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ANNEX I

of the Commission Implementing Decision on the second Individual Measure in favour of the Republic of Moldova for 2021

Action Document for EU4Recovery and Resilience

ANNUAL MEASURE

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans and measures in the sense of Article 23(3) of NDICI Global Europe Regulation.

1. SYNOPSIS

1.1. Action Summary Table

1. Title CRIS/OPSYS Basic Act	EU4Recovery and Resilience Annual Measure in favour of the Republic of Moldova for 2021 CRIS number: NDICI-GEO-NEAR/2021/43052 – OPSYS ACT-60722 linked to JAD.956852 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI)
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in the Republic of Moldova
4. Programming document	Multi-annual Indicative Programme (MIP) 2021-2027 for the Republic of Moldova ¹
5. Link with relevant MIP(s) objectives/expected results	Priority 1: Resilient, sustainable and integrated economy Priority 3: Environmental and climate resilience Priority 5: Resilient, fair and inclusive societies
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Industry (321), Trade Policies & Regulations (331), General Environment Protection (410)
7. Sustainable Development Goals (SDGs)	<u>Main SDG:</u> SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

¹ To be adopted first half 2022

	<p><u>Other significant SDGs (up to 9) and where appropriate, targets:</u></p> <p>SGD 1: End poverty in all its forms</p> <p>SDG 5: Achieve Gender Equality and Empower Women</p> <p>SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>SDG 3: Good health and well-being</p> <p>SDG 7: Affordable and clean energy</p> <p>SDG 11: Sustainable cities and communities</p> <p>SDG 12: Responsible Consumption and Production</p> <p>SDG 13: Take urgent action to combat climate change and its impacts</p> <p>SDG16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p> <p>SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development (i.e. technology, trade)</p>			
8 a) DAC code(s)	<p>Main DAC code – sector- percentage</p> <p>32130 - Small and medium-sized enterprises (SME) development 27 %</p> <p>Sub-code 2 – sector-percentage</p> <p>33110 - Trade Policy and Administrative Management 10 %</p> <p>Sub-code 3 – sector-percentage</p> <p>15110 - Public sector policy and administrative management 12 %</p> <p>Sub-code 4 – sector-percentage</p> <p>41010 - Environmental policy and administrative management 51 %</p>			
8 b) Main Delivery Channel	42000 - <i>European Commission</i>			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development ² <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

² For the Neighbourhood, activities related to education shall be marked as part of the "Social Inclusion and Human Development" target, in line with the NDICI-GE programming guidelines.

	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. Internal markers	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	BUDGET INFORMATION			
12. Amounts concerned	Budget line: 14.020111 – Eastern Neighbourhood Total estimated cost: EUR 25 000 000 Total amount of EU budget contribution EUR 25 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of	Project Modality Direct management through:			

financing and management mode)	<ul style="list-style-type: none"> - Grants - Twinnings - Procurement <p>Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3.</p>
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1.2. Summary of the action

This action will contribute to resilient, sustainable and inclusive economic development in the Republic of Moldova (hereinafter ‘Moldova’) and will pave the way for a fully-fledged green transition for the Republic of Moldova.

Proposed actions will provide support for the implementation of the following two priorities, established in the European Union – Republic of Moldova Multiannual Indicative Programme 2021-2027³.

Priority A: ‘Resilient, sustainable and integrated economy’:

- Support SMEs, particularly in rural areas and women-owned, and ensure better access to finance for them. This will be achieved through the financial contribution to the relevant national SME support programmes and to the Neighbourhood Investment Platform (NIP).
- Improve the business climate through trade facilitation, supporting the accession of the Republic of Moldova to the Common Transit Convention based on the New Computerised Transit System (NCTS) phase 5 software.
- Increase national capacities for residues monitoring in agri-food products, which will lead to increased food safety, market demand and access, with positive effects on the national economy.

Priority B: ‘Environmental and climate resilience’:

- Support a Transformative Green Agenda for the Republic of Moldova, building on the European Green Deal⁴, to deliver a sound framework for a green and sustainable economy development. The action will scale up previous successful green initiatives with the view of delivering key enabling conditions, as well as raising awareness and increase capacity on circular economy, energy and climate change.
- Support the implementation of green initiatives and eco-innovative projects also with the view of attracting private investments. This action will also facilitate partnerships and possibly pilot new business models along the circular economy approach to value chains and eco-innovative green technologies.
- Support to build up capacity of public institutions in the implementation of the legislation under the Environment Chapter of the EU-Moldova Association Agreement (AA), demonstrating several co-benefits of addressing pollution.

