REQUEST FOR CEO ENDORSEMENT[1]

PROJECT TYPE: Full-sized Project
TYPE OF TRUST FUND:GEF Trust Fund

PART I: PROJECT INFORMATION

Project Title: Agriculture Competitiveness Project			
Country(ies):	Republic of Moldova	GEF Project ID:[2]	4630
GEF Agency(ies):	WB (select) (select)	GEF Agency Project ID:	P127125
Other Executing Partner(s):	Ministry of Environment; Ministry of Agriculture and Food Industry	Submission Date:	March 27, 2012
GEF Focal Area (s):	Land Degradation	Project Duration(Months)	60
Name of Parent Program (if applicable): For SFM/REDD+ ☐	N/A	Agency Fee ($):	443,550

A. FOCAL AREA STRATEGY FRAMEWORK[3]

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Grant Amount ($)	Cofinancing ($)
(select) LD-1	1.2 Improved Agricultural Management	1.2 Types of Innovative SL/WM practices introduced at field level	GEF TF	400,000	8,000,000
(select) LD-1	1.3: Sustained flow of services in agroecosystems	1.3 Suitable SL/WM interventions to increase vegetative cover in agroecosystems	GEF TF	1,650,000	2,520,000
(select) LD-1	1.4: Increased investments in SLM	1.4 Appropriate actions to diversify the financial resource base	GEF TF	1,900,000	7,100,000
(select) LD-3	3.2: Integrated landscape management practices adopted by local communities	3.2 INRM tools and methodologies developed and tested	GEF TF	295,500	380,000
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)	Others		(select)		
		Subtotal		4,245,500	18,000,000
		Project management cost[4]	GEF TF	190,000	2000000
		Total project costs		4,435,500	20,000,000

B. PROJECT FRAMEWORK

Project Objective: The Project Development Objective is to enhance the competitiveness of the country's

[1] It is important to consult the GEF Preparation Guidelines when completing this template
[2] Project ID number will be assigned by GEFSEC.
[3] Refer to the Focal Area/LDCF/SCCF Results Framework when filling up the table in item A.
[4] GEF will finance management cost that is solely linked to GEF financing of the project. PMC should be charged proportionately to focal areas based on focal area project grant amount.

agro-food sector by supporting the modernization of the food safety management system; facilitating market access for farmers; and mainstreaming agro-environmental and sustainable land management practices. The implementation of activities related to agro-environmental and sustainable land management practices, as well as their integration into other project activities will play an important role in increasing agro-ecosystem resilience.

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Grant Amount ($)	Confirmed Cofinancing ($)
1: Enhancing food safety management This component will support the ambitious agenda of engendering critical adjustments in the food safety management system in line with EU practice and requirements.	TA	Completion of targeted food safety actions for approximation to EU SPS requirements	(1) Functional Food Safety Agency; (2) Two food safety laboratories compliant with standards for international accreditation; (3) Four Border Inspection Points established; (4) Methodological and analytical guidelines for soil quality and land degradation risk-assessment, land quality certification, and standard setting to ensure that the best soil management practices are integrated in the policy and regulatory framework for food safety management	GEF TF	50,000	8,600,000
2: Enhancing market access potential This component will address institutional and market access elements of the competitiveness framework by creating an enabling environment for voluntary farmer productive partnerships, and by assisting them in creating and expanding their asset base for the application of modern post-harvest technologies.	Inv	Increased sales (domestic and exports) of high value crops by targeted partnerships that receive investment support grants	(1) Capacity for post-harvest handling created in targeted productive partnerships; (2) Productive partnerships created with project support	GEF TF	0	5,600,000
3.Enhancing land productivity through	Inv	(1) Increased on-farm area benefitting from	(1) Analytical solutions for site-specific SLM	GEF TF	4,195,500	3,800,000

sustainable land management This component's activities will be aligned along three lines of support: (i) strengthening of human, institutional and technical capacity (both locally and nationally) for the implementation of SLM activities; (ii) financial support in the form of matching investment grants to farmers for piloting the adoption of sustainable land management practices and technologies; and (iii) investment support for the rehabilitation of anti-erosion shelterbelts with the purpose of maintaining and enhancing the productivity of agricultural land and increasing eco-system resilience.		sustainable land management practices supported by the project (target - 10,000 hectares); (2) Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project (target - 50,000 hectares)..	technologies developed and disseminated (minimum participation of women - 30%); (2) Matching investment grants for SLM activities (target 200-225, including grants to farmers eligible for support under Component 2); (3) Operational mechanized mobile squads for rehabilitation of anti-erosion shelterbelts (target - 2 mobile squads); (4) Anti-erosion shelterbelts rehabilitated (target - 2,000 hectares).			
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
			Subtotal		4,245,500	18,000,000
			Project management Cost[5]	(select)	190,000	2,000,000
			Total project costs		4435500	20000000

C. SOURCES OF CONFIRMED COFINANCING FOR THE PROJECT BY SOURCE AND BY NAME ($)

Sources of Co-financing	Name of Co-financier (source)	Type of Cofinancing	Cofinancing Amount ($)
GEF Agency	WB	Soft Loan	18,000,000
National Government	State Ecological Fund, State Forestry Agency	In-Kind	2,000,000
(select)		(select)	
(select)		(select)	

[5] Same as footnote #4.

(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Co-financing			20,000,000

D. GEF/LDCF/SCCF/NPIF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY[1]

GEF Agency	Type of Trust Fund	Focal Area	Country Name/ Global	(in $)		
				Grant Amount (a)	Agency Fee (b)[2]	Total c=a+b
World Bank	GEF TF	Land Degradation	Moldova	4,435,500	443,550	4,879,050
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
Total Grant Resources				4,435,500	443,550	4,879,050

E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

Component	Estimated Person Weeks	Grant Amount ($)	Cofinancing ($)	Project Total ($)
Local consultants*	850.00	384,000	1,106,250	1,490,250
International consultants*	169.00	216,000	622,265	838,265
Total		600,000	1,728,515	2,328,515

* Details to be provided in Annex C.

F. PROJECT MANAGEMENT COST

Cost Items	Total Estimated Person Weeks/Months	Grant Amount ($)	Co-financing ($)	Project Total ($)
Local consultants*	1,200.00	150,000	1,100,000	1,250,000
International consultants*		0	0	0
Office facilities, equipment, vehicles and communications*		24,000	228,000	252,000
Travel*		16,000	72,000	88,000
Others**	Contingencies	0	600,000	600,000
	Specify "Others" (2)			0
Total		190,000	2,000,000	2,190,000

* Details to be provided in Annex C. ** For others, to be clearly specified by overwriting fields *(1) and *(2).

G. DOES THE PROJECT INCLUDE A "NON-GRANT" INSTRUMENT? No

(If non-grant instruments are used, provide in Annex E an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF/NPIF Trust Fund).

H. DESCRIBE THE BUDGETED M &E PLAN:

The project's monitoring and evaluation activities would be focused on several types of data specific to

activities under each component, in accordance with the project results framework described in Annex A. The responsibility for monitoring and evaluating results/outcomes will rest with the the project's Implementation Agencies - Mnistry of Agriculture and Food Industry (MAFI) and Ministry of Environment (MOE). The Agency for Interventions and Payment in Agriculture (AIPA) and the Consolidated Agricultural Project Management Unit (CAPMU) will provide the necessary technical and system support for collection, processing and maintenance of monitoring data. CAPMU will be in charge of supporting MAFI and MOE in the production of semi-annual consolidated results monitoring reports for review by the Bank. Monitoring of activities focused on sustainable land management (SLM) will be strengthened by providing technical expertise for measuring total area covered by improvements in the application of SLM practices, and the ensuing impact evaluation on the quality of soil. Findings of M&E activities would feed back into the implementation process as improved practices. The budget allocated for the M&E specialist as well as for strengthening beneficiary capacity to monitor economic and environmental benefits (activity proposed under subcomponent 3.1) is US$150,000.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1. The GEF focal area/LDCF/SCCF strategies/NPIF Initiative:

The project is thematically consistent with the Land Degradation Focal Area and will contribute towards Strategic Objective 1 - Maintain or improve flows of agro-ecosystem services to sustain livelihoods of local communities, and Strategic Objective 3 - Reduce pressures on natural resources from competing land uses in the wider landscape. Sustainable land management (SLM) activities will be mainstreamed as part of a broader effort to increase the competitiveness of the country's agricultural sector, alongside efforts to engender improvements in food safety and quality systems and facilitation of access to markets. These issues are among Moldova's main development priorities as a country with a prevailing agro-food sector where more than 75% of land is used for agricultural production. Gaps and deficiencies in enforcing modern food quality requirements and in enabling the application of sustainable farming practices are considered by the Government of Moldova (GOM) among the most essential barriers to agricultural competitiveness. These factors also cause significant land degradation through over-exploitation of soils and failure to comply with crop rotation requirements, resulting in ubiquitous anthropogenic soil erosion, intensified landslide processes, loss of organic matter and soil pollution. Degradation leads to loss of soil productivity, land abandonment, and deteriorating rural livelihoods, especially for poor smallholder farmers. The continuing prominent land fragmentation which resulted from land privatization at the end of the 90s compounds the problem, as it hampers catchment-level approaches to soil conservation.

