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**INTERNATIONAL DEVELOPMENT ASSOCIATION
COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT
FOR
THE REPUBLIC OF MOLDOVA
FOR THE PERIOD FY09-FY13**

May 12, 2011

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

International Finance Corporation
Middle East, North Africa and Southern Europe Region

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<u>CURRENCY EQUIVALENTS</u> (Exchange Rate Effective March 31, 2011)	<u>GOVERNMENT FISCAL YEAR</u> January 1 to December 31
Currency Unit = MDL (Moldovan Leu) US\$1 = MDL11.9096	<u>WEIGHTS AND MEASURES</u> Metric System

ABBREVIATIONS AND ACRONYMS

AAA	Analytical & Advisory Activities	IMF	International Monetary Fund
AEI	Alliance for European Integration	KfW	KfW Entwicklungsbank
AF	Additional Financing	MCC	Millennium Challenge Corporation
CEM	Country Economic Memorandum	MDL	Moldovan Leu
CEP	Competitiveness Enhancement Project	NBM	National Bank of Moldova
CPAR	Central Public Administration Reform	MIGA	Multilateral Investment Guarantee Agency
CPIA	Country Policy and Institutional Assessment	MDTF	Multi-donor Trust Fund
CPS	Country Partnership Strategy	MSIF	Moldova Social Investment Fund
CPSPR	Country Partnership Strategy Progress Report	NPL	Non-Performing Loans
DFID	UK Department for International Development	PEFA	Public Expenditure & Financial Accountability
DPO	Development Policy Operation	PER	Public Expenditure Review
EBRD	European Bank for Reconstruction and Development	PFM	Public Financial Management
EC	European Commission	PRSC	Poverty Reduction Support Credit
EFA/FTI	Education for All/ Fast-Track Initiative	RISP	Rural Investment and Services Project
EIB	European Investment Bank	ROSC	Accounting and Auditing Report on the Observance of Standards and Codes
EU	European Union	SME	Small and Medium-size Enterprises
ESRP	Economic Stabilization and Recovery Program	SIDA	Swedish International Development Cooperation Agency
FDI	Foreign Direct Investment	TA	Technical Assistance
FY	Fiscal Year	TF	Trust Fund
GAC	Governance and Anti-Corruption	TSA	Targeted Social Assistance
GDP	Gross Domestic Product	UNDP	United Nations Development Program
GEF	Global Environment Facility	UNICEF	United Nations Children's Fund
ICT	Information and Communication Technologies	USAID	United States Agency for International Development
IDA	International Development Association		
IEG	Independent Evaluation Group		
IFC	International Finance Corporation		

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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

REPUBLIC OF MOLDOVA

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MOLDOVA

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

I. Introduction

- 1. This Progress Report assesses implementation of the current joint Bank-IFC Moldova Country Partnership Strategy (CPS).** The CPS focuses on three pillars: (i) improving economic competitiveness; (ii) minimizing social and environmental risks, building human capital, and promoting social inclusion; and (iii) improving public sector governance. The CPS envisages annual commitments of approximately USD 45-50 million. The IDA-15 lending envelope, along with an additional USD 20 million, and USD 11.2 million from the IDA Crisis Response Window, have been fully utilized. IFC has actively increased its activities in the last three years with a total of USD 79 million in investments and envisages annual commitments of USD 30-40 million.
- 2. The CPS was prepared during a time of political and economic uncertainty and was deliberately kept flexible.** Political and economic developments over the last two years confirm that this has been an appropriate strategy. The parliamentary elections of 2009 delivered a mandate for change, expressed in Moldova's European aspirations. The global economic and financial crisis hit Moldova hard and required the Bank to provide rapid and flexible support. Additional financing to existing projects delivered assistance fast to support rural communities and vulnerable people and to promote economic recovery. The DPO was used as a tool to support the Government's Economic Stabilization and Recovery Program (ESRP).
- 3. Significant progress towards CPS milestones and outcomes has been delivered.** Development objectives in ongoing investment projects are being met, with a good performance record in place. AAA has been an important component of the Bank's partnership strategy, both in addressing the economic crisis, as well as supporting sector level reform programs with other partners. IFC's strategy complemented IDA's efforts in private sector development. Details of progress to date and updated performance indicators are reflected in the Results Matrix (see Annex 1).
- 4. Following the election of a new, European-oriented coalition government, the Bank has helped Moldova receive significant external support to turn its European aspirations into reality.** The Bank, with other development partners, prepared a set of Policy Notes on key economic and social challenges to address the impact of the crisis and build the platform for post-crisis growth and improved competitiveness. The Notes were instrumental in the preparation of the ESRP, which provided the basis for the Consultative Group meeting on March 24, 2010. Development partners pledged USD 2.6 billion to support these reforms during 2010-13. Such leverage of the Bank's limited resources is critical to financing the significant investments Moldova needs to make in its path to European integration.
- 5. Moldova is now poised for a new phase of sustained growth but fundamental structural and governance weaknesses must be addressed.** Critical and comprehensive structural reforms on business regulation, de-monopolization, regulatory environment, and improved competitiveness will foster a speedier economic recovery. Governance and anti-corruption remain important and governance as a cross-cutting theme will be strengthened to ensure enhanced accountability and transparency in the social sectors. These structural reforms to improve competitiveness and reforms to enhance governance will be the focus of the remaining two years of the CPS.
- 6. Modifications proposed to the CPS respond to the changed environment.** The pillars of the strategy remain valid for the post-crisis period. The Bank will continue to be selective given its limited resources and will remain flexible to adjust to changing economic and political realities. Resources will be put into core areas with solid track records, strong government ownership and commitment to reform, and opportunities for strategic partnerships. Where other partners are in the lead, the Bank may exit or

scale down. Given the opportunity provided by a reform-minded Government, we propose that the CPS period be extended to the end of FY13 to support key reforms and consolidate and focus the Bank's program, with a new CPS starting in FY14.

A transition to a more strategic and focused Country Partnership Strategy at the mid-point

In FY09 the flexibility in the CPS reflected concerns about the potential impact of a global financial crisis and the expectations of political change after a number of years in power of a Government reticent to undertake reforms. The lending program was fragmented but some projects had shown the potential for further gains, particularly in the social sectors. The first two years of the CPS took a conservative approach, initially with no policy based lending and an emphasis on additional financing in successful projects. This additional financing together with an Economic Recovery DPO supported Moldova through the financial and economic crisis, and provided the opportunity to open a dialogue with the newly elected Government on a longer term reform agenda. The CPS did not set out a lending program beyond the CPS mid-point, leaving this to be decided at the time of the CPS Progress Report. This flexibility has proven effective, allowing the Bank to adapt to changed circumstances. Going forward the Bank will consolidate and focus its program to support reforms which will increase competitiveness and job creation during the remainder of the CPS period. Policy based lending will recommence, and a selective program of sector investment lending will focus on those sectors in which the Government wishes the Bank's support to make key reforms.

II. Relevance of the CPS

7. **The CPS strategic objectives of improving economic competitiveness, minimizing social and environmental risks, and improving public sector governance remain relevant to Moldova in light of the post-crisis recovery agenda and Government-led reform priorities.** Continued attention to addressing economic and social vulnerabilities and building a robust foundation for post-crisis competitiveness and sustainable growth remain vital to Moldova's prospects.

8. **Moldova's politics have been volatile in recent years, but voters have given the Alliance for European Integration a mandate for change.** After two rounds of heavily contested elections, the Communist Party lost its majority in Parliament and the four centrist parties in opposition to the Communists formed a majority coalition, the Alliance for European Integration (AEI), forming a government in September 2009. However, the AEI had insufficient parliamentary votes to elect a President (requiring a 60 percent majority under the Constitution) and after two failed attempts, another early parliamentary election took place in November 2010. The AEI gained an increased majority but was still short of the number of seats to elect a President. Despite this uncertainty the population has voiced its aspiration for change and the Government has committed to an ambitious reform agenda. Its implementation will be challenging given weak political institutions and a relatively underdeveloped capacity for collective action.

9. **Moldova now benefits from considerable external support, especially from Europe, and is at the forefront of the Eastern Neighborhood Partnership supporting European integration.** The Government's pro-European orientation has accelerated progress on visa liberalization and free trade with the European Union. Moldova receives the highest EU aid per capita in the Union's neighborhood and has been praised by Brussels for moving fast on important reforms required to strengthen bilateral economic and political integration. Key areas of programmatic alignment between the Bank and the EU's National Indicative Program 2011-2013 include trade (in particular quality assurance infrastructure and standards), public administration reform, social protection, health sector reform and energy. EU member States are also providing significant bilateral support to Moldova. The United States has expressed at the highest levels of government its support for Moldova's European integration aspirations and recently agreed to a significant program of support to Moldova.

10. **However the coalition remains fragile and there are deep social and political rifts running through Moldova's population.** The ability of the Government to address effectively the differing views on the future direction of the country, while maintaining its EU integration agenda and reforms, will be key to stability and cohesion.

III. Country Context

11. **Moldova was hit hard by the economic crisis.** Almost 30 percent of GDP is accounted for by remittances, which fell by more than a third during 2009. GDP growth dropped dramatically from 7.2 percent in 2008 to -6.5 percent in 2009, with FDI decreasing by 88 percent during the same period. Economic sectors, including mining, agriculture and construction, recorded declines in output, ranging from 12 percent to 60 percent in 2009 and job losses pushed annual unemployment rates to 9 percent from 4 percent at the end of 2008. Almost half of all Moldovans depend on agriculture, and the country also depends on exports to and fuel imports from Russia. Moldova has a large but inefficient public sector (taxing 32 percent and spending 45 percent of GDP). It has an improving but still poor business environment and its infrastructure is dilapidated.

12. **The banking sector was strained and fiscal imbalances grew.** The quality of the banks' loan portfolio deteriorated rapidly in 2009, with non-performing loans (NPLs) reaching 16.3 percent of total loans (up from 4.6 percent in 2008). The real cost of borrowing increased, making access to loans expensive for firms, thereby compressing demand and prolonging the "credit crunch". The crisis contributed to a fall in tax revenues by 8 percent and pre-election spending hikes in early 2009 increased spending by 5 percent (public wages by 22 percent), opening an unsustainable fiscal deficit, reaching 6.4 percent of GDP in 2009. Following the June 2009 elections, the Government took actions to reduce the deficit, and with additional fiscal measures under an IMF program and a faster than expected recovery, the deficit for 2010 is expected to be below 3 percent of GDP. External imbalances have also adjusted somewhat with exchange rate depreciation, but are expected to widen again as remittances have picked up during 2010.

13. **The poverty impact of the crisis was felt most acutely in rural areas and the social assistance program does not reach all those in need.** Rural food consumption declined by 17 percent over a six-month period in late 2008 – early 2009, compared to only 6 percent in urban areas; income from self-employment in agriculture declined by 25 percent. The decrease in remittance-driven revenues, and reduced farm revenues as a result of lower food prices drove rural poverty growth, with rural poverty rates rising to 36.3 percent in 2009, up from 34.6 percent in 2008. Urban poverty rates continued to fall, masking growing rural urban disparity in stable national poverty rates. A targeted social assistance program was introduced at the end of 2008 but has struggled so far due to low awareness of available benefits and a low coverage rate. These issues will be addressed in the remaining CPS period.

14. **Large-scale migration has accompanied both social and economic developments in the country.** Remittances have had a palpable impact raising consumption levels and enhancing education opportunities in recipient households, but have created inequalities between households with members working abroad and those without. Negative impacts of migration have been felt through children and youth "left behind" or in the care of elderly relatives, and in limited investments and civic participation at local level. The incentives for migrants to invest more actively in their communities or to rejoin them are still under-researched. Safety issues and the risk of human trafficking exist alongside migration, with women and children especially vulnerable. Migration is increasingly permanent as a growing number of Moldovans are acquiring or are eligible for dual citizenship with Romania, Russia or Bulgaria. An estimated 800,000-1.5 million people are in the application process for Romanian citizenship.

15. **Climate change and natural disasters have had a pronounced social and economic impact.** Severe weather events have become an almost annual occurrence in Moldova, with drought in 2007,

floods in 2008 and 2010, pointing to the need for higher resilience both at the national level (technology and capacity-building), and at the local level supporting the coping strategies of farmers and rural communities.

16. **Moldova's economy is beginning to recover but needs a broader base, with a second engine to the remittance-driven growth model.** Macroeconomic trends started to improve by the end of 2009 and a strong recovery was registered in 2010. Real GDP increased by 6.5 percent between January-September 2010 compared to the same period in 2009. The value added in agriculture grew by 6.6 percent. Exports increased by 7.9 percent and imports by 12.2 percent. However this growth has seen no corresponding increase in employment and without significant reform there is a danger that growth will not create jobs. It is expected that economic recovery will continue, but this is essentially dependent upon political stability in Moldova, as well as economic stability throughout the rest of Europe. With a big share of the workforce already abroad, fast economic growth is unlikely to come only from an increase in remittances.

17. **The key is to promote private investment and job creation and build on comparative advantages in boosting exports.** There is a window of opportunity for Moldova to expand exports. The introduction of autonomous trade preferences by the EU and normalization of trade relations with Russia (which were disrupted again in 2010 with the temporary resumption of a wine ban), create the opportunity for Moldova to increase exports in traditional markets and diversify into new markets. Labor costs in Moldova are already low relative to neighbors, so with the right macro and micro policy framework in place for competitiveness, and with improvements in infrastructure, Moldova could attract new private investment in export sectors and see rapid improvements in productivity growth.

18. **Moldova needs to deepen regulatory reforms and strengthen the rule of law to encourage private investment.** Progress has been made on business environment reform, including overhaul of the business registration system, streamlining legislation governing the regulatory regime, and efficiencies in filing taxes. The Government has taken steps to de-monopolize exports and imports and to simplify licensing procedures. Further actions are required to facilitate business entry and exit, and to improve business regulation and legislation on competition and intellectual property rights. There needs to be fairer enforcement of legislation through the judicial system. Improvements in the rule of law are a key focus of the European integration agenda under which Moldova will receive significant support from the EC and other bilateral partners to reform its judicial system and other law enforcement bodies. These efforts are highly complementary to the Bank's work to help Moldova improve the investment climate.

19. **Moldova's agricultural policies need to be revised to capitalize on export opportunities, which remain far below potential.** At 56 percent, Moldova has the world's highest ratio of arable land in total land area, which, coupled with high-quality soils, favorable climate and low labor costs, gives the country a comparative advantage in farming and agro-food products. However the real value of agriculture declined between 2005 and 2009, driven by a rapid deterioration of agricultural terms of trade and stagnant yields. Greater production costs for high-value crops, insufficient access to finance by Moldovan farmers and poor marketing of these products has led to the perverse result of declining land area under highly profitable crops and rising area under low-profit crops. Enhancing the competitiveness of high-value products is complex and requires efforts to facilitate farmers' access to modern inputs, improve food safety infrastructure and adopt EU quality standards, promote modern post-harvest infrastructure facilities, discourage buyer monopsonies and encourage producer cooperation, improve efficiency of cross-border trading, as well as upgrade agricultural research and education programs to the evolving needs of the private sector.

