

**DRAFT GEF PROJECT PAPER
(COUNCIL APPROVAL STAGE)**

ON A
PROPOSED GRANT FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND
IN THE AMOUNT OF US\$ 3.105 MILLION

TO THE

REPUBLIC OF MOLDOVA
FOR A

MOLDOVA AGRICULTURE COMPETITIVENESS PROJECT GEF ADDITIONAL FINANCING

April 4, 2019

World Bank GEF Coordination Program

CURRENCY EQUIVALENTS

(Exchange Rate Effective {April 03, 2019})

Currency Unit = Moldovan leu

MDL 1 = US\$ 0.057

US\$ 1 = MDL 17.41

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ACP	Agriculture Competitiveness Project
AF	Additional Financing
CAPMU	Agriculture Project Management Unit
CPS	Country Partnership Strategy
EU	European Union
GEF	Global Environment Facility
GoM	Government of Moldova
GOM	Grant Operational Manual
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
MAFI	Ministry of Agriculture and Food Industry
MACP	Moldova Agriculture Competitiveness Project
M&E	Monitoring and Evaluation
PDO	Project Development Objective
SLM	Sustainable Land Management

TABLE OF CONTENTS

BASIC INFORMATION	i
CURRENT STATUS OF THE PARENT PROJECT.....	1
RATIONALE FOR ADDITIONAL FINANCING.....	2
Sector and Institutional Context	3
Rationale for GEF Additional Financing, relevance to higher level objectives	4
PROJECT DESCRIPTION	5
Project Development objective and outcomes	5
Theory of change.....	5
Safeguard policies that might apply.....	8
Stakeholder analysis (including gender and private sector)	8
Knowledge management.....	9
Annex A. Project Map.....	10

**BASIC INFORMATION –
PARENT (MOLDOVA AGRICULTURE COMPETITIVENESS PROJECT – P118518)**

Country	Product Line	
Moldova	IBRD/IDA	
Project ID	Financing Instrument	
P118518	Investment Project Financing	
Original Closing Date	Revised Project Closing Date	
30-Jun-2017	30-Jun-2019	

Implementing Agency: Ministry of Agriculture and Food Industry, Ministry of Agriculture and Food Industry

Parent Project Development Objectives

Parent Project Development Objective (from latest ISR or Restructuring)

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

PROJECT STATUS - PARENT (MOLDOVA AGRICULTURE COMPETITIVENESS PROJECT – P118518)

Ratings (from Parent ISR)

	Implementation
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	28-Dec-2016	19-Jun-2017	30-Jan-2018	20-Aug-2018	11-Feb-2019
Progress towards achievement of PDO	S	S	S	S	S
Overall Implementation Progress (IP)	S	S	S	S	S
Overall Safeguards Rating	—	—	—	—	—

BASIC INFORMATION - ADDITIONAL FINANCING (Moldova Agriculture Competitiveness Project GEF Additional Financing – P170853)

AF Project ID	AF Project name	Additional Financing Type
P170853	Moldova Agriculture Competitiveness Project GEF Additional Financing	Scale Up
Review Type	Urgent Need or Capacity Constraints	
Decision Meeting	No	
Estimated Approval Date	Focal Area	
01-Nov-2019	Land degradation	
Bank / IFC Collaboration		
No		

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	13.10
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Total Financing	13.10
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Counterpart Funding	10.00
Borrower/Recipient	2.00
Local Beneficiaries	8.00
Trust Funds	3.10
Global Environment Facility (GEF)	3.10

Private Capital Mobilized

Yes

Public Private Partnership

No

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

No

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

No

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

No

CURRENT STATUS OF THE PARENT PROJECT

Since approval in 2012, the Moldova Agriculture Competitiveness Project (MACP) has successfully implemented a wide range of activities which laid the foundations for enhancing the technical functionality of the country's Food Safety Agency and its key divisions, improving the marketability and market integration of horticultural producers through productive partnerships, and promoting sustainable land management (SLM) practices and climate resilience. Additional activities aimed at providing compensatory grants to fruit producers affected by a trade ban from Russia in 2014 have also been implemented successfully. Major milestones have been achieved across all areas of the project's interventions, as attested by achievement and over-achievement of all Project Development Indicators (PDO) and intermediate outcome indicators on food safety, enhancing market access and sustainable land management activities. The Government of Moldova has provided constructive and timely support in sustaining the project's implementation progress (IP) on course and pace. The project has never been rated less than Moderately Satisfactory for either PDO and IP. There have not been any major implementation issues in the past twenty-four months in relation to contract award and management, ineligible expenditures, and/or monitoring and evaluation.