The project will support regulatory and institutional reforms aimed at building a system of integrated, risk-based management of food safety and quality, facilitation of access to market value chains and implementation of best practices in conservation agriculture. The project will also promote crop diversification, introduce adaptive modern conservation technologies aimed at enhancing agro-ecosystem resilience, and assist in managing and monitoring risks associated with climate change and use of agricultural chemicals. The project will contribute towards strengthening community and farm-level capacity and decision support systems for participatory SLM. The project will reinforce these outcomes by supporting competing land users in a wider landscape, and emphasizing cross-sector integration of SLM requirements into broader approaches towards food safety and quality assurance, and more generally agricultural competitiveness, and ensuing harmonization of activities within different government institutions.

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

Not applicable

A.1.3 For projects funded from NPIF, relevant eligibility criteria and priorities of the Fund:

Not applicable

A.2. National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

The project is well-aligned with Moldova's main national economic, social and environmental strategies and plans. The National Development Strategy (NDS) specifies the need for further soil conservation and scaling up of forestation/reforestation of degraded lands. Climate change adaptation and SLM are specifically mentioned in the GOM Program for 2011-2014 "European Integration: Freedom, Democracy, Welfare." In particular, the document emphasizes the need to: (a) stop degradation of land resources; (b) provide support and incentives for soil conservation; (c) create an integrated national environmental monitoring system; and (d) extend forested areas. Land degradation and SLM measures are also reflected in the "National strategy for sustainable development of the agro-industrial complex of the Republic of Moldova for 2008-2015." Finally, SLM is a key priority in the recently drafted GOM Decision on "Approving the National Soil Conservation Program for 2011-2013," which contains a program of specific activities for mainstream sustainable land management practices. Moldova is party to UN's main Conventions - UNCCD, UNFCCC, UNCBD, under which it has presented implementation reports that reflect SLM issues. In particular, the topic of land degradation and the SLM actions undertaken by the country were specified in the recently published (2009) "Second National Communication of the Republic of Moldova under the United Nations Framework Convention on Climate Change." Furthermore, land degradation and climate risks are also specified among national priorities in the "National report on national capacity self – assessment (NCSA) on environmental management," in the "National Action Plan to Combat Desertification," as well as in the "National Report to the UNCCD" on the implementation of the said action plan.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

Moldova has high agronomic potential and proven comparative advantages for agricultural exports based on the country's favorable geographic characteristics - rich soils, mild climate, topography; and long tradition of agricultural production. There are two types of obstacles towards effective use of this potential: (i) high rates of progressing land degradation due to unsustainable land use (more than 2.0 million hectares prone to different degradation processes, of which 350,000 hectares are heavily eroded), and (ii) poorly developed enabling systems and factors for better market penetration, such as inefficient food safety and quality assurance systems, underdeveloped post-harvesting infrastructure, and proper and timely response to market quality requirements. Based on the country's strong commitment towards a paradigm shift in the agriculture sector from *production* to *competitiveness*, the GOM agreed with the World Bank to pursue the preparation and implementation of the Moldova Agricultural Competitiveness Project. The project concept emphasizes food *quality* and *safety* as key determinants for agricultural competitiveness.

The project will support a wide set of reform actions aimed at enhancing export competitiveness, attracting investments and achieving closer trade integration with the EU. In particular, the project would support the Government ambitious reform agenda in the food safety and quality area, efforts to improve farmers market opportunities through investment support (to up-grade the post-harvest infrastructure) and institutional development support (creation and strengthening of productive partnerships), and efforts to mainstream the use of good agricultural practices and sustainable land management.

The project will have 4 components.

Component 1: Enhancing food safety management. This component would support the ambitious agenda in engendering critically necessary adjustments in the food safety management system in line with the practice and requirements of the EU. Adoption of the EU *acquis* on sanitary and phyto-sanitary practices

(SPS) carries significant implications for state institutions in charge of food safety and quality, producers and consumers. EU regulations in these fields demand some of the highest standards in the world and consequently compliance by Moldova to these rigors would entail a lengthy and complex process that requires substantial financial efforts for necessary human and technical capacity enhancements. The component would be structured in two sub-components that would aim to address key priorities identified in the framework of negotiations of a Deep and Comprehensive Free Trade Agreement (DCFTA) document with the EU, focused on regulatory, institutional and technical strengthening of the food safety management system. The component will address governance and market access elements of the competitiveness framework presented earlier.

Sub-Component 1.1: Regulatory and institutional support. The Government has opted for the creation of the Food Safety Agency (FSA) that will be the central and consolidated institutional pillar for the modernization of the country's food safety and quality management system. In order to strengthen the functionality of this newly created institution, the project would support activities focused on the food safety and quality regulatory framework and institutional improvements of the FSA and its divisions.On the regulatory side the project would support harmonization with EU regulations. The overall regulatory agenda is vast (65 EU directives). The pace and depth of its implementation is contingent upon the progress of the DCFTA negotiations. To assist the Government in harmonizing national regulations and legislation to EU requirements, the project would support a package of priority regulatory acts focused on (i) drafting standard operating procedures and operational manuals for food safety and animal and plant health laboratories; (ii) reviewing and drafting legislation and regulations for official controls with a view of harmonized with EC Regulation 82; (iii) reviewing and drafting legislation and regulations on self-controls for food business operators harmonized with EC regulations; and (iv) addressing other emerging regulatory and legislative priorities. Additionally, the project would support methodological and analytical work for soil quality and land degradation risk assessment, land quality certification, and standard setting to ensure that the best soil management practices are integrated in the policy and regulatory framework for food safety management.

On the institutional side, the project would support activities aimed at strengthening the capacity of the FSA and its divisions. Such activities would include: (i) staff capacity building and training; and (ii) design of an integrated IT system that ensures the interoperability of various FSA divisions. The project would also provide support to private sector entities for increasing awareness and technical capacity to apply new food safety legislation and regulations.

Sub-Component 1.2: Technical enhancements for the FSA. On the technical side, the project would support investments that are aimed at ensuring the technical functionality of the FSA and its divisions.
Currently, the FSA represents a set of physically dispersed institutions with outdated office and communication equipment and hardware. There is a pressing need to consolidate the institutions in a single, modern facility, equipped with modern communication equipment and hardware to allow it to become truly functional. In addition, a single facility would allow for the streamlining of provision of FSA services to private sector operators. To this end the project would support: (i) the physical rehabilitation of a designated facility that will house the FSA; and (ii) procurement of modern office, communication, and computing equipment.

Another set of priorities relates to the strengthening of central laboratories and Border Inspection Points (BIPs). With analytical support from the EU, the Government has initiated a process of rationalizing its laboratory network in charge of animal and plant health and food safety. The plan provides for a system with a single central reference laboratory for animal health and food safety of products of animal origin, and three regional laboratories. The plan also provides for a central reference laboratory for plant health, a

central reference laboratory for food safety of products of vegetable origin, and three regional laboratories for plant health. Based on a thorough prioritization exercise by MAFI and EU experts, grounded in the context of the current state of functionality of existing laboratories and the medium term institutional goals, available funding for improvements from other sources (Government or donors), and a critical constraint analysis, the proposed project would support investments in the technical enhancement and physical rehabilitation (expansion) of: (i) the central reference laboratory for animal health and food safety; and (ii) the central reference laboratory for food safety for products of vegetable origin. These investments will be complemented by human and institutional capacity building activities foreseen under Sub-component 1.1. The establishment of Border Inspection Points is one of the critical issues for DCFTA negotiations. The GOM has taken all necessary legal steps to introduce veterinary and phyto-sanitary services at 8 selected border crossing points. Based on a critical constraint assessment by MAFI and EU experts, the project would support investment costs related to the establishment of 4 BIPs: one at the Chisinau International Airport, one at the Southern border (Tudora), one at the Northern border (Criva), and one at the Western border (Leuseni). All activities would be carried out at existing facilities and on public land and would therefore not trigger any resettlement issues.