The action is aligned with national policies and targets as defined in key documents, such as the National Development Strategy “Moldova 2030”⁵, and the draft of a new policy document on Air Quality Management.

³ To be adopted in the first half 2022

⁴ COM(2019)640 of 11.12.2019

⁵ Republic of Moldova GD. No. 377/2020

These efforts are in line with the Association Agenda 2021-2027 (to be adopted), the Economic Recovery Plan for Moldova, and the 2 July 2021 Joint Staff Working Document on post-2020 Eastern Partnership priorities⁶ with its Economic and Investment Plan and five Flagship initiatives for Moldova.

2. RATIONALE

2.1. Context

Macro-economic situation: The COVID-19 pandemic, as well as a prolonged draught in summer 2020, had a significant negative impact on the Moldovan economy. According to preliminary statistical data, in 2020 the gross domestic product (GDP) decreased by 7% compared to 2019⁷ (y/y), while most of the recent economic forecasts project a recession between -6% and -7%. The economic downturn was driven primarily by reduction in household consumption which fell by 7% (y/y) with a comparable decrease in investment by 2.1% (y/y). On the supply side the most significant contribution to the decline of GDP came from retail-trade (-2.1%), agriculture (-2.7%) and industry (-0.6%).

To mitigate the effects of the crisis the Moldovan authorities introduced a number of economic policy measures, including an increase in social spending, temporary tax deferrals and monetary easing. However, the overall level of support remains moderate, accounting for about 1% of GDP (compared to 5% of GDP on average across the neighbouring countries). The forecast for 2021 projects the GDP to grow up to 3.5%. However, much of it depends on the future epidemiological situation, including the vaccine roll-out, as well as support from the international partners.

The 2020 pandemic-induced recession has been particularly severe for the small and medium size enterprises (SMEs) due to several factors. It includes, among others, the low level of competitiveness and preparedness of the private sector to face such crises, lack or insufficiency of spare financial resources, limited access to finance, poor diversification of markets and, most importantly, low technology utilisation and low productivity. In addition, the authorities' support for the business community proved to be rather low. According to World Bank surveys conducted in 2020, only 5.9% of the surveyed companies received financial support, while 22% did not qualify for it, and 31% remained unaware of such opportunities. In effect, in Q2 private investment saw the steepest decline in years, at -17.5% y/y.

Poor performance by several sectors of the Moldovan economy, including construction and industry, had further impact on employment. In 2020 the number of the employed population decreased by 5.7%. The informally employed population was most affected by the recession. The number of informal employees decreased at a rate several times faster (17.7% y/y) than the number of formally employed persons (-4.4% y/y). Moreover, the 2020 crisis widened the gap between the employment rate of men and women, which in 2020 increased to 4.2% (from 2.6% in 2019).

The level of remittances noticed only a slight decline in 2020, by 0.4% y/y, with very low effect on the overall performance of the Moldovan economy. After the initial shock, the growth of remittances stabilised at a level comparable to previous years (15% of GDP). In addition, it has been noted that remittances through official bank transfers increased significantly in 2020. In December 2020 alone, the volume of remittances through banks in favour of individuals went up by over 30% in comparison to an equivalent period in 2019.

The 12-month rolling current account deficit, which was at 9% of GDP in 2019, dropped to 7% of GDP in 2020 because of the crisis-induced decline in demand and lower energy prices. Moreover, a sharp but similar decrease of both imports and exports during the COVID-19 pandemic led to a decrease of the trade deficit. In particular, in the first half of 2020, a contraction in imports by 15.8% compensated the decline in exports (-

⁶ SWD(2021) 186 final

⁷ <https://statistica.gov.md/newsview.php?l=en&id=6940&idc=168>

11.7%) and in remittances (-4.6%). A small decrease of international reserves due to interventions in the foreign exchange markets was noted at the beginning of the crisis, but the level has since stabilised at USD 3.5 billion. Total external debt has increased in 2020, reaching 70% of GDP, up from 61% of GDP at the end of 2019.

In line with the global downward trend, Foreign Direct Investment (FDI) to Moldova has been decreasing throughout 2020, falling to a low level of 0.5% of GDP in Q3 2020 (12-month rolling), compared to a 4% of GDP at the end of 2019.