Recently, the Government of Moldova has requested a relocation of resources towards several additional food safety activities and an ensuing extension of the project's closing date from June 30, 2019 to June 30, 2021, due to preponderance of civil works. It has also endorsed a request to the Global Environment Fund (GEF) for an additional allocation of resources for scaling up the project's SLM activities. The Country Management Unit has indicated its agreement with both the extension of closing date (being processed in parallel) and the pursuit of a full-size GEF 7 grant under the proposed Additional Financing (AF).

Since 2012, with IDA and GEF 5 financing, the project focused on building capacity for SLM management (locally and nationally), propagating on-farm SLM practices, and rehabilitating anti-erosion shelterbelts. The activities of the component were successfully implemented along the following areas (i) strengthening of human, institutional and technical capacity (both locally and nationally) for the implementation of SLM activities, (ii) providing financial support in the form of matching investment grants to farmers for piloting the adoption of SLM practices and technologies, and (iii) providing investment support for the rehabilitation of anti-erosion shelterbelts with the purpose of maintaining and enhancing land productivity. All initially planned activities have been properly and fully implemented, results indicators exceeding initial targets (below), and environmental and socio-economic benefits trending high, as attested by a comprehensive impact assessment (tracking results over 4 years). The project had implemented massive awareness campaigns reaching more than 1,400 farmers (40% participation of women) via a range of delivery methods and tools (most importantly summer field schools) in order to proliferate knowledge generated by the project on conservation agriculture and good agriculture practices.

PDO Indicators by Objectives / Outcomes

Enhance the competitiveness of the agro-food sector by mainstreaming agro-environmental and SLM practices

► Increased on-farm area benefitting from sustainable land management practices supported by the project (Hectare(Ha), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	51,500.00	57,500.00	10,000.00
Date	01-Jul-2012	26-Jul-2018	01-Feb-2019	30-Jun-2017

► Increased area protected by robust anti-erosion shelterbelts rehabilitated under the project (Hectare(Ha), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	64,382.00	64,382.00	50,000.00
Date	01-Jul-2012	26-Jul-2018	26-Jul-2018	30-Jun-2017

Intermediate Results Indicators

Enhancing land productivity through sustainable land management

► Analytical solutions for site-specific SLM technologies developed and disseminated (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Limited analytical work exists to date	--	Analytical solutions ready for application by famrers	Analytical options ready for application by farmers.
Date	01-Jul-2012	01-Jun-2017	01-Jun-2017	30-Jun-2017

► Mechanized mobile squads are operational (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	2.00
Date	01-Jul-2012	15-Mar-2014	15-Mar-2014	30-Jun-2013

► Anti-erosion shelterbelts rehabilitated (Hectare(Ha), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2,242.00	2,242.00	2,000.00
Date	01-Jul-2012	01-Jun-2017	01-Jun-2017	30-Jun-2017

RATIONALE FOR ADDITIONAL FINANCING

Sector and Institutional Context

Moldova is a low middle-income country in a state of transition. The country is small and land-locked, surrounded by Romania to the West, across the Prut river, and Ukraine to the east, across the Dniester river. The country's landscape is characterized by a mix of planes, rolling hills and steppes gradually sloping south towards the Black Sea. It is well endowed with black soils and has a relatively favorable climate, making agriculture an essential occupation in rural areas and one of the pillars of the country's economy. At the same time, the country's substantial vulnerability to climate-related shocks, exacerbated by continuously more pronounced manifestations of climate change and coupled with a demonstrated low adaptive capacity make Moldova one of the most climate vulnerable country. This is particularly salient for agriculture and forestry sectors, which dominate economic activity in the rural space, directly impacting already tenuous rural livelihoods (poverty is mostly a rural phenomenon in Moldova).