Component 2: Enhancing market access potential. Improvements in marketability and market integration of Moldova's high value agricultural products –specifically in the horticultural sector– are positively correlated with the modernization of production, handling and marketing processes. This component would address institutional and market access elements of the competitiveness framework presented earlier by supporting government efforts in creating an enabling environment for voluntary farmer productive partnerships (business cooperatives or producer groups), and by assisting them in creating and expanding their asset base for the application of modern post-harvest technologies. This support is expected to translate into an increased share of quality products that meet safety and quality standards for target markets, and therewith strengthen the sector's relative competiveness and consequently its income generation potential. Support under this component would focus on the horticultural sector, where the country has proven comparative advantages. The proposed approach recognizes that the ability of Moldova's horticultural sector to serve increasingly demanding national and regional markets is a function of producers' ability to organize themselves and to cooperate for purposes of lumping capital and scaling up their operations. The objective would be: (i) cooperation in processing, storage, handling, and logistics, compliance with food safety requirements, adherence to target market standards, and implementation of quality management systems, joint promotion and marketing of produce; and (ii) cooperation in the establishment and use of post-harvest technologies.

The design of this component relies on the provision of grant-based assistance to producers for business development and investment support in order to overcome current market failures related to: (a) insufficient availability to individual producers of public goods such as information, knowledge and business advice on modern post-harvest handling processes, technology and market opportunities; and (b) lack of economies of scale caused by high investment costs and inadequate credit facilities for critically necessary investments for which lumping of capital is required. These factors constitute significant disincentives for the emergence of productive partnerships and adequately scaled operations. The project would attenuate them by providing conditional business development and investment support, thus facilitating the emergence of producer groups in the horticulture sector. The major expected externalities from this approach are: (i) the demonstration effects that would set the stage for the creation of a much larger number of productive partnerships than the project itself can support, in the horticultural sector and beyond; and (ii) policy lessons that could inform public decision making for best approaches to eliminate current market failures mentioned above.

Sub-Component 2.1: Business development support for productive partnerships. This sub-component

would support capacity building activities for primary horticultural producers aimed at assisting them in setting up and further developing productive partnerships, and providing consulting and training services for business planning and development, value chain integration and marketing. The sub-component would also support activities aimed at strengthening the capacity of product/farmer associations to represent the interests of the fruit and vegetable industry of Moldova; play an active role in encouraging technological innovation for production, packing, handling, storing and processing of produce; and support the development and extension of applied research that benefits the horticultural sub-sector. The principal delivery mechanism of assistance to producers will be through local consultants, and when necessary, international consulting.

Sub-Component 2.2: Investment support for post-harvest technologies. Investment support under this sub-component would be provided as matching investment grants to emerging productive partnerships for the modernization of post-harvest technologies in the horticultural sector. Grant funding would be provided through a competitive scheme for capital investments in technologies that result in improvements in quality and consistency of primary supply of fruits and vegetables - washing, grading, packing, pre-cooling, ripening room equipment, cold storage, and pre-processing. The grants would be conditional on considerations of: (i) alignment with the proposed project's development objective and thematic thrust; (ii) financial feasibility; (iii) ability of the potential beneficiary entity to generate sufficient co-financing (own or borrowed); (iii) demonstrated potential for investments to contribute to improvements in quality and marketability of the products; and (iv) environmental compliance with the project's Environmental Management Framework (EMF). The matching investment grants would finance only technological machinery and equipment for post-harvest infrastructure. The matching grants shall not exceed 50% of an eligible investment, with a maximum ceiling established at US$350,000 per productive partnership. A productive partnership will be eligible for only one matching investment grant under the proposed scheme. The general eligibility framework under the grant scheme is as follows:

-Productive partnerships have to be registered in conformity with Moldovan legislation;
-Productive partnerships registered, as well as investments realized by productive partnerships in the cities of Chisinau and Balti are not eligible;
-Productive partnerships shall consist of a minimum of five individual members (private producers);
-Individual members of a productive partnerships shall have proof of individual agricultural activity in the horticultural sub-sector;
-Individual members of a productive partnerships should not be on the official list of banned agricultural producers;
-Productive partnerships shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party; and
-Individual members of productive partnerships have no arrears to the state budget.[6]

Further beneficiary eligibility, competitive selection criteria and operational details of the grant scheme would be detailed in a Grant Operational Manual, allowing MAFI to have sufficient flexibility to pursue structural reform targets, such as preferential access for young farmers, specific sub-sector goals, etc. But generally, the operational principles of the competitive scheme would emulate respective principles of the EU Instrument for Pre-Accession and Rural Development (IPA(RD)), thus familiarizing both the administration and the sector with EU support provisions potentially applicable to Moldova in case of future positive progress in Moldova's further EU approximation. Delivery of the matching investment grants to end beneficiaries will be done through the Agricultural Intervention and Paying Agency, which is expected to deepen this familiarization and capacity building effects in MAFI.

[6] With the exception of situations in which such arrears were legally restructured and/or deferred.

Component 3: Enhancing land productivity through sustainable land management. This component would finance activities aimed at mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts. As part of the competiveness framework presented earlier, it would support governance and resource endowment/depletion aspects that can increase competitiveness of the agriculture sector by enhancing land productivity. The activities of the component would be aligned along three lines of support: (i) strengthening of human, institutional and technical capacity (both locally and nationally) for the implementation of SLM activities; (ii) financial support in the form of matching investment grants to farmers for piloting the adoption of sustainable land management practices and technologies; and (iii) investment support for the rehabilitation of anti-erosion shelterbelts with the purpose of maintaining and enhancing the productivity of agricultural land. Matching investment grants provided to farmers would attempt to overcome current market failures related to: (a) insufficient public goods such as information and knowledge on the practical application of knowledge-intensive and often innovative practices for sustainable land management; (b) high transaction of information costs that can only be attenuated by a wider availability of demonstrable SLM practices and technologies; and (c) long maturation of investments that are not feasible for private investors, but are positive for the society at large. The major expected externalities from this approach are: (i) the demonstration effects that could catalyse a wider commercial-based application of SLM practices and technologies; and (ii) policy lessons that could inform public decision making for best approaches to mainstreaming such activities.

Sub-Component 3.1: Capacity building sustainable land management. The sub-component would provide support to MOE for the following specific activities: (i) methodological work on technical and economic options for farm-based interventions focused on sustainable land management; (ii) awareness raising, demonstration and training activities aimed at improving both farm-level land management skills and public policy response for SLM; and (iii) monitoring of economic and environmental benefits resulting from the application of SLM practices.

Sub-Component 3.2: Financial support for piloting sustainable land management. The sub-component would provide financial support to farmers for piloting the adoption of SLM practices and technologies in the form of matching investment grants.

The matching grants would support farm-level sub-projects focused on investments in soil conservation practices and technologies such as low-till machinery, mulching equipment, terracing, plantation of cover crops, hedging, etc. The SLM grants would be available for all crop-growing operations. The grants would compensate eligible beneficiaries up to 50% of incurred investment costs under a sub-project for eligible goods and works, with a maximum ceiling established at US$20,000 per beneficiary. Individual producers that are members of productive partnerships which receive grants under Sub-component 2.2 would only be eligible for grants up to an amount of US$5,000. A beneficiary would be eligible for one investment grant only. Delivery of grants would be done through the Agency for Interventions and Payments in Agriculture (AIPA). The general eligibility framework under the grant scheme is as follows:

- Beneficiaries have to be private, registered agricultural producers in conformity with Moldovan legislation;
- Agricultural producers registered in the cities of Chisinau and Balti are not eligible;
- Beneficiaries shall have proof of individual agricultural activity in the horticultural sub-sector;
- Beneficiaries should not be on the official list of banned agricultural producers;
- Beneficiaries shall provide a legally acceptable commitment that the goods financed under the scheme would not be sold or otherwise transferred to a third party;
- Beneficiaries shall have no arrears to the state budget;[7] and

[7] With the exception of situations in which such arrears were legally restructured and/or deferred.

- Beneficiaries shall provide confirmation of commitment for participation in dissemination and demonstration activities.[8]

Sub-Component 3.3: Support for the rehabilitation of shelterbelts. The sub-component would support community-level activities aimed at reversing the degradation of these strips in the South of the country, where soil degradation is reaching alarming proportions. Specifically, support would be provided for the procurement of specialized machinery and equipment for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts with an area of 2,000 hectares. The underlying technical works for the rehabilitation of the shelterbelts will be carried out by the forestry enterprises of the State Forestry Agency (Moldsilva) in close cooperation with local communities.

Component 4: Project management. The component would support costs associated with project implementation, including operational and consulting costs for fiduciary, component coordination, monitoring and evaluation support to MAFI and MOE.