20. **Recent reform in the ICT sector is promising and this may turn into an additional niche industry with important potential links with improved governance in the public sector.** Competition in international telecommunications cable connectivity was improved recently with Bank support under a

Development Policy Operation that de-monopolized access to cross-border fiber-optic cable links. The language skills of most Moldovans mean there is scope for outsourcing back office functions to Moldova, which some European firms have already begun, but high external call rates and low broadband access under the state-owned telecoms monopoly have prevented growth in these services. There is scope for improvement: Moldova ranks 80th of 129 countries worldwide in international e-readiness rankings. The Government's commitment to implementation of an e-governance strategy will improve public service provision through increased utilization of information and communication technologies. The Government has made use of the South-South Experience Exchange Trust Fund to support leadership development for government officials on ICT for improved governance and growth, exchanging experience with India on improving e-governance.

21. **Moldova's public services need to be reformed to become more efficient and deliver greater quality.** The Government is coming to terms with an unsustainably large and inefficient public sector: (i) the education system is, per capita, amongst the world's most expensive at 9.2 percent of GDP, with empty classrooms and poorly paid teachers fearing retirement on low pensions; (ii) the social assistance system is fragmented, with most benefits not targeted to poor households; (iii) the pay-as-you-go pension scheme is fiscally unsustainable, yielding very low replacement ratios; (iv) health indicators remain well below EU averages but health spending, like education spending, is high at 6.4 percent of GDP. Surveys show that out of pocket expenditures in both the health and education sectors are high, suggesting structural governance problems which limit access to better quality services by the poor.

22. **More needs to be done to facilitate construction and trade and improve the deteriorated infrastructure.** Laws on simplifying construction permits and creating a one-stop shop for business registration are still awaiting parliamentary approval. The Government needs to press ahead with other outstanding reforms to promote trade and competition. Steps must be taken to remove technical barriers and simplify customs procedures, which keep trade below potential. Better protection of competition, a more sophisticated financial system, and better access to infrastructure (especially transport logistics) are all required to support new exports. The road network needs major repairs and a dilapidated heating sector renders the economy highly energy inefficient. Just 10 percent of national roads and about 5 percent of local roads are in good condition. Moldova uses twice the energy per unit of GDP (PPP rate) as Romania – three times more than the EU average. Reducing the costs of transport and energy by improving infrastructure will be key to maintaining competitiveness.

23. **The Government, recognizing these development challenges, has shown commitment to reforms in the medium term as reflected in its new program.** The Government has started to implement comprehensive reforms entailing a shift in economic management and international development relations. In October 2009, the Government launched the Economic Stabilization and Recovery Program for 2009-2011. In January 2010, the IMF approved a 3-year Extended Credit Facility and Extended Fund Facility Program based on the ESRP. Under the ESRP, the Government began implementing a comprehensive and detailed action plan of legal and administrative reforms to “de-regulate, liberalize and de-monopolize” the economy. In January 2011, the new Cabinet set 7 priorities in its program entitled “European Integration: Freedom, Democracy, Welfare”, namely: (i) European integration; (ii) reintegration of the country; (iii) efficient and balanced foreign policy; (iv) rule of law; (v) fighting poverty, provision of high quality public services; (vi) sustainable economic growth; and (vii) decentralization of power.

IV. Results and progress towards achieving CPS objectives and outcomes

24. **The Bank's current portfolio includes 11 investment projects, all of which are proceeding in a satisfactory manner.** Total commitments amount to USD 227.3 million, and the disbursement ratio constantly exceeds 20 percent annually. Some projects have faced difficulties during implementation which have been addressed through appropriate restructuring, and are now proceeding satisfactorily. The

IDA-15 allocation of USD 161 million, including the additional USD 20 million received in FY11, and USD 11.2 million allocated from the Crisis Response Window, have been fully committed for existing projects. IFC's current portfolio of USD 79 million is performing well.

25. **The strong emphasis on partnerships with other donors has proven effective in leveraging financing and reforms.** The Rural Investment Support Project and the Moldova Social Investment Fund attracted the support of other donors (DFID, EC, GEF, KFW, Netherlands, SIDA Switzerland, UNICEF and USAID), with additional financing of USD 24 million and USD 36.4 million respectively. Development partners (DFID, the Netherlands, SIDA) have looked to the World Bank to administer multi-donor Trust Funds for Central Public Administration Reform and support to the Supreme Audit Institution. These partners have also provided USD 5.5 million as co-financing to the on-going Public Financial Management Project (USD 8.5 million IDA).

26. **Strong partnerships have also allowed the Bank to be more selective in its activities.** Following World Bank assistance to the Government to develop the Land Transport Infrastructure Strategy, including a prioritized investment plan, and to put in place safeguard systems for road sector investments, the roads sector has attracted financing from the EBRD, EIB, EC, Romania and MCC totaling about USD 550 million and further large funding commitments from the Government of China. Due to a case of mis-procurement USD 11 million was cancelled from the Road Sector Program Support Project. The Bank has gradually exited the roads sector given the availability of other donors to provide more substantive financing to this area. Dialogue on transport policy will be maintained through the competitiveness DPO.

27. **The Bank has provided significant support to enhance donor coordination and improve aid effectiveness.** In consultation with other partners, in particular SIDA and UNDP, the Bank supported the development of a new set of Partnership Principles for the coordination and harmonization of external assistance to Moldova. The Partnership Principles were signed in March 2010 by the Government and 22 of Moldova's development partners. This was a significant increase from the 6 partners who had signed an earlier Partnership Framework in 2006, and was partly the result of the Bank's efforts to ensure a consultative and participatory approach. The Bank also supported the development of an implementation plan for the Partnership Principles to ensure that positive steps are taken to enhance aid effectiveness.

28. **The Bank used its leading analytical expertise and investment in AAA to engage early with the Government in outlining the Economic Stabilization and Recovery Program.** Together with the EC, UN, DFID, SIDA and IMF, the Bank prepared Policy Notes on key economic and social challenges to address the impact of the crisis. The Notes were instrumental in the preparation of the ESRP for 2009-2011 and, for the first time in Moldova's history, the entire Cabinet of Ministers convened for a whole-day discussion of the recommendations. The ESRP provided the basis for the Consultative Group meeting on March 24, 2010, jointly hosted by the Bank and the EU, where development partners pledged USD 2.6 billion (see Table 1) to support key reforms during 2010-13.

29. **The first two years of the CPS were marked by flexibility to react to the combined challenges of significant political change and the global economic crisis.** The Bank used additional financing to deliver support through existing successful projects, in particular to assist vulnerable populations to deal with the crisis. Noteworthy examples include the Rural Investment and Services Project (RISP) providing help to farmers by facilitating access to credit, which otherwise was unavailable during the crisis; Moldova Social Investment Fund (MSIF) helping rural communities with a focus on job creation; and the Competitiveness Enhancement Project (CEP) helping exporters at a time when world markets were down and access to credit was blocked. This use of additional financing also had the effect of better focusing the investment lending portfolio, which had been fragmented at the start of the CPS.

Table 1. Pledges made at the Consultative Group: Moldova Partnership Forum (USD millions)

	<i>EU Members</i>	<i>EC</i>	<i>US</i>	<i>EBRD</i>	<i>EIB</i>	<i>UN</i>	<i>World Bank</i>	<i>IMF</i>	<i>Other</i>	<i>Total</i>
Total Pledge (2010-13)	251.6	749.8	177.7	129.5	129.5	129.5	302.3	578.8	58.0	2605.5
percent of Total	10.0	29.9	7.0	5.1	5.1	5.1	12.1	23.1	2.3	100.0

30. **A one-off DPO in support of the Government’s ESRP proved effective.** The global economic crisis demanded that the Bank provide more significant financing for the ESRP than envisaged in the initial PRSC series, which was cancelled. A USD 25 million Economic Recovery DPO (including USD 11.2 million from the IDA Crisis Response Window) provided much-needed budget support and focused the reform agenda on laying the foundations for post-crisis recovery. Moldova’s strong performance in 2010 shows the strategy worked.

31. **The portfolio continues to deliver strong development results across all three pillars.** Through the MSIF project, 700 community based organizations have participated in 225 MSIF sub-projects benefitting almost 932,000 people. Such benefits include an increase by 5 percent in student attendance during winter as a result of installation of central heating. Indirect benefits accrue through the 26,000 temporary jobs created, providing around 2 million days of work. The Education for All/Fast-Track Initiative (EFA/FTI) project has supported renovation of 65 kindergartens and provision of teaching materials to 600, and assisted the Government to implement policies for improving kindergarten education standards. The Competitiveness Enhancement Project has assisted 150 companies to date (with another 100 applications) to improve quality standards, leading to increases in product quality and improved sales. The project also supports reform of the regulatory sector and has contributed to a reduction by 35 percent in management time spent on compliance. The Rural Investment and Services Project has assisted in the creation of 1,700 new businesses in high value agriculture, livestock and small industries, creating 7,000 new jobs. The Results Matrix (Annex 1) gives more details of how the Bank’s programs, including MSIF, EFA/FTI, Quality Education in Rural Areas, and Health Services and Social Assistance, have supported greater social inclusion and have reached the most vulnerable.

32. **Reforms have established the basis for improved management of public funds and a more effective public service but there has been little progress in consolidating the public sector.** In 2009 the Government revived Central Public Administration Reform. The basis has been laid for improved public financial management but the complete implementation of the Financial Management Information System is necessary to see through reforms fully. Fiscal discipline has improved. Although the 2009 budget exceeded its estimated deficit of 1 percent due to the financial crisis and pre-election spending, significant austerity measures by the Government together with external financing prevented a worse situation than the eventual deficit of 6.4 percent of GDP in 2009. 2010 budget performance was better than agreed under the IMF program. The foundations for a merit-based, professional civil service are being laid through legal reform, strengthened HR management capacity and a functional civil service training system. Legislation on civil service remuneration is being drafted and is expected to increase civil service salaries by 25 percent, making it a more attractive career choice, but there has been little corresponding streamlining of the civil service to allow higher salaries without an increased wage bill. Strategic planning and policy coordination capacity has increased, but requires further support to embed it across Government. The Government has asked for additional support through the CPAR MDTF to continue this reform over the next two years.

33. **The IDA 16 special theme of gender will continue to be integrated into the program.** The latest CPIA assessment notes the positive legislative environment for gender equality in Moldova, but

gender inequality persists through lower pay and lower status jobs for women and in the under-representation of women in decision making positions in the business, public service and political spheres. Social attitudes contribute to high rates of domestic violence. In the education and health sectors boys and men are disadvantaged through higher drop-out rates in the higher grades of school and higher rates of early death. Women and girls are vulnerable to trafficking. The Government has developed a National Strategy for Gender Equality for the years 2010-2015, and is closely supported in its implementation by UN Women. The Bank worked with SIDA to introduce gender perspectives in budgeting in the PER in 2009. The program going forward offers opportunities to enhance gender equality, for example, through education sector reform, and the regional consultations on the next WDR on Gender may also identify additional opportunities.

34. **We will continue to address the IDA 16 theme of climate change.** During this CPS period a number of interventions have helped address climate change vulnerabilities by reducing environmental degradation, specifically soil conservation, community forestry development, pollutant management, emissions reduction, and agricultural pollution-related activities. These activities could be continued and strengthened under the Agricultural Competitiveness Project. With the ongoing Energy 2 Project and follow-up Energy Efficiency TA, the Bank will help Moldova to increase its energy efficiency. Water resources management and adaptation to increasing water shortages and an increasing risk of flooding is likely to be a key issue in the long run to mitigate climate risks. The Disaster and Climate Risk Management Project will help address this through improved hydro-meteorological services and preparedness. AAA on adaptation and mitigation practices will help set the ground for further activities in this area.

35. **IFC remains an active partner in the private sector.** The IFC strategy in Moldova complements IDA's efforts in private sector development by focusing in particular on the financial sector, SMEs, agribusiness, healthcare and infrastructure modernization. Since 1995, IFC has invested a total of USD 174 million of its own funds in 19 projects and arranged USD 25 million in syndications to support power, telecommunications, agribusiness, SMEs, and the financial sector. IFC has ramped up its activities in the last three years with a total of USD 79 million in investment in FY08-FY10, with the largest exposure in financial markets followed by infrastructure. IFC will focus on policy reforms and implementation in select areas to support development of High Value Agriculture. In agribusiness investment, the IFC Advisory Services project will focus on investment generation activities, assisting the Government to develop and implement a targeted FDI attraction strategy in the agribusiness and high-value agriculture subsectors, as well as establish a better framework for public-private dialogue on agribusiness policy issues.

36. **MIGA currently has two active projects in Moldova.** A USD 61.1 million guarantee issued to Union Fenosa Internacional of Spain protects against political risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract for investments in the upgrading of three privatized electricity distribution companies. A guarantee of USD 7.34 million was issued by MIGA to Raiffeisen Bank SA in Romania, covering its shareholder loan to its subsidiary I.C.S. Raiffeisen Leasing S.R.L. in Moldova providing coverage against the risks of transfer restriction and expropriation of funds. This project constitutes the start-up phase of Raiffeisen Zentralbank Group's leasing operations in Moldova, undertaken by its Moldovan subsidiary.

37. **Trust Funds are integrated into the Bank strategy and support key institutional reforms and project implementation.** The Bank administers a substantial USD 80.9 million TF portfolio, which provides co-financing to IDA operations, finances GEF and carbon operations, and provides other forms of support, such as an USD 8.8 million Education for All/Fast Track Initiative grant for pre-primary education, an USD 16.7 million Regional Development and Social Protection TF with the EC, and a USD 6.15 million Public Administration Reform MDTF. Annex 2 gives details of active TFs in Moldova and shows that many will close in FY12, leading to consolidation.

38. **Going forward, it will be crucial to maintain a solid track record of project implementation.** Overall, the Bank's portfolio performance in Moldova has been smooth, with some minor exceptions. During the CPS implementation period, the Bank has been proactive in appropriate restructuring or partial cancellation when necessary. The Country Portfolio Performance Review in 2011 focused on the portfolio under implementation. It identified best practices and looked at cross-cutting themes, including issues such as readiness for implementation, capacity building for results monitoring, and excessive complexity of project design. These reviews will be a regular instrument to assess jointly with the Government implementation performance and address any project-specific issues.