A legacy of intensive and irrational agricultural practices, indented by expansive and over exploitative use of land resources, and poor adaptability of cultivation practices to soil characteristics and conditions, have resulted in rampant land degradation and soil fertility decline, further reducing the climate resilience and functional integrity of the country's agri-ecosystems. The main culprits of land degradation are: (i) pervasive application of intensive tillage systems; (ii) continued limited application of soil conservation technologies (iii) deficient cultivation practices - overploughing and/or ploughing down slopes, and (iv) use of heavy machinery resulting in soil compaction and perched groundwater tables. Ubiquitous fragmentation of land ownership and/or use compounds the problem as it hampers catchment-level approaches to soil and water conservation. Finally, rural poverty and lack of heating options resulted in illegal cutting and destruction of forested shelterbelts and communal forests (80% of shelter belts and 15% of communal forests). Subsequently, land degradation manifests itself in accentuated soil erosion and the ensuing loss of soil fertility, acceleration of landslide and ravine-forming processes and (particularly in the central part of the country) and pronounced desertification (particularly in the southern parts). All these aspects adversely affect agriculture productivity and rural incomes.

About 950,000 hectares (36.0 percent of the agricultural land and 26.5 percent of the total land area) are subject to soil erosion and about 13 percent are in advanced stages of erosion. Land erosion is advancing at an average rate of around 8,000 hectares per year. Soil quality is also affected by annual humus losses of between 5 to 7 tons/hectare, and by a continuous reduction in soil nutrient reserves by 150 to 180 kilograms/hectare/year, thus disturbing the nitrogen, phosphorus and potassium balance of the soil. Active landslide processes reduce the area of productive agricultural land on average by 1,000 hectares per year. Total annual losses to the national economy due to these adverse processes are estimated at about US\$300.0 million.

Despite the bleak context described above, Moldova has a high agronomic potential and a proven comparative advantage for agricultural production based on the sector's favorable endowment - productive soils, mild climate, favorable topography, and a long-

standing tradition of agricultural production. Based on the country's strong commitment towards a paradigm shift in the agriculture sector from production volumes to competitiveness, since 2012, the Government of Moldova has successfully pursued the implementation of MACP, for which it secured US\$45.0 million in IDA financing (three separate credits) and US\$4.4 million in GEF 5 financing. One of the project's main conceptual emphases is on sustainable food production, and in particular, sustainable land management, as a means of increasing land productivity, climate resilience and conservation of essential community natural resources.

Notwithstanding significant initial efforts under MACP, Moldovan farmers still face difficulties in accessing SLM best-practice experience and information, while weaknesses in national and particularly local capacity to address land degradation are still pervasive. While lack of knowledge is becoming less of a factor, proper channeling of such knowledge to land users, relevant national and local authorities, civil society organizations, and other stakeholders continues to be a challenge. Finally, cost of adoption of soil conservation technologies to farmers is also an issue due to high incremental financial requirements. The country has limited financial resources to continue propagating SLM practices, hence the Government of Moldova's determination to secure additional resources for scaling up the MACP's original SLM activities.

Rationale for GEF Additional Financing, relevance to higher level objectives

The proposed GEF 7 grant would provide AF for scaling up the original SLM activities with the continued aim of attenuating land degradation and increasing land productivity. It would make a further push on the private sector dimension and rely on private sector actors in switching towards SLM practices and technologies, heavily co-financing investments, and actively participating in knowledge sharing and dissemination programs. This will ensure that the AF is aligned with the GEF 7 Land Degradation Strategy along the cross-cutting objective of harnessing private capital and expertise to finance SLM investments.