B. 2. incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

The GEF incremental financing would support the Baseline Project Scenario by complementing and scaling up activities aimed at preventing land degradation and promoting SLM practices in the country. It will build upon the activities of the World Bank operation in tackling soil quality and productivity as important elements of food quality and safety, sector productivity and ultimately agricultural competitiveness. It will help strengthen human, institutional and technical capacities (both locally and nationally) for the implementation of SLM activities and provide financial support for the mitigation of negative impacts of soil erosion, over-compaction and other manifestations of land degradation on the functional integrity of ecosystems. Such financial support will represent a key area for GEF incremental financing and will be provided to beneficiaries as competitive grants. Additionally, the GEF incremental financing will support community-based activities aimed at rehabilitating anti-erosion shelterbelts. In addition to broad environmental benefits, the GEF financing is expected to generate positive economic benefits for approximately 7,500 rural households in addition to the support provided under the baseline project for SLM activities financed by IDA (4,500 rural households). Also, the GEF funding will focus on activities related to improving the policy and regulatory framework in the SLM area and support the elaboration of national studies and knowledge management activities for SLM concepts by specialized national scientific institutes. Last but not least, the GEF funding would be used for dissemination of SLM information, including best-practices with the highest potential for replication in the mitigation of land degradation risks.

Anticipated global environmental benefits will result from increased stability of ecosystems, increased levels of carbon sequestration, and reduced pollution from agricultural chemicals. As most of the SLM project interventions are demand driven and will be supported through a matching grant program, at this stage of project development it is not possible to provide quantified data with regard to these Global Environmental Benefits (GEBs). This can be done only related to the amount of Carbon sequestration resulting from planting and rehabilitation of about 2000 ha of anti-erosion shelterbelts. Such estimations were done based on an approved CDM methodology, AR&AM0002 “Restoration of degraded lands through afforestation/reforestation,” designed for the CDM-AR-PDD “Moldova Soil Conservation Project.” The annual soil carbon sequestration per ha is about 3.0148 tons, while sequestration of above ground carbon - about 5.000 tons. It is estimated that for a period of about 20 years the total sequestered

[8] Further details on beneficiary eligibility, award criteria, and operating principles of the SLM grant schemes will be elaborated in the Grant Operational Manual.

carbon would be at the level of 320,000 tons. The Project's field-level interventions and provided GEBs would be monitored on the basis of a baseline assessment and environmental M&E plans for each grant that would apply SLM approaches, and include the following parameters: a) improvements in soil quality, b) increased carbon sequestration, c) maintained biodiversity, and d) identification and reduction of soil chemical residues.

More specifically, the GEF incremental financing will support *within Component 1* methodological and analytical work for soil quality and land degradation risk assessment, land quality certification, and standard setting to ensure that the best soil and land management practices are integrated in the policy and regulatory framework for food safety and quality assurance. For that purpose, a local company/scientific institution will be hired, which will conduct a study and draft governmental regulations.

Within Component 3 GEF financing will support: (a) methodological work on sustainable farm-based land management technical and economic options. The objective of this activity is to provide an evaluation of existing SLM technologies for the crop-growing and horticulture sectors which would include an assessment of potential benefits and associated costs, as well as causes and barriers for their large-scale application. In this regard a local company/scientific institution will be hired which will identify the best SLM practices, based on both international experience and indigenous knowledge, as well as associated costs and economic and environmental benefits; (b) strengthening beneficiary capacity to monitor economic and environmental benefits. For this purpose, special training and information dissemination activities on conducting baseline analysis, as well as measuring economic and environmental benefits will be organized for subproject beneficiaries, to be supported under the component 3.2; (c) awareness raising, demonstration and training activities aimed at improving farmer land management skills and public policy response for SLM. These activities would raise awareness about project benefits at local and global levels, and encourage behavior changes with the purpose of preventing land degradation and promoting soil conservation. This would be achieved by: (i) organizing SLM field days; (ii) preparing and disseminating methodological materials (including manuals, brochures, posters); (iii) creating and maintaining an SLM-dedicated web site; and (iv) organizing national events (seminars and conferences) on SLM issues; and (d) provision of about 200-225 matching grants to farmers and communities of not less than 50% of the total investment needs (expected generated beneficiary contribution - US$10 million). The matching grants would support farm-level investments in soil conservation practices and technologies such as low-till machinery, mulching equipment, terracing, plantation of cover crops, hedging, etc. The SLM grants would be available for all crop-growing operations. The investment grants would be compensatory in nature, and conditional on considerations of: (i) alignment with the proposed project's development objective and the thematic goal of the component; (ii) financial feasibility; (iii) ability of the potential beneficiary to pre-finance the underlying investment (from own or borrowed resources); (iv) demonstrated potential for the underlying investments to contribute to engendering sustainable and replicable land management practices; and (v) environmental compliance with the project's EMF.

This component will also support purchasing of specialized machinery and equipment for the creation of two mobile mechanized squads for the rehabilitation of anti-erosion shelterbelts with an area of 2,000 hectares. The region's history of and experience with plant cultivation in the past two centuries in the steppe and forest steppe zones clearly demonstrates that anti-erosion shelterbelts are a first choice technique for soil conservation. Such strips composed of tree, bush and grass vegetation have significant potential in preventing water and wind soil erosion, and can lead to nutrient retention, reduced vaporization rates, and improvements in microclimatic conditions. These factors have a direct impact on conservation of soil quality and ensuing enhancement of its productivity. Due to a variety of factors, including lack of investment by communities, in the past twenty years existing shelterbelts have come to a state of disrepair and continue to degrade. The sub-component would support community-level activities aimed at reversing

the degradation of these strips in the South of the country, where soil degradation is reaching alarming proportions. The underlying technical works for the rehabilitation of the shelterbelts will be carried out by the forestry enterprises of the State Forestry Agency (Moldsilva) in close cooperation with local communities. The total amount budgeted for this activity is US$2.4 million, of which US$0.75 million would be supported with GEF resources, and US$1.65 million with IDA resources.

Finally, *Component 4* will support project management costs, including costs for a component coordinator with expertise in environmental/sustainable land management.

B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF). As a background information, read Mainstreaming Gender at the GEF.":

The project is expected to generate the following *key local and national socio-economic benefits: (i)* increased agricultural competitiveness resulting in greater national-level economic growth; (ii) increased living standards in rural areas; (ii) improved capacity, knowledge, public awareness and participation in sustainable farm-level agricultural; (iii) increased application area of SLM; and (iv) advanced national capacity for formulation and wide application of SLM policies and regulations.

Mainstreaming of SLM activities in order to strengthen agricultural competitiveness will provide a series of *global environmental benefits* through*:* (i) reduced and prevented land degradation in agro-ecosystems (improvement of not less than 10,000 hectares of agricultural lands); (ii) rehabilitation of anti-erosion shelterbelts (2000 hectares); (iii) increased area protected by robust anti-erosion shelterbelts rehabilitated under the project (50.000 hectares); (iv) increased carbon sequestration in soils (not less than 0,2% of soil organic matter per 5 year period); and (v) maintained functional integrity and biodiversity in production landscapes.

The latest impact evaluation reports from the World Bank Rural Investment and Services Project, RISP (currently under implementation in Moldova) state that approximately one third of direct project beneficiaries have been women. Since the current project would rely on a largely similar approach to the activities under Components 2 and 3, this figure provides a solid proxy indication of the potential level of participation and access of women to benefits.[9]

While the ratio of women among direct beneficiaries of rural services (business owners) has been twice as low as that of men (24% on average between 2001-2011), women have been about three times more likely to be employed as consultants in the advisory service centers (representing 74% of regional consultants). Of the jobs created within the rural businesses themselves under RISP II (2006-2011), approximately 39% were held by women. Thus, while some benefits are shared by women as employees and within the household, further efforts will be undertaken on attracting women as business shareholders and direct beneficiaries in agricultural investments.

One of the major constraints of attracting women as direct participants and beneficiaries in rural development has been that of raising awareness and communication directly with potential women beneficiaries. RISP II impact evaluation reports note an underlying assumption in the work of business development centers that messages transmitted to male clients will also reach women in the community, which automatically excludes a number of prospective women clients. To overcome this challenge one of the main recommendations of this assessment is to use communication and outreach channels that specifically target prospective women clients.

In view of the above assessment and recommendations, and given that the project does not envision a

[9] It is worth noting that RISP II has supported all types of rural business with share of agricultural businesses supported growing over time, whereas the current project will focus on agricultural/horticultural activities.

specific quota for women that would benefit from a competitive grant scheme, attention to gender equity in the project will be paid through the following means: (i) communication and outreach targeted to reach potential women clients, e.g., in collaboration with the Women's Economic Empowerment Program (UN Women/SIDA); (ii) flexibility on timing and methods of delivering training services to accommodate women clients; (iii) collection of gender-disaggregated data on beneficiaries and key indicators through the course of the project; and (iv) including assessment on gender inclusion progress and constraints in project evaluation reports similar to those under the RISP II Project. The participation of women in outreach and awareness events will be measured through the project's results indicators.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

Moldova is affected by climate-related natural hazards, such as droughts, floods, hail, soil erosion and landslides which have important negative impacts on agricultural production, crop quality, water supply, and population health. Climate models forecast that the frequency and severity of climate disasters will increase. In turn, the high degree of land degradation exacerbated the vulnerability of agro-ecosystems to climate fluctuations. Thus, the project interventions for promoting SLM practices will mitigate climate change sensitivity of agricultural landscapes and adjacent rural communities. Eventually, this should lead to improved rural livelihoods and increased food security.

