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Report No. 115716-MD

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL FINANCE CORPORATION  
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE REPUBLIC OF MOLDOVA**

**FOR THE PERIOD FY18-21**

**June 29, 2017**

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

**International Finance Corporation  
Europe and Central Asia**

**Multilateral Investment Guarantee Agency**

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

### **CURRENCY EQUIVALENTS**

Exchange Rate as of June 6, 2017  
 Currency Unit: MDL (Moldovan Leu)  
 USD 1.00 = MDL 18.26

### **FISCAL YEAR**

January 1—December 31

### **ABBREVIATIONS AND ACRONYMS**

AA	Association Agreement	IMF	International Monetary Fund
AF	Additional Financing	IPF	Investment Project Financing
ASA	Advisory Services and Analytics	MIGA	Multilateral Investment Guarantee Agency
CE	Citizens' Engagement	MSMEs	Micro, Small and Medium Enterprises
CGAP	Country Gender Action Plan	NBM	National Bank of Moldova
CPF	Country Partnership Framework	NCFM	National Commission of Financial Market
CPS	Country Partnership Strategy	PEFA	Public Expenditure & Financial Accountability
DCFTA	Deep and Comprehensive Free Trade Area	PER	Public Expenditure Review
DFID	Department for International Development	PFM	Public Financial Management
DPO	Development Policy Operation	PISA	Program for International Student Assessment
EC	European Commission	PLR	Performance and Learning Review
ECA	Europe and Central Asia	PPPs	Public Private Partnerships
EU	European Union	SCD	Systematic Country Diagnostic
FDI	Foreign Direct Investment	SIDA	Swedish International Development Agency
FSAP	Financial Sector Assessment Program	SME	Small and Medium-sized Enterprise
FY	Fiscal Year	SOE	State-Owned Enterprise
GDP	Gross Domestic Product	STAR/EP	Strengthening Auditing & Reporting in Countries of the Eastern Partnership
GEF	Global Environment Facility	TA	Technical Assistance
GGF	Good Governance Fund (United Kingdom)	TF	Trust Fund
HBS	Household Budget Survey	UNICEF	United Nations Children's Fund
IBRD	International Bank for Reconstruction and Development	USAID	United States Agency for International Development
ICR	Investment Climate Reform	USD	United States Dollar
IDA	International Development Association		
IEG	Independent Evaluation Group		
IFC	International Finance Corporation		
IFRS	International Financial Reporting Standards		

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## MOLDOVA: COUNTRY PARTNERSHIP FRAMEWORK, FY18-21

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## I. INTRODUCTION

1. **The quest for an alternative development model that underlies Moldova’s National Development Strategy (NDS), *Moldova 2020*, is a recognition that the two main drivers of economic growth and poverty reduction since the early 2000s are no longer sustainable.** Growth was powered largely by consumption, and poverty reduction mainly by remittances and pensions. Since neither are expected to continue, future growth and poverty reduction will need to be driven increasingly by private sector-led job creation. Moreover, given the country’s vulnerability to changes in external demand and weather shocks, due to its small size, open economy, and reliance on agriculture, Moldova’s future development path will also need to include measures to renew and protect its human, physical, and social capital stock.

2. **Against this background, the main purpose of the FY18-21 Country Partnership Framework (CPF) is to support Moldova’s transition towards a new, more sustainable and inclusive development and growth model.** It is grounded in the NDS, takes into account outcomes of the FY14-17 Country Partnership Strategy (CPS), and incorporates the three topmost priorities of the recent Systematic Country Diagnostic (SCD), namely: (a) strengthening the rule of law and accountability in economic institutions; (b) improving inclusive access to and the efficiency and quality of public services; and (c) enhancing the quality and relevance of education and training for job-relevant skills.<sup>1</sup> These three priorities define and inform the CPF’s three focus areas: *economic governance*, *service governance*, and *skills development*, which are supplemented by *climate change*—a World Bank Group corporate priority—as a cross-cutting theme.

3. **The CPF incorporates key lessons learned during the last CPS—that political instability and governance challenges slow the pace of reform and that frequent personnel changes affect portfolio performance.** Further, it assumes that the economic, political, and social stability experienced since January 2016 will continue at least until parliamentary elections in November 2018. Given that Moldova’s post-election political orientation, policy environment, and stability are uncertain, only the first half of the CPF (FY18-19) is programmed. Activities for the second half (FY20-21) will be defined during the FY19 Performance and Learning Review (PLR).

4. **Analytical, financial, and technical assistance activities aim to achieve seven broad objectives measured by 20 indicators across the three focus areas, plus the climate change cross-cutting theme.** These range from: more effective government policies to promote private sector-led job creation and improved governance of selected economic and financial institutions; to improved access, efficiency, and quality of selected public services; to better alignment of skills with labor market needs; and to greater adaptation, resilience, and response to climate change. Thirteen lending operations (8 ongoing and 5 planned); advisory services and analytics (ASA), including continued joint International Finance Corporation (IFC)/World Bank (Bank) investment climate reform advisory services; a major governance program financed by the European Union (EU) and the United Kingdom (UK); and potential IFC investments or Multilateral Investment Guarantee Agency (MIGA) guarantees would be the main instruments. The old CPS and new CPF exhibit continuity, the main difference being a tighter focus on governance—maintaining the shift in focus begun during the FY16 PLR—and job-relevant skills development in the latter.

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<sup>1</sup> Moldova: Paths to Sustained Prosperity, Report No. 107502-MD, August 2016

5. **The principal risks to program implementation are political and governance, which are rated high, and macroeconomic, institutional capacity, and fiduciary, which are rated substantial.** Measures to manage and/or mitigate these risks are described in Section IV.

## II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

### Background

6. **Since the early 2000s, Moldova, the poorest country in Europe, has made significant progress in achieving inclusive growth, averaging 5 percent annually, and reducing poverty, which declined from 26 percent in 2007 to 11 percent in 2014.**<sup>2</sup> Growth has been driven largely by consumption and poverty reduction mainly by remittances and pensions. Employment declined because of emigration and falling labor force participation, so wage income added little to improving living standards. As noted above, Moldova is vulnerable to changes in external demand and climate shocks. It is also at risk because of high external debt and a legacy of political instability. Emigration of the working-age population and an annual population decline of around 1½ percent add to the country's economic, fiscal, and social fragility.

7. **The NDS and SCD stress that the drivers of growth and poverty reduction hitherto are not sustainable and that Moldova therefore needs a more balanced development model.** As the role of remittances and pensions moderates, future growth and poverty reduction will need to be generated by quicker private sector job creation and increased productivity as well as by renewing the stock of market-relevant human capital, while shielding the population from shocks. For Moldova to continue progress towards the Bank Group's twin goals, the SCD identified three top priority policy areas: *first*, strengthening the rule of law and accountability in economic institutions; *second*, improving inclusive access to and the efficiency and quality of public services; and *third*, enhancing the quality and relevance of education and training institutions for job-relevant skills. Three related SCD priorities were: ensuring sound macroeconomic and fiscal management; improving the business regulatory environment; and reforming the social protection system, particularly pensions.

### Political context

8. **From the so-called 'Twitter Revolution' in 2009 until 2016, Moldova was governed by a series of coalitions, characterized by orientation towards the European Union (EU), political instability and worsening corruption indicators.** During the fifteen months following the November 2014 parliamentary election, there were seven substantive or acting governments, due partly to competition among oligarchic interests; and Moldova's ranking for control of corruption on the Bank Group's Worldwide Governance Indicators (WGI) declined from 33 in 2008 to 17 in 2015, a score not yet fully reflecting a massive banking fraud in 2013-14 that led to losses of about 12 percent of Gross Domestic Product (GDP). The present coalition, in place since January 2016, seems likely to remain in office until elections in November 2018. This would extend the current window for reforms in defined areas until mid-2018.

9. **Against this background, Moldova's European orientation has anchored its foreign economic relations and domestic policy reforms—exemplified by its 2014 Association Agreement (AA) and Deep and Comprehensive Trade Agreement (DCFTA) with the EU.** The commitment to

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<sup>2</sup> Poverty Reduction and Shared Prosperity in Moldova: Progress and Prospects, Report No. 10572-MD, May 2016.

harmonize many of Moldova’s laws and regulations with those of the EU has prompted important structural reforms since 2014. On the other hand, popular support for the EU has eroded and President Dodon, who favors closer relations with Russia and recently initiated the process for Moldova to acquire observer status in the Eurasian Economic Union, has argued that the EU’s relationship with Moldova’s governments has been overly tolerant of corruption and insufficiently attentive to the country’s socio-economic conditions. Moreover, opinion polls report low approval ratings for the Executive Coordinator of the coalition. Moldova’s post-election political orientation, policy environment, and stability beyond end-2018 are therefore unclear.

## Recent economic developments

10. **After rapid growth and poverty reduction since the early 2000s, deteriorating external conditions and increased governance challenges slowed growth.** In 2015, the economy contracted by 0.5 percent due to: adverse external factors that reduced remittances from and halved exports to Russia; a summer drought; and a fraud in three large banks costing an eighth of GDP. The latter led to higher interest rates, an increase in public debt to 47 percent of GDP (up from 38 percent in 2014), and damage to business confidence. The authorities’ short-term economic agenda is thus dominated by the macro-fiscal consequences of the banking fraud and by the desire to restore investors’ confidence in economic governance.

11. **Moldova’s achievements in poverty reduction and shared prosperity have been impressive relative to other countries in Europe and Central Asia (ECA).** Besides the significant decrease in poverty, inequality measured by the *Gini* coefficient also declined from 0.3 to 0.23 between 2007-14. However, as noted above, the principal drivers of past progress—pensions and remittances—are unsustainable, underlining the need for a more active domestic labor market. This will involve creating more and better jobs and enhancing access to improved education, health and other services enabling individuals to enter productive employment. At the same time, structural issues such as the burgeoning economic dependency ratio and regional and group disparities will need to be addressed.

12. **Going forward, GDP growth is expected to pick up gradually, but remain below the pre-2014 average of 5 percent.** In 2016, agriculture recovered and the economy grew by an estimated 4.1 percent (Table 1 below). However, investment is likely to remain subdued due to high interest rates and only slowly emerging confidence in anti-corruption measures and investment climate reforms. In 2017-18, recovery in the EU and Russia may permit an increase in exports and a slow upturn in remittances, leading to a gradual rise in consumption, which will remain the key driver of growth expected to average about 3.6 percent annually. In the longer term, Moldova’s economic outlook faces several challenges, including macroeconomic and fiscal stabilization, economic governance and transparency—especially in the investment climate—and the uncertain post-election policy environment.

**Table 1: Key Macroeconomic Indicators**

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F
<b>Nominal GDP, MDL billion</b>	82.3	88.2	100.5	112.1	122.6	134.5	143.8	158.4	158.4
<b>Real GDP, % change</b>	6.8	-0.7	9.4	4.8	-0.4	4.1	4.0	3.7	3.5
<b>Consumption, % change</b>	9.4	0.9	5.2	2.7	-1.9	3.0	3.5	3.3	3.1
<b>Gross Fixed Investment, % change</b>	13.0	0.4	3.8	10.0	-2.3	-3.0	2.9	3.8	4.5
<b>Export, % change</b>	27.4	2.3	9.6	1.0	2.9	8.8	9.4	3.8	4.0
<b>Import, % change</b>	19.7	2.5	4.4	0.4	-4.7	5.9	6.8	3.9	4.2
<b>GDP deflator, % change</b>	7.2	7.9	4.1	6.4	9.9	5.9	5.6	4.7	4.7
<b>CPI, % average</b>	7.6	4.6	4.6	5.1	9.7	6.9	5.3	4.8	5.0

<b>Current Account Balance, % GDP*</b>	-12.1	-8.7	-6.5	-7.1	-6.4	-4.1	-4.5	-4.8	-5.3
<b>Remittances, % change, USD</b>	21.7	8.8	10.2	-5.2	-26.1	-4.6	1.8	2.3	2.9
<b>Terms of Trade, % change</b>	-1.4	0.8	-0.4	-1.2	3.8	-0.1	0.2	0.5	1.2
<b>International gross reserves, million, USD, eop</b>	1965	2515	2820	2156	1768	2206			
<b>In months of next year's imports</b>	4.2	5.3	5.6	4.4	4.8	6.0			
<b>Budget revenues, % GDP</b>	36.6	38.0	36.7	37.8	35.7	34.2	35.4	35.5	35.3
<b>Budget expenditures, % GDP</b>	39.0	40.1	38.5	39.6	38.0	36.0	37.9	38.5	38.0
<b>Fiscal balance, % GDP</b>	-2.4	-2.1	-1.8	-1.7	-2.2	-1.8	-2.5	-3.0	-2.7
<b>Public debt and guarantees, % GDP</b>	30.4	33.2	31.8	38.2	46.5	44.2	44.7	43.8	42.9
<b>Poverty rate (\$2.5/day PPP terms)</b>	7.1	6.0	3.8	2.9	2.9	2.8	1.9	1.5	7.1
<b>Poverty rate (\$5/day PPP terms)</b>	45.3	46.4	39.6	40.7	41.0	40.4	37.1	33.0	45.3

## Moldova's Development Strategy

13. **Moldova's NDS (2012-20), approved in 2012, describes the country's medium-term development priorities.** It calls for a shift from the current consumption-based paradigm towards a new growth model based on expanding investments, increasing competitiveness and productivity, promoting export industries, and developing a knowledge-based society. With the objective of "... ensuring qualitative economic growth and poverty reduction...", it lists eight national priorities: (a) aligning education with labor markets; (b) increasing public investment in roads; (c) promoting financial sector competition; (d) improving the business climate; (e) raising energy efficiency, including the use of renewables; (f) ensuring fiscal sustainability of the pension system; (g) enhancing the efficiency and quality of justice, including combatting corruption; and (h) fostering the competitiveness of agri-food products and sustainable rural development. This development and reform agenda is broadly consistent with the Sustainable Development Goals (SDGs) and the Bank Group's twin goals.

14. **As of early 2017, the government was considering revising and extending the NDS to 2030, and sharpening its alignment with the SDGs.** Meanwhile, its 2016-18 action program prioritizes fighting corruption, enhancing competitiveness and job creation, energy security, justice reform, and good governance.

## III. BANK GROUP COUNTRY PARTNERSHIP FRAMEWORK

### Lessons Learned

15. **The main conclusion of the FY14-17 CPS Completion and Learning Review (CLR) is that the Bank Group underestimated the capacity of political instability and governance challenges to slow the pace of reform and affect portfolio performance.** At the same time, it cites reasons for cautious optimism about economic, political, and social stability until November 2018, including modest economic growth, the parliamentary majority, the three-year program with the International Monetary Fund (IMF), and the 2<sup>nd</sup> Development Policy Operation (DPO-2) approved in late 2016. This timeline is factored into the CPF's design, so that only the first half of the period (FY18-19) is programmed.

16. **Other lessons reflected in the CPF's content and design include:** (a) that politically difficult structural reforms should be supported mainly through DPOs and/or ASA, reducing the risk of delayed investment projects; (b) that coordination among development partners providing budget support is essential for effective leverage over key policy, especially governance, issues; (c) that for maximum impact, electronic governance projects should be based on an agreed institutional reform agenda; and (d)

that, since Bank guidelines for procurement remain a critical safeguard against potential misprocurement, clients preferring continued use of its fiduciary controls should be accommodated.

### **Country Partnership Framework—Aligning Moldovan and Bank Group Corporate Priorities**

17. **The CPF program is located at the intersection of NDS and SCD priorities and the Bank Group’s comparative advantage.** First, the SCD’s top three priorities (*cf.* paras. 2 and 7 above) defined the three focus areas on which the CPF is built, namely: *economic governance*, *service governance*, and *skills development*, supplemented by *climate change* as a cross-cutting theme. Then, areas of concentration and activities within each objective were prioritized more narrowly based on government priorities and the World Bank Group’s comparative advantage vis-à-vis other development partners. This prioritization logic is illustrated in Table\_2 below.

**Table 2: From SCD to CPF Activity**

<p><b>SCD's 'top policy priorities' (p79)</b></p> <p>⇒</p>	<p><b>A</b> Strengthening rule of law and accountability in institutions: improving governance, including anti-corruption measures; secure property rights; sound justice and financial systems; and fair competitive conditions</p>	<p><b>B</b> Enhancing capacity of public administration, accountability of providers, and efficiency of spending</p>	<p><b>C</b> Improving teacher performance thru adequate recruitment and retention system; promoting acquisition of strong generic skills thru education cycle, and aligning curricula with market demand</p>	<p><b>D</b> Parametric reforms of public pension system and consolidation of categorical social assistance programs to expand poverty-targeted schemes</p>	<p><b>E</b> Reforming business environment includes reducing compliance costs and burden of inspections</p>	<p><b>F</b> Ensuring sound macroeconomic and fiscal management. Addressing weaknesses in financial sector governance, and improving fiscal rule</p>
<p><b>Carry into CPF?</b></p>	<p><b>Yes</b> WBG analytics, political neutrality and communication capacity allowed it to become key partner on anti-corruption and state capture. (⇒ ①)</p>	<p><b>Yes</b> WBG unique history supporting nationwide system (financial/institutional) reforms in education, energy, health and social protection. (⇒ ②)</p>	<p><b>Yes</b> WBG only partner with history of engagement across entire education sector. (⇒ ③)</p>	<p><b>No</b> Parametric reforms of pensions enacted 2016/7. Based on FY15-17 experience, consolidation of categorical schemes unlikely.</p>	<p><b>Yes</b> Successful IFC/ WB track record. Focus on anti-corruption emphasized in SCD and during public CPF consultations. (⇒ ①)</p>	<p><b>Partly</b> IMF leads on macro-fiscal aggregates; WBG contributes on financial sector governance (⇒ ①) and efficiency of spending on services. (⇒ ②)</p>

	⇒ CPF objective	+ Government priorities	+ WBG position relative to other development partners	⇒ Activities (lending & key ASA)
<p><b>A</b></p> <p><b>E</b>⇒</p> <p><b>F</b></p>	<p>① Strengthening rule of law and accountability in economic institutions</p>	<p>Improve business inspections and authorizations, state-owned enterprise governance, bank supervision, integrity of officials. Budget support. Anti-corruption a top priority in all CPF consultations.</p>	<p>WBG policy lending/dialogue since 2015 focused on economic governance. Synergy of IFC/WB investment climate advisory services. Synergy of IFC investment and WB financial sector advisory. Other partners (EU, UNDP) more qualified in judicial reform, local government, public administration, security.</p>	<ul style="list-style-type: none"> <li>- Economic Governance DPO (FY18)</li> <li>- IFC Investment Climate Advisory &amp; WB Cost of Doing Business</li> <li>- Programmatic Financial Sector Monitoring</li> <li>- Governance Reform Scorecard</li> <li>- Economic Rule of Law (EU-funded)</li> <li>- Economic Governance of the Energy Sector (EU-funded)</li> <li>- State-Owned Enterprise Reform (UK-funded)</li> <li>- Potential IFC investments in the financial sector.</li> </ul>
<p><b>B</b>⇒</p> <p><b>C</b></p>	<p>② Improving efficiency, quality &amp; inclusive access to public services (capturing results of last CPF's projects)</p>	<p>Completion of land registration; inventory of public sector assets; diversification of power supply &amp; implementation of European Energy Community 3<sup>rd</sup> Energy Package. E-government scale-up.</p>	<p>WBG experience in supporting service sector investment and policy reform, linked to analytics and budget support. Prior support for 1<sup>st</sup> phase of land registration; FY15 ASA on power markets. Service Modernization Project slipped from previous CPF. Other partners (EBRD, EIB) better-resourced for large-scale investments.</p>	<ul style="list-style-type: none"> <li>- Modernization of Government Services Proj.</li> <li>- Land Administration and Local Revenue Proj.</li> <li>- Transparent Power Market Proj. (All FY18)</li> <li>- Health Public Expenditure Review (Switzerland funding)</li> <li>- Education Public Expenditure Review</li> <li>- Commitment to Equity and Poverty Monitoring</li> <li>- Pension Reform Implementation and Benefit Admin</li> <li>- Potential IFC investments in infrastructure</li> </ul>
<p><b>C</b>⇒</p>	<p>③ Enhancing quality &amp; relevance of education &amp; training institutions to enable acquisition of job-related skills.</p>	<p>Teacher performance identified by ERP as priority for future. Skills identified by private sector &amp; public consultations as second priority (after anti-corruption).</p>	<p>WBG engagement in education reform, thru Education Reform (ongoing) and Skills for Jobs ASA (FY17). WBG will not support vocational education, where 4 bilaterals are active and more qualified.</p>	<ul style="list-style-type: none"> <li>- Education Reform (FY18), Skills for Jobs Project (FY19)</li> <li>- Tackling gender inequality in labor market</li> <li>- Private Sector Skill Demand &amp; Mitigation of Skill Constraints</li> <li>- Education Sector Decentralization Analysis</li> </ul>

18. **Compared to the last CPS, *governance*, formerly a cross-cutting theme, shapes the CPF's first two focus areas.** The focus of *education* transitions from the human capital pillar of the last CPS to a separate *skills development* area in this CPF; and, the scope of the erstwhile clean, green and resilient environment pillar becomes *climate change* as a cross-cutting theme. In short, the old CPS and the new CPF display a high degree of continuity, with a tighter focus on governance and job-relevant skills development in the latter. The accent on governance maintains the shift in emphasis begun during the FY16 PLR.

19. The content of the CPF program and planned Bank Group support are summarized in paras. 20-28 and Table 3 below. They reflect: (a) ongoing Bank Group activities and operations, as well as those of other development partners, especially of the EU; (b) the resources expected from IDA18 and IBRD; and (c) a balanced mix of Bank Group instruments. For the reasons cited above (para. 16), support for politically difficult reforms will be addressed through DPOs and/or ASA, not investment project loans; and only the first half of the CPF period (FY18-19) is programmed, with no policy lending foreseen between mid-2018 and mid-2019. At the same time, Bank/IFC collaboration will be strengthened, particularly through the cross-cutting Finance and Markets and Trade and Competitiveness global practices and will focus especially on activities designed to improve Moldova's business enabling environment and investment climate, deepen financial infrastructure, and strengthen the private sector's capacity to access new markets.

**Focus Area 1: ECONOMIC GOVERNANCE – strengthening the rule of law and accountability in economic institutions**

- **Objective 1A: Enhanced quality and implementation of investment climate regulation**
- **Objective 1B: Strengthened management of public sector assets**
- **Objective 1C: Enhanced financial sector governance and stability**

20. **In Moldova, improving economic governance, or strengthening the rule of law and accountability in economic institutions, is the key pathway to de-risking private sector investment for job-creation.** It includes measures to combat corruption, enhance transparency, secure property rights, and develop stable financial and legal institutions. Three priority areas selected for WBG institutions to combine support under this focus area are: (a) business-friendly policies to foster private sector development and job creation; (b) better accountability in selected economic institutions, *i.e.*, government agencies and ministries and state-owned enterprises (SOEs); and (c) improved governance of financial institutions.