V. Post-crisis agenda and modifications to the CPS

39. **Although the pillars defined in the CPS remain valid, there have been important changes which require an adaptation to the Bank's program in the CPS PR.** These changes are: (i) the global economic and financial crisis; (ii) a significant change in the political landscape and the opportunity created by the reform mandate given to the Government by the Moldovan people; and (iii) the country's European integration agenda.

40. **The Government has shown strong commitment to post-crisis structural reforms and the Bank will follow the Government's lead in defining its activities.** For the remaining period, a competitiveness DPO series will be launched based on an in-depth diagnostic provided in the CEM and supporting the Government's competitiveness and private sector job creation agenda. The focus will be on the business climate, as well as on sector policies in agriculture, IT and other areas that would lift current constraints to growth. This will be complemented by an expansion by IFC of advisory services in the agribusiness sector and for small and medium enterprises. The competitiveness agenda will also be supported by one or two new additional IDA lending operations per annum in areas such as agricultural competitiveness or energy efficiency. The timing of these operations will depend on progress made in addressing key policy and institutional constraints in both sectors.

41. **The Government has strongly embraced the need for reform to improve the efficiency and quality of public services.** IDA will support this in three areas: social assistance, health care and education. The Strengthening Social Safety Net results-based operation will seek to improve the efficiency and equity of social assistance through a fiscally sustainable expansion and strengthening of the targeted *Ajutor Social* Program. Additional financing will be provided to the Health Services and Social Assistance Project to improve the efficiency and viability of the primary health sector.

42. **An ambitious education reform agenda based on school optimization has recently become the focus of the Government's attention.** Inefficiency in the sector – and with it declining quality – has focused the reform discussions on rationalization and school network optimization and the savings they can bring. The Government's reform plan is intended to increase the efficiency of the general education sector, while simultaneously improving the quality and relevance of education to meet the demands of the modern economy. An IDA results-based education project will provide much-needed support to these important reform efforts. The Bank's support will also address the potential risks of such reforms, including of increased drop outs and marginalization of minority groups or the poorest, through a monitoring and evaluation scheme that tracks students to gauge the impact of reforms. Moreover, the Bank's System Assessment and Benchmarking for Education Results (SABER) toolkits in various aspects of education, including Skills Measurement, will be used as part of the work on the competitiveness agenda, allowing the Government to ensure that education can deliver skills for growth sectors of the economy. It is imperative that improved quality of education be accompanied by a sustainable growth model that creates jobs and economic opportunities for young people.

43. **Moldova's European aspirations will place increasing demands on the country's institutions.** The authorities have intensified efforts to improve core country systems, including public

financial management (PFM) and public administration. Strengthening of PFM reform is an important component to increase the efficiency, transparency and strategic alignment of the budget in the medium to long term – elements that could be supported through a potential PFM 2 operation and the ongoing CPAR MDTF. Such reforms will require strong leadership and coordination from central Government, as well as significant inputs and commitment to change from Government staff in all ministries.

44. **The Bank needs to reorient its approach towards governance and corruption given the political changes and realities in Moldova.** Governance as a cross-cutting theme will be strengthened to ensure enhanced accountability and transparency in the social sectors, for example through support to more equitable and less fraud prone administration of social assistance payments and support to the development of health and education information systems to improve transparency. With the Government's goal of European Union integration, areas of core GAC importance such as business regulation, public financial management and central public administration reform will remain essential. Demand for good governance and social accountability will continue to be supported, for example through the Civil Society Fund, which issues grants to NGOs to develop innovative communication and information applications which increase transparency and social accountability. The World Bank, in partnership with SIDA and UNDP, commissioned the Moldova Citizen Report Card, which provides a comprehensive overview of public perceptions of the accessibility and quality of the Moldovan public sector. It is an important entry point for the Governance e-Transformation Project to improve the quality of selected public services using ICT. E-transformation will help improve governance and tackle corruption through IT solutions.

45. **The Bank's program going forward will respond to the opportunities created by the changed environment and continue consolidating the Bank's support with an extension of the CPS to FY13.** The CPS was developed for a period of four years from FY09-12 and commenced with a fragmented lending program. This legacy, the prevailing economic context, and an uncertain political environment led us to rely in the first two years of the Strategy on additional financing which had the added benefit of providing more focus to the program. The recovery in the economy and a more favorable political environment for reform now allow us to move towards a more strategic program of support in the last years of the CPS, with a focus in the lending program on a small number of operations supporting key reforms being implemented by the Government. During FY13 a number of projects will exit, and extending the CPS until the end of FY13 will enhance the prospects for a focused and strategic CPS beginning in FY14.

46. **The Bank faces constraints and therefore must be selective in its support to the Government's reform agenda.** Selectivity will be driven by the principles of comparative advantage in areas in which the Government is ready for and committed to necessary policy reforms, as well as a solid implementation track record, and availability of alternative sources of financing and analytical support, leveraged through strategic partnerships with other development actors. The Bank's lending program will include one or two new investment lending operations per year, in addition to a DPO and continued investment in AAA. The choice and timing of investment lending operations will be driven by the Government's willingness to take complementary reform measures to enhance the economic impact of supported projects. The Government has indicated that reform areas could include education, public sector reform, agricultural competitiveness and energy efficiency. The Bank will use a number of tools to support dialogue on reforms, including utilizing portfolio reviews for policy discussions, developing policy notes on the reform agenda in sectors in which investment lending is proposed, and raising awareness of policy constraints or options which both policy and investment lending can help to address. Table 2 below provides a summary of the planned IDA lending and IFC investment program for the remaining CPS period covering FY11-13.

Table 2. CPS Progress Report Indicative Program for the period FY11-FY13 (USD million)*

Proposed Program	Lending/ Investment	AAA and TA Program
FY 11 Actual		
IDA Disaster and Climate Risk Management Strengthening the Effectiveness of the Social Safety Net Governance e-Transformation	\$10 \$37 \$20	Country Economic Memorandum: Growth Study Accounting & Auditing ROSC follow-up Agricultural Policy Revision and Budget TA Public Expenditure Review Financial Sector Monitoring TA Chisinau Energy Supply Improvement TA Applications for good governance - Civil Society Fund Demand for Good Governance Reducing Vulnerability to Climate Change of Agricultural Systems in Moldova TA
TOTAL IDA lending FY11	\$67	
IFC Moldova Agroindbank Chisinau Municipality EximBank	\$6 \$10 \$26	Credit Bureau Technical Assistance Risk Management Technical Assistance Health Public Private Partnership Technical Assistance MoldTelecom Technical Assistance
TOTAL IFC Investment FY11	\$42	
FY12		
IDA Competitiveness DPO 1 Health Services and Social Assistance AF Agricultural Competitiveness	\$20 \$10 \$20	Competitiveness and structural reform follow-up work Programmatic fiscal work (including BOOST studies) Financial Sector Monitoring TA Food Security TA Agricultural Competitiveness TA Energy Efficiency TA Education Rationalization TA
TOTAL IDA lending FY12	\$50	
IFC Investment in Real Sector and Financial Markets	\$30	Credit Bureau TA Risk Management TA Investment Climate Reform Technical Assistance Health Public Private Partnership Technical Assistance
TOTAL IFC Investment FY12	\$30	
FY13		
Competitiveness DPO 2 Education Program for Results Public Financial Management 2	\$20 \$30 \$20	Competitiveness and structural reform follow-up work Financial Sector Assessment Program Corporate Financial Reporting Enhancement TA Public Financial Management TA Energy Efficiency TA (continuation) Social Inclusion and Resilience TA
TOTAL IDA lending FY13	\$70	
IFC Investment in Real Sector and Financial Markets	\$30	Investment Climate Reform Project TA Credit Bureau TA Health Public Private Partnership Technical Assistance
TOTAL IFC Investment FY13	\$30	

* NOTES: IDA16 allocations are indicative. Actual IDA lending will depend on (i) total IDA resources available (ii) Moldova's performance rating (iii) performance and assistance terms of other IDA borrowers (iv) the terms of IDA's assistance to Moldova (grants or credits) (v) the number of IDA eligible countries. In FY14, the last year of IDA16, the lending program could include a third Competitiveness DPO and an energy efficiency project.

47. **IFC will play an important role in support of the competitiveness agenda and continue to provide trade finance, credit lines for on-lending to medium and small enterprises and agriculture, as well as advisory services in corporate governance and risk management.** IFC has a portfolio in four banks and is planning to support additional banks with advisory services and access to trade finance. Progress was also registered with the development of a Credit Bureau. In infrastructure, IFC is financing the rehabilitation and expansion of the water and wastewater networks and street rehabilitation in the City

of Chisinau. This is the World Bank Group's first sub-sovereign loan in Moldova. IFC is supporting the Government to implement the first PPP in the health sector, working with the Ministry of Health to open an imaging center at the National Hospital and with the Ministry of Economy to assess a sustainability strategy for MoldTelecom.

48. **The Bank will continue to leverage strategic partnerships with others to support the reform agenda.** Given the limited resources of the Bank, it will be important to work with other development partners who may have additional investment resources, and the Bank will maintain its role as a convener in the donor community. The Bank will seek increased partnerships with the EU and EU Member States and other development partners to ensure coherence in understanding of and support for critical reforms with a view to achieving maximum impact. A key focus will be where other partners' resources complement financially the Bank's AAA program. Annex 3 gives details of the activities of other donors in key sectors.

49. **The Bank will seek to use Trust Fund resources more strategically to support core objectives.** The Bank is exploring opportunities for increased partnerships with the EU, including through the existing Regional Development and Social Protection TF, and other ongoing/planned TFs for Improving Forest Law Enforcement and Governance, Food Safety, a coordinated program in the health sector, investment regulation activities, and Public Expenditure Financial Accountability assessment. Other potential areas for TF support include public sector reform supported by the Russian PFM Trust Fund, and technical assistance to improve Corporate Financial Reporting could also be funded through a Trust Fund, although donor support still needs to be identified. These types of partnerships will build on the Bank's efforts towards a more programmatic approach to mobilizing TF resources and consolidating them in order to reduce portfolio fragmentation and administration costs. Trust Fund resources will, to the extent possible, complement limited resources to finance Bank staff.

50. **The Bank's AAA will continue to have a prominent role in forming a solid basis for the Bank's support in Moldova.** For example, the recommendations of the recent Country Economic Memorandum and follow-up work would set the background for deeper and more comprehensive fiscal and competitiveness reforms. The Bank will continue to provide economic and social analysis as a basis to discuss policy choices and needed structural reforms with the authorities. Possible AAA work includes the continuation of the programmatic fiscal work, follow-up work on competitiveness and structural reforms, public financial management technical assistance, and analysis of social inclusion and resilience, taking a broad view of social inclusion and enhancing the focus on gender. Sector-specific analytical work to complement the proposed lending program could take place in energy, education rationalization TA, as well as agriculture. A new TA project related to food security is under implementation. AAA in the financial sector could include monitoring to support crisis resilience and market development measures, and a Financial Sector Assessment Program update with a focus on development issues.

51. **IFC will expand Advisory Services in Investment Climate with a new project in FY12.** The project will aim to increase the competitiveness of the Agribusiness sector through regulatory reform and more targeted investment promotion, as well as address key constraints for SMEs and the private sector in (i) construction permits; (ii) insolvency; and (iii) business inspections.

VI. Risks

52. **The risks identified in the CPS remain.** Fiduciary risks continue to be mitigated through the Bank's emphasis on improved public financial management, as do the risks associated with limited institutional capacity through support to planning and allocation of budgetary resources. A continued global recession, particularly in the EU, may limit the benefits to be gained from Moldova's greater integration into the global economy through reduced exports and remittances, and perhaps reducing the support available from the EU for the Government's integration agenda. Conversely, there is a risk that a

rapid return of remittance flows may weaken the reform resolve, delaying key reform measures, allowing IDA deliverables to slip or need to be redesigned to match a less ambitious agenda. Recent restrictions on exports highlight this risk. These risks suggest the continued need for a flexible approach from the Bank and other donors to assist Moldova to weather these external shocks, as well as the Bank working closely with others, in particular the EU and IMF, for joint leverage. Climate change and natural disasters continue to pose a risk to the country, but the Bank's support for disaster risk mitigation and agricultural competitiveness should help to address these.

53. **Risks arising from the political economy may continue for some time.** The stalemate over election of a President could still lead to early elections, potentially limiting Government commitment to undertake unpopular reforms. Perhaps more significant are the differing views amongst coalition members over the pace and depth of reforms. These differences reflect social and political rifts throughout the wider population including concerns about the impact of a transition to a market economy on different segments of the population. Although the Alliance partners are bound by their desire for European integration, it remains to be seen whether the Alliance can maintain support for its reform agenda. Should possible future elections bring a less reform-committed Government, the Bank would follow a more traditional investment program. If the Government secures a four year parliamentary mandate, it will be important that there is political commitment to the reform agenda across all parties – lack of such commitment may pose a risk to both the Bank's DPO series, as well as the IMF program. The Bank may help mitigate this to some extent by offering a platform for inter-ministerial discussions on key areas of reform, which needs to be done consciously and continuously, not just as problems arise, and will be a key challenge for the Country Team.