Key risks affecting the project objective and proposed mitigation measures are listed below.

KEY RISKS	MITIGATION MEASURES
Country and Governance Continued political polarization could divert the attention of political parties from pursuing major reforms. The risk is that the main counterparts to the project may change as a result of political instability.	The Bank may help mitigate this risk to a limited extent by engaging stakeholders from across the political spectrum and by offering a platform for inter-ministerial discussions on important and major areas of reform that need to be pursued. This needs to be done consciously and continuously. Engaging third-tier staff of counterpart ministries, such as Department and Division Heads which are non-political appointees in project preparation and implementation. Constant engagement with all stakeholders, to ensure that proposed activities are not politically contrarian. Consultations with current opposition on their views on the proposed activities.
Fraud & Corruption There are significant governance challenges including corruption in civil courts, health and education, insufficient checks between legislature and executive power, and regulatory barriers to competition. There is a risk that project funds will be misused.	The fiduciary functions of the project will be fulfilled by an entity with extensive experience and knowledge of Bank operations, and which has demonstrated its capacity and existence of robust internal control system, that also was proven by regular audits. There was no incidence so far of fraud and corruption within projects implemented by the proposed entity.
Coordination between stakeholders, farmer buy-in The project needs to engage numerous governmental agencies, the country's extension services and consulting service	The project is likely to use a management model tested under other World Bank projects whereby staff in charge of implementation and coordination of components are supported by local and international experts. In addition, an Inter-Ministerial Steering Committee will help with both project implementation and coordination among

providers, as well as many private sector players. Lack of coordination among multiple parties may slow down the project. A possible risk is the inability of project activities to engender necessary farm-level mobilization for the implementation of the competitive grant scheme for implementing SLM activities.	agencies. The presence of an active and country-wide system of rural advisory and extension services could be utilized to closely work with farmers to inform them about opportunities provided by the Project, consult them on the grant application process and possibly even guide the process of farmers association aimed at gaining joint access to investment grants. The Government is committed to support (from public funds) the rural extension network beyond 2012.

B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

The main stakeholders are the Ministry of Agriculture and Food Industry (MAFI) and the Ministry of Environment (ME). MAFI has extensive experience in successfully implementing World Bank projects, and it will mainly be responsible for Components 1 and 2. ME is the country's GEF focal point. It has significant experience in implementing GEF-funded projects and it will focus mainly on the implementation of Component 3. Project implementation will be strategically guided by a National Steering committee. An existing management entity will serve as a fiduciary agency and provide support for general coordination of project implementation, procurement, financial management and monitoring and evaluation. Other government stakeholders include: the Government's General Secretariat, Ministry of Finance, State Land Cadastre Agency, State Forestry Agency and district and local councils. Project stakeholders also include rural households, farmers, rural advisory services, scientific institutes, business development agencies, producer groups, local and international NGOs, and donors. All stakeholders are keen to see that the implementation of the Project is successful, as it will lead to increased competitiveness in the agricultural sector, and ultimately higher incomes for the rural population.

B.6. Explain how cost-effectiveness is reflected in the project design:

The project is expected to generate several distinct types of benefits, not all of which can be quantified. The institutional development activities under Component 1 in particular will generate important benefits in terms of institutional capacity, operational efficiency, and compliance with international standards, which are difficult to measure. Therefore, the analysis takes as a proxy measure (that indirectly captures the aggregate outcome of the component) the horticultural export revenue gains that are likely to be generated as a consequence of Moldovan produce meeting international food safety standards, therefore having access to more foreign markets and being able to command higher prices. In regard to Component 2, the specific sub-projects financed will be entirely demand-driven, and the actual productive partnerships financed by the project will only be known ex-post, or – at the earliest – by the time the final grant applications have been screened and sub-projects selected. Therefore, the ex-ante economic analysis for the project is based on certain assumptions regarding the type and number of productive partnerships that are likely to be supported by the project and for which sufficient information and data are currently available. Component 3 is also demand-driven, and as such, it cannot be determined in advance with certainty which crops would be grown on the land coming under improved management practices, or on land protected by shelterbelts and hedgerows. The analysis is thus indicative of what may happen in the project.

<u>*Component 1: Enhancing Food Safety Management*</u>. As a result of strengthening Moldova's primary food safety institutions and the adoption of internationally recognized standards and procedures, Moldova will be able to export its horticultural products, which will be supported under Component 2, to more markets and at better prices than those commanded at present. Therefore, benefits are estimated in terms of the

export price gain that can be expected. As the food safety investments in Moldova are phased in during the project, and are increasingly applied to a growing share of overall horticultural exports, apple exports to Russia (the dominant market for Moldova) confirmed as meeting international food safety standards are assumed to increase from 20% of the total in 2014 to 50% in 2017 and thereafter; a sizeable share of exports to Russia is, thus, assumed to continue under current less stringent procedures. Apple exports to other markets, notably the European Union, are expected to reach 100% compliance with international food safety standards by 2018. The share of plum exports meeting international food safety standards is projected to increase from 20% in 2014 to 100% in 2018. The price premium on apples is estimated to be half of that which can be realized by also shifting completely from the present trade practices to modern cold storage, sorting, grading, packing and other post-harvest quality enhancement methods (as supported under Component 2). For plums the price premium implied is about 15% more. To avoid double-counting, the quantities covered under Component 2 are excluded here. The economic analysis for this component, covering 20 years, indicates a Net Present Value of US$11.05 million and an ERR of 44%.

Component 2: Enhancing Market Access Potential. With a rising number of productive partnerships moving their produce through modern cold storage, sorting, grading, packing and other post-harvest quality enhancement methods, their exports will realize significantly higher prices than those currently obtained. Current market trends suggest that apple exports to Russia would fetch US$53/ton above the price obtained under current, traditional methods and that the price premium for plums would be US$103/ton. With apple exports through the project-supported productive partnerships gradually increasing from 11,250 tons in 2014 to 58,500 tons in 2018 and plum exports through these channels rising from just over 1,000 tons in 2014 to about 5,200 tons in 2018, the annual gain in export revenue attributable to this improvement in the value chain will amount to almost US$4.2 million by 2018 and thereafter. The economic analysis indicates a Net Present Value of US$3.4 million and an ERR of 18.8%.

Component 3: Enhancing Land Productivity through SLM. The direct benefits from the activities financed under this component are increased crop yields on the farm land brought under improved management practices and production losses prevented by the establishment of protective shelterbelts and hedgerows. These are conservatively assumed to average 10%, although case studies in Moldova suggest that they could be as high as 15-20%. Since the subprojects under this component are demand-driven, it cannot be determined ex-ante what specific crops will be cultivated on the target areas. For the subcomponent on improved land management practices, where a total area of 10,000 hectares expected to be covered by 2017, it is assumed that this total will comprise 10% under table grapes, 10% under apple orchards, 30% under wheat, 30% under maize and 20% under potatoes. The yield gains will be realized from the year in which the improved practices are applied. The annual benefits from this subcomponent are estimated to total US$1.65 million from 2017 onward.

For the shelterbelt sub-component, which will be primarily implemented in southern Moldova, it is assumed that half of the total area – which will total 50,000 hectares by 2017 – will be under wheat and half under maize. The yield benefits from shelterbelt protection are assumed to accrue beginning in the third year after the establishment of the shelterbelts, when they have reached an adequate height and density to provide effective protection against wind erosion. With wheat and maize producer prices at present on the order of US$175/ton and average yields of 3.0 t/ha for wheat and 4.5 t/ha for maize, the aggregate benefits of this sub-component would amount to more than US$4.0 million annually by the year 2019. For the component as a whole, the economic analysis gives a Net Present Value of US$8.0 million and an ERR of 27%.

Project Aggregates. For the project as a whole, including Component 4 for which no separate analysis was made, the economic analysis suggests a Net Present Value of US$21.4 million and an ERR of 26.6%. A

discount rate of 12% has been used throughout. The exchange rate used is MLD 11.80/US$ 1.0. Conversion factors on project costs were not used in the analysis.