The implementation of the AF would result in continued reduction of soil and ground water pollution from agricultural production, increases in the robustness of natural resource ecosystems, enhanced climate adaptation resilience, and ultimately improved rural livelihoods. The proposed AF would build upon the original efforts aimed at strengthening human, institutional and technical capacities (both locally and nationally) for the implementation of SLM activities and provide financial incentives for investments aimed at mitigating negative impacts of land degradation on the functional integrity of ecosystems. Furthermore, the proposed AF would also aim to promote land degradation neutrality (LDN) by supporting capacity building, awareness and information dissemination to farmers, local communities and general public. The proposed AF is well-aligned with both GEF 7 Land Degradation focal area objectives: (1) Enhance on-the-ground implementation of SLM using the LDN tool and (2) Create an enabling environment to support voluntary LDN target implementation. The AF's outcomes would also be linked to the UNCCD convention target 15.3 "By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and

floods, and strove to achieve and land degradation neutral world” (contributing to SDG 15).

PROJECT DESCRIPTION

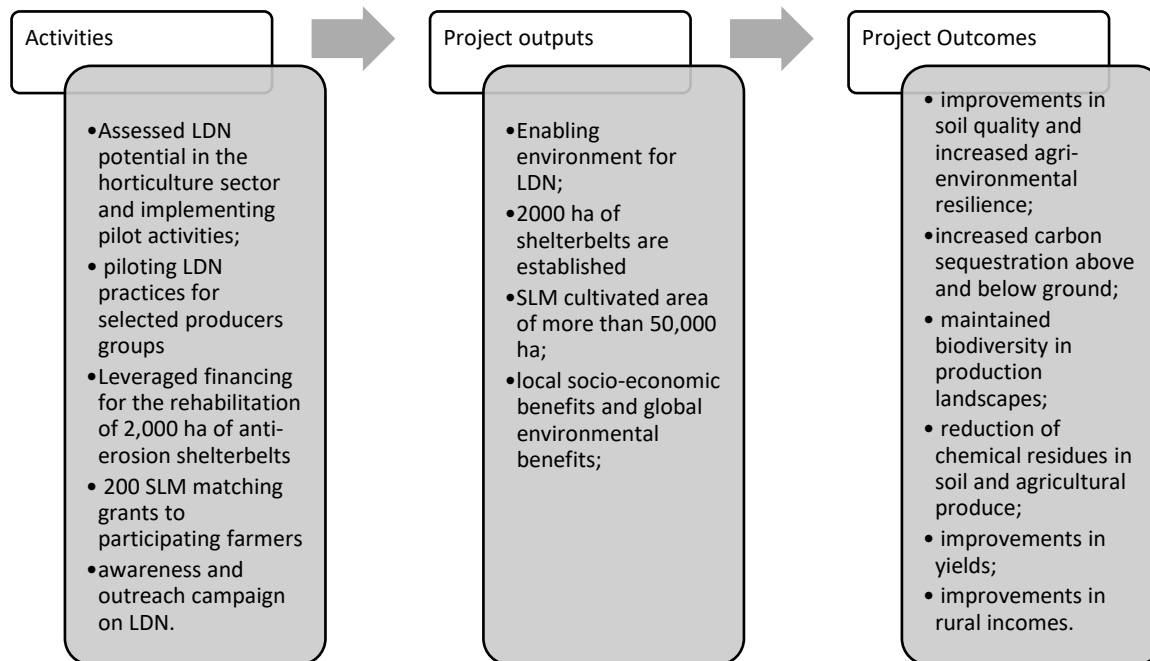
Project Development objective and outcomes

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

The proposed AF project would set out to achieve the following outcomes: (a) improvements in soil quality and increased agri-environmental resilience; (b) increased carbon sequestration above and below ground; (c) maintained biodiversity in production landscapes; (d) reduction of chemical residues in soil and agricultural produce; (e) improvements in yields; and (f) improvements in rural incomes.

Theory of change

In the context of a legacy of soil mismanagement, poor cultivation practices, and continued lack of adequate information and knowledge about sustainable land management, and with the stated aspiration of increasing competitiveness of the agricultural sector through enhanced land productivity, the project’s theory of change presumes that the implementation of capacity building activities, provision of marketing grants, financing of forested shelterbelts, and dissemination and awareness building activities, will result in a broad range of positive environmental and economic outcomes which will move the sector towards the higher competitiveness through environmental land sustainability



The proposed AF would be aligned with Components 1, 2, 3 and 4 of MACP. Activities under the first two components will be focused on creating an enabling environment to support voluntary LDN implementation, targeting the second GEF 7 Land Degradation Focal Area objective.