ANNEX 1: CPS FY09-13 REVISED RESULTS MATRIX AND PROGRESS TO DATE

CPS Pillar I. Improving economic competitiveness to support sustainable economic growth				
Country Development Goals / Outcomes				
<ul style="list-style-type: none"> • Export of goods and services increased as percent of GDP from 30.5 percent in 2007. • FDI increased (net) from USD 130 per capita (2007). • Increased length of roads rehabilitated. • Decreased share of electric power losses as share of total energy consumption from 12.7 percent in 2007. • Improved competitiveness of rural farm sector as reflected in rising exports and unit values of agricultural products. 				
Issues and Obstacles				
<ul style="list-style-type: none"> • Moldova production and export structure are dominated by low-value products. The range of both markets and goods for export are poorly diversified. Lack of conformity with international standards on product quality is a particular constraint for market access. • Moldova still has one of the highest regulatory compliance costs in the region. • Cost of financial intermediation is relatively high and access to long-term financing for investment purposes remains limited. • Adequate physical infrastructure is necessary to attract investments and support production. • The road network has experienced severe and prolonged neglect over the last 15 years due to lack of maintenance. • Road rehabilitation will require support from the international donor community and the use of foreign contractors for works execution, given the low capacity of the domestic road construction industry • Due to outdated equipment and technology, energy consumption is intensive—totaling about 3 times the respective indicators reported in developed countries. • Heavy reliance of the economy on imported energy resources, coupled with significant price increases, restricts the production sector. • Unfinished reform agenda and accumulation of new debts (mainly in the district heating sector in Chisinau) threaten the financial viability of main parts of the energy sector. • Lack of access to finance for productive cultivation of crops and investments in land improvements. • Lack of information and quality management has reduced productivity and export potential of farms. • Land privatization resulted in fragmentation of agricultural land ownership, with individuals' small holdings often being spread over 3 or more distinct parcels located kilometers apart. 				
Strategic Goal 1: Improved competitiveness of Moldova's enterprise sector				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
MSTQ system meeting the WTO commitments.	<p>Number of EU-compatible standards adopted increases from 200 (2007) to 500.</p> <p>Number of firms obtaining internationally recognized certificates of quality increases</p>		<p>514 EU compatible standards adopted by Oct 2010; though delays exist in adoption of standards from the Romanian Standardization Authority.</p> <p>160 firms had received international certificates of quality by end of 2010.</p>	<p>Ongoing/Completed Lending: Competitiveness Enhancement Project, including Additional Financing</p> <p>Planned Lending: Competitiveness DPO</p> <p>Partnerships and TFs:</p>

<p>Decreased regulatory compliance costs for enterprises from 16 percent in 2007 to less than 12 percent (as measured by Cost of Doing Business survey).</p> <p>Increased share of enterprises with access to formal sources of investment finance from 17.71 percent (2005) to 25 percent (BEEPS survey).</p>	<p>from 130 (2007) to 300.</p> <p>Reduction in cost of getting construction permits from 292 days (DB09) to less than 200 days.</p> <p>Establishment of a fully functioning credit information bureau.</p> <p>Increased share of credit going to private sector, from 27.9 percent (2006).</p>		<p>The number of accredited testing facilities increased from 36 in 2005 to 117 by Oct. 2010.</p> <p>RIA made mandatory for all new legislation in January 2008, with a standardized consultation mechanism, including Government and private sector representatives. Some 1,300 government officials and business representatives trained in principles and techniques of RIA.</p> <p>Regulatory compliance costs estimated at 9.9 percent in 2010 CODB report.</p> <p>Yearly number of inspections from State Agencies per company decreased from over 10 in 2006 to less than 8 as of end of 2010.</p> <p>Two private credit information bureaus established, covering the majority of the banking sector.</p>	<p>Moldova Dutch TA-TF Financial Sector Reform</p> <p>PHRD-Moldova: Competitiveness Enhancement Project</p> <p>Credit Bureau TA (IFC)</p> <p>Ongoing/Completed AAA:</p> <p>FSAP Update (IMF)</p> <p>Country Economic Memorandum – Competitiveness</p> <p>INF Sector Investment Planning Capacity</p> <p>Corporate Financial Reporting Doing Business Report</p> <p>GFRP Moldova Food Security TA</p> <p>PSD/FSD Dialogue</p> <p>Policy Notes for the Government of Moldova</p> <p>Planned AAA:</p> <p>Corporate Financial Reporting Enhancement TA</p> <p>Financial Sector Assessment Program</p> <p>Financial Sector Monitoring TA (including Secured Transactions, Modernization of Payment Systems, Security Settlement Systems)</p> <p>TF for Investment Regulation (EU)</p> <p>Skills Measurement Survey</p> <p>Remittance intermediation work</p> <p>Programmatic fiscal work</p> <p>Competitiveness and structural reform follow-up work</p> <p>IFC:</p> <p>Loan and equity investment and advisory service in financial</p>
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				sector, to strengthen local banks, direct financing in real sectors and regional private equity fund, and develop non-bank financial institutions.
Strategic Goal 2: Improved management of the road network				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Increased percentage of roads in good or fair condition from 7 percent in 2006--transport costs will be estimated based on the percentage of National Roads in good, fair, and bad condition.</p> <p>Vehicle operation costs on the roads improved under the Road Sector Program have decreased by at least 8 percent according to ex-post economic evaluation.</p> <p>Increased Road Asset Value from USD 8.4 billion in 2007.</p>	<p>Technical audits confirming that road works comply with contractual specifications.</p> <p>Total funds allocated for maintenance works on public roads are at least 450m MDL in FY09/10.</p> <p>Percent of funding used for road maintenance awarded through competitive bidding increased from 0percent in 2008 to 20 percent in 2010 and 30 percent in 2011.</p>	<p>Significant restructuring of this investment after cancellation of 69 percent of credit. Results remain the same since they are based on collective investments of several partners, though Bank is no longer providing financing.</p>	<p>The State Road Administration has implemented successfully, and to contract specifications, the investments funded by EIB under the Roads Sector Program Support Project and by the National Budget, with 120 km of roads rehabilitated between project start and the end of 2010. 5 additional contracts have been awarded in early 2011.</p> <p>Budget allocations for road maintenance have increased significantly and exceeded targets in FY09/10, with an amended Road Fund Law and new fuel excise tax regime, but there is still a gap between actual allocations and those planned under the LTIS, this gap will need to be closed when macro-situation permits.</p> <p>All contracts for periodic road maintenance are awarded based on competitive tenders. Routine road maintenance works and winter maintenance are not being tendered until now.</p>	<p>Ongoing/Completed Lending: IDA credit for Roads Sector Program Support Project</p> <p>Ongoing/Completed AAA: Transport Sector Strategy (EBRD, EIB) Policy Notes for the Government of Moldova</p> <p>Partnerships and TFs: Additional loans and grants from EBRD, EIB, EC, MCC and China EC Regional Development and Social Protection Grant (Roads Component)</p>

<i>Strategic Goal 3: Reduced energy vulnerability through improved energy efficiency and increased diversification of energy sources</i>				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Ten percent reduction in energy intensity measured by the total primary energy use (toe) per USD 1000 of GDP at PPP rate.</p> <p>Ten percent increase in production from renewable energy sources (RES).</p> <p>Cost recovery of heat, gas and electricity tariffs for all categories of consumers approaches 100 percent, while cash collection ratios stay above 95 percent (for gas and electricity) and 90 percent for district heat.</p>	<p>Government adopts and starts implementing an Energy Efficiency Program (pending approval by the Government) in support of the 2020 Energy Strategy of Moldova (adopted in 2007).</p> <p>Government and ANRE develop and adopt measures supporting renewable energy production, including feed-in tariffs for RES.</p> <p>Moldelectrica commissions a new power dispatch center and introduces modern supervisory control and remote monitoring of all transmission substations.</p> <p>At least one project signed and started disbursement with energy efficiency component.</p>		<p>A new Energy Law was adopted in December 2009 enabling Moldova to meet requirements and become a full member of the Energy Community Treaty. The Energy Efficiency Program and Action Plan updated by government, but delays in documents' formal approval by the Government. Moldova has ratified the ECT.</p> <p>EC and SIDA to provide TA support to Government and ANRE to work on feed-in tariffs for RES.</p> <p>The dispatch center to be commissioned by September 2011.</p> <p>85 percent of AF for the heating component committed.</p> <p>Tariffs for DH in Chisinau approved by ANRE starting January 2010. All tariffs at cost recovery levels.</p> <p>Cash collections for gas and electricity on target.</p> <p>Concerns remain regarding the fiscal sustainability in the sector, unless prompt reforms are made in the district heating sector and efforts to further improve the regulatory environment continue.</p> <p>The outage rates of Moldelectrica transmission lines and substations were reduced by 48 percent (the initial target was 35 percent).</p>	<p>Ongoing/Completed Lending: Energy 2, including Additional Financing</p> <p>Planned Lending: Energy Efficiency Project</p> <p>Ongoing/Completed AAA: District Heating Sector Reform TA Chisinau Energy Supply Improvement TA Energy Efficiency Program and Action Plan Public Utilities Subsidies Study (DFID) Energy Policy Note Policy Notes for the Government of Moldova</p> <p>Partnerships and TFs: CDCF – Moldova Biomass Heating ERPA CDCF – Energy Conservation and Emissions Reduction SIDA TF on Financing Energy Sector Reform and Efficiency Improvements PPIAF: Chisinau Energy Supply Improvement Project</p> <p>Planned AAA: Energy Efficiency TA</p> <p>IFC: Advisory service and investment to promote PPPs, energy efficiency credit lines to local banks.</p>

			<p>Non-technical losses in the transmission network were nonexistent in 2009, while the non technical losses in the distribution network were reduced by 94.5 percent, reaching 0.6 percent in 2009 (the initial target was the reduction of non technical losses in the transmission and distribution networks by 75 percent).</p> <p>Targets for public heating exceeded. 35 institutions and 37 residential buildings have heat and domestic hot water availability throughout the entire year (including during the winter heating season, which is more than 120 days/year as initially planned). 8,399 students and 1.5 million patients, staff and visitors benefit from facilities heated 120 days or more during the winter season. Additional Financing allowed scaling up the heating component, thus increasing the impact.</p>	
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Strategic Goal 4: Agricultural competitiveness

CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Number of agricultural enterprises with internationally recognized quality certificates increased from 30 in 2007 to 80 at the end of 2011.</p> <p>More efficient use of market info and technical knowledge along agricultural value chain leading to (as measured in 6 pilot</p>	<p>Law promoting enabling environment for SCA (Savings and Credit Associations) development passed.</p> <p>Increased entrepreneurial activity in the Rural Investment Services Project areas and increased survival rates.</p> <p>Land re-parceling implemented with participation of at least 30 percent of the population in 6 villages.</p>	<p>Re-parceling activities implemented in another 40 villages, in addition to the 6 pilot villages.</p>	<p>SCA Regulator established. The financial crisis impacted negatively the portfolio quality of SCAs; the SCA Regulator was initially slow to respond but now showing stronger supervisory capacity and interventions with problematic institutions.</p> <p>40 percent of village population participated in land re-parceling implemented in 6 villages; re-parceling now being undertaken</p>	<p>Ongoing/Completed Lending: Rural Investment Services Project 2 Additional Financing Competitiveness Enhancement Project 2 Additional Financing Disaster Risk Mitigation and Adaptation Project</p> <p>Planned Lending: Agricultural Competitiveness Project Competitiveness DPO</p>

<p>villages compared with baseline and control cases):</p> <ul style="list-style-type: none"> • Higher output value and lower variability; • Fewer loss making farms; • Higher total factor productivity in surveyed farms. 	<p>USD value of loans disbursed with at least one bank with credit lines to rural sector.</p>		<p>in 40 additional villages (20 percent participation). Impact assessment of the six pilot villages is under way, to be completed by the end of April 2011.</p> <p>762 rural businesses have been created (as of end-March 2011) under RISP II, with a first-year survival rate close to 100 percent.</p> <p>Growth in lending to agricultural and rural sectors has exceeded targets. It has reached MDL 3.5 billion as of end-March 2011 (compared to a 2012 target of MDL 2.85 billion and a baseline of MDL 2.14 billion).</p> <p>A total of 111 agricultural enterprises (which exceeds the target of 80) received internationally recognized quality certificates: 80 – ISO9000, 21 – HACCP, and 10 – GlobalGap.</p> <p>Increased number of agro-processors adopting mitigation measures and increased area of agricultural land with resource conservation technologies and increased production of organically-certified products through the Ag Pollution Control Project:</p> <ul style="list-style-type: none"> • 59 farms installed adequate manure storage facilities. • 7 agro-processors installed WWTPs. Efficient irrigation technology introduced on 720ha of land exposed to soil erosion on 27 farms. • Grassed waterways, buffer 	<p>Ongoing/Completed AAA:</p> <p>Country Economic Memorandum Policy Notes for the Government of Moldova Agricultural Sector Policy Revision and Budget TA Reducing Vulnerability to Climate Change of Agricultural Systems in Moldova TA</p> <p>Partnerships and TFs:</p> <p>Agricultural Pollution Control Project (GEF) SIDA Support to RISP 2 GFRP Moldova Food Security TA</p> <p>Planned AAA:</p> <p>Agricultural Competitiveness TA Competitiveness and structural reform follow-up work Skills Measurement Survey</p> <p>IFC:</p> <p>Direct financing to companies in agribusiness, credit lines to local banks, which lend to agribusiness sector and to the rural areas. This will be complemented by IFC expansion of advisory services in the agribusiness sector and for small and medium enterprises.</p>
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		<p>Strengthened farmers' preparedness to climate risks through information on practical techniques for adaptation, i.e. grants/demonstration about adaptation to climate risks, on a pilot basis:</p> <ul style="list-style-type: none"> At least 50 investment grants are provided and introduced at demonstration plots. 	<p>strips, forest belts on 253ha (9farms) (while the percentage of achievement cannot be measured since no target was set at appraisal (the M&E framework at the time did not require performance targets), the number of interventions is significant).</p>	
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Pillar II. Minimizing Social and Environmental Risks, Building Human Capital, and Promoting Social Inclusion

Country Development Goals / Outcomes

- Decreased percentage of people below poverty line of USD 4.3/day PPP from 34.5 percent in 2006.
- Increased access to quality preschool programs from 71.1 percent in 2008 to 75 percent in 2011 for children aged 3-6 and from 77.1 percent in 2008 to 85percent in 2011 for children aged 5-6.
- Improved quality and equitable access to general education from 94.1 percent in 2004 to 95 percent in 2011 and to 98 percent in 2015.
- Reduced maternal mortality rate.
- Reduced HIV/AIDS incidence per 100,000.
- Reduced TB-associated mortality per 100,000.
- Improved coverage and quality of water and sanitation services—57 percent of population will have sustainable access to improved water source by 2010 and 68.5 percent will have access by 2015.

Issues and obstacles

- Fragmentation of social assistance transfers has limited their ability to reach the poor.
- Increased Government capacity is needed to implement the recently approved social support law.
- Pension benefits in Moldova are not yet based reliably on actual contributions paid. The long-term financial sustainability of the pension system will require expanding the limited capacity of the ministry for policy analysis and monitoring and evaluation on social protection issues.
- There is a reduced capacity for preschool services, particularly in rural communities.
- Modern learning and development standards have been developed and implemented; Early Childhood Curriculum reviewed; human resources need to be trained on

modern teaching methods; new teaching and learning materials need to be introduced.

- School enrollment varies by income level.
- Population-based funding is used to allocate budgets to schools but school directors have had no flexibility in the use of their budgets.
- A declining number of school age children has led to smaller classes and smaller schools.
- Health indicators remain below EU averages. Chronic diseases such as cardiovascular disease cause double the share of avoidable mortality in the working age population as in the EU-10.
- Problems in the health sector include:
 - informal payments for health services;
 - lack of health insurance for the non-public sector working population;
 - lack of adequately skilled doctors and nurses;
 - need for consolidation of the healthcare infrastructure;
 - poor capacity for surveillance and diagnosis to react to infectious diseases.
- The quality and reliability of Moldova’s water supply and wastewater services are generally deficient. Few of the existing wastewater treatment facilities meet standards and many are abandoned due to unaffordable operating and maintenance costs.
- Water and sanitation service coverage should be expanded in a way that favors the poor, who typically are connected to public services last.
- The absence of an obsolete pesticides management strategy has increased the possibilities for leakage of toxic materials to the environment.
- Moldova has an unusually high amount of PCBs requiring disposal.