Unquantifiable Benefits. The project will generate other benefits that are not captured in the economic analysis, including spillover effects. Both government staff and private sector personnel will be trained in and work with the up-to-date food safety standards and procedures and with the relatively new value chain concept. The strengthening of food safety institutions and procedures will affect not only horticultural exports, but all food products moving through formal market channels and will therefore have important public health benefits. The new marketing infrastructure investments supported by the project will not only assist the members of productive partnerships who will own and operate them, but will benefit their entire communities: these facilities will generate significant wage employment opportunities and will also be available for rental use when their capacity is not fully used by the owners. Gender-specific project benefits are likely to be significant as well, since at least half and probably as much as 75% of all formal jobs created in the modern sorting and packing houses are likely to be filled by women.

The farm income benefits of improved land management and shelterbelt establishment in the project-supported subproject areas can be expected to have a significant demonstration effect on neighbors who are thereby persuaded to adopt these improved practices as well. This technology transfer tends to optimize the use and management of agricultural chemicals (fertilizer, pesticides) at the farm level, with tangible environmental benefits. Likewise, commercial success of the modern value-chain operators can be expected to induce additional partnerships to set up packing facilities and cold storage with own and credit funding. The product range is also likely to expand beyond apples and plums, once sufficient experience and confidence have been gained: table grapes, berries, tomatoes are probable candidates. Finally, the additional income generated in the rural areas around the modern facilities will have positive secondary effects in terms of increased consumption levels, partly for better nutrition, and increased investments in local private housing, farm implements and inputs, and small-scale businesses.

B.7. Outline the coordination with other related initiatives:

The design of the proposed project took into account investments and activities that the GOM and the international donor community have conducted, launched, or programmed under related areas. As such, the project aims to: (a) complement these investments; and (b) enhance the harmonization of investments and technical assistance in these areas; while (c) remaining sufficiently focused to address issues in key value chains with comparative advantages and thus potential competitive advantages on domestic and foreign markets. Coordination will be particularly important throughout project implementation with such agriculture-related governmental and donor programs as: "National Soil Conservation Program for 2011-2013," the Millennium Challenge Corporation's "Transition to High-Value Added Agriculture Project," USAID's Agriculture Competitiveness and Enterprise Development, IFAD's Rural Financial Services and Agribusiness Development Project, and the EU Comprehensive Institutional Building Program. All these donor activities are based on a common set of observations on the lack of competitiveness of the agricultural sector and on a similar short list of constraints that need to be addressed. But the needs are considerably higher than any single donor can address and the actual areas in which all partners address distinct but inter-related bottlenecks. The climate resilience focus of the proposed project would also be closely interlinked with the activities being implemented under the on-going World Bank Disaster and Climate Risk Management Project, the proposed GEF-UNDP Introducing Risk Transfer and Financial Mechanisms in Support of Climate Resilient Development Project, and the GEF-IFAD Climate Resilience through Conservation Agriculture Project.

C. GEF AGENCY INFORMATION:

C.1 Confirm the co-financing amount the GEF agency brings to the project:

The World Bank will provide a US$18 million International Development Association credit to the Republic of Moldova for the proposed project. Public funds from the State Ecological Fund and Moldsilva's budget in an amount of US$2.0 million will be contributed to the rehabilitation of the anti-erosion shelterbelts on an area of about 2,000 hectares. Additional project financing is expected during implementation from the Swedish International Development Agency which preliminarily confirmed during project appraisal that it would provide a co-financing grant in an amount equivalent to US$3.0 million. Lastly, the project's matching grant schemes (under Components 2 and 3) are designed to ensure that all potential beneficiaries provide up-front co-financing in order to receive grant funding. The amount of beneficiary co-financing required is at least 50% of the total investment cost. Given that the project's matching grant schemes are demand-driven, it is not possible to obtain prior, formal financial commitments from beneficiaries. However, preliminary conservative estimations show that beneficiary contributions to project implementation would be at the level of about US$10.0 million.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:

The project's objectives are consistent with the strategic objectives of the World Bank's Country Partnership Strategy for Moldova (CPS Progress Report - June 9, 2011). The CPS identifies environmental degradation and climate change as significant challenges for the country's future development.

In Moldova, the WB's comparative advantage lies in sectors such as agriculture and environment, where it has a long-standing engagement and comparatively richer experience compared to other donors. More specifically, the WB has a long and solid history of engagement in assisting Moldova to promote SLM and adapt to climate change, both through analytical activities, as well as investment financing. In 2007 the Bank conducted the Rural Productivity – Managing Natural Vulnerability Study. In 2011, it released a special report entitled "Reducing the Vulnerability of Moldova's Agricultural Systems to Climate Change." On investment financing, the Bank has supported the Moldova Soil Conservation and Community Forestry Development Projects, which achieved the forestation of about 30,000 hectares of heavily degraded land.

Considerable synergies are expected with other World Bank operations such as the Competitiveness Development Policy Operation (under preparation), the Disaster and Climate Risk Management Project (under implementation), the Rural Investment and Services Project II (under implementation), and the IFC's Investment Climate Reform Project.

Project implementation will be overseen by a skilled and experienced World Bank team that is based in the Bank's Moldova Office, supplemented with agriculture specialists from Bank Headquarters in Washington, D.C. This Moldova team includes the project's Task Team Leader, Financial Management Specialist, Procurement Specialist, Environmental Specialist and Operations Officer. The team's proximity to the client will allow it to ensure continuous project supervision effectively and efficiently and to address any issues that may arise expediently.

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

A. INSTITUTIONAL ARRANGEMENT:

An existing inter-ministerial Steering Committee established by the Government of Moldova will perform overall supervisory, coordination and strategic guidance functions for the project. The Steering Committee will be in charge of approving the Project Operational Manual (including the Grant Operational Manual), as well as any proposed changes to it. The Steering Committee will be co-chaired by the Minister of Agriculture and Food Industry and the Minister of Environment. In addition to members from MAFI and MOE, the Steering Committee would include representatives from the MOF, the State Chancellery, and farmer/producer organizations. The project would have two implementation agencies: MAFI will implement

Components 1 and 2, while MOE will implement Component 3.

B. **PROJECT IMPLEMENTATION ARRANGEMENT:**

MAFI and MoE will assign Component Coordinators to assist them with technical aspects of project activity implementations within their respective components. In order to promote the development of country systems, the project's grant schemes (across components) will rely on AIPA[10] for disbursements, delivery of grants to beneficiaries, financial management and monitoring of grant implementation. For fiduciary support of other project activity implementation across all three components, an existing project management unit – CAPMU,[11] will be in charge of supporting disbursement, financial management and procurement activities, as well as monitoring and evaluation. To ensure an efficient and transparent procurement process, the Implementation Agencies will establish procurement evaluation committees that would include representatives from their respective ministries, the MOF and the State Chancellery.

To ensure efficiency and transparency in the selection of grant beneficiaries under Component 2, MAFI will establish a grant evaluation and selection committee in charge of announcing competitive grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MAFI's and/or AIPA's sites. The composition of the grant evaluation and selection committee, and any subsequent compositional changes, will be approved by the Project's Steering Committee. The grant evaluation and selection committee would include representatives of MAFI, AIPA, MOF, the State Chancellery and independent technical[12] and financial experts.

To ensure efficiency and transparency in the selection of grant beneficiaries under Component 3, MOE will establish a grant evaluation and selection committee in charge of announcing grant selection rounds, reviewing and evaluating grant financing applications, and making grant award decisions. To ensure the transparency of the grant review, evaluation and award process, the decisions of the committee (both awards and rejections) will be made public on MOE's and/or AIPA's sites. The composition of the grant evaluation and selection committee, and any subsequent compositional changes, will be approved by the Project's Steering Committee. The grant evaluation and selection committee would include representatives of MOE, AIPA, MOF, the State Chancellery and independent technical[13] and financial experts.

The project's Steering Committee will be in charge of approving the final version of the Project Operational Manual that would include: (i) the project's overall operating, fiduciary and decision making procedures; and (ii) results monitoring arrangements. The Steering Committee will also approve the project's Grant Operational Manual detailing operating principles and evaluation criteria for the project's grant schemes. Only the Steering Committee will have the authority to amend the two documents above, provided such amendments are acceptable to the World Bank.

PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF

Although the project design is fully consistent with the original PIF, integrated community-level management plans will not be supported by the project, as most of the interventions will be at farm levels.

[10] AIPA is institutionally subordinated to MAFI, and is modeled after payment agencies present in EU countries. It has received significant institutional and human capacity strengthening support under the RSIP II Project.

[11] CAPMU was established in 2001 by a Government Decision and has more than ten years of experience in providing fiduciary support in the implementation of Bank-financed projects in the rural sector in Moldova.

[12] The profile of technical experts will be specific to the thematic area: post-harvest infrastructure, marketing and supply-chains.

[13] The profile of technical experts will be specific to the thematic area: sustainable land management.

PART V: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT(S) ON BEHALF OF THE GOVERNMENT(S):): (Please attach the Operational Focal Point endorsement letter(s) with this template. For SGP, use this OFP endorsement letter).