21. **IFC and IBRD activities will combine to support the de-risking of private sector investment, through improved economic governance, thus supporting job-creation.** IFC's *Investment Climate Reform* project will continue support for regulatory reforms to de-risk investment by reducing the administrative burden of inspections, licenses, and permits on private businesses. It will also help improve trade logistics and policies for attracting foreign direct investment, as well as enhance the private sector's capacity to export to the EU, together with the Bank's 2<sup>nd</sup> *Competitiveness Enhancement and Agricultural Competitiveness* projects. Besides, two new activities will also help: an *Economic Rule of Law* project, to be financed by the EU, and an *Economic Governance Development Policy Operation (EGDPO)*. The former will provide advisory and technical assistance (TA) in seven areas including: the business environment, justice reform, SOE governance, state asset management, and regulatory transparency. Expected outcomes include: a more transparent, less burdensome business regulatory framework; a more efficient state budget allocation process creating fiscal space for increased public investment; more effective energy sector regulation; improved SOE financial management and governance principles compliant with international standards and practices; systematic asset reporting by public officials; and, in

the financial sector, a strengthened stolen asset recovery regime, a new insurance law and regulations (including through the FIRST TA), and a revised insolvency law. Meanwhile, subject to concerted government action to improve ownership transparency and financial regulation, IFC will continue to assess the potential for partnerships with strategic investors to strengthen the governance and financial condition of key banking institutions, complementing Bank-financed technical assistance. In addition, depending on the need for finance, IFC will explore potential collaboration with international bank subsidiaries to support continued growth of micro- small- and medium-sized enterprises through improved access to credit. IFC will also consider financing for eligible companies in manufacturing and services, particularly in export oriented sectors, to enhance job creation through SME participation in global value chains. This focus area will also benefit from TA under the Strengthening of Auditing and Reporting in Eastern Partnership Countries (STAREP) program supported by the Austrian Government and the EU.

**Focus Area 2: SERVICE GOVERNANCE – improving efficiency, quality and inclusive access to public services.**

- **Objective 2A: Increased efficiency and quality of selected public services**
- **Objective 2B: Increased inclusive access to selected public services**

22. **Efficient, equitable, and transparent public services, such as education, energy, health, transport, and water, are essential if the productivity of firms and human capital is to be increased.** Limited access, inefficiency, and poor quality of services have contributed to social exclusion, persistent poverty and vulnerability to shocks, especially in rural areas. Thus, besides expanding access to, and improving the efficiency and quality of selected public services—supported by the ongoing *Health Transformation*, *District Heating Efficiency Improvement*, *Local Roads Improvement*, and *Tax Administration Modernization* projects—three new operations will address two related priorities: upgrading administrative services and improving the efficiency of public finance and assets. IFC and the Bank will explore possibilities for supporting private participation in infrastructure—*e.g.* in energy, the social sectors, telecommunications, and transport—through investments and transaction advice to facilitate public-private partnerships and potential privatizations, subject to government commitment to transparent tenders. IFC will also continue investment engagement supporting private participation in electricity distribution and consider continued support for the rehabilitation of Chisinau’s water supply, sewerage, and transport infrastructure.

23. **The *Modernization of Government Services* project aims to improve access to, and the efficiency and quality of selected public services.** It includes actions: (a) to reduce bureaucratic obstacles hindering access; (b) to re-engineer and digitize selected services; and (c) to align staff capabilities in key agencies with the new citizen-centric, digital service model. The *Land Registration, Valuation and Local Taxation* project will complement the ongoing *Tax Administration Modernization* project. The purpose of the proposed *Transparent Power Market* project, diversifying Moldova’s energy sources through the interconnection with Romania, is to provide cheaper, more secure power supplies, while at the same time reducing the scope for corruption in power trade. Expected outcomes under this focus area include: better access by citizens and businesses to an increased number of e-government services; increased tax compliance and collection and thus higher public revenues; a more efficient public hospital system; improved road access to consolidated rural education and health services; a more efficient and transparent land registration and valuation system; and reduced vulnerability to electric power shortages. A greater emphasis on the provision of local services was considered but excluded due to continued uncertainty about the restructuring of local government.

**Focus Area 3: SKILLS DEVELOPMENT – enhancing the quality and relevance of education and training to enable the acquisition of job-related skills**

- **Objective 3A: Enhanced efficiency and quality of primary and secondary education**

24. **Moldova’s education and training system is insufficiently geared to labor market demand.** Besides weaknesses in early childhood, basic, and secondary education, with low transition from lower- to upper-secondary schools, technical and vocational education and training suffer from a weak strategic framework, poor service delivery, and ineffective oversight. Vocational education graduates report significant mismatches between their training and the jobs available. There is also evidence of education-job mismatches among workers with higher education, with many employed in areas unrelated to their fields of study. While policies to better align the supply of skills with the demands of the labor market are being adjusted, more efforts are needed to enhance the quality and relevance of education and training at all levels. For example, the government has taken steps to upgrade resource allocation by adopting *per capita* financing and an enabling legislative framework for general education; a technical and vocational education and training reform program is underway; and the Ministries of Education and of Labor, Social Protection, and the Family are considering establishing a quality control mechanism for continuing vocational education and training.

25. **The ongoing *Education Reform* project, for which *Additional Financing (AF)* is under consideration, will be supplemented by a planned *Skills for Jobs* project designed to address the education and training-labor market mismatch directly.** It is preceded by analytical work, including an education public expenditure review and notes on labor demand and supply, informality and self-employment, and private sector skill demand. IFC and IBRD will seek donor funding to support private sector-led skills initiatives. Planned outcomes under this focus area include: increased efficiency and quality of the primary and secondary system overall, measured by the number of schools achieving minimum education standards, better teacher/student ratios, and increased occupancy; and more and better quality data on the demand for, and supply of skills. These data will provide background context and a baseline for the *Skills for Jobs* project later in the CPF cycle.

<b>CLIMATE CROSS-CUTTING THEME Objective 4A: Greater adaptation, resilience and response to climate change</b>
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26. **Moldova’s vulnerability to climate-related shocks is substantial with significant and frequent adverse impacts on the economy.** The 2015 summer drought, for example, affected agricultural and overall GDP and household consumption. Moldova ranks as the most climate vulnerable country in Europe based on a range of economic and social indicators, including low adaptation capacity. The FY17 *Climate Adaptation Project* supports climate resilient practices in agriculture, forestry and pasture management in targeted landscapes and, in addition, strengthens the country’s national disaster management system. It fulfills Moldova’s commitment under IDA17 to support a climate adaptation investment program. IFC will assess opportunities to engage with select companies to strengthen efficiency, productivity standards, and the development of sustainable agribusiness value chains, thus increasing downstream value-added and reducing commercial vulnerability to climate events. Meanwhile, opportunities for incorporating climate resilient activities in other sectors such as energy, health, transport and water will be pursued, subject to available resources and the authorities’ interest.

### **World Bank Group Resources**

27. **While Moldova is an IBRD/IDA blend country, it is unclear whether it will remain IDA-eligible in FY21 and beyond.** Moreover, its potential to borrow on IBRD terms will depend on several factors, including IBRD’s overall lending capacity, the demand from other borrowing countries, and Moldova’s creditworthiness and performance. Given these uncertainties, lending during the first half of the CPF will be almost entirely on IDA terms. In this connection, Moldova’s indicative allocation under IDA18 is US\$210 million—subject to change based on possible GNI *per capita* and population revisions

as well as country and portfolio performance—of which about 80 percent is programmed for commitment during FY18-19.

28. **IFC’s ability to expand investments is constrained by the small size of the private sector, financial sector instability, the challenging business climate, persisting governance issues, and political uncertainty.** IFC is committed to continue assess investment projects with eligible companies and across sectors in order to enhance further the contribution of the private sector to Moldova’s economic growth.

29. **MIGA faces similar operational challenges to those of IFC, but currently has three ongoing operations in support of Moldova’s fragile financial system.** While not able to identify potential guarantees *ex ante*, it will continue seeking opportunities to support CPF objectives in partnership with IBRD/IDA or IFC.

**Table 3: Ongoing and Planned Lending Operations, FY14-19<sup>3</sup>**

<b>Economic Governance</b>	FY14: 2 <sup>nd</sup> Competitiveness Enhancement <b>FY18: Economic Governance (DPO)</b> <b>FY18: Economic Rule of Law (EU-financed TA)</b>
<b>Service Governance</b>	FY 14: Health Transformation FY 15: District Heating Efficiency Improvement FY 16: Local Roads Improvement FY 16: Tax Administration Modernization FY 18: Modernization of Government Services <b>FY 18: Land Registration, Valuation &amp; Local Taxation</b> <b>FY 18: Transparent Power Market</b>
<b>Skills Development</b>	FY 13: Education Reform <b>FY 18: Education Reform – Additional Financing</b> <b>FY 19: Skills for Jobs</b>
<b>Climate Adaptation</b>	FY 17: Climate Adaptation

**World Bank Group Corporate Priorities**

30. **The CPF’s overall purpose—to support Moldova’s transition towards a new, more sustainable and inclusive growth model—is fully consistent with Bank Group priorities to end extreme poverty and boost shared prosperity in a sustainable manner.** Indeed, it is the future sustainability of Moldova’s poverty reduction and income inequality achievements to date that are at the heart of the CPF program.

31. **The CPF program also translates IDA priorities into monitorable commitments.** Focus areas 1 and 2, and their associated results targets, concentrate on economic and service governance respectively. A Citizen Engagement Action Plan (Annex 2) includes *inter alia* a commitment that three named projects will provide platforms for enhanced beneficiary participation. A Country Gender Action Plan (Annex 9) specifies activities to tackle inequalities in the job market, gender-based violence, and non-communicable disease incidence, while the results framework identifies three investment project financings (IPFs)—*Education Reform, Local Roads Improvement, and Modernization of Government Services*—which aim to reduce gender disparities. Finally, a *Climate Adaptation Project* will support the resilience of rural communities and ASA will analyze the take-up of adaptive agricultural techniques.

<sup>3</sup> Operations in **bold** are those planned for FY18-19, the first half of this CPF.

## IV. RISKS

32. **The main risks to program implementation are political and governance, rated *high*, as well as macroeconomic, institutional capacity, and fiduciary, rated *substantial*** (Table 4). The nature of these risks and the measures proposed to manage or mitigate them are summarized below.

33. **Political and governance risks relate to the uncertain policy environment, especially beyond November 2018.** To mitigate these risks, only the first half of the CPF period (FY18-19) is programmed and no policy lending is planned from mid-2018 to mid-2019. Activities for FY20-21 will be defined in early FY19 during the PLR. Given uncertainty about IBRD/IDA resources post-2020, IBRD resources will be used more sparingly in order to minimize the potential impact of Moldova’s possible graduation from IDA in FY21.

34. **The *substantial* macroeconomic, institutional capacity, and fiduciary risks, which are related, include the possible opposition of vested interests to reforms, especially those involving governance, compounded by weak institutional capacity.** The vulnerability of the financial system, in particular its opaque ownership, is also a clear threat to macro-financial stability. As recommended in the CLR, measures to mitigate these risks include: minimizing investment project lending’s reliance on policy reforms which may not materialize; and using DPOs and/or ASA to support key policy reforms.

35. **World Bank ‘prior reviews’ are an important protection for implementing agencies from interference and accusations of corruption.** While continuing public procurement capacity building, therefore, World Bank prior review thresholds will remain at a level that balances efficiency with integrity.

**Table 4: Summary Risks to Bank Group Program**

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	Substantial
6. Fiduciary	Substantial
7. Environment and social	Moderate
8. Stakeholders	Moderate
9. <b>Overall</b>	<b>Substantial</b>

## Annex 1. FY18-21 CPF Results Framework

<b>FOCUS AREA 1: ECONOMIC GOVERNANCE – STRENGTHENING RULE OF LAW &amp; ACCOUNTABILITY IN ECONOMIC INSTITUTIONS</b>		
<b>CPF OBJECTIVE 1A: Enhanced quality and implementation of investment climate regulation</b>		
<p><b>Intervention logic:</b> The SCD’s poverty analytics and Moldova’s 2020 vision statement emphasize the need for Moldova’s poverty reduction to shift from a growth model based on remittances and pensions to one based on private sector job-creation. However, business survey data (BEEPS, Cost of Doing Business) show that growth in private employment is constrained by the corrupt and unequal treatment of businesses by state institutions. Several Bank Group interventions will therefore seek to reduce the scope for corruption by supporting the development and implementation of a simplified regulatory framework for business, and by measuring the performance of supervisory institutions. The Competitiveness Enhancement Project II will support a One-Stop Shop and the measurement of institutional performance and compliance costs. IFC will continue to advise on regulatory simplification under the Investment Climate Reform Project and the investment climate component of the Economic Rule of Law Project. The latter will also support alternative dispute resolution mechanisms and the enforcement of commercial court decisions. An Economic Governance DPO will support a reduction in the number of trade authorizations and the automatic registration of farm inputs which are in the EU catalogue. Expected outcomes during the next 2-3 years include a less burdensome business regulatory framework, in particular regarding licenses, permits and inspections, processes and procedures around trade logistics, and policies towards Foreign Direct Investments.</p>		
CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	Bank Group Program
<p><b>Indicator 1:</b> Cost savings from reduced regulatory burden on businesses (annual measurement using compliance cost saving methodology of T&amp;C GP) Baseline: 0 (FY17) Target: US\$9,000,000 (FY20)</p>	<p>SPI 1: Increased accountability of regulatory authorities and effectiveness of regulations (WGI Regulatory Quality [for definition see <a href="http://info.worldbank.org/governance/wgi/pdf/rq.pdf">http://info.worldbank.org/governance/wgi/pdf/rq.pdf</a>]) Baseline: -0.05 (2015) Target: 0.3 (2020)</p> <p>SPI 2: Enhanced performance-based indicators for authorities with business regulatory functions (monitored under CEP-II) – annual indicator compared to 2015 baseline</p> <p>SPI 3: Percentage of management time spent dealing with regulatory authorities remains under 8% (CODB survey under CEP-II), i.e. maintaining reduction from 10.7% in 2013 to 7.9% in 2016</p> <p>SPI 4: Most burdensome 80 business permits incorporated into One Stop Shop Baseline: 0 (FY17) Target: 80 (FY19)</p>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>• Competitiveness Enhancement II Project (ongoing)</li> <li>• <u>MIGA</u>: ProCredit Holding AG&amp;Co, KGaA, Raiffeisen Bank SA</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• IFC Investment Climate Reform (ICR) Advisory Project</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>• Economic Rule of Law Project (EU TF)</li> <li>• STAREP</li> </ul>

**CPF OBJECTIVE 1B: Strengthened management of public sector assets**

**Intervention logic:** The SCD highlights the need to raise the efficiency of public spending, notably through improved accountability and transparency. Within this broad objective, it is a government priority to improve its financial control over, and the financial performance of state-owned assets, including real estate and state-owned enterprises (SOEs). Poor financial reporting of causes revenue loss and facilitates corruption, while the commercial losses and subsidization of SOEs together cost over 4 percent of GDP. A new inventory of public assets will be supported by the Land Registration, Valuation and Local Taxation Project, the Economic Rule of Law Project (EU) and a UK-funded TF. Improved financial control over SOEs will be supported by the aforementioned EU and UK TFs, while the Bank will advise on privatization policy, possibly supported by IFC transactional advice. The financial sustainability of energy utilities will be supported by tariff-related activities in the District Heating Efficiency Improvement Project, the Economic Governance DPO and several ASAs. A health public expenditure review will estimate the costs of operating the hospital network under different scenarios. Expected outcomes include: improved SOE financial management and governance principles compliant with international standards, better control and transparency of public assets, and greater financial sustainability in the energy sector.

**Indicator 2:** Establishment of an inventory of public sector assets  
 Baseline: Non-existent (2016)  
 Target: Established (2018)

**Indicator 3:** Effective and independent energy sector regulation  
 Baseline: Ad-hoc tariff setting for the DH and power networks (2013-17)  
 Target: End-user tariffs for Termoelectrica and Gas Natural Fenosa customers set on time and in accordance with methodology through calendar year 2020)

**Indicator 4:** Percent of 20 largest Public Interest Entities (SOEs) which:  
 - Have issued their financial statements in accordance with IFRS: 0% (FY17)/ 30% (FY19)  
 apply the Code of Corporate Governance (with similar requirements as for listed entities): 0 (FY17)/ 30% (FY19)

SPI 5: Strengthened policy framework for SOEs' ownership in place  
 Baseline: N/A (2017)  
 Target: Rationale for SOEs' ownership approved by the Government (2018)

SPI 6: Improved governance framework for centralized State-owned Enterprises' (SOEs) ownership function  
 Baseline: N/A (FY17)  
 Target: Adequate regulations for proper functioning of centralized ownership institution approved (FY20)

SPI 7: Increased knowledge of public assets available

**WBG Lending:**

- District Heating and Efficiency Improvement Project (ongoing)
- Economic Governance DPO (pipeline FY18)
- Transparent Power Market Project (pipeline FY18)
- Land Registration, Valuation and Local Taxation Project (pipeline FY18)

**ASA:**

- District Heating Financial Restructuring (ongoing)
- ESMAP Just-In-Time DH regulatory support
- ESMAP Power System Interconnection Analysis
- SOE Reform (UK TF)
- Governance Reform Scorecard TA (UK TF)
- Public Expenditure Reviews
- Public Asset Inventory (UK GGF)
- IFC potential advice on privatization transactions

**Partnerships:**

	<p>to decision-makers through the functional repository  Baseline: N/A (FY17)  Target: Training on collection and use of information generated by the state asset registry provided (FY19)</p>	<ul style="list-style-type: none"> <li>• Economic Governance of the Energy Sector (EU TF)</li> <li>• Economic Rule of Law Project (EU TF)</li> <li>• Public Sector Inventory (UK- and EU-supported)</li> <li>• UK Good Governance Fund</li> <li>• IMF</li> </ul>
<b>CPF OBJECTIVE 1C: Enhanced financial sector governance and stability</b>		
<p><b>Intervention logic:</b> A massive bank fraud in 2013-14 enabled by political interference with the supervision function led to depreciation of the currency, inflation, financial destabilization and loss of investor confidence. Fiscal and monetary stabilization measures, along with the suspension of external budget assistance, constrained private investment and contributed to a recession. It is therefore important for macroeconomic stability, investor confidence, growth and political economy that the authorities stabilize the financial sector and improve credit demand and access by strengthening regulation, governance and transparency of ownership, and sanction those responsible for fraud. ASA, in partnership with the IMF and the Economic Governance DPO, will support more rigorous bank supervision, with a focus on governance and related-party lending, and insurance regulation. IFC will continue to assess the potential for partnerships with strategic investors to strengthen the governance and financial condition of key banking institutions and with international bank subsidiaries to increase micro, small and medium enterprises' growth and access to finance. STAREP may support the National Bank's scrutiny of banks' financial reports. STAR and the Economic Governance DPO will support asset-reporting and possibly the recovery of fraudulently-acquired assets. Intended outcomes include a strengthened stolen asset recovery regime, improved supervision of banks and insurance companies, and proceedings against those responsible for the 2013-14 bank fraud.</p>		
<p><b>Indicator 5:</b> Enhanced supervision regime  Target: Any undercapitalized banks implementing time-bound recapitalization and/or restructuring plans, or are in process of resolution (FY18 and FY20)</p> <p><b>Indicator 6:</b> Strengthened legal, regulatory, and supervisory framework for the insurance sector  Targets: New insurance law adopted by Parliament (by December 2018), updated regulations issued (by December 2019), and Motor Third Party Liability Law adopted by Parliament (December 2019)</p> <p><b>Indicator 7:</b> Digital registry of asset declarations online and receiving asset declarations. (December 2018)</p>	<p>SPI 8: National Bank of Moldova (NBM) issues corporate governance regulation and instructs banks to establish comprehensive corporate governance codes and conflict of interest policies (by December 2017)</p> <p>SPI 9: NBM has inspected all banks under this corporate governance regulation (by December 2019)</p> <p>SPI 10: Risk-based insurance supervision methodology adopted (by December 2019)</p> <p>SPI 11: Following laws adopted by Parliament (by December 2018):</p> <ul style="list-style-type: none"> <li>○ Law on Agency for Recovery of Criminal</li> </ul>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>• Economic Governance DPO (pipeline FY18)</li> <li>• DPOs (pipeline)</li> </ul> <p><b>IFC engagement</b></p> <ul style="list-style-type: none"> <li>• IFC potential new investment or advisory service engagement in financial sector.</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Programmatic Financial Sector TA</li> <li>• FIRST TFs on insolvency, secured transactions and insurance</li> <li>• STAREP</li> </ul> <p><b>Partnerships:</b></p>

<p><b>Indicator 8:</b> Strengthened legal framework for insolvency and creditor/debtor regime Target: Adoption of amendments to Insolvency Law, aligning it with 2014 ROSC and international best practice (by December 2019)</p>	<p>Proceeds</p> <ul style="list-style-type: none"> <li>○ Law on Amending and Completing Legislative Acts</li> <li>○ Amendments to Law on National Integrity Authority</li> <li>○ Amendments to Law on Declaration of Assets and Interests</li> </ul>	<ul style="list-style-type: none"> <li>● IMF</li> <li>● FinSAC</li> </ul>
<b>FOCUS AREA 2: SERVICE GOVERNANCE – IMPROVING EFFICIENCY, QUALITY &amp; INCLUSIVE ACCESS TO PUBLIC SERVICES</b>		
<b>CPF OBJECTIVE 2A: Increased efficiency and quality of selected public services</b>		
<p><b>Intervention logic:</b> The SCD and the FY16 Public Finance Review identified serious inefficiencies in the provision of public social, administrative and infrastructural services, leading to a disconnect between their high share of GDP and outcomes often below regional comparators. Deficiencies in accountability and transparency, as well as the influence of special interests over resource allocation, are key constraints upon these sectors’ efficiency. Bank Group interventions will support transparency and resource-optimization. The Tax Administration Modernization Project (FY16) will support transparency and efficiency through digitization and organizational change. The Health Transformation Project will incentivize a shift from hospital- to primary-based care. The Land Registration, Valuation and Local Taxation Project will help create transparent registries of land ownership, valuations and public real estate, as well as improving local governments’ administrative capacity to manage revenue. IFC will assess possibilities to support private sector participation in energy (generation and transmission) through investments and transaction advisory services. The Transparent Power Market Project, the UK Good Governance Fund and the Economic Governance DPO will together support rules-based and competitive electricity trading, by introducing Romania as a new source of supply, and supporting private sector participation in electricity distribution and possibly privatization of generation and/or transmission. The Commitment to Equity study and Health and Education public expenditure reviews will identify options to increase the poverty-focus of public spending within a fiscal envelope agreed with the IMF. Expected outcomes under this focus area include: improved services to citizens from the State Tax Service, primary health centers and the cadaster agency, and improved security of the public power supply.</p>		
<b>CPF Objective Indicators</b>	<b>Supplementary Progress Indicators (SPIs)</b>	<b>Bank Group Program</b>
<p><b>Indicator 9:</b> Government Effectiveness indicator (WGI [for definition see <a href="http://info.worldbank.org/governance/wgi/pdf/ge.pdf">http://info.worldbank.org/governance/wgi/pdf/ge.pdf</a>]) Baseline: -0.63 (2015) Target: -0.1 (2020)</p> <p><b>Indicator 10:</b> Reduced time required to comply with taxes Baseline: 186 (2016) Target: 165 (2021)</p> <p><b>Indicator 11:</b> Increased hospitalizations by referral</p>	<p>SPI 12: Enhanced efficiency of the hospital sector, as</p>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>● Tax Administration Modernization Project (ongoing)</li> <li>● Health Transformation PforR (ongoing)</li> <li>● Land Registration, Valuation and Local Taxation Project (pipeline FY18)</li> <li>● Transparent Power Market Project (pipeline FY18)</li> <li>● Economic Governance DPO (pipeline FY18)</li> </ul>