Strategic Goal 5: Broader inclusion and better social protection

CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Share of non-contributory social transfers received by the bottom 20 percent of households in terms of income increased from 40 percent in 2009 to 50 percent in 2011.</p> <p>Proportion of new pensions calculation based on actual contributions paid increased from 60 percent to 100 percent.</p>	<p>Proportion of new pensioners with pension eligibility determined outside the Pension Insurance Law increased from 98 percent (excluding military and police) to 100 percent.</p> <p>More actuarially sustainable retirement age – increasing by 6 months per calendar year (2008 baseline is age 62 for men and 57 for women).</p> <p>Law on social care services adopted and Strategy on disabled persons approved.</p>	<p>Improved equity and inclusion: increased coverage and maintained targeting accuracy of the Ajutor Social Program:</p> <ul style="list-style-type: none"> • 20 percent of population in the poorest quintile receive AS benefits. • Targeting accuracy is maintained such that at least 65 percent of Ajutor Social transfers reach the poorest population quintile. • Spending on categorical benefits reduced by 22 percent. <p>Increased allocative efficiency - categorical benefits consolidation for fiscally</p>	<p>New Social Assistance system piloted in 2008 and scaled up in 2009 and 2010; old system still in place but being phased out by freezing Nominative Compensation benefits and stopping new entrants while cancelling them for all categories of recipients except WWII veterans, Afghanistan veterans and Chernobyl victims in 2012.</p> <p>According to the MOU with IMF, the GoM embarked upon development of plan for consolidation of all categorical benefits which should be delivered by end 2011. The distribution of benefits</p>	<p>Ongoing/Completed Lending: Health Services and Social Assistance, including Additional Financing Social Investment Fund 2 Strengthening the Effectiveness of the Social Safety Net Project</p> <p>Planned Lending: Health Services and Social Assistance Additional Financing</p> <p>Partnerships and TFs: EC Moldova Regional Development and Social Protection Grant (Social Component) Grant for Second Additional Financing for the Moldova Social Investment Fund Project</p>

		<p>sustainable expansion of Ajutor Social Program:</p> <ul style="list-style-type: none"> Enhanced administrative efficiency, governance, and transparency. Turnaround time for Ajutor Social application processing, including verification and eligibility decision, is reduced to 25 days. Increased number of Moldova citizens is aware of Ajutor Social (5 percent increase from the baseline). Process of Social Assistance Automated Information System (SAAIS) introduction is launched. Social Inspectorate is established and functional. <p>New initial pensions calculation fully based on actual contributions paid (valorized with wage growth), and the real value of pensions preserved (indexed with inflation rate).</p> <p>More actuarially sustainable retirement age – retirement age equalized and increased for both genders at 6 months increments per calendar year.</p>	<p>across consumption deciles focusing on social assistance shows that only 20.9 percent of the overall benefits reached the poorest 10 percent of the population in 2009, and about 40 percent of benefits reached the poorest 20 percent of population. During 2010, a total of 59,000 households benefited from Ajutor Social with an average allowance of 721 lei per month. Concerns over IT system capacity to support Social Assistance program, and retention of qualified IT staff to manage it. SAAIS development has been launched and is being extended with additional functionalities. Concerns regarding the capacity of MLSPF for analysis and monitoring of SAAIS data that would feed into social safety net policy-making.</p>	<p>(SIDA) PHRD Grant for deinstitutionalization and mentally ill Community Participation in Post-conflict Regions (Japan) PSIA TF</p> <p>Ongoing/Completed AAA: Country Economic Memorandum Pension Policy Note Poverty Update and TA Policy Notes for the Government of Moldova Impacts of the International Financial Crisis on Workers' Remittances, Migration and Poverty in Moldova</p> <p>Planned AAA: Social analyses (ESW)</p>
Strategic Goal 6: Increased quality of and access to education in line with MDGs				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
Increased access to quality preschool programs from 71.1 percent in 2008 to 75 percent in 2011 for children aged 3-6 and from 77.1 percent in 2008 to 85 percent in 2011 for children aged 5-6.	<p>Preschool facilities rehabilitated and endowed in selected communities.</p> <p>Percent of preschool staff trained by EFA-FTI, cumulated with other trainings provided by the MEY through other sources will</p>	Increased enrollment in preschool programs from 71.1 percent in 2008 to 75 percent in 2011 for children aged 3-6 and from 77.1 percent in 2008 to 85 percent in 2011 for children aged 5-6.	Significant increases in pre-school enrolment rates, reaching 80 percent in 2009.	<p>Ongoing/Completed Lending: Quality Education in Rural Areas Project Social Investment Fund 2, including Additional Financing</p> <p>Planned Lending: Education Program for Results</p>

<p>Increased quality of education in rural areas as measured by increased student achievement (baseline 9th Grade National Assessment and Baccalaureate scores identified by subject: achievement will increase by at least 5 percent).</p> <p>Improved efficiency of spending on education</p> <ul style="list-style-type: none"> • Formula funding, developed in 2008, will be piloted in 2 raions by 2010. • Increased average class size from 22 students in urban areas and 18 students in rural areas in 2007 to 23 students in urban areas and 19 students in rural areas by 2012. 	<p>increase from baseline of 14.7 percent in 2008.</p> <p>Participation by Moldova in at least one international assessment program.</p> <p>Revised funding formula for schools has been piloted and rolled out nationwide</p> <p>percent of schools in pilot Raions that have become autonomous will increase from 0 percent in 2008</p> <p>School optimization strategy piloted and rolled out nationwide.</p>	<p>Preschool facilities rehabilitated and endowed in selected communities.</p> <p>Percent of preschool staff trained by EFA-FTI, cumulated with other trainings provided by the MEY through other sources will increase from baseline of 14.7 percent in 2008.</p> <p>Improved efficiency of spending on education as illustrated by school optimization, class rationalization, implementation of per student financing and other measures agreed to in an MOU with the IMF implemented successfully.</p> <p>Amendments to the legal code to allow for larger class sizes and change in the way teachers are hired.</p> <p>Increased average class sizes nationwide by start of school year of September 2012 [exact numerical increase TBD].</p>	<p>6.4 percent of all pre-schools renovated and endowed; approx 34 percent of pre-school teachers trained and 37.5 percent of pre-schools provided with teaching and learning materials.</p> <p>New policies developed and applied in pre-schools: child-centered curriculum, early learning development standards, and professional standards for teachers, pre-service and in-service curriculum for teachers, and associated guides.</p> <p>Baccalaureate scores increased by an average of 3.2 percent since baseline, and the difference between rural and urban scores reduced. The difference not only decreased but also reversed. The difference between average score for rural and for urban BAC is 1.8 points in favor of rural area. Rural average score is 2.4 percent higher than urban average score.</p> <p>MOE in the process of developing an implementation plan for the reform program to take place from April 2011 – 2013.</p>	<p>(P4R)</p> <p>Partnerships and TFs: Education for All—Fast Track Initiative-Preschool Phase II (Grant) Education for All—Fast Track Initiative Phase III (Grant)</p> <p>Ongoing/Completed AAA: Country Economic Memorandum Policy Notes for the Government of Moldova</p> <p>Planned AAA: Public Expenditure Review Education Chapter/Note (stand alone) Education Rationalization TA</p>
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		Rationalization of the school network by closure of schools and creation of hub schools [exact numerical values TBD]. Per student financing being implemented in 11 raions by 2012.		
Strategic Goal 7: Improved access to and quality of health, water, and sanitation services and reduced environmental degradation and health hazards				
CPS Strategic Goals and Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
Increased efficiency in resource use in the health sector as measured by higher utilization of primary care services. Improved access to quality health services.	Number of visits to primary care facilities increased by at least 5 percent. Increased number of primary care physicians to be directly contracted by National Health Insurance Company. # of rural primary care facilities upgraded and staffed with trained personnel Decrease in GP vacancies in rural health facilities National Hospital Master Plan completed and approved by Government to guide health infrastructure investments.	Increased utilization of primary health care services: Baseline: 9,763,321 visits per annum; more recent update 10,225, 282 Increased satisfaction for use of government health services: Baseline (from LiTs 2006): 43 percent of citizens were satisfied); more recent update (LiTs 2010): 67 percent of citizens are satisfied with quality and efficiency of public service delivery. Decreased number of GP vacancies in rural areas from 20 percent to 15 percent by 2012.	20 Primary Care centers rehabilitated, and 15 in advanced stage of works 88 primary care providers directly contracted by NHIC by end 2010, up from 29 in 2007 – a 203 percent increase. Revised curriculum for primary health care staff and managers approved and implemented; Cumulative increase of 11 percent in number of GPs employed at rehabilitated PHCs. 35 standardized medical protocols for primary care produced. New Diagnostic Related Group System piloted in 7 hospitals. Legislative Framework for PPPs established and PPP pilots initiated. Hospital Master Plan completed and approved in 2010: Government Decision No. 379 dated 07.05.2010 regarding Hospital sector development Program for 2010-2012. Health insurance extended to include social assistance beneficiaries; incentives for other vulnerable groups and farmers	Ongoing/Completed Lending: Health Services and Social Assistance, including Additional Financing Avian Influenza Project National Water Supply and Sanitation Project Social Investment Fund 2, including Additional Financing Disaster and Climate Risk Management Project Planned Lending: Health Services and Social Assistance Additional Financing Agricultural Competitiveness Project Partnerships and TFs: EC Regional Development Grant (Water and Sanitation component – Wastewater Treatment Plant in the town of Orhei) JSDF for Hepatitis B & C Moldova Health PPPs (IFC) Coordinated Program in the Health Sector (EU) POPS Stockpiles Management and Destruction (GEF, Dutch, Canada) PCF: Moldova Soil Conservation
Increased health financial risk protection. Baseline: 76.7 percent of population covered by health	A strategy to increase insurance coverage among 15-49 year olds developed and implemented.	Increased share of the population with health insurance: Baseline: 76.7 percent (2007)		

<p>insurance (2007).</p> <p>Increased proportion of the population with sustainable access to an improved water source, urban and rural (MDGs Indicator 29: by 2010 (FY11) 57 percent and by 2015 (FY16) 68.5 percent.</p>	<p># of Apa Canal employees per thousand households connected to a water network (baselines identified for each village).</p> <p># of drinking water samples meeting Moldovan bacteriological standards from participating villages' water supply system.</p>	<p>Value in 2010: 80.8 percent.</p> <p>Reduced environmental degradation as measured by reduction in pollution of areas under improved land management.</p>	<p>introduced and approved.</p> <p>Additional financing supported distribution of food packages to 11.6 percent of pregnant and lactating women and 10 percent of children under 2 years in response to the financial and economic crisis.</p> <p>Successful implementation of the Avian Influenza project has established the capacity to monitor and respond to infectious disease outbreaks in both the animal and human health sectors.</p> <p>Sector strategy financing revised (funded by EC/ADA).</p> <p>The National Water Supply and Sanitation Project is undergoing major restructuring, including a revision of project outcomes and monitoring and evaluation indicators. The restructuring will be completed by November 2011 (mid-term review is planned for September 2011).</p> <p>Quantitative targets for POPs project, such as the destruction of POPs contaminated stocks of obsolete pesticides and PCB capacitors were achieved and in some cases surpassed:</p> <ul style="list-style-type: none"> • safe disposal of 1,293 metric tons of obsolete pesticides; • safe disposal of 934 metric tons of PCB-contaminated capacitors (approximately 19,000 units); <p>Technical capacity of Moldovan laboratory and testing</p>	<p>Projects 1,2</p> <p>Renewable Energy from Agricultural Waste (GEF)</p> <p>CDCF – Moldova Biomass Heating</p> <p>Energy Conservation and Emissions Reduction (Carbon Fund)</p> <p>Community Support Program for Sustainable and Integrated Forest Management and Carbon Sequestration through Forestation</p> <p>Improving Forest Law Enforcement and Governance' (FLEG) TF</p> <p>GFDRR: Moldova Disaster and Climate Risk Management CB</p> <p>Ongoing/Completed AAA:</p> <p>Advisory services and investment to promote public-private partnerships in health (IFC)</p> <p>Policy Notes for the Government of Moldova</p> <p>Sector Coordination Council</p> <p>GFDRR: Moldova Post-Disaster (Flood) Needs Assessment</p> <p>Reducing Vulnerability to Climate Change of Agricultural Systems in Moldova TA</p> <p>Planned AAA:</p> <p>Health sector BOOST</p> <p>Agriculture TA</p> <p>TA / Dialogue on environment investment strategies and integration of environmental considerations in other sectors</p>
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			<p>infrastructure for POPs substances upgraded.</p> <p>New legislation, by-laws and guidelines aimed at improving the regulatory framework for POPs substances, introduced.</p> <p>Forestation of 20,300 hectares through the Soil Conservation projects. As a result, Moldsilva – the State Forestry Agency, is receiving regular carbon payments for an estimated total of 1.9 million tons of CO2 to be sequestered by 2017. The Projects have supported the implementation of a national competitive grant scheme for participating communities that provided grants to more than 50 localities for capacity building activities aimed at improving management of more than 6,000 hectares of community land (mostly pastures).</p> <p>The Community Forestry Project has contributed to the forestation of 10,600 hectares and is now awaiting validation under the United Nations Framework Convention on Climate Change (UNFCCC) Clean Development Mechanism procedures. Around 600 thousand tons of CO2 are estimated to be sequestered. A national competitive grant scheme for participating communities to provide grant funding for localized capacity building and improvements in forest and pasture management.</p> <p>Increased awareness of environmental issues in agro-industry and among farmers</p>	
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		<p>Enhanced ability of the State Hydro-meteorological Center to forecast severe weather and improve Moldova's capacity to prepare for and respond to natural disasters, as measured by:</p> <ul style="list-style-type: none"> • More accurate and specific forecasting of weather conditions; • Expanded lead-time of weather warnings to users, particularly Department of Exceptional Situations (DES); • Strengthened capacity to coordinate response to emergencies. 	<p>through the Ag Pollution Control Project:</p> <ul style="list-style-type: none"> • 58 percent of people surveyed aware of environmental issues in agriculture (while a percentage evaluation of the achievement is not possible due to the absence of a target, the increase in public awareness of environmental issues in agriculture is significant). 	
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Pillar III. Improving Public Sector Governance

Country Goals

- Improved performance of civil servants.
- Improved quality of regulatory services.
- Sound policies developed, approved, and implemented by the GoM.
- Overall fiscal discipline and resource allocation improved (as evidenced by IMF monitoring and assessment).

Issues and obstacles

- Systematic performance appraisal for civil servants linked to career development is not being practiced.