The 2021 Budget Law projects a deficit of 6.5% of GDP, with revenues amounting to MDL 41.4 billion (+11.3%) and expenditures to MDL 55.4 billion (+4.1%). Over half of the budget (nearly 58%) is to be financed with the support from International Financial Institutions (IFIs), including the International Monetary Fund (IMF), EU and World Bank. However, there remains a lot of uncertainty over the availability of external financing in 2021 due to recent worrying political developments in Moldova such as: i) slow progress on achieving the IMF prior-actions; ii) some of the controversial laws passed by the Moldovan Parliament in December 2020, which could hinder the reform progress achieved since the bank fraud crisis in 2014 (particularly with regard to financial stability and central bank independence).

The epidemiological situation in Moldova has been challenging, despite various measures taken by the government, including lockdown restrictions. COVID-19 has also had a disproportionate effect on women in terms of loss of access to income and intensified economic insecurity, increased burden of domestic and care work, women making over 80% of healthcare professionals with increased risk of exposure to virus, and higher risks of domestic violence due to increased level of stress and the need to stay at home because of strict containment measures.

In October 2021, Moldova experienced a gas crisis as a result of the signature of a new five-year contract which has greatly increased the price. Energy poverty will increase, as will the number of vulnerable customers. The situation highlighted the structural vulnerabilities in Moldova's energy landscape. The Moldovan government has adopted a National Energy Crisis Plan to support vulnerable customers. To assist its roll out the Commission made available the EUR 60 million budget support programme which was disbursed at the end of 2021 (First Individual Measure for Moldova 2021).

Political framework: The EU, its Member States and the Republic of Moldova signed an Association Agreement, including a Deep and Comprehensive Free Trade Area in 2014⁸ and fully applied it from 2016 after its ratification. An Association Agenda sets out a list of priorities for joint work on implementing the Association Agreement. The revised joint document covering the period 2021-2027 (to be adopted) guides EU-Moldova bilateral relations, and together with the five policy objectives of the Joint Communication on Eastern Partnership policy beyond 2020⁹ as agreed by EU and Eastern Partnership leaders on 18 June 2020 will frame financial assistance under the Multiannual Financial Framework for the programming period 2021-2027.

Current EU cooperation with Moldova aims at supporting the adoption and implementation of democratic reforms and at improving citizens' lives, with a focus on the Moldovan regions. Since March 2020, a substantial amount of EU support was reoriented towards the mitigation of the consequences of the COVID-19 pandemic and socio-economic recovery. It draws on contributions from all EU institutions and combines them

⁸ Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part

[OJ L 260](#), 30.8.2014, p. 4–738

⁹ JOIN(2020) 7 final

with the resources mobilised by EU Member States and financial institutions, to address the humanitarian, health, and other consequences of the pandemic.

In June 2021, the European Commission announced an Economic Recovery Plan¹⁰ for Moldova which will mobilise up to EUR 600 million in macro-financial assistance, grants and investments, supported by blending and financial guarantees. The action will contribute to the implementation of one of the priorities of the Economic Recovery Plan:

- Supporting an innovative, circular and competitive economy, trade and SMEs;

The main strategic planning document of the country, which serves as a basis for this action document, is the National Development Strategy "Moldova 2030" (NDS), 10¹¹. The main objectives are embedded in ten priorities at national level.

In the COVID-19 context, the government developed a national plan for response and socio-economic recovery, which aims at reducing the country's vulnerability to the pandemic, allowing a transparent and efficient recovery process, by respecting human rights and gender mainstreaming. In the meantime, the Secretariat of the Economic Council to the Prime Minister of the Republic of Moldova, with participation of companies and business associations from most economic sectors of the country developed a Policy matrix for economic recovery under COVID-19 conditions. The Policy matrix includes immediate and short-term actions and is a continuation of efforts already undertaken by the Government, to be carried out within the limits of available capacities and resources, as well as upon availability of additional financial means subject to negotiations with the development partners. The Government should also address the differentiated impact of the COVID-19 pandemic on women. Additionally, the Ministry of Economy and Infrastructure (MEI) developed the Strategy for an Inclusive, Sustainable and Digital Economy by 2030 which will ensure the correlation between NDS Moldova 2030 and medium-term programs.