<p>from family doctors as share of total hospitalizations for selected key non-communicable diseases Baseline: 21% (FY14) Target: 35% (FY19)</p> <p><b>Indicator 12:</b> Increased quality and efficiency of property registration and valuation system, as measured by land area with property rights recorded Baseline: 1.8 million ha (FY18) Target: 2.1 million ha (FY21)</p> <p><b>Indicator 13:</b> Increased security and diversification of power supply</p> <ul style="list-style-type: none"> <li>- Southern interconnection with Romania <i>Vulcanesti Isaccea</i> via Back-to-Back (BtB) link and new substation and overhead high-voltage line (OHVL) commissioned</li> </ul> <p>Baseline: No connection with Romania (FY17) Target: BtB interconnection with Romania commissioned and operational by FY21</p>	<p>measured by reduced number of acute care beds in public hospitals in Chisinau Baseline: 12,077 (2015) Target: &lt;10,000 (FY19)</p> <p>SPI 13: Property valuation system established and revaluation conducted at least once Baseline: No (FY18) Target: Yes (FY21)</p> <p>SPI 14: Moldova implements Power Market guidelines consistent with European Energy Community 3<sup>rd</sup> Energy Package Baseline: Power market guidelines approved but not yet implemented (FY17) Target: All power from Transnistria and foreign sources purchased through tenders consistent with European Energy Community obligations throughout 2018-2019</p>	<p><b>IFC engagements</b></p> <ul style="list-style-type: none"> <li>• IFC ongoing engagement in the energy sector (Union Fenosa Moldova: distribution)</li> <li>• IFC potential investments in energy infrastructure</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>• EBRD, EIB, Switzerland, Sweden</li> <li>• Economic Governance of the Energy Sector (EU TF)</li> <li>• Economic Rule of Law Project (EU TF)</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Investment Climate Reform Advisory Project (IFC)</li> <li>• ESMAP Moldova Power System Interconnection Analysis</li> <li>• Health Public Expenditure Review (Swiss TF)</li> <li>• Governance Reform Scorecard TA (UK TF)</li> <li>• Commitment to Equity and Poverty Monitoring</li> <li>• IFC potential PPPs in energy</li> </ul>
<b>CPF OBJECTIVE 2B: Increased inclusive access to selected public services</b>		
<p><b>Intervention logic:</b> The SCD found that spatial inequalities were a prominent aspect of infrastructure service access. Limited access, inefficiency and poor quality have contributed to social exclusion, persistent poverty and vulnerability to shocks, especially in rural areas. The Local Roads Improvement Project and a Road Safety TA will improve physical access to public services in spatially-disadvantaged locations. IFC will consider continued support to the city of Chisinau with rehabilitation investments that improve access to water supply, wastewater services and transport infrastructure and will explore further opportunities to help upgrade essential infrastructure at the subnational level in Moldova. Furthermore, IFC will assess possibilities to support private sector participation in transport, social sectors and telecommunications. There are also opportunities to reduce the time- and informal payment-cost of administrative services by expanding e-services. The Modernization of Government Services Project will therefore reduce the time-costs and corruption risks in administrative services. Envisaged outcomes include increased physical access to social services and improved access to administrative services. The Country Gender Action Plan, covering all CPF Focus Areas, identifies three inequalities to be addressed during the CPF period: female vulnerability to gender-based violence, unequal participation in the labor market, and male vulnerability to non-transmissible diseases. The CPF commits to measures to reduce gender gaps through the Education Additional Financing (FY18), the Skills for Jobs Project (FY19) and at least one other project.</p>		

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	Bank Group Program
<p><b>Indicator 14:</b> Increased share of people accessing e-services in the past 12 months, while maintaining parity between men and women Baseline: 24% (2017), of which 49.5% women and 6% bottom 40% Target: 50% (2020), of which at least 49.5% women and 10% bottom 40%</p> <p><b>Indicator 15:</b> Increased physical access to rural education and health services, as measured by:</p> <ul style="list-style-type: none"> <li>- Number of schools connected by rehabilitated/upgraded local roads Baseline: 0 (2018) Target: 133 (2021)</li> <li>- Number of health facilities connected by rehabilitated/upgraded local roads Baseline: 0 (2018) Target: 157 (2021)</li> </ul>	<p>SPI 15: Framework for public services re-engineering and digitization implemented Baseline: N/A (2017) Target: Framework operational (FY18)</p> <p>SPI 16: 3 Government projects approved by the WBG in FY18-19 contain measures to reduce gender inequality (CGAP) Baseline: 0 Target: 3</p> <p>SPI 17: Government launches access to justice programme for victims of gender-based violence Baseline: Non-existent (2017) Target: Established (2020)</p>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>• Local Roads Improvement Project (ongoing)</li> <li>• Modernization of Government Services Project (pipeline FY18)</li> </ul> <p><b>IFC engagements</b></p> <ul style="list-style-type: none"> <li>• IFC ongoing investment in Chisinau’s municipal infrastructure</li> <li>• IFC potential engagements in municipal, transport, ICT, social sector infrastructure</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>• Moldova: Gender Based Violence JSDF Grant</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Road Safety Study</li> <li>• Moldova Country Gender Action Plan (CGAP)</li> <li>• PLR review of CGAP (FY19)</li> </ul>
<p><b>FOCUS AREA 3: SKILLS DEVELOPMENT – ENHANCING QUALITY AND RELEVANCE OF EDUCATION &amp; TRAINING INSTITUTIONS TO ENABLE ACQUISITION OF JOB-RELATED SKILLS</b></p>		
<p><b>CPF OBJECTIVE 3A: Enhanced efficiency and quality of primary and secondary education</b></p>		
<p><b>Intervention logic:</b> Moldova’s education and training system is insufficiently geared to the skills in demand in the labor market. Besides weaknesses in early childhood, basic, and secondary education, with low transition from lower- to upper-secondary schools, technical and vocational education and training suffer from a weak strategic framework, poor service delivery, and ineffective oversight. Vocational education graduates report significant mismatches between their training and the jobs available. There is also evidence of education-job mismatches among workers with higher education, with many employed in areas unrelated to their fields of study. While policies to better align the supply of skills with the demands of the labor market are being adjusted, more efforts are needed to enhance the quality and relevance of education and training at all levels. The ongoing Education Reform project, including the additional financing under consideration, will be supplemented by a planned Skills for Jobs project designed to address the education and training-labor market mismatch directly. It will be preceded by significant analytical work, including an education public expenditure review and notes on labor demand and supply, informality and self-employment, and private sector skill demand. Planned outcomes under this focus area include: increased efficiency and quality of the primary and secondary system overall, measured by the number of schools achieving minimum education standards, better teacher/student ratios, and increased occupancy; and more and better-quality data on the demand for, and supply of skills. This last activity will provide background context and a baseline for the Skills for</p>		

Jobs project; however, most results of this project will materialize beyond the duration of this CPF and will be captured in the following partnership framework.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	Bank Group Program
<p><b>Indicator 16:</b> At least 14,000 students attending schools meeting minimum quality standards (<i>including, inter alia, with respect to school organization, teaching and learning, school infrastructure and equipment, curriculum and evaluation, and school governance</i>), also being accessible to people with disabilities Baseline: 0 (FY17) Target: 14,000 (FY21)</p> <p><b>Indicator 17:</b> Ratio of the number of students in general primary and secondary schools compared to the number of spaces maintained Baseline: 0.49 Target: 0.49</p> <p><b>Indicator 18:</b> Improvement in student test performance where teachers received training compared to control group (percentage) Baseline: 0% Target: 5%</p>	<p>SPI 18: Revised financing mechanism at preschool level piloted in two rayons Baseline: 0 (FY17) Target: 2 (FY19)</p> <p>SPI 19: Participatory decision-making and enhanced quality of public debate measured by number of WB-supported communities applying social accountability tools Baseline: 60 (March 2017) Target: 100 (December 2018)</p> <p>SPI 20: General primary and secondary level school teachers and directors trained in gender awareness module Baseline: 0% (FY17) Target: 60% teachers &amp; 80% directors (FY21)</p>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>• Moldova Education Reform Project (ongoing)</li> <li>• Moldova Education Reform AF (pipeline FY18)</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>• PHRD Grant on Integration of Children with Disabilities into Mainstream Schools (ongoing)</li> <li>• Increasing participatory decision making on education GPSA grant (ongoing)</li> <li>• UNICEF</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Education Public Expenditure Review</li> </ul>

**CPF OBJECTIVE 4A: GREATER ADAPTATION, RESILIENCE AND RESPONSE TO CLIMATE CHANGE**

Moldova's vulnerability to climate-related shocks is substantial with, in some recent cases, significant adverse impacts on the economy. The 2015 summer drought, for example, affected agricultural and overall GDP and household consumption. By at least one widely recognized global measure, Moldova ranks as the most climate vulnerable country in Europe based on a range of economic and social indicators, including low adaptation capacity.

**Intervention logic:** The proposed Climate Adaptation project will support the adoption of climate resilient practices in agriculture, forestry and pasture management in targeted landscapes and, in addition, strengthen the country's national disaster management system. This project fulfills Moldova's commitment under IDA17 to undertake a climate change investment program. Synergies are built with the ongoing Moldova Agriculture Competitiveness project, and new ASA will inform further opportunities for adoption of climate-adaptive agricultural practices. In agribusiness, IFC will continue to assess possible new engagements to enhance the production and export potential of key commodities and increase productivity and standardization in value chains, making farmers more resilient to climate risk. Expected outcomes include the extension of climate-resilient land management, the expansion of capital-intensive agriculture, and quicker response to climate-related disasters.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	Bank Group Program
<p><b>Indicator 19:</b> Project land area under sustainable landscape management practices (corporate indicator)</p>	<p>SPI 21: Rate of adoption of improved climate-smart technologies in agriculture (as a result of extension</p>	<p><b>WBG Lending:</b></p> <ul style="list-style-type: none"> <li>• Moldova Agriculture</li> </ul>

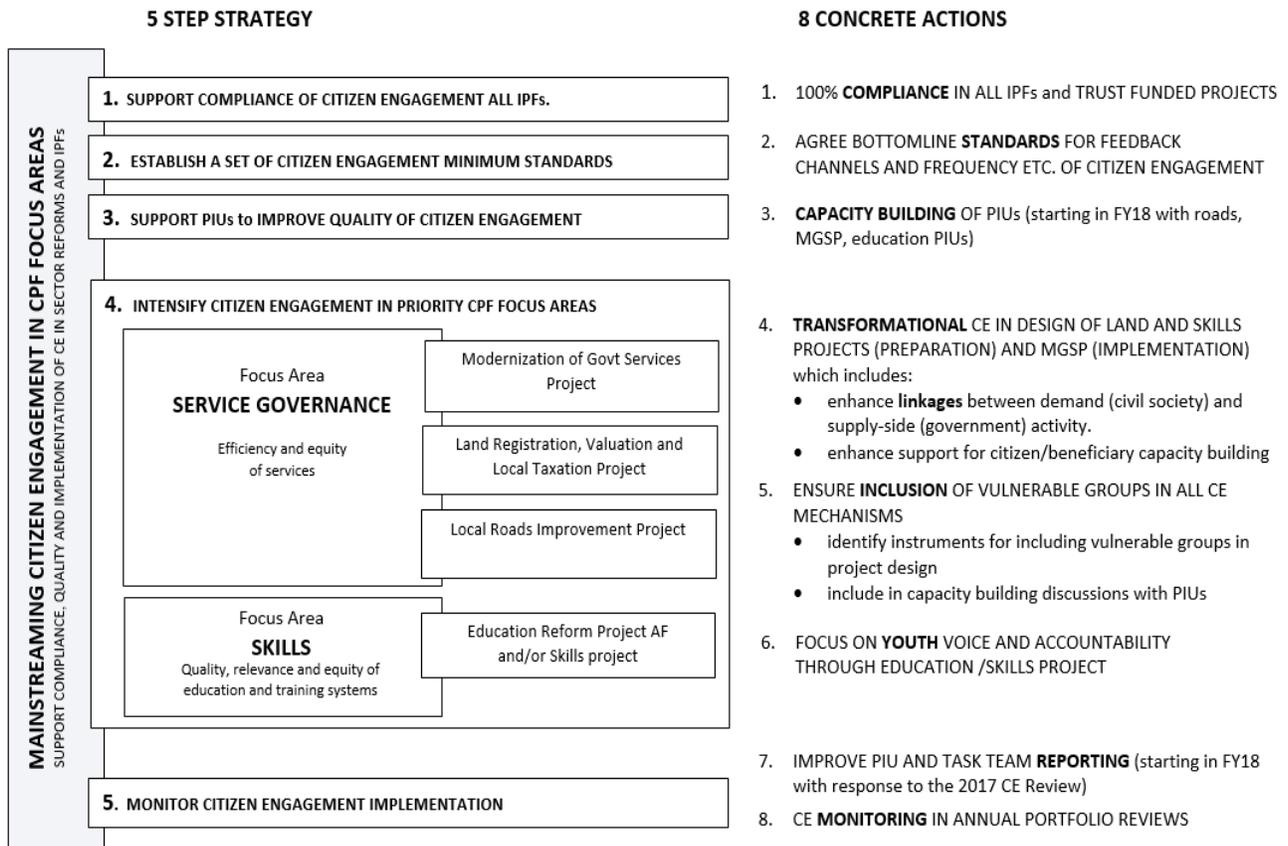
<p>Baseline: 0 ha (FY17) Target: 8,650 ha (FY21)</p> <p><b>Indicator 20:</b> Strengthened capacity to respond to climate-related disasters, as measured by rate of compliance with standard emergency response time (percentage) Baseline: 7% (FY17) Target: 60% (FY21)</p>	<p>services) Baseline: 0 (2016) Target: 30 (2021)</p> <p>SPI 22: Project area protected by robust anti-erosion rehabilitated shelterbelts (ha) Baseline: 45,000 (FY17) Target: 50,000 (FY19)</p>	<p>Competitiveness Project and AFs (ongoing)</p> <ul style="list-style-type: none"> <li>• Climate Adaptation Project (FY17)</li> <li>• Ongoing IFC investments in Agribusiness (Bostavan, TransOil)</li> <li>• Potential new IFC engagements in sustainable agribusiness</li> </ul> <p><b>ASA:</b></p> <ul style="list-style-type: none"> <li>• Reinforcing Weather and Climate Services</li> <li>• Study of Adoption of Climate-Adaptive Agriculture</li> </ul> <p><b>Partnerships:</b></p> <ul style="list-style-type: none"> <li>• Global Environment Facility</li> </ul>
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## Annex 2. Citizen Engagement

The approach to citizen engagement in the CPF period will be focused on improving the *quality* of the engagement process, and (ii) maintaining the current levels of compliance and implementation. This adjusts the strategy to the findings of a portfolio review conducted in FY17 (and reported in the CLR) that indicated very good follow through in the commitments made in IPFs at approval. A Citizen Engagement Country Roadmap, summarized below, sets out five country level objectives which include compliance, standards, PIU capacity, and monitoring. These objectives will be met through eight concrete actions implemented through WB-financed operations.

A primary focus of the engagement will also include effort to develop three transformational platforms through which the CPF will seek higher levels of impact. The sectors selected for these three areas are: roads, education and land. These target platforms are intended to develop and intensify: (i) links between citizen monitoring and information flows (creating informed monitoring); (ii) constructive engagement, trust building and dialogue (by utilizing CE mechanisms that ensure a state-non-state interface); (iii) youth voice and accountability (through youth-led approaches); and (iv) inclusive mechanisms that are proactive in reaching marginalized groups (through a vulnerability filter). Follow-up citizen engagement reviews will be undertaken prior to the PLR and CLR.

### CITIZEN ENGAGEMENT COUNTRY ROADMAP – MOLDOVA



## Annex 3. Moldova: FY14-17 CPS Completion and Learning Review

Date of CPS (FY14-17): August 9, 2013 (Report No. 79701-MD)

Date of CPS Performance and Learning Review: April 25, 2016 (Report No. 105716-MD)

Period Covered by Completion and Learning Review: July 1, 2013 to June 30, 2017

### I. SUMMARY OF KEY FINDINGS

**1. The FY14-17 CPS was prepared in the context of continuing political instability, worsening governance indicators,<sup>4</sup> and an economy that, after growth averaging 5 percent annually since the early 2000s, had slowed and remained vulnerable to euro-zone and other regional challenges, as well as climate-induced droughts and a massive banking fraud.** The CPS was organized around three pillars: *Increasing Competitiveness*; *Enhancing Human Capital and Minimizing Social Risks*; and *Promoting a Green, Clean, and Resilient Moldova*—with *Governance*, especially in the public sector, a cross-cutting, underlying theme. Anchored in the country’s National Development Strategy (NDS)—*Moldova 2020*, it was also aligned with the government’s agenda for closer relations with Europe, leading to the signing of an Association Agreement (AA) and a Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the European Union (EU) in June 2014.

**2. The FY16 Performance and Learning Review (PLR) concluded that the CPS was on track and that its strategic areas of focus remained valid, but cautioned that further progress would depend upon stronger commitment by the authorities to improved governance.<sup>5</sup>** For instance, actions intended to increase competitiveness were being undermined by systemic corruption, exemplified by the fraud and collapse of three large banks in late 2014 resulting in losses equivalent to about 12 percent of GDP. Other outcomes, such as those relating to the efficiency and quality of education, health, and social assistance services, were at risk because of delayed policy decisions and frequent changes in personnel. Looking ahead, the PLR urged the Bank Group to be less sanguine about institutional integrity and political commitment to reform and, at the same time, to address governance challenges more directly.

#### *Development Outcome*

**3. The development outcome of the FY14-17 CPS overall is rated as *Moderately Satisfactory*.** This assessment is justified by the positive results recorded under the *Increasing Competitiveness* and *Promoting a Green, Clean, and Resilient Moldova* pillars, where 10 of 15 outcomes, or two-thirds, were achieved or mostly achieved, and the *Governance* theme, where 7 of 13 outcomes, or 54 percent, were achieved or mostly achieved and 5 partially achieved. By contrast, results under *Enhancing Human Capital and Minimizing Social Risks* were modest, with only 3 of 6 outcomes partially achieved, due to weak commitment to policy reforms and the frequent changes in key education and health ministry personnel noted in the PLR. On the other hand, these ostensibly disappointing scores do not reflect broader sector-wide progress achieved in the quality of general education, captured in 2015 PISA<sup>6</sup> data for example, nor the fact that at least two indicators unrelated to Bank Group activities were arguably

<sup>4</sup> Moldova’s ranking for control of corruption on the Bank Group’s Worldwide Governance Indicators (WGI) declined from 21 in 2008 to 33 in 2014, a score not yet reflecting the impact of the banking fraud.

<sup>5</sup> Performance and Learning Review of FY14-17 Country Partnership Strategy for Republic of Moldova, Report No. 105716, April 25, 2016.

<sup>6</sup> Program for International Student Assessment (PISA), which measures 15-year-old students’ reading, math, and science literacy every three years.

inappropriate. Table 1 below summarizes CPS outcome ratings by pillar. No major shortcomings were identified.

**Table 1. Summary of outcome ratings**

Pillar	No. of outcomes	Achieved	Mostly Achieved	Partially Achieved	Not Achieved	Not verified
Improving Competitiveness	9	2	3	3	1	0
Enhancing Human Capital & Minimizing Social Risks	6	1	0	3	1	1
Promoting a Green, Clean, and Resilient Moldova	6	3	1	1	1	0
Governance	13	6	1	6	0	0
<b>TOTALS:</b>	<b>34</b> (100%)	<b>12</b> (35%)	<b>5</b> (15%)	<b>13</b> (38%)	<b>3</b> (9%)	<b>1</b> (3%)

**4. During FY14-17, Bank Group commitments totaled US\$330 million for seven new projects and additional financing for three ongoing operations—US\$196 million on IDA and US\$134 million on IBRD terms.** In addition, bilateral and multilateral trust funds supported key institutional reforms and project implementation in the energy, financial, and governance sectors. Advisory Services and Analytics (ASA), besides monitoring macro-and socio-economic trends, included economic and sector work on land governance, public administration and expenditure, trade, transport, and water. Meanwhile, IFC’s committed investment portfolio comprises 12 operations totaling US\$53.8 million, about 95 percent in loans and 5 percent in equity. In addition, IFC and the Bank, through the T&C and F&M practices, have been assisting the Government’s regulatory reform agenda to improve the business enabling environment through IFC’s Investment Climate Reform (ICR) project and the Bank-financed Competitiveness Enhancement II (CEP II) project, and deepen the country’s financial infrastructure with a focus on credit reporting through the Balkans-Armenia Financial Infrastructure (BAFI) project. Finally, MIGA’s gross exposure amounts to US\$25.4 million for three projects that support foreign bank subsidiaries in Moldova, including leasing and micro-finance activities.

**5. The CPS program was broadly aligned with Bank Group corporate goals to end extreme poverty and boost shared prosperity in a sustainable manner.** Specifically, activities under the second pillar supported better access to, and improved quality of general education and public health services, as well as more equitable and fiscally sustainable pension and social assistance systems, which benefitted mostly the population in rural areas given that poverty is particularly a rural phenomenon. The relevance of these activities to corporate goals was also underlined by the results of both the 2016 poverty assessment<sup>7</sup> and the subsequent Systematic Country Diagnostic (SCD)<sup>8</sup>. The program also reflected the Europe and Central Asia (ECA) region’s commitment under IDA17 to support a climate change adaptation program in Moldova. In addition, reviews of citizen engagement and gender were commissioned in FY17 to verify the CPS’ alignment with Bank Group priorities in these areas.