- The pay system is fragmented and opaque due to multiple supplements, does not motivate consistent performance and professional development, and is not competitive in the labor market.
- Citizens are dissatisfied with long waits, poor customer service, and convoluted procedures of services provided by government regulatory agencies (issuing permits, licenses, certificates)
- The National Development Strategy is adopted, its management has moved from the Ministry of Economy to the Government Office, initial capacity building skills for policy review and coordination have begun, but the procedures, methodologies and skills for drafting policies and linking them to higher level policy goals are lacking.
- Budget management information is fragmented and is not readily available to decision makers.
- Public financial decisions rely on overly centralized, command-oriented management and financial controls, and undeveloped audit systems.
- An effective public procurement system depends on Public Procurement Law which accords to international standards, effective secondary legislation and an efficient and effective authorizing environment.
- Provision of public services to citizens and businesses is slow, bureaucratic and corrupt.
- There is no strategic framework or common infrastructure for e-Government, which results in duplications, increased operational costs and risks of data loss.

Strategic Goal 8: Building a professional civil service

CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Merit system and ethics improved for civil servants. Basic compliance with the EU civil service assessment requirements achieved.</p> <p>Performance management system in the civil service implemented; annual performance ratings fall into each category of ratings.</p>	<p>Percentage of vacancies filled through competitive merit-based selection improved from 50 percent to 80 percent.</p> <p>Turnover percentage of newly recruited civil servants over the 5 year period decreased.</p> <p>Number of qualified civil servants applying to vacant positions in the government increased.</p> <p>Regulation on civil service performance management adopted and enforced at the level of central public administration authorities.</p> <p>Compulsory requirements for receiving a regulatory service are revised and redundant requirements abolished; business processes of regulatory services redesigned; performance of civil servants in regulatory agencies improved as assessed by periodic client satisfaction survey.</p>		<p>New civil service classification and grading system developed. Increasing trend of competition based employment at the central government level during 2007-2010.</p> <p>Personnel performance appraisal system introduced in 2009 and applied in 2009 and 2010. 86 percent of civil servants participated in the performance evaluation exercise in 2009/2010.</p>	<p>Ongoing/Completed Lending: Economic Recovery DPO (including CRW allocation)</p> <p>Planned Lending: Competitiveness DPO</p> <p>Partnerships and TFs: Public Administration TA— Multi-Donor Trust Fund (DFID, SIDA, Dutch)</p> <p>Ongoing/Completed AAA: Country Systems Assessment Country Economic Memorandum Policy Notes for the Government of Moldova</p> <p>Planned AAA: Structural reform follow-up work</p>

<p>The structure of the civil service pay improved by incorporating supplementary payments into the base pay and allowing for less than 20 percent performance bonus.</p> <p>Improvement of pay adequacy and wage bill management, as measured by CPIA rating #15.d (from 2.5 to at least 3.0).</p>	<p>New civil service remuneration act (based on grading that reflects job classification criteria) approved and implemented as of 2010.</p> <p>Average civil service remuneration increases relative to private sector wages, reaching at least 80 percent of corresponding labor market avg.</p>		<p>Revision and endorsement of the payroll scheme in 20 out of 24 Central Government authorities during 2010.</p>	
<p>Strategic Goal 9: Increased capacity of the public sector to develop and implement public policies</p>				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>The new sector policies are aligned with NDS, budgeted, and their impact assessed prior to government approval. Any issue on policy impacts are cleared at a technical level prior to policy decision-making by the GO with ministries.</p> <p>Improvement of policy coordination and responsiveness, as measured by increased CPIA indicator from 3.5 to at least 4.0.</p>	<p>The legal and methodological basis for policy process approved and implementation started.</p> <p>Central policy coordination capacity in the GO improved through proper staffing and training.</p> <p>Impact assessment methodology developed and respective civil servants trained.</p> <p>Ministries and agencies are required to issue (and publish on their web sites) annual results reports according to methodology approved by the Government.</p>	<p>Sector policies are reflected in the Medium-term Budget Framework (MTBF).</p> <p>Government Action Plan is aligned with the National Development Strategy, other strategic documents and budgeted in line with the MTBF.</p>	<p>Methodologies for National Development Strategy preparation have been approved and applied.</p> <p>Policy coordination improved through institutional re-structuring; State Chancellery policy coordination function introduced in 2008 increased the efficiency of the policy coordination efforts at the Central Government level; Capacity of Policy, Strategic Planning and Aid Coordination Department strengthened.</p> <p>A system of ex-ante policy impact analysis has been developed and introduced in selected policy areas.</p> <p>Methodology for the development of Institutional Development Plan completed, approved and applied at the level of central government.</p>	<p>Planned Lending: Competitiveness DPO</p> <p>Partnerships and TFs: Public Administration TA— Multi-Donor Trust Fund (DFID, SIDA, Dutch)</p> <p>Planned AAA: Structural reform follow-up work</p>

<i>Strategic Goal 10: Increased transparency and accountability in the management of public monies</i>				
CPS Outcomes	Milestones	Revised CPS Outcomes and Milestones	Progress to date	CPS Instruments and Partners
<p>Improvement of budget classification system, as measured by improved PEFA rating (baseline rating - C, expected rating - A).</p> <p>Improved effectiveness of external audit (PEFA baseline rating C+, expected rating - at least B).</p> <p>Increased competition in public procurement (increase in percent of value of all awarded contracts awarded through competitive process).</p>	<p>New budget classification is integrated with the unified chart of accounts and aligned with COFOG and GFS2001 standards.</p> <p>Public internal financial control and audit system based on EU model established.</p> <p>Institutional capacity of the Court of Accounts to perform external audit function strengthened.</p> <p>All required secondary procurement legislation in place, public procurement department strengthened (AMRPPHA), electronic procurement system implemented, and appropriate amendments introduced into the primary legislation (PPL).</p>		<p>Despite the fiscal situation, 2009 budget deficit target met, and 2010 budget performance better than agreed under IMF program. MoF approved new integrated budget classification and chart of accounts compliant with GFS 2001. Implementation will be through FMIS, on which progress has been slow though if now kept on track should be implemented in time for 2012 budget preparation process. National Internal Audit Standards introduced; Public Internal Financial Control legislation approved.</p> <p>Five Performance Audit Pilots successfully completed by the Court of Accounts in 2009 and results of two published.</p> <p>Public Procurement Law passed. Brought substantial improvements in the legislative framework and public procurement in line with international standards and practices. AMRPPHA restructured in late 2009 and new Public Procurement Agency (PPA) established under the Ministry of Finance. The public procurement system of Moldova assessed in 2010 by</p>	<p>Ongoing Lending: Public Financial Management Project Governance e-Transformation Project</p> <p>Planned Lending: Public Financial Management 2</p> <p>Partnerships and TFs: Public Administration TA— Multi-Donor Trust Fund (DFID, SIDA, Dutch) Strategic Development of the Court of Accounts (DFID, Dutch) Dutch Grant for Co-financing of the PFM Project Successor Grant for PFM Project (SIDA) Training Capacity Building and Training related to Management of Public Finances (SIDA) IDF Grant for Capacity Building in Moldova Public Sector Accounting Project e-Transformation Trust Fund (Dutch)</p> <p>Ongoing/Completed AAA: Country Systems Assessment Country Economic Memorandum Policy Notes for the Government of Moldova Country Procurement Assessment Report (CPAR) Public Expenditure Review 2 Public Expenditure Review 2011</p>

		<p>Improved capacity and management of ICT in the public sector:</p> <ul style="list-style-type: none"> • Governance center set up and operational (staff trained; public support for e- 	<p>using OECD/DAC methodology based on four main pillars and twelve indicators.</p> <p>There are still deficiencies in the legislative and institutional framework, which could be addressed by amending the Public Procurement Law, completing missing secondary regulations, including standard bidding documents and standard forms of contracts, improving the existing website of the Public Procurement Agency to make it fully functional to ensure greater transparency, developing guidance notes to and manuals to improve contract administration, improving existing training programs, and ensuring independent complaint handling mechanism.</p> <p>The use of single source procurement decreased significantly.</p> <p>Electronic Government Procurement (e-GP) readiness assessment conducted as part of CPAR. First phase of the e-GP application developed by contracting a private software development company. However, lack of financial resources and no final decision regarding the e-GP business model delayed the implementation of the system.</p>	<p>Moldova e-development TA Citizen Report Card 2010 A&A ROSC Follow-up</p> <p>Planned AAA: Public Financial Management TA Apps for good governance in Moldova (Third Party Monitoring Window - CSF Demand for Good Governance) IDF for Public Procurement PEFA (led by the EC)</p>
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		<p>government increased from 53 to 60 percent; percentage of cost recovery of the e-GC increased from 0 to 20 percent).</p> <ul style="list-style-type: none"> • e-transformation enabling environment present, including the policy, legal and regulatory frameworks (100 data sets available on the Open Government Data website; 2 institutions making datasets available through OGD); <p>Improved service delivery and transparency in the public sector:</p> <ul style="list-style-type: none"> • Shared e-Government infrastructure established (percentage of civil servants using shared e-government infrastructure increased to 5 percent; number of Government databases with central backup increased to 5). • e-services developed (number of transactions completed through Government services portal increased to 100,000 by 2013; average processing time for public services (business licenses) decreased to 3 days by 2013). 		
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ANNEX 2: LIST OF ACTIVE BANK-ADMINISTERED TRUST FUNDS IN MOLDOVA

(Figures in thousands of USD)						
TF #	Trust Fund Name	Net Grant Amount	Funds Disb.	Closing Date	Donor Name	Exec. By
TF053065	PCF-MOLDOVA: SOIL CONSERVATION PROJECT	4,550.00	1,523.91	12/31/2013	MULTIPLE DONORS	Recipient
TF054017	TRAINING CAPACITY BUILDING AND TRAINING RELATED TO MANAGEMENT OF PUBLIC FINANCES (CF UNDER TF054016)	2,209.58	1,556.65	12/31/2011	SIDA	Recipient
TF055170	DUTCH GRANT FOR CO-FINANCING OF THE PUBLIC FINANCIAL MANAGEMENT PROJECT	4,350.03	3,302.65	12/31/2011	Netherlands - Minister for Europ. Affairs & Intern. Coop.	Recipient
TF055175	PHRD-MOLDOVA: COMPETITIVENESS ENHANCEMENT PROJECT	4,500.00	2,887.25	6/30/2012	Japan - Ministry of Finance	Recipient
TF055875	GEF FSP-MOLDOVA: POPS STOCKPILES MANAGEMENT AND DESTRUCTION PROJECT	6,350.00	6,336.43	12/31/2010	MULTIPLE DONORS	Recipient
TF056111	CDCF - MOLDOVA BIOMASS HEATING ERPA	1,969.04	286.95	7/15/2016	MULTIPLE DONORS	Recipient
TF056601	MDTF TECHNICAL ASSISTANCE SUPPORT TO PUBLIC ADMINISTRATION REFORM OF MOLDOVA	6,150.00	4,404.09	12/31/2012	MULTIPLE DONORS	Recipient
TF056815	BCF - MOLDOVA SOIL CONSERVATION ERPA	2,478.00	776.67	12/31/2015	MULTIPLE DONORS	Recipient
TF057273	SUPPORT TO RISP 2	7,272.44	6,082.27	4/30/2012	SIDA	Recipient
TF057662	MDTF FOR STRATEGIC DEVELOPMENT OF THE CoA	2,786.60	2,629.50	6/30/2011	MULTIPLE DONORS	Recipient
TF058159	REPUBLIC OF MOLDOVA: IDF GRANT FOR CAPACITY BUILDING IN MOLDOVA PUBLIC SECTOR ACCOUNTING PROJECT	160.00	156.24	12/31/2010	IBRD 1818 H Street, NW	Recipient
TF092641	MD: HEALTH SERVICES AND SOCIAL ASSISTANCE ADDITIONAL FINANCING GRANT	7,000.00	6,472.66	8/31/2011	IBRD 1818 H Street, NW	Recipient
TF093088	COMMUNITY SUPPORT PROGRAM FOR SUSTAINABLE AND INTEGRATED FOREST MANAGEMENT AND CARBON SEQUESTRATION THROUGH FORESTATIO N.	975.90	264.87	4/2/2013	Japan - Ministry of Finance	Recipient
TF093288	MOLDOVA DUTCH TA-TF FINANCIAL SECTOR REFORM	3,184.59	1,239.21	6/30/2011	Netherlands - Minister for Europ. Affairs & Intern. Coop.	Recipient
TF093407	COMMUNITY PARTICIPATION IN POST-CONFLICT REGIONS	1,950.00	480.91	3/17/2013	Japan - Ministry of Finance	Recipient
TF093408	COMMUNITY PARTICIPATION IN POST-CONFLICT REGIONS (BANK EXECUTED)	50.00	4.22	12/15/2011	Japan - Ministry of Finance	Bank
TF093702	PREVENTING HEPATITIS B&C IN MOLDOVA	1,383.76	684.25	5/5/2012	Japan - Ministry of Finance	Recipient
TF093720	PREVENTING HEPATITIS B&C IN MOLDOVA (BANK-EXECUTED)	26.00	24.04	5/5/2012	Japan - Ministry of Finance	Bank
TF094297	MD - EFA FTI SPN - CF	160.08	110.11	2/28/2011	MULTIPLE DONORS	Bank
TF094801	Successor Swedish Grant for Public Finance Management Project	2,791.60	2,450.16	6/30/2011	SIDA	Recipient
TF094952	Moldova Regional Development and Social Protection Project	16,549.15	6,194.90	6/30/2011	EU-Commission	Recipient
TF095950	Swedish Grant for Second Additional Financing for the Moldova Social Investment Fund II Project	2,531.65	2,301.98	12/31/2010	SIDA	Recipient
TF096087	Impacts of the International Financial Crisis on Workers' Remittances, Migration, and Poverty in Moldova.	97.00	0.00	12/30/2011	MULTIPLE DONORS	Bank
TF097442	GFDRR: MOLDOVA POST-DISASTER (FLOOD) NEEDS ASSESSMENT	100.00	93.45	2/28/2011	MULTIPLE DONORS	Bank
TF097543	GFDRR: Moldova Disaster and Climate Risk Management CB	100.00	4.30	6/30/2011	MULTIPLE DONORS	Bank
TF097665	Moldova Health	200.00	46.28	12/30/2012	IFC	Bank
TF097883	ECSPe - Shared Growth Moldova	45.00	29.82	4/30/2011	MULTIPLE DONORS	Bank
TF097895	Chisinau Energy Supply Improvement Technical Assistance	150.00	39.72	6/30/2011	MULTIPLE DONORS	Bank
TF098049	PPIAF: CHISINAU ENERGY SUPPLY IMPROVEMENT PROJECT	75.00	0.00	6/30/2011	MULTIPLE DONORS	Bank
TF098414	Moldova Food Security AAA	320.00	8.54	6/30/2013	MULTIPLE DONORS	Bank
TF098462	Leadership Development Program for Moldovan Officials on ICT for Improved Governance and Growth	120.00	5.95	9/30/2011	MULTIPLE DONORS	Bank
TF099088	MOLDOVA ESREI TF: SUPERVISION OF RECIPIENT ACTIVITIES	238.96	0.00	12/31/2012	SIDA	Bank
TF099216	Regional Education for All-Fast Tract Initiative Education Program Development Fund (EPDF)	80.00	0.00	6/30/2011	MULTIPLE DONORS	Bank
Total		80,904.38	50,397.98			