The implementation of the Association Agreement and the priorities of the Eastern Partnership remains a strong driver of democratic reforms. The EU assistance remains based on the principle of strict conditionality and linked to the satisfactory progress in reforms and the respect for the rule of law, effective democratic mechanisms, gender equality and human rights. The EU will continue to engage with the Moldovan authorities, but also prioritises the provision of support to drivers of change – civil society, media, local authorities and the private sector – bringing tangible benefits to the people of Moldova. For ensuring resilience, it is important to provide to these partners as broadly as possible direct access to EU assistance, thus supporting pluralism in the society. The EU has established intensive strategic communication that shall contribute to correct and broad-based information about the EU, EU-Moldova relations and EU assistance.

In spite of some progress in several areas, in particular the second half of 2020 saw increasing concerns as regards backsliding in the rule of law standards and in the justice sector, considering in particular the lack of progress and negative developments in the fight against corruption and money laundering, including the investigation of the 2014 banking fraud.

Although some progress has been made, deep-rooted gender inequalities persist and progress is needed in key areas such as health, education, employment, entrepreneurship, overcoming gender stereotypes and violence against women.

The main objectives of the partner's policy that is to be supported by the intervention and its relation to the SDGs:

¹⁰ https://ec.europa.eu/neighbourhood-enlargement/news/european-commission-announces-economic-recovery-plan-republic-moldova-2021-06-02_en

¹¹ GD. No. 377/2020

Priority A “Economic recovery and resilience” is defined in the National Development Strategy “Moldova 2030” and more concretely in the first of its four pillars of sustainable development of the Republic of Moldova: sustainable and inclusive economic development. Additionally, following the outbreak of the COVID-19 pandemic, the Economic Council under the Prime Minister developed an “Indicative Economic Recovery Plan in the context of COVID-19”. The Plan is subject to regular revision and updates. It also includes a Policy matrix with measures in four main areas of intervention, the third area notably being to “Provide state aid for the development of private sector affected by the pandemic”. Furthermore, the Ministry of Economy (ME) developed an “Action Plan for the implementation of the 2020-2021 Economic Measures Program in the context of COVID-19”. The procedure of its formal endorsement by the Government was postponed due to the political crisis. The action plan envisages a series of concrete measures under three objectives: i) mitigation of the socio-economic impact of the COVID-19 pandemic; ii) economic recovery of Moldovan companies and iii) transition to a more resilient economy and economic adaptation. The ME has developed an overarching Strategy for an Inclusive, Sustainable and Digital Economy by 2030 which ensures the link between the NDS Moldova 2030 and the medium-term programmes to be developed as operational tools. The current 2013-2020 SME support strategy will be replaced by a new SME support programme. Apart from the existing sectoral SME support programmes, it is envisaged to develop and initiate already several new programmes. It is important that such SME support programmes have a specific focus on women, as women are underrepresented among the entrepreneurs in the Republic of Moldova (women make up a share of 33.9% of all entrepreneurs) and youth. In this, the government can capitalize on its previous Pilot Programme “Women in Business”¹².

The priorities in agriculture and rural development established in the National Agriculture and Rural Development Strategy (NARDs) 2014-2020 are: i) Increase competitiveness of the agri-food sector through modernisation and market integration; ii) Ensure sustainable management of natural resources in agriculture; iii) Improve standards of living in rural areas. Especially relevant for this action is the Specific objective 1.1: Upgrading the agro-food chain to comply with EU food safety requirements and quality requirements. The new agriculture and rural development strategy 2020+ is currently under formulation.

With regard to **Priority B “Environmental and climate resilience”**, the main objectives of the partner's policy are related to the transition to a greener development as framed by the National Development Strategy “Moldova 2030”. It indicates the priority areas and directions of intervention for the long-term sustainable development of the Republic of Moldova and represents the strategic reference document for all policy documents at national, regional and local level. The most relevant SDGs are **SDG 12**: Ensure sustainable consumption and production patterns and **SDG 13**: Take urgent action to combat climate change and its impacts.

The Republic of Moldova is highly exposed to the adverse impacts of climate change due to temperature increases, changes in precipitation regimes and increased climate aridity, which are associated also with the frequency and intensity amplification of extreme weather events. The country counts on a recently updated Nationally Determined Contribution (NDC), a Climate Change Adaptation Strategy (a new one is also under development with EU support) and the Action Plan for its implementation as well as its Fourth National Communication to the United Nations Framework Convention on Climate Change (UNFCCC).