<sup>7</sup> Poverty Reduction and Shared Prosperity in Moldova: Progress and Prospects, Report No. 10572-MD, May 2016

<sup>8</sup> Moldova: Paths to Sustained Prosperity, Report No. 107502-MD, August 2016

## *Bank Group Performance*

**6. The Bank Group’s overall performance in designing and implementing the CPS program is rated as *Good*.** This assessment takes into account: (a) the CPS’ alignment with the government’s NDS—*Moldova 2020*, including its agenda for closer relations with Europe; (b) the deployment of a balanced mix of investment lending, ASA, and technical assistance, bolstered by frank, intensive policy dialogue and a dynamic external communications strategy; (c) the agility of the Bank Group’s response to changing client needs, including during the PLR; and (d) the proactive management and oversight of the portfolio, characterized partly by a disbursement ratio averaging over 25 percent during the period, above the ECA regional and Bank-wide average.

## II. HIGHLIGHTS OF ASSESSMENT

### *Background*

**7. After growth averaging 5 percent annually since the early 2000s and poverty declining from 26 percent in 2007 to 11 percent in 2014, deteriorating external conditions and increased governance challenges slowed the economy during the CPS.** In 2015, it contracted by 0.5 percent, due to: adverse external factors that reduced remittances from, and halved exports to Russia; a summer drought; and the banking system crisis noted above. In 2016, agriculture recovered and the economy expanded 3.3 percent year-on-year in the first three quarters. However, investment was subdued due to high interest rates and only slowly emerging confidence in the government’s anti-corruption measures and investment climate reforms. In 2017, GDP growth is expected to pick up gradually, but remain below the pre-2014 average of 5 percent. Meanwhile, Moldova remains vulnerable to changes in external demand and climate shocks. It is also at risk due to its high external debt and a legacy of political instability.

**8. Moldova’s achievements in poverty reduction and shared prosperity are impressive, especially relative to other countries in the ECA region.** Besides the 15-point fall in poverty between 2007-14, inequality measured by the *Gini* coefficient also declined from 0.3 to 0.23 during the same period. However, the principal determinants of past progress—remittances mainly to poor rural areas and pensions mainly to in urban areas—are unsustainable, underlining the need for a more balanced growth model. This will involve creating more and better jobs and enhancing access to improved education, health and other services enabling individuals to enter productive employment. At the same time, structural issues such as the burgeoning economic dependency ratio and regional and group disparities will need to be addressed.

**9. This self-assessment summarizes outcomes as of June 30, 2017—the end date of the CPS—based on its results framework as revised and updated in the PLR.** Detailed indicators of results achieved—derived mainly from the project development objectives of individual investment operations, technical assistance activities, or ASA—are provided in Attachment 1: *Summary of FY14-17 Program Self-Evaluation*. Paragraphs 11-14 below review the main highlights, including Bank Group activities that contributed directly or indirectly. The principal data sources for individual investment operations are *aide-memoires* and/or implementation status reports (ISRs) for the last two years; and for technical assistance and ASA activities information provided by the Bank Group staff concerned. Sections III-V below evaluate the Bank Group’s performance and indicate lessons learned relevant to the next CPF.

**10. The overall development outcome of the FY14-17 CPS program is rated as *Moderately Satisfactory*.** This assessment is based on an analysis of its three strategic pillars and one cross-cutting theme—comprising 34 planned outcomes measured relative to 52 individual indicators—of which two pillars and the cross-cutting theme are judged *moderately satisfactory* and one pillar—*Enhancing Human Capital and Minimizing Social Risks*—is considered *moderately unsatisfactory*. In this connection, the large number of outcomes and individual indicators relative to the modest size of the program and portfolio—9-10 operations totaling about US\$320 million—may have created expectations about the CPS’ potential impact that exceeded its ability to deliver. In other words, the scope of a results framework should be proportionate to that of the program. This issue, including the need for greater clarity, focus, and selectivity, is discussed further below (paras. 17 and 28).

### **Pillar 1: Increasing Competitiveness**

**11. Bank Group activities under this pillar—in particular the 2<sup>nd</sup> *Competitiveness Enhancement* project and IFC’s ICR project—aimed to support progress towards two strategic objectives: an improved business environment, including better access to finance for private businesses; and increased competitiveness in agriculture.** Progress was assessed relative to nine outcomes—six for the business environment and three for increased competitiveness in agriculture—and the attainment or otherwise of up to 17 indicators. With five of nine outcomes achieved (2) or mostly achieved (3), three partially achieved, and one not achieved, the overall outcome of this pillar is rated *moderately satisfactory*. However, given the systemic impact of the massive fraud and collapse of three large banks in late 2014, the financial and technical assistance provided in the context of the 2<sup>nd</sup> Development Policy Operation (DPO-2) and a series of trust-funded activities in late 2016 in support of the fifth objective below—strengthened capital markets—was arguably the CPS’ single most important contribution.

#### **A. Improved business environment and access to finance**

- (a) **Streamlined, more transparent customs procedures – *Achieved*.** Following the introduction of electronic filing supported by IFC’s ICR, the time required to prepare export documentation was reduced to three hours for border compliance and 48 hours for documentary compliance, according to the 2017 Doing Business (Trading Across Borders).
- (b) **Reduced regulatory burden on enterprises – *Partially Achieved*.** One of three indicators for this outcome—reduced management time for regulatory compliance—was achieved and one—the introduction of targeted risk-based methodologies for inspections—was *not achieved*, the latter due to inadequate information systems and data reporting. However, 110 licenses and permits were eliminated in mid-2016 and 306 are under review for submission to the government and legislature during 2017 and thus the third indicator is considered *partially achieved*.
- (c) **Business development services to small- and medium-sized enterprises (SMEs)—*Achieved*.** From a zero baseline in 2013, 522 business development services had been approved by end-2016, of which 99 were fully developed, comfortably exceeding the 2017 target of 240. This achievement is attributed to intensive outreach to SMEs supported by a matching grants program designed to address their specific needs.
- (d) **Improved private enterprise access to formal sources of finance – *Not Achieved*.** After falling to 35 percent of GDP in 2015, following the banking fraud and insolvency of three large banks, private sector credit as of end-September 2016 was about 41 percent, compared to the 2013 baseline of 42 percent. Access to finance since 2013 has been constrained *inter alia* by the

macro-and micro impact of the banking fraud, by the central bank's tight monetary policy, and by fewer financial services access points or bank branches. Engagements under the BAFI project were also affected by adverse financial market conditions.

- (e) **Strengthened capital markets – *Mostly Achieved.*** Three of four indicators for this outcome—the resolution of three insolvent banks, the special audit and restructuring of three additional ‘at risk’ banks, and the legal framework for timely intervention in distressed banks—were *achieved*. The fourth, relating to the listing and trading of government bonds on the stock exchange, was *not achieved*. While the National Commission on Financial Markets (NCFM) and the Ministry of Finance (MOF) have approved regulations to this end, they have not yet been implemented. Meanwhile, the central bank has drafted a new law establishing a Centralized Securities Depository (CSD). The three agencies concerned have agreed that the trading of government bonds on the stock exchange will begin once the CSD is fully functional. In addition to DPO-2, recommendations produced by FSAP and activities covered under Programmatic Financial Sector TA, FIRST and FinSAC TFs contributed to the critical mass of support provided in the financial sector, mainly through advice on resolving the three defrauded banks and addressing issues in three additional distressed banks, including shareholder transparency.
- (f) **Alignment of corporate financial reporting legislation and practices with EU standards – *Mostly Achieved.*** While overall progress in aligning Moldova's legislation and practices in this area with EU (*acquis*) standards is satisfactory, enactment and implementation were delayed owing to the change in government in early 2016. Two of four indicators are rated *mostly achieved*, where draft legislation is ready for approval by parliament in 2017, and two are rated *partially achieved*, where additional actions are pending.

## **B. Improved competitiveness in agriculture**

- (a) **Enhanced competitiveness of agro-food sector – *Mostly Achieved.*** A single Food Safety Agency (FSA), a pre-condition for Moldova's signing of the AA/DCFTA with the EU, has been established and its capacity enhanced by the training of staff responsible for inspections using the risk-based inspections approach. Meanwhile, with almost 90 percent of the actions required to align Moldova's food safety standards with EU sanitary and phytosanitary criteria, the country has made solid progress in upgrading its legislative and regulatory framework, which will not only facilitate its access to EU markets but also modernize its food safety system.
- (b) **Increased market access for farmers – *Partially Achieved.*** Though sales by targeted partnerships receiving investment support grants have increased by only 15 percent to date, they are increasing rapidly and are expected to be near the 50 percent target by June 30, 2017. In 2014, IFC provided financing to a leading integrated agro-industrial group (ID 34474) 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 FY15. Furthermore, the transaction provided better opportunities to local farmers by integrating them with higher value-added international markets.
- (c) **Stabilized output of apples, grapes and plums – *Mostly Achieved.*** Bank support was decisive in stabilizing the output of apples, plums, and grapes during 2015-16 and the target for 2017 is likely be achieved. The Bank-financed compensatory grant program created soon after the 2014 Russian embargo on Moldovan fruits and vegetables was a crucial mitigation measure, allowing thousands of farmers to avoid decapitalization and averting a collapse of the sub-sector.

## Pillar 2: Enhancing Human Capital and Minimizing Social Risks

**12. Bank Group activities under this pillar were designed to support the achievement of two strategic objectives: better access to, and improved quality of education and health services; and equitable and fiscally sustainable pension and social assistance systems.** Progress was assessed relative to six outcomes—two each for education, health, and pensions and social assistance—and the attainment or otherwise of up to 14 indicators. With only four of six outcomes mostly (1) or partially (3) achieved, and two not achieved or verified, the overall outcome of this pillar is rated *moderately unsatisfactory*. The main highlights by CPS outcome are summarized in turn below.

### A. Improved access to, and quality of education and health services

- (a) **Improved quality of education – *Partially Achieved*.** Despite continuing political instability, general education policies remained constant and the authorities’ medium- and longer-term objectives of improved quality and increased efficiency are being achieved. For example, besides introducing minimum quality assurance standards in schools and an improved national student assessment system under the *Education Reform* project, PISA 2015 data indicate significant progress in terms of learning results compared to 2009. One of two indicators was not achieved: the targeted number of hub schools meeting quality assurance standards proved too optimistic, due to an over-estimation of the Ministry of Education’s implementation capacity for civil works and an under-estimation of the schools’ actual needs—project design flaws that necessitated restructuring the *Education Reform* project in FY16.
- (b) **Increased efficiency of education – *Achieved*.** Following the introduction of *per capita* financing nationwide, the efficiency and transparency of resource allocation have increased, exemplified *inter alia* by the total number of primary and general secondary school classes (2,840) reorganized and an increased student-teacher ratio (from 10.85:1 to 11.89:1). However, the sustainability of such interventions often depends on actions that aren’t politically popular, which may raise further concerns.
- (c) **Enhanced access to quality health care – *Partially Achieved*.** While mandatory health insurance coverage of the population increased from 81 percent in 2013 to almost 86 percent in 2015—one of four indicators under this outcome—this was due mainly to increased uptake by higher income households and has remained unchanged since then. Moreover, neither this indicator nor that related to reduced out-of-pocket payments as a share of total health expenditures, which increased slightly in 2015, were the result of Bank Group activities. On the other hand, one of two project-specific indicators—annual acute care hospital discharges—was achieved, whereas that for family doctor visits in 2016 declined to below the original 2014 baseline. Finally, like education, high staff turnover in the Ministry of Health slowed reforms designed to improve health system efficiency and quality.
- (d) **Improved physical access to rural education and health services – *Not Verified*.** Owing to an almost year-long delay in loan effectiveness, construction under the *Local Roads Improvement* Project will not start until the 2017 construction season. This outcome and its two indicators will therefore carry over into the next CPF.

### B. Equitable and fiscally sustainable pension and social assistance systems

- (a) **Fiscally sustainable pension system – Not Achieved.** Neither of two indicators for this outcome—lower spending on pensions (below 8 percent of GDP by 2017) and improved replacement rates (to 30 percent by 2017) – were achieved, despite in the latter case the introduction of pension ‘top-ups’ in 2013. However, it is doubtful whether lower spending on pensions is a realistic objective, given Moldova’s ageing population and the long lag between pension reform and spending impact.
- (b) **Improved equity of social assistance – Partially Achieved.** In 2015, the eligibility threshold of the well targeted *Ajutor Social* program was increased to MDL 900 and coverage amongst the poorest quintile increased to 17.6 percent and is expected to grow further towards the 20 percent target in 2017. At the same time, while the social assistance budget fell by almost one-third in 2012-13, exceeding the indicator of 30 percent by 2017, spending on consolidated categorical benefits started to increase again and in 2015 the social assistance budget was only 11 percent lower than the baseline.

### **Pillar 3: Promoting a Green, Clean, and Resilient Moldova**

**13. Bank Group activities under this pillar were designed to support progress towards the achievement of three strategic objectives: greater adaptation and resilience to climate change; improved natural resources management; and increased energy efficiency and security.** Progress was assessed relative to six outcomes—one relating to climate change, two to natural resources, and four to energy—and the attainment or otherwise of up to 10 indicators. With three of six outcomes achieved, and one mostly and one partly achieved, the overall outcome of this pillar is rated *moderately satisfactory*. The main highlights by CPS outcome are summarized in turn below.

#### **A. Greater adaptation and resilience to climate change**

- (a) **Strengthened weather forecasting and ability to respond to natural disasters – Achieved.** Thanks partly to the *Disaster and Climate Risk Management* project, the State Hydro-meteorological Service’s ability to forecast severe weather and Moldova’s capacity to prepare for and respond to natural disasters have been strengthened. For example, the scale of weather forecasts has been reduced to 300 km<sup>2</sup>, the lead time for warnings of adverse weather has been lengthened (demonstrated recently during the January 2017 blizzard), and, through the creation of an Emergency Command Center and comprehensive technical assistance, the country’s capacity to coordinate and strengthen emergency responses has been strengthened.

#### **B. Improved natural resources management**

- (a) **Sequestration of CO<sub>2</sub> through afforestation of degraded lands – Achieved.** The 2017 target of 0.8 million tons of sequestered CO<sub>2</sub> through afforestation of degraded lands was fully *achieved*. In fact, with afforestation of almost 29,000 ha under the *Soil Conservation* and *Community Forestry* projects, total CO<sub>2</sub> sequestration under both operations is estimated at over 1.2 million tons (including 250,000 tons in 2017). Afforestation activities play an important role not only in adapting to, and mitigating climate change, but also in increasing agricultural competitiveness through soil conservation, as well as helping create jobs in poor rural areas.
- (b) **Enhanced competitiveness of agro-food sector - Mostly achieved.** Both indicators for enhanced competitiveness of Moldova’s agro-food sector through the mainstreaming of agro-environmental and sustainable land management practices were fully *achieved*. Farm areas benefiting from sustainable land management practices total more than 34,000 ha, three times the 2017 target,

while areas protected by anti-erosion belts increased to 45,000 ha, only 5,000 short of the 50,000 target. Prospects for exceeding both 2017 targets by June 30, 2017 are good.

### C. Increased energy efficiency and security

- (a) **Lower costs, improved quality, and increased affordability of Chisinau’s heating supply – *Partially Achieved*.** While results for the first indicator—the number of people with access to more efficient cooking and/or heating facilities—will not be available until the 2017/18 heating season, fuel savings in terms of lower gas needs for heat production totaling 26,379 Gcal in 2016 reached about half the second target for 2017.
- (b) **Restructuring of Chisinau District Heating Company debt – *Not Achieved*.** Despite significant progress in restructuring Chisinau District Heating Company’s debt during 2016, the target of signing an agreement with *Moldovagaz* by 2017 was not achieved. A Memorandum of Understanding between *Termoelectrica*, *Moldovagaz*, and the Ministry of Economy outlining the agreed amount of the debt and terms and conditions for its restructuring was submitted to *Gazprom* (as majority shareholder of *Moldovagaz*) for its approval, but this has not been forthcoming.
- (c) **Identification of options for diversifying electricity supply – *Achieved*.** An electric power market options study of options for diversifying the supply of electricity, completed in 2015, recommended an asynchronous inter-connection with Romania, which the Bank Group plans to finance in FY18.

### Governance as Cross-Cutting Theme

**14. Bank Group activities under the governance cross-cutting theme reflected national priorities to combat corruption, enhance transparency, and advance accountability, especially in the public sector.** Most regulatory reforms supported by CEP-II, the ICR project, the programmatic Financial Sector TA and the DPO series explicitly aimed at addressing these priorities by improving private sector profitability through reduced rent-seeking opportunities for state institutions. The Governance e-Transformation project contributed to improved service delivery in the public sector and reduced opportunities for corruption and the Public Investment Management TA has recommended processes for transparency and rules-based decision-making. The TAs financed from the UK’s “Good Governance and Investment Climate” TF: Tax Legislation Revision, State Owned Enterprise Reform, Justice Sector Reform, and Government Reform Scorecard build up a solid block of advisory work on governance, which will be continued in the next CPF cycle as the impact of such reforms is gradual and necessarily requires time. These were illustrated in the number and wide range of planned outcomes: thirteen, ranging from professionalizing Moldova’s civil service management to confidence-building between Moldova and Transnistria. Progress was assessed relative to the thirteen outcomes and the attainment or otherwise of up to seventeen indicators. With six outcomes achieved, one mostly achieved, and six partially achieved, the overall outcome of this cross-cutting theme is rated *moderately satisfactory*. The main highlights by CPS outcome are summarized in turn below.

- (a) **Professionalization of the civil service through implementation of state secretaries’ positions – *Mostly achieved*.** Most ministries—13 of 16, or 80 percent—are now led by non-political, professional state secretaries. In addition, a professional development program comprising six modules has been approved and is in place and all 13 state secretaries have completed at least one module. However, though a step in the right direction, it is doubtful whether creation of the state secretary function *per se* constitutes ‘professionalization of the civil service.’

- (b) **Improved legislative framework for tax administration – *Partially Achieved*.** Eight working groups comprising government and civil society representatives coordinated by the MOF are currently finalizing revisions to the Tax Code (aligned with EU-Moldova AA requirements) which are expected to be approved during 2017.
- (c) **Strengthened capacity to monitor implementation of governance reform – *Partially Achieved*.** An initial Governance Scorecard covering three dimensions—public administration reform, cost of doing business, and social assistance—was approved on December 1, 2016 and will be published in June 2017. It will be included in the results framework of the next CPF.
- (d) **Public investment monitoring to improve strategic decision-making and resource allocation – *Partially Achieved*.** A public investment monitoring methodology was developed, including a related legal framework, and the MOF completed a database for ongoing and proposed public investments for the 2015 and 2016 state budgets. However, these methodologies have not yet been implemented.
- (e) **Improved accountability for public investment through access to information – *Partially Achieved*.** Government Resolution 1029 dated December 19, 2013 established a project evaluation mechanism and the MOF's Order 185 *Guidelines for Public Investment Project Preparation & Appraisal* supports line ministry staff in project preparation appraisal, and evaluation. However, implementation has been slow and incomplete, partly due to limited budget resources.
- (f) **Improved capacity for oversight of public expenditure – *Achieved*.** Three projects were audited by the Supreme Audit Institution: *Strengthening Effectiveness of Social Safety Net, Education Reform, and Health Transformation*. The quality of the audits was assessed as satisfactory and in accordance with international standards.
- (g) **Improved Treasury system business processes – *Achieved*.** Commencing January 1, 2016, Treasury system business processes allow electronic processing of payments prepared by project implementation units (PIUs).
- (h) **Improved functionality and uptake of electronic procurement system – *Partially Achieved*.** Roll-out of e-procurement to all contracting authorities was only partially achieved due to missing electronic bid submission functionality; technical specifications, catalogues and guidance notes have been developed, but not all standard bidding documents; all contracting authorities are staffed with at least one certified procurement officer and certified procurement officers are placed in the Public Procurement Agency's (PPA) regional offices.
- (i) **Improved social accountability environment – *Achieved*.** Over 900 government data sets, including on public expenditure, are now publicly available through the Open Data Portal.
- (j) **Better participation in decision-making processes and enhanced quality of public debate – *Achieved*.** In 2016, 60 communities participating in the *Global Partnership for Social Accountability* project applied social accountability tools in secondary education. For example, students, teachers, parents and representatives of local and regional authorities review school budgets and performance, discuss school development priorities, and take collective decisions to improve the learning environment. Moreover, 26 schools applied selected social accountability tools without formal participation in project activities.

- (k) **Increased uptake of government e-services, including by females – Achieved.** The *Governance e-Transformation* project reached 617,354 beneficiaries, of which 51.8 percent were women.
- (l) **Increased favorable citizen perception of public service quality – Achieved.** Recent surveys under the *Governance e-Transformation* project indicate 66 percent satisfaction with overall quality of transaction processing on main Government Services Portal.
- (m) **Improved interaction and strengthened understanding of development challenges between representatives of both banks of Nistru river – Not Achieved.** While quantitative indicators were achieved, implementation of the Korean Trust Fund Knowledge Program was slow, with only one of four pilot sub-projects—not involving significant interactions between representatives of both banks of the river—completed by end-2016. Implementation of the remaining sub-projects is unlikely because of concerns from the Transnistrian side, though a new sub-project on Transnistria’s investment climate may be feasible.

### III. WORLD BANK GROUP PERFORMANCE

**15. The Bank Group’s overall performance in designing and implementing the CPS is considered *Good*.** The following summary explains this assessment.

#### A. Design

**16. CPS objectives, anchored in Moldova’s NDS – *Moldova 2020*, were relevant to the country’s development goals and, re-firmed during the PLR, remained valid throughout the period.** Its pillars and cross-cutting theme addressed eight development priorities stipulated in the NDS, which calls for a shift from the country’s current consumption-based growth model to one based on raising investments, increasing competitiveness and productivity, developing export industries, and promoting a knowledge-based society, thereby ensuring more sustainable economic growth and continued poverty reduction. Several CPS outcomes matched the stated national priorities directly, including: improving the business climate; ensuring equitable access to education, health, and social assistance, and strengthening the rule of law and combatting corruption.

**17. CPS outcomes and indicators were mainly clear and well selected but, relative to the size of the country and program, their number was probably excessive.** While most related directly to and were commensurate with ongoing and proposed Bank Group activities, a few were not (*e.g.* mandatory health insurance coverage and out-of-pocket payments), others were not measurable during the current CPS (*e.g.* regulatory burden on enterprises), and some assumed mistakenly that financing was available to support implementation of related reforms (*e.g.* alignment of corporate financial reporting legislation with EU norms). More broadly, several indicators, especially under the governance cross-cutting theme, comprised approval or enactment of laws or regulations, rather than an evaluation of their implementation or impact, which may have overstated the real outcome. Finally, with a country portfolio of 9-10 operations averaging US\$320 million, the number of outcomes (34) and indicators (52) included in the results matrix was disproportionate, risking a diffusion of focus and priority.