ANNEX 3: DEVELOPMENT PARTNER COMMITMENTS BY SECTOR, CONSULTATIVE GROUP: MOLDOVA PARTNERSHIP FORUM, MARCH 2010

Sector*	Partners**			
	2010	2011	2012	2013
Not yet allocated	Czech Republic, Romania, Slovakia, Sweden, UK, EU	Czech Republic, Finland, Romania, Slovakia, Sweden, EU	Czech Republic, Finland, Romania, Slovakia, Sweden, EU, UN, World Bank	Czech Republic, Finland, Romania, EU, UN, World Bank
Civil Service	Czech Republic, France, Hungary, Sweden, Netherlands, UK, UN	France, Sweden, UN	France, UN	France, UN
Anti-Corruption	Sweden, US,	US		
Fiscal And Administrative Decentralization	Sweden, Netherlands, US,	Sweden, Netherlands, US, UN	Sweden, Netherlands, UN	
Judiciary	Finland, UK, US, UN	Finland, US, UN	Finland, UN	Finland
E-Government	UN, World Bank	UN		
Business Environment	Sweden, Netherlands, UK, EU, US, UN	Sweden, EU, US, UN	Sweden, EU, UN	EU
Agriculture	Switzerland, US, UN	Switzerland, US, UN, World Bank	US, UN	US, UN
Infrastructure	Czech Republic, Finland, Sweden, EU, Switzerland, US, EBRD, EIB, World Bank	Finland, Sweden, Switzerland, US, EBRD, EIB, World Bank	Finland, Switzerland, US, EBRD, EIB	Switzerland, US
Regional Development	Hungary, Sweden, UK, EU	EU	EU	EU
Education	Czech Republic, France, Netherlands, EU, UN, World Bank	France, Netherlands, EU, UN	France, EU, UN	France, EU
Health	Finland, Hungary, Luxembourg, Switzerland, UN, World Bank, Global Fund	Luxembourg, Switzerland, UN, Global Fund	Switzerland, UN, Global Fund	Switzerland, UN, Global Fund
Social Protection	Czech Republic, Finland, Hungary, Luxembourg, Netherlands, UK, US, UN, World Bank	Finland, Luxembourg, Netherlands, US, UN	Finland, Netherlands, UN	Finland, UN
Budget Support	Poland, Netherlands, UK, EU, World Bank, IMF	Netherlands, EU, World Bank, IMF	Netherlands, IMF	
Other Sector	Denmark, Finland, France, Sweden, Netherlands, EU, UN, World Bank	Finland, Sweden, Netherlands, EU, UN	Denmark, Sweden, Netherlands, EU, UN	Denmark, EU, UN
* Sectors are the chapters of the document "Rethink Moldova", prepared by the Government for the Consultative Group meeting Moldova Partnership Forum, 24th March 2010, against which indicative pledges were made.				
** These are partners who made pledges at the Consultative Group meeting; a number of other partners are also active in Moldova including Austria, China, Germany, Japan, Lithuania and Turkey.				

ANNEX 4: STANDARD CPS ANNEXES

Annex A1- Moldova

Key Economic & Program Indicators - Change from Last CAS

Prepared for all CASs/Progress Reports, but included in Board version of Progress Reports Only

As Of Date 3/15/2011

Economy (CY)	Forecast in Last CAS				Actual		Current CAS Forecast			
	2008 ^a	2009 ^b	2010 ^b	2011 ^b	2009 ^c	2010 ^c	2011 ^a	2012 ^b	2013 ^b	2014 ^b
Growth rates (%)										
GDP	6.5	3.5	5.0	5.0	-6.0	6.9	3.5	4.5	5.0	4.5
Exports	11.1	3.0	5.0	5.0	-12.1	12.8	8.7	7.7	8.7	9.1
Imports	14.6	0.0	2.0	2.0	-23.6	13.7	7.3	6.7	7.0	6.2
Inflation (%)	12.8	7.8	7.8	7.8	0.0	7.4	8	6.1	5.4	4.6
National accounts (% GDP)										
Current account balance	-18.9	-19.2	-17.0	-16.2	-8.5	-8.3	-10	-8.4	-8.1	-7.9
Gross investment	33.5	30.1	31.4	32.0	21.7	24.1	24.9	25.0	25.6	26.2
Public finance (% GDP)										
Fiscal balance	-0.5	-1.5	-1.0	-1.0	-6.4	-2.5	-1.9	-0.7	-0.4	-0.7
Foreign financing	1.6	3.1	3.0	3.0	5.0	4.8	3.6	4.4	4.7	2.8
International reserves (as months of imports)	3.3	3.2	3.3	3.4	4.4	4.5	4	4.2	4.2	4.3

- a. Estimated year
- b. Projected year
- c. Actual outcome

Moldova at a glance

5/9/11

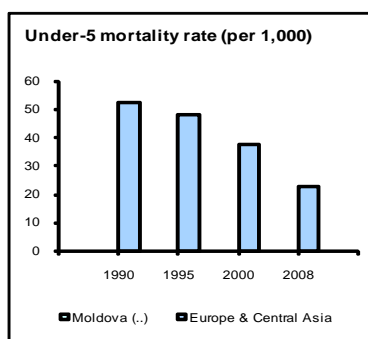
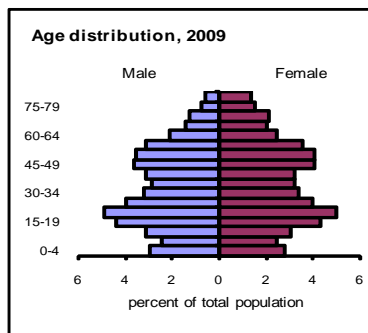
Key Development Indicators

(2009)

	Moldova	Europe & Central Asia	Lower middle income
Population, mid-year (millions)	3.8	403	3,767
Surface area (thousand sq. km)	..	23,549	31,923
Population growth (%)	-0.1	0.3	1.2
Urban population (% of total population)	..	64	40
GNI (Atlas method, US\$ billions)	5.6	2,772	7,682
GNI per capita (Atlas method, US\$)	1,480	6,880	2,039
GNI per capita (PPP, international \$)	3,010	13,297	4,502
GDP growth (%)	-6.0	4.0	7.5
GDP per capita growth (%)	-5.9	3.6	6.3

(most recent estimate, 2003–2009)

Poverty headcount ratio at \$1.25 a day (PPP, %)	2	4	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	12	9	..
Life expectancy at birth (years)	..	69	68
Infant mortality (per 1,000 live births)	..	20	44
Child malnutrition (% of children under 5)	..	..	25
Adult literacy, male (% of ages 15 and older)	99	99	87
Adult literacy, female (% of ages 15 and older)	98	97	73
Gross primary enrollment, male (% of age group)	..	100	109
Gross primary enrollment, female (% of age group)	..	98	105
Access to an improved water source (% of population)	..	95	86
Access to improved sanitation facilities (% of population)	..	89	50

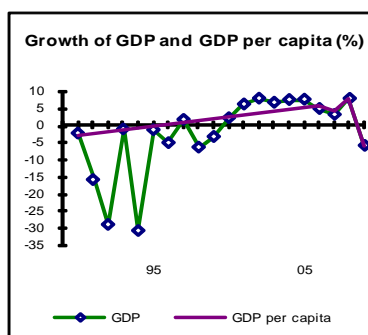


Net Aid Flows

	1980	1990	2000	2009 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	..	10	123	299
<i>Top 3 donors (in 2008):</i>				
European Commission	..	0	5	83
United States	..	9	35	36
Sweden	..	0	2	14
Aid (% of GNI)	..	0.4	9.4	4.5
Aid per capita (US\$)	79

Long-Term Economic Trends

Consumer prices (annual % change)	..	788.5	312	0.0
GDP implicit deflator (annual % change)	..	13.5	27.3	2.2
Exchange rate (annual average, local per US\$)	..	0.0	12.4	111
Terms of trade index (2000 = 100)	..	..	100	107



	1980	1990	2000	2009 ^a
Population, mid-year (millions)	4.0	4.4	..	3.8
GDP (US\$ millions)	..	3,593	1,288	5,438
<i>(% of GDP)</i>				
Agriculture	..	36.1	29.0	10.1
Industry	..	36.7	21.7	13.1
Manufacturing	..	36.0	16.3	12.6
Services	..	27.2	49.2	76.8
Household final consumption expenditure	..	57.5	91.4	88.3
General gov't final consumption expenditure	..	15.1	10.3	22.1
Gross capital formation	..	24.9	23.9	23.1
Exports of goods and services	..	48.2	49.8	36.9
Imports of goods and services	..	50.6	75.4	73.5
Gross savings	..	58.1	16.3	17.6

1980–90 1990–2000 2000–09
(average annual growth %)

0.8
2.7 -9.6 5.6

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. .. indicates data are not available.

^a Aid data are for 2008.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade **2000** **2009***(US\$ millions)*

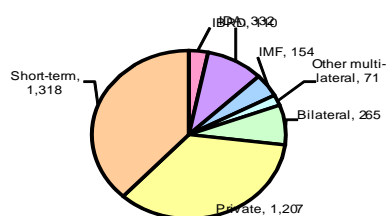
Total merchandise exports (fob)	477	1,329
Total merchandise imports (cif)	793	3,273
Net trade in goods and services	-331	-1,988
Current account balance	-98	-465
as a % of GDP	-7.6	-8.5
Workers' remittances and compensation of employees (receipts)	179	1,211
Reserves, including gold	218	1,480

Central Government Finance*(% of GDP)*

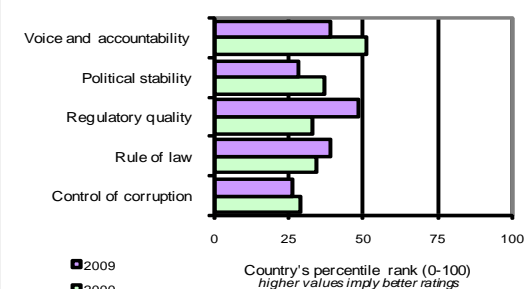
Current revenue (including grants)	31.9	38.3
Tax revenue	25.0	31.3
Current expenditure	34.7	40.3
Overall surplus/deficit	-2.6	-6.3
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows*(US\$ millions)*

Total debt outstanding and disbursed	1,693	3,457
Total debt service	150	387
Debt relief (HIPC, MDR)	-	-
Total debt (% of GDP)	131.4	63.6
Total debt service (% of exports)	18.1	12.0
Foreign direct investment (net inflows)	127	0
Portfolio equity (net inflows)	117	0

Composition of total external debt, 2009**Private Sector Development** **2000** **2009**

Time required to start a business (days)	-	10
Cost to start a business (% of GNI per capita)	-	7.0
Time required to register property (days)	-	5
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2009
Access to/cost of financing	..	40.4
Tax rates	..	37.2
Stock market capitalization (% of GDP)	3.2	..
Bank capital to asset ratio (%)	30.6	17.0

Governance indicators, 2000 and 2009

Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure **2000** **2008**

Paved roads (% of total)	86.1	85.7
Fixed line and mobile phone subscribers (per 100 people)	18	97
High technology exports (% of manufactured exports)	3.2	4.2

Environment

Agricultural land (% of land area)	77	75
Forest area (% of land area)	..	..
Terrestrial protected areas (% of surface area)	..	14
Freshwater resources per capita (cu. meters)	252	275
Freshwater withdrawal (billion cubic meters)	2.3	..
CO2 emissions per capita (mt)	0.86	13
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	2.1	2.7
Energy use per capita (kg of oil equivalent)	694	910

World Bank Group portfolio **2000** **2009***(US\$ millions)*

IBRD		
Total debt outstanding and disbursed	191	110
Disbursements	6	0
Principal repayments	5	18
Interest payments	11	4
IDA		
Total debt outstanding and disbursed	103	332
Disbursements	30	21
Total debt service	1	6
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	35	16
Disbursements for IFC own account	19	16
Disbursements for IFC own account	1	0
Portfolio sales, prepayments and repayments for IFC own account	0	7
MIGA		
Gross exposure	3	73
New guarantees	3	6

Note: Figures in italics are for years other than those specified. 2009 data are preliminary.
 .. indicates data are not available. - indicates observation is not applicable.

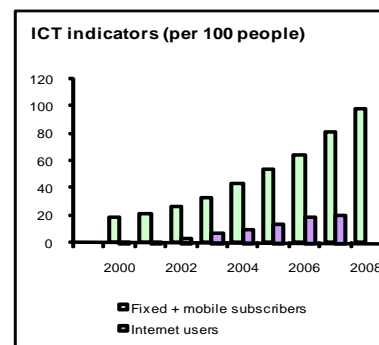
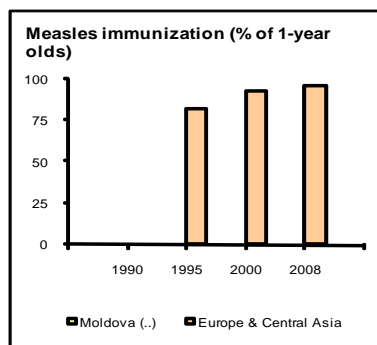
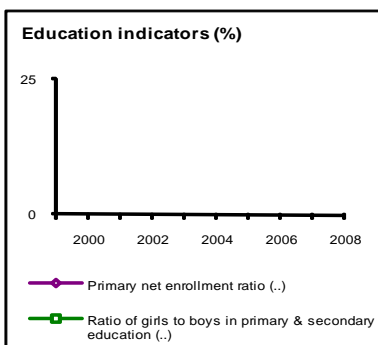
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Millennium Development Goals

Moldova

*With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)*

	Moldova			
	1990	1995	2000	2008
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$125 a day (PPP, % of population)	17.0	5.1	33.0	2.4
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	89	..	..	..
Primary completion rate (% of relevant age group)	..	94	98	91
Secondary school enrollment (gross, %)	94	81	82	88
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	105	..	..	..
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	..	..
Proportion of seats held by women in national parliament (%)	..	..	..	..
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	..	..	..	..
Infant mortality rate (per 1,000 live births)	..	..	..	..
Measles immunization (proportion of one-year olds immunized, %)	..	..	..	..
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	0.1	0.4
Incidence of tuberculosis (per 100,000 people)	..	..	..	..
Tuberculosis case detection rate (% all forms)	35	59	53	70
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	..	..	..
Access to improved sanitation facilities (% of population)	..	..	..	..
Forest area (% of total land area)	..	..	..	..
Terrestrial protected areas (% of surface area)	..	..	..	1.4
CO2 emissions (metric tons per capita)	5.4	2.6	0.9	1.3
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	1.7	1.5	2.1	2.7
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	10.6	13.1	14.2	30.7
Mobile phone subscribers (per 100 people)	0.0	0.0	3.4	66.7
Internet users (per 100 people)	0.0	0.0	1.3	23.4
Personal computers (per 100 people)	..	0.2	1.5	11.4



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

5/9/11

Development Economics, Development Data Group (DECDG).

