.

Improving local roads is an important priority for the Government and development partners and there is agreement to move forward with coordinated action. Better roads will improve accessibility to education, health and market facilities by providing a safe and sustainable local roads network in selected areas of Moldova. The Bank is developing a project to finance the rehabilitation and upgrading of about 300 km of Local Roads along with institutional strengthening to build capacity within the sector for effectively maintaining and improving the regional and local road networks.

Outcome 2.2: Fiscally sustainable and equitable pension and social assistance systems

Expansion of the social assistance program *Ajutor Social* has been uneven. After expansion of coverage in 2011-12 the program reached 18.8 of the poorest population quintile. Subsequently, ad hoc increases in categorical benefits, changes in the treatment of the rural self-employed, inadequate adjustment of *Ajutor Social* eligibility parameters, and insufficient outreach by social workers led to a decrease in coverage to 14.7 percent in 2013 and 12.2 percent in 2014. More recently the Government has made a concerted effort, both on the policy side and in implementation, to expand coverage of the program, leading to an increase in beneficiary households to 45,000 taking up the monthly benefits by April 2015. This marks a reversal of recent declining trends. At the same time, the program remains well targeted by ECA regional standards, with transfers reaching 79 percent of the poorest population quintile in 2014 – down from 84.1 percent in 2014.

Costly and poorly targeted social assistance programs continue to be delivered. By eliminating the costly and poorly targeted program of Nominative Compensations in 2012, the Government made a significant step towards consolidating the social assistance spending. However, subsequent increases in a number of categorical benefits in late 2013-2014 increased spending and reversed previous progress.

Pillar 3: Promoting a Green, Clean and Resilient Moldova

Outcome 3.1: Greater adaptation and resilience to climate change

State capacity to forecast severe weather has improved. The country has made substantive progress towards improving technical and human capacity in the State Hydro-Meteorological Service and the Civil Protection Service related to severe weather forecasting and disaster preparedness and response. All goods and services to be financed under the Disaster and Climate

Risk Management Project have been procured. Implementation delays were caused by the volatile political situation in 2015, in particular the operationalization of a network of automated weather stations, but activities are on track to be completed on schedule in June 2016.

Outcome 3.2: Improved Natural Resources Management

Investment grants have been used to positive effect to provide farmers with information on practical techniques for adaptation to climate risks. At least 50 grants have been provided and more than 90 demonstration events have been organized to disseminate information to farmers. Mainstreaming agro-environmental and sustainable land management practices is expected to lead to enhanced competitiveness of the agro-food sector. ENPI-FLEG 2 TA has supported improvement of forest and land management in non-state (including municipal) lands which often suffer from weak management practices.

Outcome 3.3 Increased energy efficiency and security

Implementation delays have hampered progress in this outcome and work must be done to improve the regulatory environment. The actions by Government were delayed by the elections of 2014, but the DHEIP was declared effective in August 2015. There have also been delays in taking the requisite actions necessary to optimize the District Heating supply and ensure timely procurement processes. The financial sustainability of the new integrated utility Termoelectrica requires an increase in the DH tariff, but delays by the regulator, ANRE, are symptomatic of a relatively poor regulatory environment. TA to ANRE is being provided by the Swedish government and is intended to assist ANRE to meet EU directives and to improve the regulatory environment. The DH tariff is also necessary to allow the Bank to continue its support to the restructuring of Termoelectrica's debt.

Governance as a cross cutting theme

The weaknesses identified in the public investment management system have not yet been fully addressed. The Government of Moldova's development strategy requires considerable public investment particularly in education, health, energy efficiency and transport. A number of weaknesses in the PIM system have been identified: inadequate project screening and appraisal; lack of project prioritization; inefficiencies in resource allocation due to political pressures; unpredictability in funding for existing projects; weak monitoring and evaluation of ongoing projects. In 2013, the Government identified policy changes to improve the PIM system and norms have now been introduced through the Law on Public Finance and Fiscal Responsibilities. However the implementation of new approaches is still weak. The PER 2013 proposes that local governments are given greater responsibility for allocating local capital expenditures. However, decentralization of decision-making for capital expenditure will need to be designed in a way that is not in conflict with rationalization objectives in sectors with significant excess capacity (notably health and education). At the same time, the Ministry of Finance's gate-keeping role in the capital budgeting process will need to be strengthened if there is to be a credible and disciplined public investment management process.

The WBG continues to support the Government's objective to transform the delivery of selected public services using ICT. Two data portals have been developed, the Open Data Portal and the Public Services Portal, and a government shared computing infrastructure M-Cloud has been launched. More than 2,000 public servants and other employees of central and local public agencies have received e-government training under the project. There are more than 350,000 direct project beneficiaries, out of which more than 52 percent are women. Currently under preparation to be submitted to the Board in the FY 2016-17 is a Modernization of Government Services Project. Key objectives of the Project are to improve access to, efficiency of delivery, and quality of selected government administrative services. It would include the continuation of the Government e-Transformation agenda and consolidate overall progress under the e-Governance agenda.

Currently, there are two ongoing GPSA activities – in health and education. The health GPSA project was initially planned as complementary to the PforR Health Transformation Operation, aiming to generate information on performance of the healthcare sector for the Government, and to enhance the policy dialogue between the citizens and MoH. However, due to insufficient initial coordination, the project is being restructured now to improve project design and expected outcomes. The education GPSA implementation is on track and expected to satisfactorily achieve its development objective by closing in December 2018. The objective is to empower the country's civil society to: (i) engage local, regional and national authorities in evidence-based policy and budget dialogue in Moldova education sector; and (ii) to promote an enabling environment for social accountability.

Engagement in Transnistria is based on support to confidence building measures along with support to the twin objectives of supporting poverty reduction and boosting shared prosperity. The Korea Trust Fund to Support Transitions (KST) funded Knowledge Program on Confidence Building in Moldova and Transnistria was launched to establish dialogue and build relationships between stakeholders, which initially took place in 2013 and 2014. Issues for potential longer term technical assistance were identified, however engagement was disrupted by the deteriorating political situation both nationally and regionally. Although the environment remains strained, the Bank has been able to undertake some activities focusing on re-establishing relationships and on building capacity in fiduciary matters, PPPs and WBG procedures. Identifying appropriate working methods which can deliver results but are acceptable to both the Moldovan and Transnistrian authorities remains a challenge.