**18. CPS activities adjusted to the changing country environment.** Political instability, the slow pace of decision-making on key policy issues, and protracted parliamentary ratification procedures together delayed the processing of several lending operations, including the *Local Roads Improvement* project (the largest in the portfolio) and the second in a series of two *Development Policy Operations*

(DPOs) until December 2016. Moreover, the authorities' commitment to education, health and social protection reforms remained ambiguous; the energy regulator's slow progress in applying approved tariff methodologies blocked approval of a district heating guarantee; and a project preparation grant for local roads was lost due to the authorities' failure to sign the agreement in time. Against this background, the portfolio and pipeline required adjustments to accommodate funding constraints, protect ASA activities, and maximize the limited administrative resources. Bank budget constraints necessitated the dropping of planned forestry and public administration reform projects, though related activities were incorporated into the planned FY17 *Climate Adaptation and Resilience* project and the proposed FY18 *Modernization of Government Services* project (MGSP). Uncertainty as to whether political instability would prevent processing of the MGSP and the 2<sup>nd</sup> DPO led to an increased IDA allocation for *Local Roads Improvement*, which in turn dictated the slippage of MGSP into IDA18. Implementation delays of the *Education Reform Project* and procurement concerns led to *Education Additional Financing* slipping into FY18 and agreement on the *District Heating Partial Risk Guarantee* was not forthcoming. The PLR was used to adjust the results framework, reflecting changes in the timing and scope of planned outcomes.

**19. A citizen engagement review was undertaken to inform this CLR and the upcoming CPF, with consultations with citizens and project beneficiaries undertaken across all three pillars.** *Compliance* with the corporate indicators is mixed: low results for 'citizen-oriented design' was probably due to inadequate treatment of citizen engagement in FY15 project appraisal documents—corrected by FY16 when the portfolio achieved full compliance. Regarding the *quality* of citizen engagement, two-thirds of projects have two or more channels. The portfolio also scored well on frequency of feedback, with 70 percent of projects facilitating feedback at least once annually. The *level of implementation*<sup>9</sup> of citizen engagement in the Moldova portfolio is among the strongest in 12 ECA countries over the last 12 months. In addition, progress reporting and transparent monitoring is high, implying an overall commitment to implementation of citizens' engagement activities and to making projects accountable for commitments made at approval. A summary of the citizen engagement review is at Attachment 2.

**20. The CPS adopted a gender lens and, informed by a formal country assessment in 2014, aimed at mainstreaming gender issues across the portfolio.** The design of two-thirds of 15 projects active during FY14-17 incorporated some form of gender analysis and most include gender indicators in their results frameworks. While fewer include gender-specific actions and targets, 80 percent are considered gender-informed, *i.e.* they satisfy at least two of three criteria: gender analysis, actions, and/or monitoring. Attention to gender in the Moldova portfolio is thus high and growing. However, only one operation includes an explicit gender target and gender monitoring consists mainly of tracking male/female beneficiaries. A summary of the gender review of the portfolio is in Attachment 3. Overall, the CPS advanced knowledge on gender gaps and the Moldova Country Gender Action Plan (CGAP) in FY17 prioritizes gender issues and identifies entry points through which the new CPF can be both more gender-responsive and contribute to advancing gender equality goals, to take account of and reflect appropriately other priority issues highlighted in the SCD, especially governance, private sector-led job creation, and rural poverty. On the other hand, the CGAP notes that not all projects can advance gender equality outcomes and the process of achieving a truly transformational impact will necessarily be gradual.

**21. The CPS' design and content reflected the *de facto* division of labor between Moldova's key development partners based on comparative advantage and the Bank Group's leadership role**

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<sup>9</sup> Levels of implementation refers to project implementation units (PIUs) doing what was agreed at loan negotiations/approval.

**in promoting aid coordination and effectiveness.** During the political instability of FY15-16, the ‘Briefing Book Group’ of eight development partners convened by the Bank presented common positions on reform priorities. In FY17, the Bank initiated a development partners’ policy forum, to be co-chaired with the UN, which will facilitate the coordination of policy dialogue. The Bank Group is the principal voice on energy and governance issues and, together with the EU Delegation, the EU Commission and EU member states, ensures consistency of development partners’ views on, for example, budget support. It also leads a transport sector group, is establishing a similar arrangement for energy, and informally coordinates health sector development partners. It participates in all government sector councils and hosts monthly meetings of development partners and the government.

**22. Trust funds enabled a robust ASA program that provided diagnostic and intellectual underpinning to the CPS and responded flexibly to government priorities.** In *energy*, for example, Korean, Swedish, and multi-donor trust funds supported restructuring of district heating and informed the design of the subsequent investment project; and in the *financial sector*, FIRST trust funds helped strengthen the National Commission for Financial Markets’ (NCFM) and advise on financial sector regulation. The NCFM was also supported by the BAFI project, which helped create the legal framework for credit reporting and supervision of private credit bureaus—an engagement that resulted in inclusion of the largest MFIs in the credit reporting system and a memorandum of understanding between the NCFM and Moldova’s central bank to collaborate in supervising banks’ credit reporting. Meanwhile, the Austrian-financed Financial Sector Advisor Center (FinSAC) provided two grants to advise on resolving the three defrauded banks and addressing three additional distressed banks. The United Kingdom’s Good Governance Trust Fund supported Bank Group activities under the *governance* cross-cutting theme; and IFC trust funds assisted *private sector development* through regulatory and business environment reform. Finally, besides monitoring macro-fiscal, financial and socio-economic trends and ongoing IFC advisory support for the investment climate, ASA activities also included work on road financing, water sector regionalization, a water and wastewater status note, public expenditure, land governance, trade, and activities supporting public sector capacity.

**23. The CPS’ design reflected experience and three key lessons learned during the preceding CPS.** First, it reflected the view that Bank Group relationships with member countries should be maintained even during periods of economic and/or political uncertainty so that windows of opportunity for reform can be exploited promptly as and when they arise. Second, it exemplified the Bank Group’s convening power, specifically to coordinate, engage and leverage the activities of other development partners. Third, it illustrated the fact that the Bank Group is most effective when it combines policy dialogue, knowledge, lending and private sector investment and advice in support of long-term strategic goals. Finally, the CPS’ three areas of engagement or pillars were the subject of a wide-ranging in-country consultation process that also considered the results of a FY12 client opinion survey.

## ***B. Implementation***

**24. Political instability was a major factor affecting portfolio performance until FY16.** Proactive portfolio management, regular dialogue on required policy decisions, technical portfolio discussions and exceptions monitoring resulted in effective program implementation overall. There are currently nine projects in the portfolio totaling US\$333.3 million, of which 64 percent is undisbursed. After a good start in FY14, implementation deteriorated and the number of problem projects—four of eight, or 50 percent—peaked in FY15. After turning these projects around, with 100 percent proactivity throughout the CPS, the disbursement ratio increased to 30.5 percent in FY16, above the ECA regional and Bank-wide average. While there are no problem projects in the current portfolio, half have soft *moderately satisfactory* ratings and, with procurement a continuing area of concern, risks to the portfolio remain.

Four restructurings were undertaken during FY14-17 and two-thirds of those closed and evaluated by IEG were rated *moderately satisfactory* or *satisfactory*.

**25. During the CPS, Moldova committed its entire IDA16 allocation and expects to utilize its IDA17 allocation in full by June 30, 2017.** Its IDA17 allocation was SDR115.0 million, including SDR4.7 million on hard terms, but in FY17 this was reduced to SDR103.5 million, including SDR4.2 million on hard terms, based on the country's performance rating, population and GNI per capita compared to other countries. In FY17, however, an additional SDR 8.1 million was made available for the planned *Climate Adaptation and Resilience* project, in recognition of Moldova's commitment to a climate change investment program during IDA17.

**26. Fiduciary and safeguards compliance has been generally good; however, there are a few issues, mainly related to capacity constraints, which will require increased Bank attention in the next CPF cycle.** The Bank's procurement procedures, notably the "No Objection" process, were a critical protection against attempts to interfere in larger tenders. As of November 15, 2016, the Bank has introduced the new Regional (ECA) Prior Review Thresholds to align them with the New Procurement Framework effective July 1, 2016. Procurement capacity in Moldova and quality of procurement documents developed by Project Implementation Units are generally good. There are several projects where procurement remains to be on the Bank's radar. There were delays in launching and tendering procurement activities in the Local Roads Improvement Project due to the limited staffing within the State Road Administration and the heavy workload. But with the recently hired Project Management Consulting firm, the institution will receive the much-needed support and this will expedite the process. In the Moldova Education Reform Project, procurement has been an area of concern especially in the selection of consultants. The Bank made several recommendations and confirmed its readiness to provide further guidance on procurement matters. Financial management performance throughout this CPS was satisfactory and overall compliance with financial reporting and auditing requirements was high. An alleged fraud in the fruit growers' compensation scheme under the Agriculture Competitiveness project was reported; however, neither the latter, nor the recurrent problems in complying with procurement guidelines in education resulted in INT cases. There were no safeguard-related issues observed during that period, and safeguard oversight was satisfactory.

**27. As of March 2017, IFC's committed portfolio was US\$53.8 million, with US\$50.9 million outstanding.** IFC's portfolio is diversified among various sectors and proportionate relative to the size of the market and complexity of doing business in the country. In FY15, IFC completed a pre-export financing transaction of US\$30 million with a major agribusiness group, building on more than a decade of experience in this area. Following a strong delivery record during FY09-13, IFC envisaged an annual program of new investments of about US\$30 million during the current CPS. However, significant challenges for IFC to expand its footprint in Moldova stem from the difficult and worsening investment climate in recent years due to governance issues, political uncertainty, and instability in the financial sector. This environment is also reflected in the deteriorating quality of IFC's portfolio: one of IFC's projects is facing payment issues, while IFC's efforts to develop a wind farm project have been slow to produce results as the Government has not progressed in developing the necessary legislation and implementation mechanisms to support renewable energy in Moldova. IFC has been working to address payment issues through loan restructuring, and to assess next steps in the renewable energy space in consultation with the Government and our private sector partner. Governance and transparency, especially in the banking system, need to be addressed if IFC is to help develop local capacity and create a platform for attracting investment. IFC support to the financial sector will depend on decisive action by the Government to tackle these bank ownership issues and to address judicial reforms.

**28. MIGA’s gross exposure amounts to US\$25.4 million for three projects**—all supporting foreign bank subsidiaries, including leasing and micro-finance operations. MIGA’s support for these projects signal its efforts to underwrite projects, encourage foreign direct investment, and support the Bank Group’s private sector development strategy in Moldova.

**29. The results framework displayed several shortcomings.** As noted earlier (para. 15), several indicators, especially for governance, consisted of approval or enactment of laws or regulations rather than measures of their implementation or impact, which may have overstated the real outcome. Second, with a country portfolio of 9-10 operations averaging \$320 million annually, the number of outcomes (34) and indicators (52) was disproportionate, risking a diffusion of both focus and priority.

**30. Risks to program implementation were properly identified in the original CPS and mitigated in the subsequent PLR.** Three risks—limited fiduciary and institutional capacity, public procurement, and macroeconomic/structural reforms—materialized to some extent, with the first two impacting the quality of the portfolio. Environmental risks are directly addressed through a substantial part of the portfolio, through both lending (e.g. disaster risk management and a future climate adaptation project) and a series of ASA. As for macroeconomic/structural reforms, the authorities’ tardy response to the bank fraud delayed the second of two planned DPOs until December 2016. Nonetheless, despite continuing political instability and the slow pace of some reforms, the authorities’ ownership of the program overall was sufficient to enable its completion largely as planned.

**31. The Bank Group provided leadership and significant support to enhance development partner coordination, improve aid effectiveness, and coordinate common views on key reforms, especially governance including public communications about the latter.** Its common stance on budget support with other partners, especially the IMF and the EU institutions and member countries, spurred enactment and implementation of key structural reforms, for example in the banking system and the financial sector more broadly. In 2015, the Bank Group managed the preparation of a Briefing Book of 28 policy notes setting out partners’ collective recommendations on development policy that provided a platform for dialogue with the government. It also organized a one-day, cabinet-level retreat with the government and three policy dialogues with the political leadership. Finally, Bank Group activities attracted financial support from several partners, including the Global Environment Facility (GEF), the governments of Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, the United Nations Children’s Fund (UNICEF), and the United States Agency for International Development (USAID).

#### **IV. ALIGNMENT WITH BANK GROUP CORPORATE STRATEGY**

**32. The CPS program was broadly aligned with Bank Group corporate goals to end extreme poverty and boost shared prosperity in a sustainable manner.** Activities under the second pillar supported better access to, and improved quality of general education and public health services, as well as more equitable and fiscally sustainable pension and social assistance systems. In addition, the CPS’ objectives of raising standards and strengthening institutions with a view towards further EU integration targeted the need for sustainable, inclusive growth. The commitment under IDA17 to support a climate change investment program was delivered and the assessments of the CPS program’s performance on citizen engagement and gender were positive overall.

#### **V. LESSONS LEARNED**

**33. The main conclusion of this CLR reinforces the most important lesson of the PLR: that political instability and governance challenges slow the pace of reform and frequent personnel changes affect portfolio performance.** Examples of the former include the failure until recently to

implement agreed methodologies and increases in district heating tariffs, as well as hospital restructuring. Examples of the latter include recurrent problems in complying with procurement guidelines in education and alleged fraud in the fruit growers' compensation scheme. Looking ahead, there are grounds for cautious optimism about renewed economic, political, and social stability in the short- and medium term—through November 2018 when parliamentary elections are scheduled—exemplified by the resumption of modest economic growth, the consolidated parliamentary majority, and the recent agreement on an IMF program and related approval of the 2<sup>nd</sup> DPO. However, it remains unclear whether the *de jure* reforms approved in 2016 will translate into *de facto* improvements in governance, absent any real change in institutional behavior and culture.

**34. CPS implementation and the PLR and CLR self-assessment processes yielded many lessons learned which are listed in Attachment 1: Summary of FY14-17 Program Self-Evaluation.** Many are project and/or sector-specific, most are referenced in the narrative in Section II above, and all have been noted and, as needed, acted upon during ongoing project or program implementation. Several more generic or higher-level program-wide lessons emerged that are relevant to the design of the next FY18-21 CPF, including the following:

- (a) Risks to implementation from whatever source are amplified when a large share of a relatively small country portfolio and pipeline is policy- and/or program-for-results-based lending, due to weaker institutional capacity exacerbated by frequent staff turnover and deficient monitoring and fiduciary systems. The pipeline should therefore be kept flexible and selective to adapt to changing priorities so that, if needed, resources can be reallocated promptly, as it happened with the shift from DPOs to IPFs, or movement of some operations to the outer years of the CPS.
- (b) Related to this, country strategies in uncertain or unstable country environments should focus on investment project lending that provides direct, politically uncontroversial benefits to the population, leaving support for structural reforms to be delivered through multi-sectoral DPOs as and when circumstances permit.
- (c) Development partner coordination for budget support is essential for effective influence on key governance issues. Bank Group leadership of the multi-donor Briefing Book and of public communications on anti-corruption and governance helped harmonize the policy stance of development partners – attesting to its convening power and primary role as a knowledge bank.
- (d) IFC's investment climate research uncovered a widening divergence between reform legislation and reform implementation—the so-called 'regulatory implementation gap – confirming the importance of monitoring implementation through instruments such as Doing Business surveys and BEEPS.
- (e) The Bank Group's most important impacts may not be captured in the results framework if they were not anticipated when the CPS was prepared or if not directly packaged as lending or ASA. This was demonstrably the case in 2015-16 when the Bank Group employed dialogue, development partner coordination, and public communications to call attention to, and encourage action on fraud in the banking system.
- (f) Electronic governance projects should be set within a broad governance reform agenda for maximum impact. While the *Governance e-Transformation* project delivered significant benefits, there is scope for further cost-savings and systems integration. The FY17 *Modernization of Government Services* project will integrate front-end digitization and back-end process re-engineering.

- (g) Bank Group procurement procedures, notably the ‘prior review’ process, were a critical safeguard against attempts to interfere in tenders, implying that its fiduciary controls should continue to be used as public procurement reforms proceed.
- (h) The ability to use the PLR to adjust the program was essential. While the shelving of two projects was a consequence of unpredictable Bank budget allocations and cost coefficients, over-programming the IDA allocation increased the probability of its full utilization, despite political uncertainty.
- (i) The Bank Group’s public communications, for example on banking governance and pension reform, are important supplements to investments and technical assistance as an instrument of development partnership.

## ATTACHMENT 1: SUMMARY OF FY14-17 PROGRAM SELF-EVALUATION

Outcomes that CPS program expected to influence during period	Status of outcomes and summary evaluation	CPS instruments and partners	Lessons and suggestions for new CPF
<b>PILLAR I: IMPROVING COMPETITIVENESS</b>			
<b>CPS Objective 1.1. Improved business environment and access to finance</b>			
<p><b>1. Customs procedures streamlined and made more transparent.</b>  <i>Indicator:</i> Number of days to prepare export documents (Trading Across Borders indicator of Doing Business)                      Baseline: 20 (2012)                      Target: 14 (2015)</p>	<p><b>Achieved:</b> Following introduction of e-filing procedures, number of days to prepare export documents reduced to 2 (and for border compliance to 3 hours), per 2017 Doing Business (DB). After the 2015 DB Report stopped tracking the summary information on predefined stages and documents for trading across borders indicator, which included preparatory time and waiting time for documents needed to export and import, the monitoring of this indicator, given its importance, continued based on the annual Cost of Doing Business Survey (CODB). Although the CODB Survey is based on interviews with business companies and predominantly measures the business community's perception of certain regulations or procedures, it allows to clearly monitor the trend. Per 2015 COBD Survey, waiting time to get documents needed for export took 14 days (source: CODB Survey 2015, page 37).</p>	<p><b>Ongoing:</b>                      IFC Investment Climate Reform (ICR) project (ICR AS project #576047)                      Cost of Doing Business report (2015)                      Doing Business report (2012)</p> <p><b>ASA:</b> Trade Study (P148369)</p> <p><b>Partners:</b> USAID, EU</p>	
<p><b>2. Regulatory burden on enterprises decreased.</b>  <i>Indicator 1:</i> Managers spend less time on regulatory compliance (Cost of Doing Business survey)                      Baseline: 10 percent (2012)                      Target: 8 percent (2017)</p> <p><i>Indicator 2:</i>                      # Implementation of risk-based inspection methodologies based on clear criteria and approved inspection plan                      Baseline: 0 percent (2012)                      Target: 40 percent (2017)                      # Reduction in <i>ad-hoc</i> inspections from</p>	<p><b>Partially achieved</b></p> <p><b>Achieved:</b> Per 2016 Cost of Doing Business, time spent by managers on regulatory compliance declined to 7.9 percent, slightly lower than the 2017 target.</p> <p><b>Not achieved:</b> Based on 2016 Legal and Institutional Review of Inspection Functions, most inspectorates still do not use risk criteria to target inspections, due partly to inadequate information systems and data reporting.</p>	<p><b>Ongoing:</b>                      2<sup>nd</sup> Competitiveness Enhancement project (CEP-II P144103)                      IFC ICR project (ICR 576047 inspections reform)</p> <p><b>Partners:</b>                      USAID</p>	<p>Appropriateness of indicators needs to be re-considered. For example, one, based on survey of perceptions, is subjective; and others, though based on reforms implemented during CPS, may not result in measurable improvements until after CPS period.</p>

<p>100 percent (2012) to 7 percent (2017), using clear criteria for unplanned inspections. # 100 percent of planned inspections published on e-Government Center's website.</p> <p><b>Indicator 3:</b> Reduced number of permits and licenses Baseline: 416 (2015) Target: 238 (2017)</p>	<p><b>Partially achieved:</b> Following changes to law in July 2016, 110 permits eliminated, with remaining 306 permits to be reviewed and submitted to government &amp; parliament in 2017.</p>		
<p><b>3. Increase in business development services to small and medium enterprises (SMEs) with WBG support.</b> Baseline: 0 (2013) Target: 240 (2017)</p>	<p><b>Achieved:</b> By end-2016, 522 business development services approved, of which 99 fully delivered, mostly due to: intensive outreach to SMEs, and matching grants program designed to meet SME needs.</p>	<p><b>Ongoing:</b> CEP-II (P144103)</p>	<p>Matching grants were effective tool for outreach: implementation unaffected by political instability and design reflected actual SME needs. Expansion of this type of intervention (size and scope) would help diversify economy, including exports.</p>
<p><b>4. Improved private enterprises' access to formal sources of finance.</b> <b>Indicator:</b> By 2017, 15% increase in private sector credit as share of GDP compared to 2013</p>	<p><b>Not achieved:</b> By end-September 2016, private sector credit was 41.4%, compared to 42.4% in 2013 (after falling to 35% in 2015). Access to finance was constrained due to macro- micro- impact of bank fraud:</p> <ul style="list-style-type: none"> <li>• Tighter monetary policy raised base rate and sterilized liquidity;</li> <li>• National currency depreciated;</li> <li>• Number of access points reduced, as branches of liquidated banks closed.</li> </ul>	<p><b>Ongoing:</b> CEP-II (P144103) IFC advice on financial sector regulation Information reported by the following clients: 518335, 629306, 631849 (DOTS system) BAFI project</p> <p><b>Pipeline:</b> DPO-2 (P149555)</p>	<p>Access to finance needs to receive attention in next CPF because it risks again becoming main constraint to private firms' development. Banks are main source of private sector credit (microfinance credit/GDP is 2%), so continued support for banking system reforms is crucial. IFC investments in financial institutions helped increase their outreach to SMEs. In 2014, IFC clients provided loans to 3,300 SMEs and had outstanding loan portfolio of US\$ 260 million</p>
<p><b>5. Capital market continues to be strengthened to facilitate increased access to finance.</b> <b>Indicator 1:</b> Government bonds listed on stock exchange Baseline: 0 (2012) Target: By 2017, government bonds with &gt;1 year maturity traded on stock exchange</p> <p><b>Indicator 2:</b> Number of known insolvent banks subject to regulatory forbearance Baseline: 3 insolvent banks still operating Target: 0 (these banks' licenses with-</p>	<p><b>Mostly achieved</b></p> <p><b>Not achieved:</b> Centralized Securities Depository (CSD) created, NBM, but trading of government bonds will only begin when CSD is fully functional.</p> <p><b>Achieved:</b> In October 2015, 3 banks (BEM, Unibank, and Banca Sociala) placed into liquidation. After special audits of 3 more, 2 now under special supervision, while 3<sup>rd</sup> under</p>	<p><b>Pipeline:</b> DPO-2 (P149555)</p> <p><b>ASA:</b> Financial Sector Development TA (FY14-16, P147063) Financial Sector Monitoring (FY17, P159031) FSAP Update (FY15, P146486)</p> <p><b>Partners:</b> IMF, EBRD</p>	<p>DPO conditionality was crucial in encouraging: license withdrawal from defrauded banks; special audits in three next largest banks, which uncovered serious governance issues prompting early intervention by NBM; and legal amendments to eliminate MOJ powers to approve NBM regulations and grant legal immunity to NBM staff carrying out their duties in good faith.</p> <p>Since banking governance issues remain and since WBG is key trusted advisor, they should feature prominently in next CPF and next</p>