CAS Annex B2 - Moldova
Selected Indicators* of Bank Portfolio Performance and Management

As Of Date 3/15/2011

Indicator	2008	2009	2010	2011
Portfolio Assessment				
Number of Projects Under Implementation ^a	14	12	13	11
Average Implementation Period (years) ^b	2.3	3.3	3.9	4.6
Percent of Problem Projects by Number ^{a, c}	0.0	25.0	15.4	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	8.6	7.3	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	25.0	15.4	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	8.6	7.3	0.0
Disbursement Ratio (%) ^e	21.8	23.8	28.6	28.7
Portfolio Management				
CPPR during the year (yes/no)	N	N	N	Y
Supervision Resources (total US\$)	1200.1	169.9	643.2	917.8
Average Supervision (US\$/project)	85.7	28.31	107.2	152.96

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	23	7
Proj Eval by OED by Amt (US\$ millions)	448.4	66.1
% of OED Projects Rated U or HU by Number	18.2	0.0
% of OED Projects Rated U or HU by Amt	17.9	0.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3

Moldova: IFC Investment Operations Program

	2008	2009	2010	2011*
Original Commitments (US\$m)				
IFC and Participants	10.00	7.00	30.00	23.82
IFC's Own Accounts only	10.00	7.00	30.00	23.82
Original Commitments by Sector (%)- IFC Accounts only				
ELECTRIC POWER			50	
FINANCE & INSURANCE		100	50	58.02
FOOD & BEVERAGES	100			
UTILITIES				41.98
Total	100	100	100	100
Original Commitments by Investment Instrument (%) - IFC Accounts only				
Equity	50			
Guarantee				58.02
Loan	50	100	100	41.98
Total	100	100	100	100

* Data as of March 01,2011

CAS Annex B4 - Summary of Non-lending Services - Moldova

As Of Date 3/15/2011

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Policy Notes for the Government of Moldova	FY09	14	G, D, B	K, PS, PD
Pension Policy Note	FY09	34	G, D	K, PS, PD
Poverty Update and TA	FY09	115	G, D, B	K, PS
Moldova Telecom Sector Assistance	FY09	111	G, D, B	K, PS
PSD/FSD Dialogue	FY09	33	G, D	K, PS
MTDS Moldova	FY10	55	G, D	K, PS
District Heating Restructuring Study	FY10	166	G, D, B	K, PS
Country Procurement Assessment Report	FY10	101	G, D, B	K, PS, PD
Public Expenditure Review 2	FY10	143	G, D, B	K, PS, PD
Moldova e-development TA	FY10	44	G, D	K, PS
A&A ROSC follow-up	FY11	9	G, D	K, PS
Underway				
Country Economic Memorandum	FY11	342	G, D, B, PD	K, PD, PS
Agricultural Policy Revision and Budget TA	FY11	104	G, D, B	K, PS
Public Expenditure Review 2011	FY11	111	G, D, B	K, PS, PD
Financial Sector Monitoring TA	FY11	114	G, D, B	K, PS
Chisinau Energy Supply Improvement TA	FY11	140	G, D, B	K, PS
Moldova Food Security TA	FY11-12	320	G, D, B	K, PS
Applications for good governance - Civil Society Fund Demand for Good Governance	FY11	2.5	G, D, B	K, PS
Reducing Vulnerability to Climate Change of Agricultural Systems in Moldova TA	FY11	15	G, D, B, PD	K, PS, PD

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

Moldova - Key Economic Indicators

Annex B6

Indicator	2004	Actual			Estimate			Projected		
		2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)										
Gross domestic product ^a		100	100	100	100	100	100	100	100	100
Agriculture		20	17	12	11	10	10	9	9	9
Industry		16	16	15	14	13	12	12	12	11
Services		64	67	73	75	77	78	78	79	80
Total Consumption		110	114	112	114	109	116	112	110	108
Gross domestic fixed investment		25	28	34	34	26	27	26	26	26
Government investment		2	2	3	2	4	4	4	4	4
Private investment		23	26	31	32	22	23	22	22	22
Exports (GNFS) ^b		51	45	47	41	37	45	45	45	46
Imports (GNFS)		92	92	97	94	73	89	85	83	82
Gross domestic savings		-10	-14	-12	-14	-9	-16	-12	-10	-8
Gross national savings ^c		21	21	26	23	19	17	18	19	20
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)		2988	3408	4402	6055	5403	5314	5882	6450	7074
GNI per capita (US\$, Atlas method)		820	960	1090	1420	1460	1620	1660	1780	1980
Real annual growth rates (% , calculated from 96 prices)										
Gross domestic product at market prices		7.5	4.8	3.1	7.8	-6.5	4.0	3.5	4.0	5.0
Gross Domestic Income		3.0	3.7	1.0	7.6	-6.0	-1.3	4.9	5.5	5.9
Real annual per capita growth rates (% , calculated from 96 prices)										
Gross domestic product at market prices		0.0	6.0	4.2	7.9	-6.4	5.1	4.5	5.1	6.1
Total consumption		7.4	12.2	4.7	7.1	-12.6	3.1	5.3	5.5	5.3
Private consumption		7.9	10.8	6.2	6.4	-13.4	3.4	5.5	5.6	5.2
Balance of Payments (US\$ millions)										
Exports (GNFS) ^b		1528	1542	1998	2483	2000	2385	2643	2918	3273
Merchandise FOB		1104	1053	1373	1646	1332	1592	1746	1916	2161
Imports (GNFS) ^b		2739	3129	4308	5691	3989	4721	5002	5333	5788
Merchandise FOB		2295	2644	3676	4866	3276	3890	4101	4361	4736
Resource balance		-1211	-1587	-2310	-3208	-1989	-2336	-2359	-2415	-2515
Net current transfers		567	800	1219	1623	1221	1382	1451	1514	1607
Current account balance		-285	-387	-674	-987	-465	-620	-589	-541	-576
Net private foreign direct investment		225	243	522	691	121	190	291	436	415
Long-term loans (net)		74	116	372	388	-31	326	342	213	243
Official		-10	-14	14	8	-7	52	130	121	48
Private		84	130	358	380	-25	274	211	91	196
Other capital (net, incl. errors & omissions)		114	169	309	360	174	96	235	173	145
Change in reserves ^d		-129	-141	-529	-452	201	8	-279	-192	-228
<i>Memorandum items</i>										
Resource balance (% of GDP)		-40.5	-46.6	-52.5	-53.0	-36.8	-44.0	-40.1	-37.4	-35.6
Real annual growth rates (YR96 prices)										
Merchandise exports (FOB)		12.2	-25.3	9.1	-1.6	-3.2	13.0	8.2	7.2	9.2
Primary		20.4	-33.6	1.3	-3.5	21.0	12.5	9.5	7.9	10.1
Manufactures		-15.6	34.2	45.9	22.6	-54.9	14.9	2.6	4.2	5.1
Merchandise imports (CIF)		22.9	9.4	24.4	12.5	-28.0	4.8	7.7	7.0	7.2

(Continued)

Moldova - Key Economic Indicators
(Continued)

Indicator	2004	Actual			Estimate			Projected		
		2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)^e										
Current revenues		38.1	39.9	41.0	40.0	38.6	40.5	41.0	41.4	41.5
Current expenditures		30.7	32.4	34.5	34.5	40.6	40.4	39.7	38.6	37.9
Current account surplus (+) or deficit (-)		7.4	7.4	6.5	5.5	-2.0	0.1	1.3	2.8	3.7
Capital expenditure		6.4	7.7	7.4	7.1	5.0	5.1	5.3	5.1	5.0
Foreign financing		-0.1	-0.5	0.2	0.1	3.7	1.6	2.8	2.4	1.2
Monetary indicators										
M2/GDP		42.0	43.7	51.2	50.4	54.4	50.0	50.0	50.0	50.0
Growth of M2 (%)		35.0	23.6	39.8	15.9	3.2	1.7	11.8	10.8	10.8
Private sector credit growth / total credit growth (%)		155.1	103.1	110.8	119.3	5387.0	-43.8	-16.6	75.1	76.9
Price indices (YR96 =100)										
Merchandise export price index		82.4	106.3	124.4	150.5	129.4	137.1	139.1	142.3	147.0
Merchandise import price index		277.6	298.3	328.5	387.6	359.7	408.0	399.3	397.0	402.1
Merchandise terms of trade index		29.7	35.6	37.9	38.8	36.0	33.6	34.8	35.9	36.6
Real exchange rate (US\$/LCU) ^f		114.3	114.3	99.5	74.4	86.5	81.7	90.7	97.1	100.4
Real interest rates										
Consumer price index (% change)		11.9	12.7	12.3	12.7	0.0	14.5	4.1	3.9	4.0
GDP deflator (% change)		9.3	13.4	15.8	9.3	2.0	6.5	8.0	6.5	5.5

a. GDP at

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Moldova - Key Exposure Indicators

Annex B7

Indicator	2004	Actual			Estimated			Projected		
		2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US\$m) ^a		2053	2417	3203	3787	3457	3751	4086	4283	4485
Net disbursements (US\$m) ^a		69	370	383	399	-46	467	335	196	202
Total debt service (TDS) (US\$m) ^a		267	335	338	481	387	395	437	518	656
Debt and debt service indicators (%)										
TDO/XGS ^b		83.4	87.9	90.2	85.7	107.4	100.5	100.9	96.8	92.6
TDO/GDP		68.7	70.9	72.8	62.5	64.0	70.6	69.5	66.4	63.4
TDS/XGS		10.8	12.2	9.5	10.9	12.0	10.6	10.8	11.7	13.6
Concessional/TDO		10.2	10.0	9.1	8.2	9.6	0.0	0.0	0.0	0.0
IBRD exposure indicators (%)										
IBRD DS/public DS		22.1	21.9	28.2	28.2	23.7	26.5	27.5	23.0	16.4
Preferred creditor DS/public DS (%) ^c		78.3	62.8	69.2	70.5	53.1	65.7	65.8	69.9	70.4
IBRD DS/XGS		0.8	0.8	0.7	0.5	0.7	0.7	0.6	0.5	0.4
IBRD TDO (US\$m) ^d		161	151	141	129	110	90	70	51	31
Of which present value of guarantees (US\$m)										
Share of IBRD portfolio (%)		0	0	0	0	0	0	0	0	0
IDA TDO (US\$m) ^e		209	242	292	312	332	373	434	493	547

- a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
- b. "XGS" denotes exports of goods and services, including workers' remittances.
- c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
- d. Includes present value of guarantees.
- e. Includes equity and quasi-equity types of both loan and equity instruments.

B8 (IFC) for Moldova

Moldova
Committed and Disbursed Outstanding Investment Portfolio
As of 2/28/2011
(In USD Millions)

<u>FY Approval</u>	<u>Company</u>	<u>Committed</u>					<u>Disbursed Outstanding</u>				
		<u>Loan</u>	<u>Equity</u>	<u>**Quasi Equity</u>	<u>*GT/RM</u>	<u>Participant</u>	<u>Loan</u>	<u>Equity</u>	<u>**Quasi Equity</u>	<u>*GT/RM</u>	<u>Participant</u>
2008	Bostavan	0	1.34	0	0	0	0	1.34	0	0	0
2011	Chisinau	10	0	0	0	0	0	0	0	0	0
2010	Maib	15	0	0	0	0	5	0	0	0	0
1999/00/01	Orange moldova	0	0	1.62	0	0	0	0	1.62	0	0
2009	Pc bank moldova	7	0	0	0	0	4	0	0	0	0
2001/10	Uf moldova	17.14	0	0	0	0	7.14	0	0	0	0
2004	Victoriabank	0.5	0	0	0	0	0.5	0	0	0	0
Total Portfolio:		49.64	1.34	1.62	0	0	16.64	1.34	1.62	0	0

* Denotes Guarantee and Risk Management Products.

** Quasi Equity includes both loan and equity types.

CAS Annex B8 - Moldova
Operations Portfolio (IBRD/IDA and Grants)

As Of Date 3/15/2011

Closed Projects 29

IBRD/IDA *

Total Disbursed (Active)	140.41
of which has been repaid	0.00
Total Disbursed (Closed)	143.03
of which has been repaid	136.86
Total Disbursed (Active + Closed)	283.44
of which has been repaid	136.86
Total Undisbursed (Active)	91.87
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	91.87

Active Projects

Project ID	Project Name	<u>Last PSR</u>		Fiscal Year	<u>Original Amount in US\$ Millions</u>			<u>Difference Between Expected and Actual Disbursements^d</u>			
		Supervision Rating			IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		<u>Development Objectives</u>	<u>Implementation Progress</u>								
P099841	AVIAN FLU - MD	S	S	2006		8.00		0.76	0.17		
P115634	DISASTER & CLIMATE RISK MGT	S	S	2011		10.00		10.35	0.05		
P040558	ENERGY 2	S	MS	2004		45.00		6.86	-7.50	-2.18	
P095250	HEALTH SERVICES AND SOCIAL ASSISTANCE	MS	MS	2007		17.00		9.11	5.98	3.73	
P089124	MD Competitiveness Enhancement	S	MS	2006		33.80		14.81	-9.64	4.21	
P107612	NATIONAL WATER SUPPLY & SANITATION	MS	MS	2008		14.00		9.50	5.19	-0.94	
P082916	PUB FIN MGMT TA	S	MS	2005		8.55		7.79	7.50	3.65	
P090340	QUAL EDUC IN RUR AREAS OF MD	S	S	2006		10.00		3.42	2.27		
P090673	RISP (APL #2)	S	S	2006		31.00		8.22	-8.81	-0.38	
P100929	ROAD SECTOR PROG SUPPORT	S	MS	2007		16.00	11.03	3.18	13.24	1.93	
P079314	SIF 2	MS	MS	2004		45.00		17.86	-7.29	3.75	
Overall Result						238.35	11.03	91.87	1.17	13.78	