Under MACP Component 1 Enhancing food safety management (US\$607,000 of which US\$107,000 GEF AF), the AF would finance necessary methodological and analytical activities for promoting a national-level LDN conceptual framework, as well as ensuing dissemination of information and awareness building. Additionally, it would support assessments aimed at creating an LDN enabling environment within the national regulatory framework for food safety and quality assurance, as well as imitate a dialogue with the scientific community on their potential guiding role in LDN implementation. The activities under this component would be implemented in concert and close collaboration with a parallel FAO-managed GEF 7-funded project, which has also secured an endorsement letter from the Government of Moldova for a project under the Land Degradation focal area. The two projects would strive to create necessary complementarities in order to maximize technical assistance and SLM capacity building benefits to the country. A common coordination mechanism (perhaps a National Steering Committee) would be established to enhance common planning and coordination of implementation mechanisms, timelines, and outreach and dissemination activities.

Under MACP Component 2 Enhancing market access potential (US\$9.2 million of which US\$200,000 GEF AF), the project would focus on: (i) assessing LDN opportunities in the horticulture sector (identification and cost-benefit analysis); (ii) piloting LDN practices for selected producers groups (approximately 10 pilot sub-projects); (iii) supporting verification and monitoring LDN implementation for the pilot sub-projects; and, (iii) building awareness and providing training to all MACP-supported participating

producer groups, farmers and relevant local authorities on LDN.

Under MACP Component 3 Enhancing land productivity through sustainable land management (US\$12,65 million of which US\$2.65 million GEF AF), the AF would scale up original activities aimed at enhancing land productivity through sustainable land management, including providing incremental resources for MACP's matching investment grants scheme which attracts considerable private finance and expertise towards the SLM agenda. These activities will be aligned with the first GEF 7 objective under the Land Degradation focal area - enhancing on-the-ground implementation of SLM using the LDN tool. The project would continue to have a substantive focus on soil conservation and proliferation of environmentally friendly agricultural practices, with the ultimate goal of achieving an increased level of land degradation neutrality. To this end, the project would support: (i) providing 200 matching grants to farmers, capped at US\$10,000 and of not more than 30% of the total investment need (yielding approximately US\$8.0 million beneficiary contribution); (ii) conducting monitoring of global environmental benefits and local socio-economic benefits resulting from the application of SLM technology with a view of wider advocacy and replication of associated LDN knowledge and best practice; (iii) providing support for strengthening the country's technical base for cultivation and rehabilitation of forest shelterbelts in the Northern part of the country (similar to the support already provided for the central and southern regions under MACP). Such support would be provided for the procurement of specialized machinery and equipment for the rehabilitation of shelterbelts with an area of 2,000 hectares. The underlying technical works for the rehabilitation of the shelterbelts would be carried out by and with funding provided by the country's State Forestry Agency (expected counterpart funding of approximately US\$2.0 million), and in close cooperation with local communities.

Finally, under Component 4 Project Management (US\$647,000 of which US\$147,000 GEF AF), the project would support: (i) costs for a specialist on sustainable land management, (ii) necessary specialized consultancy, and (iii) costs associated with coordination and implementation of the project. Project management will be carried out under the existing lucrative MACP framework.

The AFs expected outputs would be: (a) creating an enabling environment for LDN; (b) assessing LDN potential in the horticulture sector and implementing pilot activities; (c) leveraging financing for the rehabilitation of 2,000 hectares of anti-erosion shelterbelts (protected area of 50,000 hectares); (e) providing 200 SLM matching grants to participating farmers (cultivated area of more than 50,000 hectares); (f) generating local socio-economic benefits (5,000 beneficiaries) and global environmental benefits, that are properly identified and quantified; and (f) implementing an awareness and outreach campaign on LDN.