<p>drawn and liquidation initiated)</p> <p><b>Indicator 3:</b> 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</p> <p><b>Indicator 4:</b> Better legal framework for timely intervention in distressed banks Baseline: NBM regulations delayed by MoJ approval process and NBM staff lack immunity for duties carried out in good faith Target: Legal changes eliminate MoJ power to delay registration of NBM regulations, and confer immunity to NBM staff for duties carried out in good faith.</p>	<p>stronger “early intervention” regime.</p> <p><b>Achieved:</b> Three banks (Victoria Bank, Moldinconbank, and Moldova Agroindbank) underwent special audits. Restructuring plans adopted and initiated in all three.</p> <p><b>Achieved:</b> Legal amendments passed in 2016 removed MOJ’s power to approve NBM regulations and gave NBM staff immunity for duties carried out in good faith.</p>		<p>DPO series.</p>
<p><b>6. Greater alignment of Corporate Financial Reporting (CFR) legislation and practice with EU <i>acquis</i>.</b></p> <p><b>Indicator 1:</b> Not less than 80 percent of Public Interest Entities (PIEs) file and publish IFRS-based financial statements</p> <p><b>Indicator 2:</b> Provisions of Directive 2006/43/EU transposed in draft Auditing Law and submitted to Parliament for adoption</p> <p><b>Indicator 3:</b> Provisions of Directive 2013/34/EU transposed in draft Accounting Law and submitted to Parliament for adoption</p> <p><b>Indicator 4:</b> Public Registry of financial statements fully operational, <i>i.e.</i> enabling collection and availability of financial statements online</p>	<p><b>Partially achieved:</b> Progress made in aligning CFR legislation and practice with EU <i>acquis</i>, but more time needed to finalize and approve laws, due to change in government in early 2016.</p> <p><b>Partially achieved.</b> PIEs preparing IFRS-based financial statements, but not all are publicly available through Public Registry.</p> <p><b>Mostly achieved.</b> Main provisions of Directive 2006/43/EU reflected in draft Auditing Law, which expected to be adopted by Parliament in 2017.</p> <p><b>Mostly achieved.</b> Main provisions of Directive 2013/34/EU reflected in draft Accounting Law, which expected to be adopted by Parliament in 2017.</p> <p><b>Partially achieved.</b> Technical specifications for Public Registry developed, but implementation delayed pending government decision on its subordination under National Bureau of Statistics.</p>	<p><b>Partnerships:</b> Strengthening Auditing &amp; Reporting in Countries of Eastern Partnership (STAR/ EaP) FinSAC (Vienna Center, P133467)</p>	<p>Indicators may need to be more flexible to allow for impact of political instability and/or delays in defining new policies or aligning them to EU <i>acquis</i>.</p> <p>Some outcomes were designed on the assumption that funding would be available to support reforms, which was not always the case. In future, results framework should include only outcomes that are supported by confirmed funding.</p>

<b>CPS Objective 1.2. Improved competitiveness in agriculture</b>			
<p><b>7. Enhanced competitiveness of agro-food sector by supporting modernization of food safety management system.</b>  <i>Indicator:</i> Completion of targeted food safety actions for approximation to EU Sanitary and Phytosanitary (SPS) requirements            Baseline: 20 percent (2013)            Target: 100 percent (2017)</p>	<p><b>Mostly achieved</b>             Almost 90 percent of targeted food safety actions for approximation with EU SPS norms completed.</p>	<p><b>Ongoing:</b>            Moldova Agriculture Competitiveness project (MACP, P118518)             IFC ICR project            IFC investments in agriculture (including client with ID 34474, 613340)</p>	<p>Unilateral transposition of legislation and regulations does not work. Harmonization efforts need to be embedded in collaboration between authorities and private sector. Harmonization efforts should continue, but with more private sector participation in consultation process, as well as financial support to private sector to facilitate compliance.</p>
<p><b>8. Increased market access for farmers.</b>  <i>Indicator:</i> Increased sales (domestic and exports) of high value crops by targeted partnerships receiving investment support grants            Baseline: 0 percent (2013)            Target: 50 percent (2017)</p>	<p><b>Partially achieved</b>            Per latest data, sales by targeted partnerships have increased by only 15 percent. However, the volume is increasing rapidly, as more productive partnerships supported by financing complete their investments.</p>	<p><b>Pipeline:</b>            MACP 2<sup>nd</sup> AF (P157765)   <b>TFs:</b>            MACP GEF (P118518)   <b>ASA:</b>            DCFTA Preparation Support in Agriculture TA (P132866)            Food Security &amp; Agricultural Policy Formulation TA (P124627)</p>	<p>Process of moving farmers from individual businesses to working in productive partnerships is arduous, and challenges should not be underestimated. Besides financing, equal emphasis must be placed on support for understanding and helping farmers to learn to work collaboratively. Support is also necessary to make farmers more agile businessmen.</p>
<p><b>9. Stabilized output of apples, plums and grapes among beneficiaries of compensatory grants.</b>            Baseline: 100 percent (2014—average output for 2012-14 for apples, plums and grapes)            Target: 85 percent (2016—average over 2015-17)</p>	<p><b>Mostly Achieved</b>            While 2017 data not yet available, output of apples, plums, and grapes stabilized in 2015-16, and the final outcome will likely be positive. Compensatory grant program was essential mitigation measure allowing thousands of farmers to avoid decapitalization and averting overall collapse of sector</p>		<p>Compensation programs need to be made available to farmers as quickly as possible, with simple eligibility criteria and clear monitoring and enforcement mechanisms. In future, WBG should avoid <i>ad hoc</i> compensation programs and focus on sustainable sector support initiatives, such as insurance programs, compensation funds, etc.</p>
<b>PILLAR II. ENHANCING HUMAN CAPITAL AND MINIMIZING SOCIAL RISKS</b>			
<b>CPS Objective 2.1. Improved quality of and access to health and education services</b>			
<p><b>10. Strengthened quality of education.</b>  <i>Indicator 1:</i> Implementation of quality assurance standards for hub schools initiated and scaled up (% of hub schools)            Baseline: 0 percent (2013)            Target: 70 percent (2017)   <i>Indicator 2:</i> Improved student assessment system: revised tests administered and baseline for grades 4 and 9 tests established in 2015, including disaggregation by socio-economic</p>	<p><b>Partially achieved</b>  <b>Not achieved:</b> Target adjusted to 21 hub schools fully rehabilitated   <b>Achieved:</b> National student assessment tests for 4<sup>th</sup> and 9<sup>th</sup> grades updated (2014) and applied annually.</p>	<p><b>Completed:</b>            Quality Education in Rural Areas of Moldova project and AF (P090340, P129552)   <b>Ongoing:</b>            Moldova Education Reform project (MERP, P127388)            Moldova Labor TA on skills mismatch linked to information asymmetries (P152911)</p>	<p>Despite positive trends overall, target for number of hub schools meeting quality assurance standards proved overly optimistic: Ministry of Education's implementation capacity for civil works was over-estimated; and needs of schools were under-estimated. This design shortcoming resulted in need to restructure project.</p>

background.		<b>TFs:</b> Education GPSA (P147607) Japan PHRD Disability and Development Grant for the integration of children with disabilities into hub schools (P144618)	
<p><b>11. Improved efficiency of education sector.</b></p> <p><b>Indicator 1:</b> Implementation of <i>per-capita</i> financing nationwide (2013)</p> <p><b>Indicator 2:</b> Increased student-teacher ratio Baseline: 10.85:1 (2011-12) Target: 11.50:1 (2015/16)</p>	<p><b>Achieved</b></p> <p><b>Achieved:</b> Per-capita financing implemented in all primary and general secondary schools; 100% of those schools have their budgets approved according to the per student formula methodology.</p> <p><b>Achieved:</b> Baseline and target revised through restructuring to correct error. Baseline: 10.85:1 Target: 11.85:1 Actual: 11.89:1 (March 2016)</p>	<p><b>Partners:</b> Japan</p>	
<p><b>12. Improved access to quality health-care.</b></p> <p><b>Indicator 1:</b> Increased coverage of population with mandatory health insurance Baseline: 81 percent (2013) Target: 85 percent (2017) (of which 44% male and circa 56% female)</p> <p><b>Indicator 2:</b> Reduced out-of-pocket payments (formal and informal) as share of total health expenditure Baseline: 45 percent (2013) Target: 35 percent (2017)</p> <p><b>Indicator 3:</b> Number of family doctor visits per person Baseline: 2.9 (2014) Target: 3.2 (2017)</p> <p><b>Indicator 4:</b> Annual acute care hospital discharges per 100 persons Baseline: 17.6 (2011) Target: 16.0 (2017)</p>	<p><b>Partially achieved</b></p> <p><b>Achieved:</b> Coverage of population with mandatory health insurance increased to 85.9 percent in 2016.</p> <p><b>Not achieved:</b> Out of pocket payments increased to 46.6 percent of total health expenditure in 2015. The health module of the household budget survey conducted in 2016 revealed that average monthly healthcare-related expenses (approximately 150 MDL per person) increased by 37% compared to 2012 and by 57% compared to 2008. Noteworthy that OOPs were 1.2 times higher amongst urban inhabitants.</p> <p><b>Not achieved:</b> Though number of family doctor visits reached 3 per person in 2015, it declined to only 2.8 in 2016.</p> <p><b>Achieved:</b> As of June 2016, annual acute care hospital discharges reached 15.1 per 100 persons.</p>	<p><b>Completed:</b> Health Services and Social Assistance project (P095250) IDF Health Management Information System grant (P131020)</p> <p><b>Ongoing:</b> Health Transformation Operation (PforR, P144892)</p> <p><b>TFs:</b> Health GPSA (P150873) Health PPP structured by IFC (ID 27578)</p>	<p>CPS indicators should be same or close to project or AAS indicators: (a) to simplify reporting; and (b) to trace whether WBG achieved expected results. For instance, though Bank did not provide support for strengthening health insurance and reduction of out-of-pocket payments, coverage increased to 85% but has remained at this level for almost 2 years. Furthermore, it may decline if benefit package under MHI is not revised to ensure efficient and effective service provision to population.</p>
<b>13. Improved physical access to rural</b>	<b>Not verified:</b> insufficient evidence available	<b>Ongoing:</b> Local Roads	

<p><b>education and health services.</b>  <b>Indicator 1:</b> Number of schools connected by rehabilitated/upgraded local road corridors  Baseline: 0 (2015)  Target: 10 (2017)</p> <p><b>Indicator 2:</b> Number of health facilities connected by rehabilitated/upgraded local road corridors  Baseline: 0 (2015)  Target: 9 (2017)</p>	<p>to assess outcomes, due to delay in effectiveness and implementation of Local Roads Improvement project (LRIP)</p>	<p>Improvement project (LRIP, P150357)</p>	
<b>CPS Objective 2.2. Fiscally sustainable and equitable pension and social assistance systems</b>			
<p><b>14. Fiscally sustainable pension system</b>  <b>Indicator 1:</b> Pension spending below 8 percent of GDP  Baseline: 8 percent (2013)  Target: &lt;8 percent (2017)  <b>Indicator 2:</b> Pension system fairness improved by maximized replacement rates within budget envelope  Baseline: 28 percent (2013)  Target: 30 percent (2017)</p>	<p><b>Not achieved:</b> Pension spending remained above 8 percent of GDP in 2013-15.</p> <p><b>Not achieved:</b> Pension top-ups introduced in 2013 did not improve replacement rate, which continued to decline, remaining at 25.8 percent for old-age pensions and 25.3 percent for all pensions in 2015.</p>	<p><b>Pipeline:</b>  New DPO series</p> <p><b>ASA:</b>  Programmatic HD (pension policy TA, P143613); Pension Reform Advocacy TA (P157759); Pension Reform TA (P152247)</p>	
<p><b>15. Improved equity of social assistance.</b></p> <p><b>Indicator 1:</b> Share of population in poorest quintile receiving <i>Ajutor Social</i> benefits (gender data provided by adult recipients)  Baseline: 14.9 percent (2011)  Target: 20.0 percent (2017)</p> <p><b>Indicator 2:</b> Spending on consolidated categorical benefits further reduced by 20 percent  Baseline: 7 percent (2012)  Target: 30 percent (2017)</p>	<p><b>Partially achieved:</b> Coverage of <i>Ajutor Social</i> benefits declined to 12.2 percent of poorest quintile in 2014, due to exit of pensioners whose incomes increased after introduction of pension top-ups in 2013. Following 2015 increase in eligibility threshold—to help poor households cope with higher energy tariffs—coverage increased to 17.6 percent and is likely to grow further in 2016. An estimated 56 percent of <i>Ajutor Social</i> beneficiaries during 2009-15 were women.</p> <p><b>Partially achieved:</b> After elimination of large, expensive categorical benefits in 2012, social assistance budget fell by 32 percent, exceeding target in 2013. However, spending then started to grow and, in 2015, reduction was only 11 percent.</p>	<p><b>Partners:</b>  IMF</p> <p><b>Ongoing:</b>  Strengthening Effectiveness of Social Safety Net project (P120913)</p>	

PILLAR III. PROMOTING A GREEN, CLEAN AND RESILIENT MOLDOVA			
CPS Objective 3.1. Greater adaptation and resilience to climate change			
<p><b>16. Strengthened State Hydro-met ability to forecast severe weather and country's improved capacity to prepare for and respond to natural disasters.</b></p> <p><i>Indicator 1:</i> Issuing more accurate and specific forecasts of weather conditions Baseline: Scale of weather forecasts at 5000 km<sup>2</sup> (2013) Target: Scale of weather forecasts reduced to 300 km<sup>2</sup> (2017)</p> <p><i>Indicator 2:</i> Longer lead-time for weather warnings to users Baseline: Severe weather warnings— 10 minutes to 1 hour (2013) Target: Severe weather warnings—12 hours (2017)</p> <p><i>Indicator 3:</i> Strengthened capacity to coordinate emergency responses Baseline: No Emergency Command Center to coordinate response (2013) Target: Emergency Command response shows improvement compared to baseline and recent test of system (2017)</p>	<p><b>Achieved.</b></p> <p>Scale of weather forecasts has been reduced, lead time for weather warnings has been expanded (demonstrated during January, 2017 blizzard). Upon approval of the US\$2M AF neither the PDO nor the original PDO indicators were revised. However, a few numerical adjustments were made to correct the intrinsic scientific weaknesses in the definition of the indicators. The indicator was achieved as the communications interface between the two agencies was established and the ability to provide the required lead-time is in place, with data exchange happening in real time. But the numerical changes in the targets impacted Indicator 2 where the lead time for severe weather warnings was changed from 12 to 3-6 hours (final target).</p> <p>Capacity to coordinate emergency has been strengthened through establishment of Emergency Command Center and comprehensive technical assistance.</p>	<p><b>Ongoing:</b> Disaster and Climate Risk Management project (DCRMP) and AF (P115634, P148125)</p> <p><b>ASA:</b> Social Dimensions of Climate Change Country Assessment (BNPP, P123991)</p> <p><b>TFs:</b> Global Fund for Disaster Risk Reduction: Moldova Disaster and Climate Risk Management Capacity Building</p>	<p>Integrate institution building activities, such as strategic, operational, and investment plans, in project design, which, if grounded in thorough analysis, can provide additional institutional stability, guidance and continuity for these agencies.</p> <p>Project management teams for fiduciary and compliance purposes as well as for overall coordination, are extremely practical and valuable, particularly when project involves several implementing agencies. However, such teams should be involved very early in project preparation.</p> <p>Project coordination structures, such as Steering Committees, may have a limited power to induce corrective action in implementing agencies in coalition governments, particularly if heads of institutions do not share same party affiliation. To mitigate such risks, actual accountability lines (rather than formal ones) should be mapped, with more pro-active resort to informal influencers to effect corrective action and avoid implementation delays</p>
CPS Objective 3.2: Improved Natural Resources Management			
<p><b>17. Sequestration of 0.8 million tons of CO<sub>2</sub> through forestation of degraded lands (2014-17).</b></p>	<p><b>Achieved:</b> Including about 250,000 tons to be sequestered in 2017, CO<sub>2</sub> sequestration now estimated at over 1.2 million tons through forestation of degraded lands</p>	<p><b>Ongoing:</b> MACP (P118518, P157765) ENPI Forest Law and Enforcement and Governance II Program</p>	<p>Afforestation activities play important role not only in adapting to, and mitigating climate change, but also increasing agricultural competitiveness through soil conservation, and helping create jobs in poor rural areas</p>
<p><b>18. Enhanced competitiveness of agro-food sector by mainstreaming agro-environmental and sustainable land management practices.</b></p>	<p><b>Mostly achieved.</b></p> <p>Farm areas benefiting from sustainable land</p>	<p><b>ASA:</b> Forestry Policy Note (delivered in FY15, P146476)</p>	<p>Constant awareness-raising efforts and tedious and inclusive work with communities is key pre-requisite for success. These lessons are now being captured during preparation of</p>

<p><b>Indicator 1:</b> Increase in on-farm area benefitting from sustainable land management practices Baseline: 0 hectares (2013) Target: 10,000 hectares (2017)</p> <p><b>Indicator 2:</b> Increase in area protected by rehabilitated anti-erosion shelter-belts Baseline: 0 hectares (2013) Target: 50,000 hectares (2017)</p>	<p>management practices total more than 34,000 hectares.</p> <p>Area protected by anti-erosion increased to 45,000 hectares, with good prospects for achieving outcomes well above current targets.</p>	<p>Climate TA (FY16, P154652)</p> <p><b>TFs:</b> Community Forestry Project Soil Conservation Project Community Support Program for Sustainable and Integrated Forest Management and Carbon Sequestration through Forestation (SIFMSF) - P077763, P109459</p> <p><b>Potential partners:</b> GEF, Climate Investment Fund, Green Climate Fund</p>	<p>Moldova Climate Adaptation Project.</p>
<b>CPS Objective 3.3 Increased energy efficiency and security</b>			
<p><b>19. Decreased energy costs, increased quality, and improved affordability of Chisinau heat supply.</b> Implementation of building metering and temperature controls, with incentives for customers to decrease energy use.</p> <p><b>Indicator 1:</b> People with access to more energy-efficient cooking and/or heat-generating facilities Baseline: 27,000 (2015) Target: 63,000 (2017), of which 50% female</p> <p><b>Indicator 2:</b> Actual fuel savings (GCal) Baseline: 0 GCal (2015) Target: 52,759 GCal (2017)</p>	<p><b>Partially achieved</b></p> <p><b>Not Verified.</b></p> <p><b>Mostly Achieved:</b> Fuel savings corresponding to reduction in gas needs for heat production represented 26,379 Gcal in 2016, or about 50% of 2017 target.</p>	<p><b>Ongoing:</b> District Heating Efficiency Improvement project (DHEIP, P132443) IFC investment in Chisinau city IFC investment in UF Moldova (ID 52835)</p> <p><b>ASA:</b> TA Program: Energy Sector Restructuring and Efficiency Improvement (ESREI) TA (P157735) TA Program: DH and Electricity Tariff Affordability Analysis (P151113) Power System Interconnection Study (P159050)</p> <p><b>Pipeline:</b> DH sector debt and financial restructuring IBRD PCG Project (FY16 – slipped and unlikely)</p> <p><b>Partners:</b> Sweden, EBRD, EIB, EU</p>	<p>Strong commitment is imperative for successful implementation of reforms and investment programs. Open-minded and modern management approach is key to improve operational and financial efficiency of District Heating company, and thus to regain consumer trust in system. Development Policy Operations can provide important support for major sectoral reforms.</p>
<p><b>20. District Heating Company debt restructured by 2017 to improve creditworthiness.</b> <b>Indicator 1:</b> Debt Restructuring Plan signed with Moldovagaz</p>	<p><b>Not achieved:</b> Despite important progress in debt restructuring in 2016, target not achieved. Termoelectrica (TE), Moldovagaz (MG), and Ministry of Economy (MoE) signed Memorandum of Understanding outlining agreement on amount of debt and main terms for its restructuring, which was submitted for review to Gazprom (majority shareholder of</p>		

	MG). However, due to regional geopolitical environment and internal re-organization Gazprom has not yet reacted.		
<b>21. Options for diversification of electricity supply identified</b> (Ukraine, Cuciurgan Power Station (MGRES), Chisinau CHPs, and interconnections with ENTSO-E (via Romania).	<b>Achieved:</b> Electric Power Market Options Study, completed June 2015, recommended asynchronous interconnection with Romania via Back-to-Back connection as most cost-effective option to increase security and efficiency of supply.		Effective coordination between government and development partners, as well as among latter, both at policy and technical levels, is crucial to achieve efficient result.
<b>GOVERNANCE AS CROSS-CUTTING THEME</b>			
<b>22. Professionalization of public service through implementation of position of state secretaries.</b> <i>Indicator 1:</i> Baseline: All ministries & central agencies managed by political appointees (2013) Target: All ministries & central agencies managed by professional state secretaries (2017) <i>Indicator 2:</i> Baseline: Number of professional development programs for senior executive officials, including state secretaries (2013) Target: Professional development programs based on defined competencies and performance requirements approved and in place; and share of program-covered state secretaries (90 percent).	<b>Mostly achieved</b>  <b>Mostly achieved:</b> Most ministries—13 of 16, or 80 percent—managed by non-political, professional state secretaries  <b>Mostly achieved:</b> Professional development program comprising six modules approved and in place; all 13 state secretaries have completed at least one module	<b>Completed:</b> Central Public Administration Reform project (P105602)  <b>Pipeline:</b> Government Services Modernization Reform project (MGSP, P148537)  <b>Partners:</b> Sida, EU	
<b>23. Improved legislative framework for tax administration.</b> <i>Target:</i> Adoption of revised Tax Code in line with requirements of EU-Moldova Association Agreement.	<b>Partially achieved:</b> Eight working groups currently finalizing revisions to Tax Code, which are expected to be approved during 2017.	<b>Ongoing:</b> Tax Administration Modernization project (TAMP, P127734) DFID Good Governance TF: Tax Legislation Revision TA (P158228)	Leverage external anchors Build on engagement and expand Peer learning is important Political leadership is necessary condition
<b>24. Strengthened capacity for monitoring implementation of governance reform</b> <i>Target:</i> Initial Governance Scorecard publicly available on-line (April 2017)	<b>Partially achieved:</b> Initial Governance Scorecard covering three dimensions—public administration reform, cost of doing business, and social assistance—developed and approved December 1, 2016, with publication planned for June 2017.	<b>Pipeline:</b> DFID Good Governance TF: Governance Reform Scorecard TA (P158221)	Continued capacity building in results-based monitoring and their use for accelerating reforms is required, especially in central ministries/agencies
<b>25. Government monitors public investment as means of improving</b>	<b>Partially achieved:</b> Public investment monitoring (PIM) methodology developed,	<b>TFs:</b> Public Investment Management	To achieve sustainable results, Ministry of Finance needs more consistent advisory and