In terms of adaptation, the country has comprehensive and ambitious objectives to mainstream climate change adaptation into sectoral planning; set-up and operationalise the cross-sectorial climate change adaptation coordination mechanisms and implementation of priority adaptation actions in agriculture, health, forestry, water and other sectors. The implementation of the progress is to be monitored via a dedicated monitoring and evaluation system while climate relevant expenditures will be monitored and tracked via climate budget tagging under the framework of the cross-sectorial climate change adaptation coordination mechanism. In this process, it is also important to duly consider a gender dimension.

¹² Women in Business, https://gov.md/sites/default/files/document/attachments/intr10_79.pdf

With regard to mitigation, in its updated Nationally Determined Contribution (NDC), Moldova intends to achieve more ambitious targets than in its first NDC. The country's new economy-wide unconditional target is to reduce its greenhouse gases (GHG) emissions by 70% below its 1990 level in 2030, instead of 64-67% as committed to in the first NDC, which could be further decreased to 88%, if international low cost financial resources, technology transfer, and technical cooperation are ensured. Moldova further reports that GHG intensity ("CO₂ emissions per GDP") indices have considerably decreased over the 1990-2016 period, from 4.43 to 1.99 kg CO₂ per real GDP 2010 USD, or by 55.1 per cent. Noting that these values are still among the highest among economies in transition (EITs) in Central and Eastern Europe, the country highlights "a high mitigation potential to reach its GHG emission reduction targets."

In order to reach the conditional target of up to 88% reduction of its GHG emissions by 2030 as compared to 1990 levels, the NDC explains that appropriate international financial support equal to about USD 5 billion, or about USD 500 million per year until 2030, is needed. The support needed includes finance, in addition to domestic allocations, to cover required abatement costs, as well as assistance in the form of technology transfer and capacity building. This support will allow adjusting the development pathway of the Republic of Moldova towards a low-carbon economy, thus moving towards progressive decoupling of carbon emissions from economic growth and ensuring a decent level of real GDP per capita, equalling USD 4,072 per capita in 2030. It is also critical that women and men are enabled to equally contribute to and benefit from these processes.

The main sectors linked to Moldova's mitigation efforts and the respective GHG emission reduction targets are: energy – 81%, transport – 52%, buildings – 74%, industry – 27%, agriculture – 44%, land use, land-use change, and forestry (LULUCF) – 10% and waste – 14%. There have been identified as well mitigation co-benefits linked to adaptation interventions in the areas of agriculture, water resources, forestry, human health, energy, transport and inter-sectorial priorities.

2.2. Problem Analysis

Short problem analysis:

PRIORITY A "Resilient, sustainable and integrated economy"

Support to SMEs, including to seize new opportunities in high growth potential areas such as agriculture, innovative industrial production, greening of the economy and digital markets, and improved access to finance

According to the SME Policy Index: Eastern Partner Countries – 2020 report¹³, since 2016, the Republic of Moldova has made moderate progress in further developing a conducive business environment for SMEs. Moldova has advanced in the implementation of the SME Development Strategy 2012-2020 with substantial progress in the reduction of burdensome regulations, the implementation of regulatory impact analysis and the provision of business development services for SMEs. Noteworthy reforms also include reinforced policy framework for entrepreneurial learning, start-up support for young entrepreneurs, women in business support programmes and expansion of the credit guarantee scheme, broadened e-government services and a formalised public-private dialogue platform. However, considerable work remains to be done to promote entrepreneurial learning, including meeting the specific skills requirements of SMEs. The limited internationalisation of Moldovan SMEs is a long-term challenge, and more emphasis must be placed on making better use of Moldova's Deep and Comprehensive Free Trade Area (DCFTA) with the EU. In addition, Moldova must further support the innovation activities of SMEs and their transition to the green economy.

¹³ <https://www.oecd.org/publications/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm>

Access to finance is recognised as a major obstacle for SMEs across the whole Eastern Partnership region. The lending environment remains difficult and financial inclusion remains low, particularly in countries that have suffered from difficulties in their banking sectors. While the Moldovan banking sector benefits at present from a good liquidity, the loans to SMEs are perceived as too risky and consequently the collateral requirements are very high, which is not affordable for the majority of SMEs, especially the micro- and small ones and the young and innovative SMEs. The situation has been aggravated by the COVID-19 crisis. Local SMEs that can still access credit face higher than normal risk premium and collateral requirements.