Field-level interventions would be monitored based on a range of environmental and socio-economic variables for each-sub-project focused on: (a) improvements in soil quality and increased agri-environmental resilience; (b) increased carbon sequestration above and below ground; (c) maintained biodiversity in production landscapes; (d)

reduction of chemical residues in soil and agricultural produce; (e) improvements in yields; and (f) improvements in rural incomes. An impact assessment exercise will be carried out on a representative sample similar to the SLM impact assessment which had been carried out under MACP.

Safeguard policies that might apply

Safeguard policies are defined based on the parent project assessment conducted at the time of project identification.

Safeguard Policies Triggered by the Project	Yes	No	TBD
<i>Environmental Assessment (OP/BP 4.01)</i>	X		X
<i>Natural Habitats (OP/BP 4.04)</i>		X	
<i>Pest Management (OP 4.09)</i>			X
<i>Physical Cultural Resources (OP/BP 4.11)</i>		X	
<i>Involuntary Resettlement (OP/BP 4.12)</i>		X	
<i>Indigenous Peoples (OP/BP 4.10)</i>		X	
<i>Forests (OP/BP 4.36)</i>		X	
<i>Safety of Dams (OP/BP 4.37)</i>		X	
<i>Projects in Disputed Areas (OP/BP 7.60)*</i>		X	
<i>Projects on International Waterways (OP/BP 7.50)</i>		X	

Stakeholder analysis (including gender and private sector)

The proposed AF will continue building LDN and SLM capacity of the national and local authorities, through adequate training and technical advice. It will also aim to strengthen awareness and understanding of the land degradation problematics by rural inhabitants and farmers and encourage their participation in consultations on the preparation of the project. In addition, some of the country's most prominent environmental NGO's, advocacy groups and think-tanks will participate in consultative discussions on the refinement of key design features, outreach and dissemination strategies.

Gender issues are not an acute subject in Moldova, as economic opportunities and benefit-sharing are generally gender indifferent. Household responsibilities are shared relatively equitably, with an inclination for women to be responsible for nurturing children, and some manual labor chores, and with men traditionally involved in more strenuous physical work. Nevertheless, project monitoring will be disaggregated by gender groups to assess the effectiveness in which the project reaches women. Both genders are expected to benefit from acquiring new skills that are essential for maintaining the sustainability of agri-ecosystems, while capitalizing on existing skills in agricultural production.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

In addition to local communities, the main beneficiaries of the AF will be privately owned and operated businesses, including formal productive partnerships. Matching investment grants provided to farmers would attempt to overcome current market failures related to: (a) insufficient public goods such as information and knowledge on the practical application of knowledge-intensive and often innovative practices for SLM and LDN; (b) high transaction of information costs that can only be attenuated by a wider availability of demonstrable SLM practices and technologies; and (c) long maturation of investments that are not always feasible for private investors, but are positive for the society at large. The proposed AF would continue with the initial push of involving private sector actors in switching towards SLM practices and technologies, heavily co-financing investments, and actively participating in knowledge sharing and dissemination programs, in line with the GEF7 Land Degradation Strategy cross-cutting objective of harnessing private capital and expertise.

Knowledge management

The proposed AF project will continue to place a primordial emphasis on dissemination of knowledge and awareness about SLM and LDN. It will continue to rely on the existing knowledge management principles and tools successfully applied under MACP. The latter has been extremely agile in organizing knowledge delivery events directly to farmers, by means of demonstration plots and agricultural summer schools, but also regular scientific workshops and conferences, seminars for local and national public authorities, and also outreach to the general public via electronic means of media. The proposed AF project, in concert with MACP, will have sufficient funding allocated for maintaining a high degree of intensity for its knowledge management activities.

Annex A. Project Map

PROGRAM/PROJECT MAP AND GEOGRAPHIC COORDINATES

(Please provide geo-referenced information and map where the project intervention will take place)



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 This map was produced by the Cartography Unit of the World Bank Group. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of the World Bank Group, any judgement on the legal status of any territory, or any endorsement or acceptance of such boundaries.