<p><b>strategic decision-making and resource allocation.</b>  <b>Indicator 1:</b> Mechanism for monitoring public investment projects—  Baseline: No mechanism (2014)  Target: Mechanism developed and used. Existing public investment project databases developed, with update possibilities (2017)</p>	<p>including related legal framework. Ministry of Finance completed database for existing and proposed public investment projects for 2015 and 2016 state budgets. However, updated methodologies not yet implemented.</p>	<p>TA (P130304)</p>	<p>technical support.</p>
<p><b>26. Improved accountability of Executive for public investment through access to information.</b>  Baseline: No publicly available information on public investment  Target: Program evaluation mechanism developed and used, and at least 3 programs evaluated for targeting, effectiveness and efficiency of outcomes and impact.</p>	<p><b>Partially achieved:</b> Government Resolution No. 1029 dated 12/19/2013 established project evaluation mechanism; and Guidelines for Public Investment Project Preparation &amp; Appraisal adopted by Ministry of Finance Order No. 185 supports line ministry staff in project preparation appraisal, and evaluation. However, implementation slow and incomplete, partly due to limited budget resources. Moreover, Ministry of Finance’s webpage not updated regularly.</p>		<p>Political instability affected pace and quality of implementation, and political pressures and vested interests created large space for corruption. Continued improvement in public investment monitoring remains priority for inclusion in next CPF and DPO</p>
<p><b>27. Improved capacity for audit oversight of public expenditure.</b>  Target: Minimum 3 projects use national auditing procedures meeting following criteria: (a) audit performed in accordance with generally accepted auditing practices; (b) audit carried out by staff with professional qualifications and experience; (c) audit performed under constitutional or legal provisions designed to assure independence. (Baseline: 0)</p>	<p><b>Achieved:</b> Three projects are audited exclusively by Supreme Audit Institution (SAI), namely: Strengthening Effectiveness of Social Safety Net, Education Reform, and Health Transformation. Quality of audits is assessed as satisfactory and audits are in accordance with international standards.</p>	<p><b>Ongoing:</b>  GPSA  WBI support    <b>Pipeline:</b>  Modernization of Government Services project (P148537)    <b>ASA:</b>  Financial Management TA (P082916)    <b>TfS:</b></p>	<p>Despite significant improvement in presentation and impact of audit reports, SAI needs to professionalize its communications further  Chamber of Accounts also needs to focus more on ensuring recommendations are properly formulated in audit reports to be understood and addressed. Follow up implementation of recommendations remains challenging.  Continued WBG engagement with SAI desirable to strengthen its capacity and effectiveness.</p>
<p><b>28. Improved Treasury system business processes</b>  Baseline: Manual processing of payment orders  Target: Real-time processing of payment orders</p>	<p><b>Achieved:</b> Beginning January 1, 2016, improved Treasury system business processes allow payments prepared by PIUs to be processed electronically.</p>	<p><b>TfS:</b>  Strengthening the CoA (P133554)</p>	
<p><b>29. Improved functionality and uptake of electronic procurement system.</b>  Baseline: Paper-based public procurement procedures (2011)</p>	<p><b>Partially achieved:</b> Roll-out of e-procurement system to all central contracting authorities only partially achieved due to missing electronic bid submission functionality; Standard procurement documents, technical</p>	<p><b>TfS:</b>  Strengthening Public Procurement IDF Grant (P129112)</p>	<p>Clearly defined indicators in original project design;  Better match needs assessment with available budget, as some activities could not be implemented due to high costs and lack of</p>

Target: Upgraded e-procurement software rolled out for use by all central line ministries and agencies (2015)	specifications, catalogues and guidance notes developed, but not all standard bidding documents were developed; All contracting authorities staffed with at least one certified procurement officer and certified procurement officers placed in Public Procurement Agency's territorial offices.		funds.
<b>30. Improved social accountability environment</b> – through opening of government data and opportunities and capacity building for broad citizen engagement in service delivery and public expenditure management processes.	<b>Achieved:</b> 937 government data sets, including on public expenditure, publicly available through Open Data Portal	<b>Ongoing:</b> Governance e-Transformation (GeT) project (P121231) Education GPSA (P147607)	Given slow private sector uptake of data analysis and applications, programs targeted to IT entrepreneurship development should be considered in future
<b>31. More participation in decision-making processes and enhanced quality of public debate.</b> <i>Indicator 1:</i> Number of WB-supported communities applying social accountability tools in education sector Baseline: 0 (2013) Target: 40 (2016) <i>Indicator 2:</i> Number of government data sets' downloads from Open Data Portal Baseline: 0 (2013) Target: 1,450,000 (2016)	<b>Partially achieved</b> 60 communities participating in GPSA project (2016) applied social accountability tools in secondary education. Students, teachers, parents and representatives of local and regional authorities dialogue on school budgets and performance, discuss school development priorities, and take collective decisions to improve learning environment. Moreover, 26 schools applied selected social accountability tools without formal participation in project activities.		Trust funds are most effective instrument for supporting citizen engagement directly  Effectiveness of citizen engagement activities depends largely on capacity of: local authorities and service providers to communicate; and on CSOs and beneficiaries to demand/understand information
<b>32. Increased uptake of government e-services, including by females</b> <i>Indicator 1:</i> Percent of direct project beneficiaries (including female) Baseline: 20,000 (40 percent female) (2013) Target: 300,000 (50 percent female) (2017)	<b>Achieved:</b> GeT project reached 617,354 beneficiaries, of which 51.8 percent were women		With uptake double the rate expected, Moldova's population is evidently ready for transition to electronic services and government should therefore plan accordingly
<b>33. Increased favorable citizen perception of quality of public service</b> <i>Indicator 1:</i> Share of satisfied citizens accessing Government Services Portal Baseline: 45 percent (2013) Target: 60 percent (2017)	<b>Achieved:</b> Recent surveys under GeT project show 66 percent satisfaction with overall quality of transaction processing on main Government Services Portal		
<b>34. Improved interaction and strengthened understanding of development challenges between</b>	<b>Achieved:</b> While quantitative indicators were achieved, implementation of Korean TF Knowledge Program was slow, with only one	<b>TFs:</b> Korean TF for Knowledge Program for Confidence	Greater realism in setting objectives, with more emphasis on, and resources built into project design process

<p><b>representatives of both banks of Nistru river.</b></p> <p><i>Indicator 1.1:</i> Introduction to WBG instruments Baseline: 32 (2015) Target: 40 Transnistrian and 15 right bank representatives (2015)</p> <p><i>Indicator 1.2:</i> Training in international procurement and best practices Baseline: 0 (2013) Target: 20 Transnistrian representatives</p> <p><i>Indicator 1.3:</i> Training in public-private partnerships Baseline: 0 (2013) Target: 20 Transnistrian representatives (2015)</p>	<p>of four pilot sub-projects completed by end-2015. Implementation of three remaining sub-projects planned for 2017. 40 Transnistrian and 15 right bank representatives (2015)</p> <p>20 Transnistrian representatives (2015)</p> <p>20 Transnistrian representatives (2015)</p>	<p>Building in Moldova and Transnistria (P151996)</p>	<p>International experts and study tours may help facilitate dialogue between policy makers</p> <p>Pilot projects should be in areas of low political importance, e.g. environment, infrastructure, utilities.</p>
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**Table 1. Summary of outcome ratings**

Pillar	No. of outcomes	Achieved	Mostly Achieved	Partially Achieved	Not Achieved	Not verified
Improving Competitiveness	9	2	3	3	1	0
Enhancing Human Capital & Minimizing Social Risks	6	1	0	3	1	1
Promoting a Green, Clean, and Resilient Moldova	6	3	1	1	1	0
Governance	13	6	1	6	0	0
TOTALS:	34 (100%)	12 (35%)	5 (15%)	13 (38%)	3 (9%)	1 (3%)

## Attachment 2: Citizen Engagement in Moldova (FY14-17)

**1. Civil society organizations (CSOs) play a potentially important role in Moldovan public life and are generally concentrated in the capital, Chisinau, where some have access to decision-makers.**<sup>10</sup> While their number is increasing, few function effectively, due to limited financial resources and lack of trust and civic engagement by ordinary citizens.<sup>11</sup> Meanwhile, media independence and the transparency of media ownership are major challenges.<sup>12</sup> In 2016, Moldova’s ranking on the WGI index for Voice and Accountability improved marginally, from 47 of 204 countries compared to 46 in 2010,<sup>14</sup> but its place on the World Press Freedom Index declined significantly, from 55 of 179 countries in 2013 to 76 of 180 countries in 2016. Moreover, the National Platform of the Eastern Partnership Civil Society Forum very recently expressed concern about what it perceives as the “... *worsening environment for CSOs and for rule of law principles in Moldova.*”<sup>15</sup> Thus, fostering civic engagement (CE) for development and social change and for combatting corruption remain important challenges, including for Bank Group activities in Moldova.

**2. Against this background, the FY14-17 CPS, launched contemporaneously with the Strategic Framework for Citizen Engagement in WBG Operations, incorporated improved public and social accountability in its cross-cutting governance theme.** Given the governance risks, a key mitigation measure was the CPS’ use of a governance and anti-corruption filter in all operations. The results framework included one CE indicator related to improved public services and referred to several other outcomes, albeit without indicators for their measurement.

**3. A CE review was undertaken to inform this CLR and the forthcoming CPF.** Consistent with WBG corporate requirements, efforts were made to identify potential entry points for CE in Bank Group-supported activities, to integrate CE mechanisms in projects, and to measure progress. Consultations with citizens and project beneficiaries were undertaken across all three pillars.

**Table 1: IPF compliance with CE corporate requirements at appraisal**

	% Compliance Citizen-oriented design	% Compliance Beneficiary feedback indicator	Progress toward reporting on the BF indicator in ISRs
FY14 (no project approved)	N/A	N/A	N/A
FY15 (4 projects)	25%	75%	75%
FY16 (2 project)	100%	100%	Not yet due
<b>FY14-16 average</b>	50%	83%	75%
ECA average FY14-16	85%	69%	N/A
Pre-FY14 (4 projects still active)	50%	25%	25%
Overall level of CE in active portfolio	50%	60%	40%

**4. Compliance** with corporate indicators is mixed (Table 1). The relatively low results for “citizen-oriented design” is probably due to the weak description of CE activities in appraisal documents for projects approved in FY15. This was corrected in FY16 when the portfolio reached full compliance. Though only a small sample, the level of CE reporting and the transparency of task teams about CE progress is comparatively high: of 4 projects, effective for at least six months, 3 included a beneficiary feedback indicator in the results framework and all reported on the indicator in (more than one) implementation status report (ISR).

**5. The quality** of planned CE was also assessed for all 10 projects in the current portfolio. In Moldova, 66 percent of projects have two or more feedback channels—an important indicator of CE quality. The review also showed that 70 percent of projects enable citizens to engage on any issue, *i.e.* feedback is not restricted to a particular pre-defined topic (*e.g.* resettlement). The portfolio also scores well on frequency of feedback, with

<sup>10</sup> Nations in Transit, Freedom House, 2016.

<sup>11</sup> BTI, Bertelsmann, 2016.

<sup>12</sup> Freedom House, *op.cit.*, 2016

<sup>13</sup> Reporters without Borders, 2016

<sup>14</sup> Worldwide Governance Indicators, World Bank, 2016.

<sup>15</sup> Declaration on Worsening Environment for Civil Society Organizations and Mass Media in the Republic of Moldova, March 3, 2017

70 percent of projects facilitating feedback at least once annually during the project life. A weaker result is that only 33 percent of projects adopted tools that enable interaction between government and citizens, although this improved substantially in FY16. While the quality of CE interventions included in FY16 projects was excellent, the review noted a fall back around these four indicators due to the FY15 projects. A unique characteristic of the Moldovan portfolio is the overall number of active CE mechanisms (participatory planning and decision-making, citizen monitoring, participatory budgeting) supplementing the more passive tools (grievance redress mechanisms (GRMs), satisfaction surveys and consultations). Enhancing design quality will be taken up in the CE roadmap for the forthcoming CPF.

6. The **level of implementation** of CE activities in the Moldova portfolio is one the strongest amongst 100+ projects reviewed in 12 ECA countries over the last year. PIUs' follow through, *i.e.* their planning, designing, budgeting, operationalizing, monitoring and reporting on CE is high compared with those in other countries. With 75 percent of tools planned by projects designed in guidelines and budgeted, this is significantly higher than in other countries and ensures that most of those projects were operationalized. In addition, progress reporting by PIUs and transparent monitoring by task teams is high, indicating an overall commitment to implementation of CE activities and to projects being accountable for CE commitments made at project approval. The impacts of this outstanding result are yet to be measured, but should be considered as part of the CE country roadmap in the next CPF.

7. The following three projects illustrate how WBG investments engage citizens in Moldova:

- **Strengthen Social Safety Nets Results** (P120913, FY11). Integrated with the Ministry of Labor, Social Protection and Family MIS, the project supports the development of a GRM (including a hotline and reception and consulting center), and capacity building to expedite system management. A broad public communications campaign was undertaken, with mass media and CSOs disseminating information about the social safety net reform. Regional CSO participation in monitoring, and a National Consultative Council on social assistance have raised awareness of social assistance reforms and engaged a broad range of policy-makers, NGO experts and opinion leaders to support sustainability.
- **Moldova e-Transformation** (P121231, FY11). To increase outreach and monitor performance, the project involves citizens and civil society as follows: (a) a group of CSOs engage in participatory planning, including consultations on public policy documents and involvement in the development and revision of the Open Government Action Plan; (b) roundtables and workshops are held annually on e-Governance to engage with civil society representatives; and (c) citizens' perception of the quality of e-service, the uptake of e-governance, and support for the e-governance initiative are measured annually.
- **Education Reform** (P127388, FY13). Through a parallel grant, the project aims to empower civil society to: (a) engage local, regional and national authorities in evidence-based policy and budget dialogue; and (b) promote an enabling environment for social accountability. CSO coalitions have been created at regional and local levels to conduct public discussions on school budgets and to monitor the implementation of user report cards on the quality of schooling, school policies and practices. The project is particularly outstanding in its efforts to report back to citizens. Through an online platform "*ScoalaMea*", the project publishes information needed for citizens to engage in project activities and reports back on the results of CE mechanisms.
- **Open Contracting** (P151413). This Bank-executed activity focuses on: (a) disclosure of procurement information through government portals; (b) building the capacity of non-government stakeholders to monitor and advise on public contracting performance; and (c) strengthening cooperation between government and non-governmental stakeholders in monitoring public contracting.

## Attachment 3: Gender in Moldova (FY14-17)

### Background

1. **By global and regional standards, gender equality in Moldova is high.** The World Economic Forum's most recent Global Gender Gap Index (2015) ranks Moldova 26 of 145 countries, with only Latvia (18) and Estonia (22) rated higher amongst East European and former Soviet states. Primary and secondary education completion rates are close to 100 percent and essentially equal for boys and girls; the university completion rate is also high, and 58 percent of university graduates are female. Women's labor force participation is relatively high and women are slightly more likely than men to hold secure, albeit less well-paid, public sector jobs.

2. **Moldova has also progressed substantially in terms of legislation.** Its constitution provides for gender equality as does the 2006 Law on Ensuring Equal Opportunities for Men and Women. A more recent law strengthened protection mechanisms for victims of gender-based violence and a National Action Plan is under preparation.<sup>16</sup> In line with commitments under its Association Agreement with the EU, Moldova has also established a Gender Equality Coordination Council, which recently completed a National Gender Equality Strategy, 2016-2020 that is designed to mainstream gender equality in public policy.

3. **Despite these advances, gender equality on key indicators such as the Global Gender Equality Index and a national Gender Equality Index (GEI), is declining.** According to the national GEI, developed by a local think tank (Partnership for Development Center) and based on 31 indicators in six areas, four areas regressed during 2009-14, the decline being most evident in the labor market.<sup>17</sup> Second, the same think tank's assessment of 25 policies adopted by parliament between 2012-14 concluded that none considered gender issues explicitly. Third, there is clear evidence that gender discrepancies persist in important areas of the economy and society, including the following:<sup>18</sup>

- Occupational segregation and earnings gap: Despite evident equality in education and labor force participation, there are still significantly fewer women in higher-earning professions and industries.
- Discrepancies in labor force participation: Women delay entry into the labor force and take longer breaks. There is a substantial gap in labor force participation between women with and without children—20 percent in 2014, one of the highest in Europe—and, despite a labor code that prohibits gender discrimination, there remains significant bias in the labor market, due partly to restrictive maternity leave policies, inflexible workplace arrangements, and limited childcare options.
- Entrepreneurship and livelihoods: Women in Moldova are less likely to start a business, and when they do, are less likely to expand and employ others. Available data suggests that these barriers are related to social norms, limited access to productive assets, as well as inadequate leadership, management, and financial literacy skills, *etc.*
- Agency, voice, and gender-based violence: Women are under-represented in leadership positions in both local and national governments, as well as in the civil service, the judiciary, the legislature, and the media. At the same time, Moldova has one of the highest rates in Europe and Central Asia of domestic violence and human trafficking (primarily as a source country).

4. **National priorities on gender focus on equality in the labor market, increasing women's representation in politics, improving the enabling environment for women entrepreneurs, and combating gender-based violence.** Moldova recently elaborated a new Gender Equality Strategy, 2016-2020 that aims to mainstream gender in a wide range of areas including health, education, social services, labor market, climate change and disaster management, political participation, *etc.* The Ministry of Labor, Health,

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<sup>16</sup> Law 196 introduces a so-called "urgent restriction order" which gives police officers the prerogative to order an offender's immediate exclusion from the household. It also provides for free legal assistance to victims and a website to raise awareness about services offered.

<sup>17</sup> Recommendations for the National Strategy on Labor Force Participation 2017-2021, a study conducted by the Partnership for Development Center with the support of the East-European Foundation

<sup>18</sup> World Bank Country Gender Assessment (2014), World Bank Systematic Country Diagnostic (2015), Moldova National Gender Equality Strategy (2017), Moldova Gender Equality Portal, and reports by local and international organizations (UN WOMEN, SIDA, Women's Law Center, Partnership for Development Center, and Soros Foundation)

and Social Affairs is mandated to coordinate implementation of this strategy across the government, although each sectoral agency is responsible for allocating financial resources.

## Gender in Bank Group's Program

5. **Bank Group analytics and operations have an important role to play in addressing occupational segregation and labor force participation through education and labor interventions, opening opportunities for women as entrepreneurs, as well as promoting change in healthy lifestyles and access to health for men.** Bank Group lending and knowledge products can contribute to: establishing the evidence base for linkages between gender equality and social and economic empowerment; piloting specific skills, training, or capacity-building programs; bringing good practice knowledge in public awareness and communications on gender issues; and helping build government capacity for establishing better statistics and continuous monitoring of gender outcomes.

6. **A review of projects underway during the current FY14-17 CPS revealed increasing gender analysis and monitoring.**<sup>19</sup> Ten, or two-thirds, are informed by some type of gender analysis and most include gender indicators in their results framework (RF). Overall, 80 percent can be considered gender-informed, *i.e.*, meeting at least two of three criteria: gender analysis, gender actions, and/or gender monitoring. Compared to FY11-13, all projects approved since FY14 were informed by gender analysis and include gender-related indicators. At the design stage, gender is integrated either through project-specific analysis (*e.g.*, part of a social assessment, PSIA, or baseline survey<sup>20</sup>) or a review of secondary data (*e.g.*, household survey, sector-specific data, evaluations or analysis under previous projects<sup>21</sup>). Two DPOs approved in FY14 and FY17 respectively are grounded in gender-informed PSIA work.<sup>22</sup> Monitoring in most projects consists of collecting gender-disaggregated data on beneficiaries.

7. **Although the portfolio is gender-informed, it still faces challenges in terms of making a transformational impact on key gender equality issues.** Only one project (*E-Transformation*) incorporates and reports on a gender-specific target and no projects target gender equality outcomes in their results framework. Moreover, many projects report gender activities at the design stage, but few provide evidence during implementation. Not all projects can advance gender equality outcomes, but where there is the potential, technical support to task teams would be desirable to help design activities, adopt realistic results indicators, and report consistently on implementation and outcomes.

8. **The Bank Group's knowledge work is also contributing significantly to the evidence base on specific gender gaps.** For example, the 2015 study *From Aspirations to Occupations* and the 2016 Systematic Country Diagnostic highlighted the gap in occupational preferences between men and women, with few women entering high-earning STEM professions and many tending to delay their entry into the labor force. In this connection, technical assistance to Moldova's Small and Medium Business Development Agency (ODIMM) is undertaking a first national survey on barriers for women entrepreneurs. The findings of these knowledge products will help inform gender-specific actions in education, entrepreneurship, and livelihoods. Meanwhile, the Pension Reform Law, approved in December 2016 with Bank-financed technical assistance, equalized the retirement age for men and women (at 63) and is expected to improve women's pension and related benefits and reduce the income gap between men and women retirees.

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<sup>19</sup> A review of 15 projects under implementation during the FY14-17 CPS period, excluding trust-funded activities, based on project preparation, appraisal, implementation and supervision documents available in the Operations Portal.

<sup>20</sup> Local Roads Improvement, Tax Administration, District Heating Efficiency Improvement.

<sup>21</sup> Health Transformation, Education Reform AF, Agriculture Competitiveness.