Another issue is a gender segregation in business sectors. Because of gender-biased selection of business niches, women's businesses are generally smaller than men's in terms of turnover, assets, income and number of employees. Men significantly outbalance women in terms of share of entrepreneurs who run business in sectors such as industry (11.3% vs. 6.2%) and construction (7.2% vs. 2.3%) and transport and storage (6.0% vs. 4.1%)¹⁴.

The Moldovan Government is committed to the development of the SME sector. A number of programmes are currently implemented by the Organisation for Small and Medium Enterprises Sector Development (ODIMM). New programmes are envisaged to be launched in short term. However, the available financial resources are limited, especially given the COVID-19 crisis, which has had a very negative impact on the sector. Thus, the outreach of the programmes will be limited without donors support. The EU has been supporting since 2018 the implementation of the National PARE 1+1 and the Women in Business programmes, and the SMEs digitalisation support tool through a EUR four million direct grant to ODIMM. The last Results Oriented Monitoring (ROM) mission assessed the project as very successful, and the Delegation was advised to explore the opportunity to extend the financial support to ODIMM with a follow up direct grant to increase the coverage of the three programmes (including the digitalisation instrument). It was recommended also to keep the focus on SME support in rural areas. It is therefore envisaged to provide a new direct grant to an experienced organisation to top up the following national programmes:

1. The existing and or upgraded national programmes - PARE 1+1, Women in Business, Start-up for youth, the SMEs greening programme and the SMEs Digitalisation programme.
2. The upcoming SMEs Rural Tourism Start-up programme (for HoReCa activities), the SMEs Re-technology programme, the SMEs Second Chance programme, the Clusters support programme and the Innovation Hub creation.

Special attention will be given to the support of the digital transformation of the economy with focus on SMEs, in line with the new EU Eastern Partnership policy. The Digitisation Support Tool was among the first reactions to the crisis, which aims to support the transfer of technology and digital development of SMEs (with a focus on women-owned SMEs) to harness their innovative potential, including facilitating the access to internal and external markets. It offers business vouchers for accessing consulting services and mentoring of SME's, in order to develop personal web pages, social pages or online profiles. This is coupled with non-reimbursable grants for the purchase of equipment and software, for the purpose of innovation and introducing digital technologies. Based on the experience and the lessons learnt, a new programme on SMEs digitalisation is being developed with the support of the EU-funded technical assistance project.

Trade facilitation

Establishing free trade relations with the European Union and ensuring compliance with the EU rules is one of the key priorities of Moldova's economic policy. Improvement of transit procedures and in particular the preparations for Moldova's accession to the Common Transit Convention, to facilitate trade between the EU

¹⁴ National Bureau of Statistics Republic of Moldova. Main results of the survey on "Business Environment Development", 2020, p.10, https://unctad.org/system/files/non-official-document/20201012_WebinarGender_cojocari_moldova_en.pdf https://statistica.gov.md/public/files/ComPresa/Antreprenoriat_feminin/Antreprenoriat_femei_barbati_2018.pdf

and Moldova, is part of the commitments of the Republic of Moldova under the AA/DCFTA. It is very important from the point of view of trade facilitation, but also as a tool for preventing fraud related to transit, export and import operations. In the period 2017-2019 the Republic of Moldova was supported through a twinning project to prepare for the accession, but a new software in replacement of NCTS - phase 4 is now being introduced by the Convention signatories – NCTS phase 5. Moldova is planning to join the Convention at the earliest convenience. However, the country needs support to acquire the new software, especially in the current COVID-19 crisis. The Moldovan Customs Service will be therefore supported to develop the new software in the existing Customs Management System ASYCUDA World (AW), with the possibility to be used separately from AW, as well as to put it into operation, initially for national transit. The Moldovan Customs Service has analysed Georgia's experience on EU-funded development of IT application for NCTS Phase 5 in the AW by the United Nations Conference on Trade and Development (UNCTAD), and has decided to pursue the same path.

Subject to the Commission's approval of the system, the country will be invited to join the Common Transit Convention. The action is in line with the priorities defined by the Moldovan Government. The NCTS will produce benefits for the economy of Moldova, and ultimately, for the population. The operational capacity of the Moldovan Customs service will be strengthened. The Government will be able to better protect the financial and economic interests of Moldova, while increasing the comparative advantage of the Moldovan business sector via improving national transit capacity. The Trade Community (holders of transit procedure, carriers, economic operators) will benefit from the introduction of modern, faster, and more transparent transit procedures by the use of the NCTS, reducing administrative burdens and costs for traders, while increasing the competitiveness of Moldovan transport and export sectors. Also, it is necessary to analyse the gender segregation in terms of exporters and take action to bridge it so that women's and men's-owned businesses can equally contribute to Moldova's foreign and domestic trade.