NAME	POSITION	MINISTRY	DATE *(MM/dd/yyyy)*
Shalaru Gheorghe	Minister	MINISTRY OF ENVIRONMENT	08/26/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for CEO endorsement/approval of project.

Agency Coordinator, Agency Name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Karin Sheperdson, GEF Executive Coordinator The World Bank		March 27, 2012	*Angela Armstrong,* GEF Regional Coordinator *Anatol Gobjila* Task Team Leader	(202) 458-0975 +3736-8254433	aarmstrong@worldbank.org agobjila@worldbank.org

ANNEX A: PROJECT RESULTS FRAMEWORK

Annex 1: Results Framework and Monitoring

Moldova Agricultural Competitiveness Project (P118518)

Results Framework

Project Development Objectives

PDO Statement

The Project Development Objective is to enhance the competitiveness of the agro-food sector by supporting the modernization of the food safety management system; facilitating market access for farmers; and mainstreaming agro-environmental and sustainable land management practices.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Completion of targeted food safety actions for approximation to EU SPS requirements	☐	Percentage	0.00	20.00	50.00	85.00	100.00	100.00	Semi-annually.	MAFI	MAFI, CAPMU
Increased sales (domestic and exports) of high value crops by targeted partnerships that receive investment support grants	☐	Percentage	0.00	0.00	10.00	20.00	35.00	50.00	Semi-annually	Productive Partnerships, MOE	AIPA, CAPMU
Increased on-farm area benefitting from sustainable land management practices supported by the project	☐	Hectare(Ha)	0.00	1000.00	3000.00	6000.00	8000.00	10000.00	Semi-annually	Beneficiary Farmers, MOE	AIPA, CAPMU
Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project	☐	Hectare(Ha)	0.00	5000.00	10000.00	10000.00	10000.00	50000.00	Annually	MOE, Moldsilva	MOE, Moldsilva, CAPMU

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target			
Food safety agency is functional	☐	Text	The Food Safety Agency is presently not functional	Agency staffed	Building rehabilitated; Equipment procured.	Software developed and installed.	Food safety agency is functional	Food safety agency is functional	Semi-annually	MAFI, CAPMU	MAFI, CAPMU

Number of laboratories compliant with standards for international accreditation	☐	Number	0.00	0.00	1.00	2.00	2.00	2.00	Semi-annually	MAFI	MAFI, CAPMU
Operational Border Inspection Points	☐	Number	0.00	0.00	2.00	2.00	4.00	4.00	Semi-annually	MAFI	MAFI, CAPMU
Capacity for post-harvest handling created in targeted productive partnerships.	☐	Metric ton	0.00	0.00	5000.00	20000.00	25000.00	300000.00	Semi-annually	Productive Partnerships	MAFI, AIPA, CAPMU
Productive partnerships created with project support	☐	Number	0.00	0.00	5.00	15.00	20.00	20.00	Semi-annually	CAPMU	MAFI, AIPA
Analytical solutions for site-specific SLM technologies developed and disseminated	☐	Text	Limited analytical work exists to date.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Analytical options ready for application by farmers.	Semi-annually	MoE	MoE, CAPMU
Mechanized mobile squads are operational	☐	Number	0.00	2.00	2.00	2.00	2.00	2.00	Semi-annually	MOE, Moldsilva,	MOE, Moldsilva, CAPMU
Anti-erosion shelterbelts rehabilitated	☐	Hectare	0.00	500.00	1000.00	1500.00	2000.00	2000.00	Annually	MOE, Moldsilva	MOE, Moldsilva, CAPMU

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

B.1 STAP Review

Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility
(Version 5)

STAP Scientific and Technical screening of the Project Identification Form (PIF)

Date of screening: October 03, 2011 Screener: Guadalupe Duron

Panel member validation by: Michael Anthony Stocking
Consultant(s):

I. PIF Information *(Copied from the PIF)*
FULL SIZE PROJECT GEF TRUST FUND
GEF PROJECT ID: 4630
PROJECT DURATION : 4
COUNTRIES : Moldova
PROJECT TITLE: Agriculture Competitiveness Project
GEF AGENCIES: World Bank
OTHER EXECUTING PARTNERS: Ministry of Environment; Ministry of Agriculture and Food Industry
GEF FOCAL AREA: Land Degradation

II. STAP Advisory Response *(see table below for explanation)*

Based on this PIF screening, STAP's advisory response to the GEF Secretariat and GEF Agency(ies): **Consent**

III. Further guidance from STAP

STAP welcomes the World Bank proposal entitled "Agriculture Competitiveness Project" in Moldova. Moldova's environmental legacy, like that of many other former Soviet republics, is one of environmental degradation. Agricultural practices such as overuse of pesticides, herbicides, and artificial fertilizers were intended to increase agricultural output at all costs, without regard for the consequences. This proposal is essentially fostering a paradigm shift in national thinking that modernization in the agricultural sector can be â€“ and should be â€“ consistent with environmental conservation. Component 3 of the proposal â€“ soil conservation and climate resilience â€“ addresses directly the LD-FA expected outcomes, with a commendable focus on enhancing cross-sectoral collaboration and integration in landscape management. The linkage on delivery of global environmental benefits in Component 3 with actions to increase agricultural competitiveness through food security and local people's access to markets is innovative and to be warmly welcomed. However, that linkage may have some dangers, which STAP's comments below seek to address in order to reduce the risks and strengthen the proposal:

1. The emphasis of the project objective and the project framework is on enhancing the agro-food sector, modernizing food safety, and lastly, enhancing agro-ecosystem resilience. Nonetheless, the project component that will generate the most direct global environmental outcomes is the third component "soil

conservation and climate resilience." The activities in Components 1 and 2 have often traditionally been undertaken without reference to environmental degradation and especially without thought to building climate resilience. STAP suggests, therefore, to emphasize further agro-ecosystem resilience in the project objective, and build further sustainable land management/soil conservation interventions in the expected outcomes and outputs for components 1 and 2. Indeed STAP wonders whether the project objective might not be better adjusted to, "contribute to enhancing agro-ecosystem resilience by building agro-food sector competitiveness through the modernization of food safety and quality management systems, facilitating market access, and addressing issues of climate change".

2. STAP questions the statement in Section B3: "Gender issues are not an acute subject in Moldova as economic opportunities and benefit sharing are generally gender indifferent." While gender differentiation may not be widely perceived as a problem in Moldova by some agencies, and the inheritance rights of men and women are the same, women have been the main victims of the country's on-going economic crisis, and two-thirds of them are reportedly unemployed. Violence against women, including domestic violence, is widespread. Moldovan women are also reported to account for a large share of prostitutes in Eastern Europe, the Balkans and the Middle East. These women are often beaten and reduced to a form of slavery. Gender issues should perhaps be included in among the risk factors in Section B4. STAP believes that the project needs to be much more gender-sensitive than is apparent in the PIF â€“ a particular example is noted in the point below.

3. STAP also suggests defining explicitly the competitive grants. For example, what criteria will be used to select the beneficiaries, and what measures will be used to target women farmers who may be less likely to participate if the grant information/communication does not specifically focus on their land management needs and their role in the community and household.

4. STAP further suggests that in a project such as this, NGOs, producer groups and other local stakeholders need to be defined more explicitly and be identified for their critical role in implementation (Section B5).

5. The anticipated global environmental benefits and the parameters that will be used to monitor the interventions are clear. However, STAP suggests specifying how the project intends to strengthen the beneficiaries' capacities to monitor and evaluate the expected global environmental benefits. Also, the World Bank may wish to use the online tools developed by the Carbon Benefits Project (UNEP-GEF) to measure and monitor carbon stocks (Please refer to the GEF Secretariat for information on when the tools will be available.).

6. The description of incremental financing per component is useful and clear. STAP would add that further details are needed on climate resilience for component 3 â€“ for example, how incremental financing will support agricultural soil carbon mitigation interventions that are expected to lead to climate resilience.

7. STAP also recommends detailing how the project will build upon local knowledge to define the sustainable land management technologies proposed in component 3.

STAP advisory response	*Brief explanation of advisory response and action proposed*
1. Consent	STAP acknowledges that on scientific/technical grounds the concept has merit. However, STAP may state its views on the concept emphasizing any issues that could be improved and the proponent is invited to approach STAP for advice at any time during the development of the project brief prior to submission for CEO endorsement.

2. Minor revision required.	STAP has identified specific scientific/technical suggestions or opportunities that should be discussed with the proponent as early as possible during development of the project brief. One or more options that remain open to STAP include: (i) Opening a dialogue between STAP and the proponent to clarify issues (ii) Setting a review point during early stage project development and agreeing terms of reference for an independent expert to be appointed to conduct this review The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.
3. Major revision required	STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical omissions in the concept. If STAP provides this advisory response, a full explanation would also be provided. Normally, a STAP approved review will be mandatory prior to submission of the project brief for CEO endorsement. The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.