#### Attachment 4: Planned Lending and Actual Deliveries (USD million)

Project Name	FY14		FY15		FY16		FY17	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
<i>Pillar 1: Increasing Competitiveness</i>								
Development Policy Operation	30	30						
DPO-2					45	approved in FY17		45
Competitiveness Enhancement II			45	45				
Agriculture Competitiveness AFs			12	12	10	approved in FY17		10
District Heating Partial Credit Risk Guarantee							80	dropped
<i>Pillar 2: Enhancing Human Capital and Minimizing Social Risks</i>								
Health Transformation Operation	30.8	30.8						
Education Reform AF							15	moved to FY18 – 10
Local Roads Improvement					80	80		
<i>Pillar 3: Promoting a Green, Clean and Resilient Moldova</i>								
District Heating Efficiency Improvement			40.5	40.5				
Disaster and Climate Risk Management AF			2	2				
Climate Adaptation and Forestry							20	25 (with an extra IDA allocation of SDR8.1 mln)
<i>Cross-cutting Governance theme</i>								
Tax Administration Modernization					20	20		
Modernization of Government Services							20	moved to FY18
Economic Governance DPO							30	moved to FY18
<b>TOTAL US\$480.3 million planned</b>	<b>60.8</b>	<b>60.8</b>	<b>99.5</b>	<b>99.5</b>	<b>155</b>	<b>100</b>	<b>165</b>	<b>80</b>
<b>TOTAL US\$340.3 million delivered</b>								

### Attachment 5: Planned ASA and Actual Deliveries

Planned Completion FY	Activity	Planned in the CPS	STATUS (as of April 5, 2017)
FY14	Accountancy curricula improvement TA	X	Delivered (P143560, FY14)
	Moldova Public Expenditure Review	X	Delivered (P146628, FY14)
	Water Sector Regionalization Review	X	Delivered (P133219, FY14)
	Land Governance Assessment Framework TA	X	Delivered (P132485, FY14)
	Social Accountability in Forestry TA	X	Delivered (P145214, FY14)
	Programmatic Financial Sector Monitoring TA	X	Extended and delivered with outputs for FY14-16 (P147063, FY16)
	Local Road Management and Finance	X	Delivered (P147451, FY14)
	IFC Investment Climate Reform TA	X	Ongoing through FY14-17
FY15	Moldova FSAP Update	X	Delivered (P146486, FY15)
	Moldova ICR ROSC	X	Delivered (P148765, FY15)
	Public Expenditure Review	X	Delivered (P151612, FY15)
	MD Food Security Notes	X	Delivered (P124627, FY15)
	Moldova Forest Policy Note	X	Delivered (P146476, FY15)
	Electric Power Market Options	X	Delivered (P146401, FY15)
	Programmatic Human Development TA: Health, Pensions, Jobs & Skills	X	Delivered (P143613, FY15)
	IFC Investment Climate Reform TA	X	Ongoing through FY14-17
FY16	Public Finance Review	X	Delivered (P157689, FY16)
	Trade Study	X	Delivered (P148369, FY16)
	District Heating and Electricity Tariff	X	Delivered (P151113, FY16)
	Advice on Strengthening Public Inv. Mgm	X	Delivered (P130304, FY16)
	Moldova Poverty Assessment	X	Delivered (P151472, FY16)
	Labor TA Moldova	X	Delivered (P152911, FY16)
	Advocacy for Pension Reform	X	Delivered (P157759, FY16)
	Village Development Scoping Study	X	Delivered (P156336, FY16)
	Climate TA	X	Delivered (P154652, FY16)
	Open Contracting in Moldova	X	Moved to FY17 (P151413) – to be delivered in Q4
	IFC Investment Climate Reform TA	X	Ongoing through FY14-17
FY17	Public Expenditure Reviews in health and education		To be delivered in Q4
	Country Gender Action Plan	X	To be delivered in Q4 (P160373)
	Governance Reform Scorecard	X	To be possibly extended with additional funding (P158221)
	Knowledge for Confidence Building: MD/TN	X	Work will continue into FY18 (P158569)
	Tax Legislation Revision TA	X	Work will continue into FY18 (P158228)

Planned Completion FY	Activity	Planned in the CPS	STATUS (as of April 5, 2017)
	Energy Efficiency Transformation in DH	X	To be delivered in Q4 (P157735)
	Power System Interconnection Analysis	X	To be delivered in Q4 (P159050)
	SOE Reform TA	X	To be delivered in FY19 (P158220)
	Labor Supply Note		Delivered in FY17
	Labor Demand Note		Delivered in FY17
	Informality and Self-Employment Labor Data Note (partly-financed by Korea TF)		Delivered in FY17
	Private Sector Skill Demand and Mitigation of Skill Constraints		Possible FY17 delivery
	Study of Adoption of Climate-Adaptive Agriculture		Possible FY17 delivery
	IFC Investment Climate Reform TA	X	Ongoing through FY15-19

## Annex 4. Selected Indicators\* of Bank Portfolio Performance and Management

*As of Date 04/12/2017*

Indicator	FY14	FY15	FY16	FY17
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	9.0	8.0	10.0	9.0
Average Implementation Period (years) <sup>b</sup>	2.7	3.1	3.4	3.4
Percent of Problem Projects by Number <sup>a, c</sup>	22.2	25.0	10.0	0.0
Percent of Problem Projects by Amount <sup>a, c</sup>	25.3	26.1	11.3	0.0
Percent of Projects at Risk by Number <sup>a, d</sup>	22.2	25.0	10.0	0.0
Percent of Projects at Risk by Amount <sup>a, d</sup>	25.3	26.1	11.3	0.0
Disbursement Ratio (%) <sup>e</sup>	29.3	27.0	30.5	15.9
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	yes	yes	yes	yes
<hr/>				
Memorandum Item	Since FY80	Last Five FYs		
Proj Eval by OED by Number	42	11		
Proj Eval by OED by Amt (US\$ millions)	763.5	206.4		
% of OED Projects Rated U or HU by Number	19.5	27.3		
% of OED Projects Rated U or HU by Amt	16.7	22.8		

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## Annex 5. Operations Portfolio (IBRD/IDA and Grants)

**Closed Projects** **50**

<u>IBRD/IDA*</u>	<u>US\$ M</u>
Total Disbursed (Active)	119.55
of which has been repaid	0.00
Total Disbursed (Closed)	518.26
of which has been repaid	256.93
Total Disbursed (Active + Closed)	637.81
of which has been repaid	256.93
Total Undisbursed (Active)	194.81
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	194.81

### Active Projects

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>					<u>Difference Between Expected and Disbursements<sup>a/</sup></u>	
		<u>Supervision Rating</u>			IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>								
P118518	AGRICULTURE COMPETITIVENESS PROJ. (GEF)	S	S	2012	0.0	40.0		0.0	15.9	-4.5	0.0
P127125	AGRICULTURE COMPETITIVENESS PROJ. (GEF)	S	S	2012	0.0	0.0	4.4	0.0	0.3	0.3	0.0
P132443	DIST HEAT EFFIC IMPR	MS	S	2015	40.5	0.0		0.0	20.6	-19.9	-19.9
P127388	EDUCATION REFORM	MS	MS	2013	0.0	40.0		0.0	16.5	12.8	3.1
P150357	Local Roads Improvement Project	MS	MS	2016	0.0	80.0		0.0	74.9	15.1	0.0
P144892	Moldova Health Transformation Project	MS	MS	2014	0.0	30.8		0.0	15.6	0.0	0.0
P144103	Second Competitiveness Enhancement Proj	MS	S	2015	30.0	15.0		0.0	28.2	0.0	8.6
P120913	Strengthen SSN - Results	MS	MS	2011	0.0	37.0		0.0	3.2	6.5	6.5
P127734	Tax Administration Modernization Project	MS	MS	2016	12.6	7.4		0.0	19.8	0.0	0.0
<b>Overall Result</b>					<b>83.1</b>	<b>250.2</b>	<b>4.4</b>	<b>0.0</b>	<b>194.8</b>	<b>10.2</b>	<b>-1.7</b>

## Annex 6. Statement of IFC's and MIGA's Committed and Outstanding Portfolio

IFC

*Amounts in US Dollar Millions*  
Accounting Date as of : 02/28/2017

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
2013/ 2008	<a href="#">Bostavan</a>	0	0	1.12	0	0	0	1.12	0	0	1.12	0	0	0	1.12	0.00
2011	<a href="#">Chisinau</a>	4.38	5.63	0	0	0	0	4.38	0	4.38	0	0	0	0	4.38	0.00
2013/ 2012	<a href="#">Energo Continent</a>	0	0	0	2.89	0	0	2.89	0	0	0	0	0	0	0	0.00
2012	<a href="#">GC Prim</a>	9.32	2.56	0	0	0	0	9.32	0	9.32	0	0	0	0	9.32	0.00
2001/ 1999/ 2000	<a href="#">Orange Moldova</a>	0	4.53	0	1.62	0	0	1.62	0	0	0	1.62	0	0	1.62	0.00
2013/ 2015	<a href="#">TransOil</a>	28.80	49.01	0	0.00	0	0	28.80	5.07	28.80	0	0.00	0	0	28.80	5.07
2010/ 2002	<a href="#">UF Moldova</a>	5.64	29.36	0	0	0	0	5.64	0	5.64	0	0	0	0	5.64	0.00
<b>Total Portfolio</b>		<b>48.13</b>	<b>91.09</b>	<b>1.12</b>	<b>4.52</b>	<b>0</b>	<b>0</b>	<b>53.77</b>	<b>5.07</b>	<b>48.13</b>	<b>1.12</b>	<b>1.62</b>	<b>0</b>	<b>0</b>	<b>50.88</b>	<b>5.07</b>

MIGA exposures as of June 28, 2017

Project Name	Effective Date	Expiry Date	Business Sector	Gross (\$USD)
I.C.S. Raiffeisen Leasing S.R.L.	11/09/2012	12/31/2017	Financial	668,741
I.C.S. Raiffeisen Leasing S.R.L.	06/18/2008	12/31/2018	Financial	3,726,956
Insurance of Mandatory Reserve at the Central Bank of Moldova	12/22/2010	12/21/2020	Financial	20,987,669
<b>Total</b>				<b>25,383,366</b>

## Annex 7. Moldova FY18-19 CPF Indicative Lending and ASA

WB Lending Program (July 1, 2017 to June 30, 2019) <i>Indicative and subject to revision</i>	FY18				FY19				FY18-19 Advisory Services and Analytics
	IDA blend&hard (SDRm*)	IDA (US\$m)	IBRD (US\$m)	Total IDA/IBRD (US\$m)	IDA blend&hard (SDRm)	IDA (US\$m)	IBRD (US\$m)	Total IDA/IBRD (US\$m)	
<b>FOCUS AREA 1: ECONOMIC GOVERNANCE – STRENGTHENING RULE OF LAW &amp; ACCOUNTABILITY IN ECONOMIC INSTITUTIONS</b>									
Economic Governance DPO (Q2)	22.2	30.0		30.0					<ul style="list-style-type: none"> <li>- IFC Investment Climate Advisory</li> <li>- Programmatic Financial Sector Monitoring</li> <li>- Country Economic Memorandum on growth drivers</li> <li>- Governance Reform Scorecard</li> <li>- Economic Rule of Law (EU-funded)</li> <li>- Economic Governance of the Energy Sector (EU-funded)</li> <li>- Macro Fiscal Just-In-Time TA</li> <li>- State-Owned Enterprise Reform (UK-funded)</li> <li>- Transnistria Knowledge for Confidence Building (e-register in Transnistria), to be confirmed</li> <li>- ESMAP Just-In-Time DH regulatory support</li> <li>- Analysis &amp; dissem. – Cost of Doing Business</li> <li>- Tax Legislation Revision TA</li> </ul>
Transparent Power Market (Q3) – relevant for both focus areas 1&2	40.7	55.0		55.0					
<b>FOCUS AREA 2: SERVICE GOVERNANCE – IMPROVING EFFICIENCY, QUALITY &amp; INCLUSIVE ACCESS TO PUBLIC SERVICES</b>									
Modernization of Government Services (Q1)	11.1	15.0	5.0	20.0					<ul style="list-style-type: none"> <li>- Health Public Expenditure Review (Switzerland funding)</li> <li>- Education Public Expenditure Review</li> <li>- Road Safety</li> <li>- IT-enabled employment creation</li> <li>- Commitment to Equity and Poverty Monitoring</li> <li>- Pension Reform Implem. and Benefit Administration</li> </ul>
Land Registration, Valuation and Local Taxation (Q3)	25.9	35.0		35.0					
<b>FOCUS AREA 3: SKILLS DEVELOPMENT – ENHANCING QUALITY AND RELEVANCE OF EDUCATION &amp; TRAINING INSTITUTIONS TO ENABLE ACQUISITION OF JOB-RELATED SKILLS</b>									
Education Reform AF (Q3)	7.4	10.0		10.0					<ul style="list-style-type: none"> <li>- Tackling gender inequality in the labor market</li> <li>- Informality and Self-Employment Labor Data Note (partly-financed by Korea TF)</li> <li>- Private Sector Skill Demand and Mitigation of Skill Constraints</li> <li>- Education Sector Decentralization Analysis</li> </ul>
Skills for Jobs Project (Q3)					22.2	30.0		30.0	
<b>GREATER ADAPTATION, RESILIENCE AND RESPONSE TO CLIMATE CHANGE</b>									
Climate Adaptation [end FY-17 approval, ongoing]									<ul style="list-style-type: none"> <li>- Study of Adoption of Climate-Adaptive Agriculture</li> <li>- Reinforcing Weather and Climate Services</li> </ul>
<b>TOTAL FY18-19 – roughly US\$180m</b>	<b>107.3</b>	<b>145</b>	<b>5.0</b>	<b>150.0</b>	<b>22.2</b>	<b>30.0</b>	<b>0.0</b>	<b>30.0</b>	

\*(SDR = approximately US\$0.74)

## Annex 8. Coordination among Development Partners

**1. Overall aid coordination has not fulfilled its potential in recent years, partly due to capacity constraints, high staff turnover, and heavy workloads in Moldova's State Chancellery.** Nonetheless, the Bank Group is encouraging and supporting the government to take a stronger coordination leadership role. In this connection, there are several successful examples of government-led coordination at the sector level, notably in health, transport, and power connectivity with Romania. The Bank Group will continue to participate actively in these groups and it currently represents development partners in transport and power. The Business Council, financed by IFC, is a forum for private sector representatives and the government to coordinate positions on investment climate issues.

**2. Experience during the last CPS, especially regarding the fraud in the banking system, demonstrated the importance of the Bank Group coordinating its policy dialogue with other development partners.** To this end, it will continue co-chairing the UN's monthly meetings, which bring together development partners and the government to share information. In addition, the Bank and the UN have recently created a Development Partners' Policy Forum where views can be exchanged and common positions formulated on topical policy issues. The Bank will coordinate informally with the EU+Switzerland programming process in future, as was the case in 2016. As a contribution to development partner policy coordination, the Bank remains open to reconvening the 2014-15 multi-donor *Briefing Book* process after the 2018 parliamentary elections, or if there is a consensus that is required at another time.

**3. The Bank Group's increasing concentration on economic governance will be underpinned by knowledge work and advice financed by other development partners.** For example, the EU will finance Bank Group-executed advisory work on energy policy, judicial reform, state-owned enterprises, public property, and the investment climate amounting to about US\$5 million annually for two years, beginning 2018. The UK's Good Governance Fund will support technical assistance on, among other things, justice, state-owned enterprises, the monitoring of governance reform and tax policy. Finally, Sweden will fund advice on energy sector regulation and Switzerland on the public expenditure dimensions of hospital rationalization.

## Annex 9. Summary of Country Gender Action Plan (CGAP)

The full Moldova CGAP can be obtained at: [Moldova: Country Gender Action Plan.](#)

### Background

1. **The CGAP is based on a desk review of key gender issues and of ongoing and upcoming Bank Group activities in Moldova.**<sup>23</sup> It identifies entry points in analytical and/or operational work that are aligned with the twin goals and can advance key gender equality outcomes and proposes indicators and instruments ensuring that gender analysis and monitoring are consistently incorporated and that progress is systematically recorded.

2. **By global and regional standards, gender equality in Moldova is high.** The World Economic Forum's 2015 Global Gender Gap Index ranks Moldova 26 of 145 countries and third highest amongst East European and former Soviet states after Latvia (18) and Estonia (22). Primary and secondary education completion rates are essentially equal for boys and girls; 58 percent of university graduates are women; and female labor force participation is relatively high. Moldova's constitution provides for gender equality and, in line with commitments under its Association Agreement with the EU, the government established a Gender Equality Coordination Council which recently completed a National Gender Equality Strategy.

3. **Despite these advances, gender equality on key indicators including a national Gender Equality Index (GEI), is declining.** According to the latter, comprising 31 indicators in six areas, four areas regressed during 2009-14, the decline being most evident in the labor market. Second, an assessment by the Partnership for Development Center of 25 policies adopted by parliament between 2012-14 concluded that none considered gender issues explicitly. Third, a World Bank Country Gender Assessment confirmed that gender discrepancies persist in important areas of the economy and society.<sup>24</sup>

4. **National priorities focus on equality in the labor market, increasing women's representation in politics, improving the enabling environment for women entrepreneurs, and combating gender-based violence.** Moldova's National Gender Equality Strategy, 2016-20 aims to mainstream gender in several areas including health, education, social services, labor market, climate change and disaster management, political participation, *etc.* The Ministry of Labor, Health, and Social Affairs is responsible for coordinating implementation, although each sectoral agency is responsible for allocating financial resources.

### Bank Group Program

5. **A review of projects underway during the FY14-17 CPS revealed increasing gender analysis and monitoring.**<sup>25</sup> Ten, or two-thirds, are informed by some type of gender analysis and most include gender indicators in their results framework. Overall, 80 percent can be considered gender-informed, *i.e.*, meeting at least two of three criteria: gender analysis, gender actions, and/or gender monitoring.

<sup>23</sup> One of two pilot CGAPs in the ECA region, the other being Armenia.

<sup>24</sup> Moldova: Country Gender Assessment, Report No. 76077-MD, 2014.

<sup>25</sup> A review of 15 projects under implementation during the FY14-17 CPS period, excluding trust-funded activities.

Compared to FY11-13, all projects approved since FY14 were informed by gender analysis and include gender-related indicators.

**6. Though gender-informed, the Bank Group’s portfolio faces challenges in achieving a transformational impact on key issues.** Only one project (*e-Transformation*) incorporates a gender-specific target and no projects target gender equality outcomes. Moreover, while many projects report gender-related activities at the design stage, few provide evidence during implementation.

**7. Bank Group knowledge work also contributes to the evidence base on gender gaps.** For example, a 2015 study *From Aspirations to Occupations* and the 2016 SCD highlighted the gap in occupational preferences between men and women, with few women entering higher-earning STEM professions and many delaying their entry into the labor force. In this connection, Moldova’s Small and Medium Business Development Agency (ODIMM) is undertaking a first national survey of barriers to entry for women entrepreneurs. The findings of these knowledge products will help inform gender-specific actions in education, entrepreneurship, and livelihoods. Meanwhile, the Pension Reform Law, approved in December 2016, equalized the retirement age for men and women (at 63) and is expected to improve women’s pension and related benefits and reduce the income gap between men and women retirees.

### **Proposed Actions under the Moldova CGAP FY18-21**

8. Drawing from the foregoing analysis of the country context and the program, the CGAP proposes a two-track approach:

- (a) *mainstreaming* (or cross-cutting activities): to ensure continuous attention to gender in the portfolio and identify opportunities for deepening gender analysis, actions, and/or targets in projects. At least two of the following pipeline projects will incorporate activities and targets to reduce gender gaps: *Education Reform AF* (FY18); *Skills for Jobs* (FY19); and *Land Registration and Valuation and Local Taxation*. At least one success story on gender outcomes will be produced and disseminated; and
- (b) *specific gender equality outcomes*: to achieve selective targets that are aligned with the portfolio as well as the country’s key gender issues. The CGAP specifies 17 results grouped under its three thematic priorities: reducing occupational segregation, closing the gap in mortality and life expectancy, and lowering rates of gender-based violence, particularly domestic violence. The strong focus on education, training, and business development in the portfolio means that activities to address occupational segregation dominate the CGAP’s results matrix, accounting for 13 of 17 intended results. TF financing will be sought to support access to justice for victims of gender-based violence.

## Annex 10. Consultations

1. **A Country Opinion Survey was carried out during May—June 2016.** Respondents' top priorities for Bank Group activities were anti-corruption and education. Others included governance, private sector development and investment, job creation and justice sector reform.

2. **CPF consultations were carried out between 19 January—23 March, 2017.** Stakeholders from different regions were consulted face-to-face, including representatives of civil society organizations, the private sector, development partners, students, academics and the general public. Participants received a letter summarizing their consultation meeting's conclusions. A CPF consultations web page in English, Romanian and Russian was created, with links to the SCD, the PLR and Country Opinion Survey reports. The Country Office's social media channels, Facebook and Twitter, provided regular updates on CPF consultations. A thematic blog ("What Next for Moldova?") helped raise awareness of the process and attracted additional involvement from different stakeholders. It reached over 7,000 readers via Facebook and was picked up by three news websites.

3. **In addition to traditional face-to-face consultations, the Bank Group conducted online polls among different categories of stakeholders in English, Romanian and Russian.** This made the consultation process more engaging and captured the views of a greater number of participants. The questions covered priorities for lending, ASA, DPO conditionality, skills development, Bank Group weaknesses, and political uncertainty. Online poll results were analyzed by category of respondent.

4. About 600 people were consulted, including over 400 online survey responses. Examples of survey findings included:

- 54% of respondents said that the Bank Group should program its activities for only two years because of political uncertainty;
- 85% agreed that the Bank Group should provide budget support, subject to conditionality;
- 49% believed that education should be a priority for investment project lending in FY19;
- highest priorities for ASA were: financial sector regulation, country economic analysis, investment climate advice, migration (causes and effects), and livelihoods in poor areas;
- the Bank Group's greatest perceived weaknesses were: insufficient consultation of civil society, political naivety, and too much emphasis on economic rather than social issues; and
- the main risks to CPF implementation were: political uncertainty, corruption, and government resistance to reform.

<b>Complete survey findings may be accessed by language and category of participant at:</b>
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Public (English) - <a href="https://www.surveymonkey.net/results/SM-T5X2WF6B/">https://www.surveymonkey.net/results/SM-T5X2WF6B/</a>
Public (Romanian) - <a href="https://www.surveymonkey.net/results/SM-RVKYSF6B/">https://www.surveymonkey.net/results/SM-RVKYSF6B/</a>
Public (Russian) - <a href="https://www.surveymonkey.net/results/SM-J65CYF6B/">https://www.surveymonkey.net/results/SM-J65CYF6B/</a>
Private Sector - <a href="https://www.surveymonkey.net/results/SM-SYJ6SF6B/">https://www.surveymonkey.net/results/SM-SYJ6SF6B/</a>
Civil Society - <a href="https://www.surveymonkey.net/results/SM-KCXCTF6B/">https://www.surveymonkey.net/results/SM-KCXCTF6B/</a>
Academia (Balti University) - <a href="https://www.surveymonkey.net/results/SM-G66WMF6B/">https://www.surveymonkey.net/results/SM-G66WMF6B/</a>
Academia (Technical University) - <a href="https://www.surveymonkey.net/results/SM-63F3XF6B/">https://www.surveymonkey.net/results/SM-63F3XF6B/</a>
Academia (State University) - <a href="https://www.surveymonkey.net/results/SM-NCKPNF6B/">https://www.surveymonkey.net/results/SM-NCKPNF6B/</a>
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