Additionally, with a view to fully capitalise on the above twinning project, Moldova will also need support for the implementation of a Customs Single Window (SW), in accordance with the concept approved by the Customs Service. The SW, interfaced with a Customs Decision System, whereby all types of application for customs decisions and their decision-taking process are handled through a single electronic environment, will provide faster customs clearance times, more transparent and predictable procedures and less bureaucracy, and reduced corruption due to fewer opportunities for physical interaction. A feasibility study needs to be commissioned that will also look into the above issues before the practical implementation of the SW system takes place.

The main institutional stakeholders in the above two areas are:

- The **Ministry of Economy** (ME) (new entity created after reorganization of the **Ministry of Economy and Infrastructure** in early autumn of 2021), which is the policy maker in terms of economic development in general and concretely with regards to SMEs policy formulation, monitoring and trade;
- The **Organisation for Small and Medium Enterprises Sector Development** (ODIMM), established in 2007 under the ME, which is the implementing agency for the national SME support programmes;
- The **Ministry of Finance**, which is the policy maker and control body in terms of Public Finance Management, including Domestic Revenue Mobilisation, thus being responsible for the oversight of the Customs service of Moldova;
- The **Moldovan Customs service**, which is responsible for authorising all export, import and transit operations in the Republic of Moldova and for enforcing the customs legislation, as well as important part of the tax legislation. Fight against fraud and smuggling are among its main tasks;
- The target group are the **Moldovan SMEs and economic operators** in general for some of the activities (e.g. for activities targeting trade facilitation).

Strengthening national food safety institutions

By signing the AA/DCFTA with the EU in 2014, the Republic of Moldova has opened additional opportunities to increase agri-food exports (at 45% in 2019). Agriculture remains a central pillar of Moldova's economy: agricultural lands cover 74 % of the country's territory (2.48 million ha). The country has favourable agro-ecological conditions and rich soils suitable for the production of high valuable crops.

The agricultural sector employs over 21 percent of the country's labour force, on 902,214 registered agricultural holdings (2011 General agricultural Census), but agricultural production accounts only to around 12% of Moldova's GDP or 16% including the agri-food processing industry. Women are underrepresented in agrobusiness with only 3% of agro companies being women-owned (compared to 6.5% men-owned)¹⁵.

Increasing the competitiveness of agriculture has become a priority for the country. It is part of the first General Objective of the National Agriculture and Rural development Strategy (NARDS), which refers to Increasing competitiveness of the agri-food sector through modernisation and market integration. Nevertheless, compliance with food safety, quality standards and consumer demands remains a challenge, especially for SMEs in the agri-food sector and to access high value market segments.

Although the alignment of national legislation with the Union *acquis* regulating quality policy and marketing standards for the agri-food sector has been overall positive with 87% of legal acts transposed, operational capacities for example in food safety official controls lag behind.

Moldova has the authorisation to export and transit products of animal origin to the European Union only for caviar and honey. In April 2021, the Republic of Moldova was included in Column C of Annex I to Commission Regulation (EU) No 605/2010 for imports of dairy products into the EU¹⁶. Following a positive assessment of DG SANTE, on 25 November 2021, the European Commission included Moldova in the TRACES system and authorized first Moldovan dairy production company to export to the EU raw milk, dairy products, colostrum and colostrum-based products (ice-cream). Previously, in January 2021, order number 5 (13/01/2021) was issued approving the list of pharmacologically active substances authorised for food-producing animals, establishing maximum residues limits to avoid placing food products of animal origin that exceed the maximum residue limits on the market. The National Programme for surveillance and monitoring of residues and other contaminants in live animals and products and by-products of animal origin is being rolled-out (increasing the number of samples and the test spectrum of the active substances) and technical capacities, especially at regional food safety sub-divisions, need to be increased accordingly. In 2020 samples taken for residue limits of cereals were non-compliant, exceeding the established maximum levels significantly.