Responses:

No.	Comments/suggestions	Responses
1	STAP suggests, to emphasize further agro ecosystem resilience in the project objective, and build further sustainable land management/soil conservation interventions in the expected outcomes and outputs for components 1 and 2.	Done. The project development objective has a clear reference to activities related to mainstreaming of good agro-environmental and sustainable land management practices whose implementation and integration into the rest of the project should lead to agro-ecosystem resilience. Sustainable land management has received major attention in the results framework at the level of "outcomes", as two out of four outcomes are related specifically to the project's proposed sustainable land management interventions. See also the project description (point B1 with project description and Annex A with the results framework).
2	Gender issues should perhaps be included in among the risk factors in Section B4. STAP believes that the project needs to be much more gender-sensitive than is apparent in the PIF.	Done. See point B 3. While the project does not envision a specific quota for women beneficiaries under the competitive grant scheme, attention to gender equity in the project will be paid through the following: (i) communication and outreach targeted to reach potential women clients, e.g., in collaboration with the Women Economic Empowerment Program (UN Women/Sida); (ii) flexibility on timing and methods of delivering training services to accommodate women clients; (iii) collection of gender-disaggregated data on beneficiaries and key indicators through the course of the project; and (iv) assessments on gender inclusion progress and constraints in project evaluation reports similar to those under the RISP II Project.
3	STAP suggests defining explicitly the competitive grants. For example, what criteria will be used to select the beneficiaries, and what measures will be used to target women farmers who may be less likely to participate if the grant information/communication does not specifically	The explanation of the grant schemes was expanded to include eligibility criteria. On gender, see item 2 above.

	focus on their land management needs and their role in the community and household.	
4	STAP further suggests that NGOs, producer groups and other local stakeholders need to be defined more explicitly and be identified for their critical role in implementation.	Done. See description of project stakeholders and beneficiaries, including NGOs and producer groups in section B 1 (subcomponents 2.2 and 3.2)
5	STAP suggests specifying how the project intends to strengthen the beneficiaries' capacities to monitor and evaluate the expected global environmental benefits.	Done. Under subcomponent 3.1, a dedicated activity was included to incorporate this suggestion (see section B 1).
6	STAP considers further details are needed on how incremental financing will support agricultural soil carbon mitigation interventions that are expected to lead to climate resilience.	Done. See description of the proposed project activities under Component 3 in section B 1 as well as in Annex 3 of the PAD.
7	STAP also recommends detailing how the project will build upon local knowledge to define the sustainable land management technologies proposed in component 3.	(a) This recommendation will be addressed under component 3.1 which will support, in particular, a study of technical and economic options for farm-based interventions focused on sustainable land management, taking into account not only local knowledge but also international experience and best practice. The objective of this activity is to provide an evaluation of existing SLM technologies for the crop-growing and horticulture sectors which would include an assessment of potential benefits and associated costs, as well as causes and barriers for their large-scale application. Furthermore, the subcomponent would also support analytical work on site-specific SLM technologies for application by project beneficiaries.

B.2 GEFSEC Review

GEFSEC Comments at CEO Endorsement (26MAR2012)	**Team Response**
Comment No. 14. The elaboration of the project framework was listed as an item required at CEO endorsement in the PIF clearance review sheet (Feb 9,2011). a) The framework is imbalanced as component 3 - despite major GEF support - does not provide sufficient detail (see also comments at PIF stage). b) STAP recommendation (#1) does not appear fully reflected in the Table B. c) The PIF text under section B1 and the PAD provide some further detail that should be inserted into Table B, in particular for component 3. Consider to insert numbered outcomes and outputs accordingly. d) Please quantify major outputs as far as possible. Please ensure that table B is also in line with Annex A "Project Results framework" - here figures for	a) Table B (project framework) has been updated to provide more detail. b) STAP comment 1 has been addressed in Table B. Additional explanation on STAP comment 1 has been provided in the table above. c) Table B has been updated accordingly to provide further detail (particularly for Component 3). In addition, more detail has been provided on the Component's target values. d) Table B has been updated to quantify major outputs. e) Component 4 (Contingencies) has been removed from Table B and added to project management. This amount has also been reflected in the other financing tables to reflect the same. f) Clarification has been provided in section B.2, on page 13.

SLM (10,000 hectares) and antierosion measures (50,000 ha) and 2,000 ha of anti-erosion shelterbelts are being provided. Why do the PIF and PAD refer to only 2,000 ha of antierosion measures under component 3 (PAD para 13, PIF page 10)? e) Please remove component 4 "Contingencies" from Table B – this can be added to project management costs with a footnote explaining what it contains. f) One clarification request regarding "support purchasing of specialized machinery and equipment for the creation of two mobile mechanized squads for the rehabilitation of antierosion shelterbelts" (comp 3) - what is the amount to be invested and will GEF funds be used?	
Comment No. 25. Clarification requested for SIDA and Beneficiary Co-financing Confirmed co-financing is now $18 million soft loan and a $2 million "beneficiary contribution", which - if I understand this correctly - are public funds. Please provide source of fund in Table C.	SIDA and Beneficiary cofinancing was removed from the tables. An explanation was provided on likely additional SIDA and Beneficiary cofinancing to be received during project implementation under section C1. This understanding is correct, and Table C has been updated accordingly.
Comment No. 27. Please check the tracking tool. Under Excel sheet "project context and impacts", 5c(i & ii), the figure for the carbon benefits appear incorrect. Are the correct figures: 4.944 Tons CO2 e/ Ha ? 3.015 Tons CO2 e/ Ha ?	The Tracking Tool has been corrected to reflect: for surface biomass - 4.944 Tons CO2 e/ Ha; for soil carbon - 3.015 Tons CO2 e/ Ha.

ANNEX C: CONSULTANTS TO BE HIRED FOR THE PROJECT USING GEF/LDCF/SCCF/NPIF RESOURCES

Position Titles	*$/ Person Week**	*Estimated Person Weeks***	*Tasks To Be Performed*
For Project Management			
Local			
Project Manager	170	240	Over-all coordination of project implementation.
Procurement Specialist	140	240	Procurement support
Procurement Assistant	70	240	Procurement support
Component Coordinator	140	240	Coordination of Component
Accountant	120	210	Acccounting and financial management support
International			
Justification for travel, if any:			
For Technical Assistance			
Local			
Methodological and analytical work for soil quality and land degradation risk assessment, land quality certification, and standard setting	400	125	TA assignment
Training and awareness raising on integrated SLM	500	400	Multiple assignments for awareness and outreach
Monitoring and Evaluation work on demonstrational site-specific SLM technologies and subprojects;	417	240	Full-time position for monitoring and evaluation of over-all project implementation.
Analytical and policy work and institutional building on SLM issues	400	85	2 TA assignments
International			
A cost-benefit assessment of land conservation and climate resilience practices and applicative methodological support.	1,200	125	Long-term TA assignments to support farmers.
Analytical and policy work and institutional building on SLM issues	1500	44	2 TA assignment

Justification for travel, if any:

* Provide dollar rate per person week. ** Total person weeks needed to carry out the tasks.

ANNEX D: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

A. EXPLAIN IF THE PPG OBJECTIVE HAS BEEN ACHIEVED THROUGH THE PPG ACTIVITIES UNDERTAKEN.

NOT APPLICABLE. NO PPG WAS RECEIVED.

B. DESCRIBE FINDINGS THAT MIGHT AFFECT THE PROJECT DESIGN OR ANY CONCERNS ON PROJECT IMPLEMENTATION, IF ANY:

NOT APPLICABLE. NO PPG WAS RECEIVED.

C. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES AND THEIR IMPLEMENTATION STATUS IN THE TABLE BELOW:

Project Preparation Activities Approved	***Implementation Status***	***GEF/LDCF/SCCF/NPIF Amount ($)***				***Cofinancing ($)***
		Amount Approved	***Amount Spent Todate***	***Amount Committed***	***Uncommitted Amount****	
	(Select)					
	(Select)					
	(Select)					
	(Select)					
	(Select)					
	(Select)					
	(Select)					
	(Select)					
Total		0	0	0	0	0

* Any uncommitted amounts should be returned to the GEF Trust Fund. This is not a physical transfer of money, but achieved through reporting and netting out from disbursement request to Trustee. Please indicate expected date of refund transaction to Trustee.

ANNEX E: CALENDAR OF EXPECTED REFLOWS (if non-grant instrument is used**)**

Provide a calendar of expected reflows to the GEF/LDCF/SCCF/NPIF Trust Fund or to your Agency (and/or revolving fund that will be set up)

Not applicable