As the implementation of the Annual National Food Safety Residue Monitoring Plans is financed from the state budget and several laboratory tests (as residues of veterinary drugs in products of animal origin or polar pesticides) are carried out in foreign laboratories contracted out by the National Food Safety Agency (ANSA) annually, further contracting out of testing capacities would have a significant budgetary impact.

More importantly, the availability of national test capacities would reduce the time for transport and testing of samples and availability of test results. This would not only make official controls and finally consumer protection more efficient, but also allow food business operators to perform (less costly and more timely) self-controls on residue monitoring along their supply chains eliminating contamination risks and meeting quality standards (especially relevant to the 152 companies registered for ecological production in 2019). Furthermore, strengthened inspection and control capacities would increase transparency and build trust along the

¹⁵ National Bureau of Statistics Republic of Moldova. Main results of the Survey on Business Development in Moldova, 2020, p.10, https://statistica.gov.md/public/files/ComPresa/Antreprenoriat_feminin/Antreprenoriat_femei_barbati_2018.pdf

¹⁶ [EUR-Lex - 32021R0645 - RO - EUR-Lex \(europa.eu\)](#)

agri-food value chains, thereby increasing market demand (including domestic/opportunities for import substitution) and access with positive effects on the national economy.

The main institutional stakeholders are:

- The **Ministry of Agriculture and Food Industry** is accountable for the policies in the sectors of agriculture (food production and security, livestock, food safety), and rural development.
- The **National Food Safety Agency (ANSA)** was created in 2013. Its strategic objective is to ensure the implementation of national policies in the areas of control aimed to *guarantee food safety and the quality of food products*, including *animal health and plant protection, the safety of raw materials, and consumer protection*. Its monitoring system covers the entire food chain from production to the final consumer to ensure access to safe and healthy products. ANSA has 23 Territorial divisions and 7 border inspection posts with 3 national reference laboratories (Food safety laboratory, Animal health laboratory, Phytosanitary laboratory).
- **Food business operators** interested in exploring further market opportunities for their products, including in the European Union, as well as **consumers of food products** to access safe, healthy and nutritious foods.

PRIORITY B “Environmental and climate resilience”:

Increased awareness and capacity of the stakeholders to implement a Transformative Green Agenda also delivering key green, energy and resource efficient and eco-innovative projects as well as improved monitoring system for air quality and the environment

The potential for biogas power plants in the Republic of Moldova is about 134 MW in terms of installed capacity and in terms of electricity produced – 805 GWh per year, which is equivalent to ~20% of the annual national energy demand. Electricity volumes that can be generated are limited by availability of raw materials for biogas production. At the moment in the Republic of Moldova there are 5 biogas cogeneration stations with a cumulative installed capacity of 5.6 MW electricity. Existing facilities produce biogas from animal (livestock) manure, agricultural residues, sugar industry residues (sugar beet) and solid municipal waste (landfill).

Waste management generally is identified as a major environmental and development priority in Moldova. It is also contributing with 10.7% to the total country’s GHG emission (2016). Moldova has historically utilised various forms of waste disposal on land, including substandard landfills, open burning, and indiscriminate dumping of mixed domestic, industrial and hazardous waste. This has resulted in significant environmental release and legacy impacts, as well as lost opportunities to divert waste from landfill into productive use. In response, over the last number of years the country has embarked on a process of systematically transforming its approach to waste management generally, in view of maximising diversion of waste from land disposal to productive use and the appropriate treatment/disposal of priority wastes, including chemicals. This has involved the adoption of an overall national environmental strategy for the period 2014-2023, national waste management strategy (2013-2027), and the Waste Management Law (2016) which has established the overall policy and legal framework, all modelled on and consistent with, the approaches and directives now being widely implemented in the EU and OECD countries generally. Directly related to reduction in land disposal and diversion, the country is in the process of implementing regulations based on mandatory extended producer responsibility (EPR) on a priority sector basis. Currently regulations covering E-waste/Waste Electrical and Electronic Equipment (WEEE) and batteries have been approved, while a packaging waste implementing act is in advanced stage of negotiations – again all based on EU directives implementing circular economy principles and approaches.

Previous initiatives and studies, including the EU funded programme "Greening Economies in the European Union's Eastern Neighbourhood" (EaP GREEN), clearly demonstrated that for the Republic of Moldova decoupling economic growth from environmental degradation shall result in higher productivity and competitiveness, better natural capital management, enhanced environmental quality of life, and more resilient economy. A number of sectoral strategies and planning documents have been developed as well as the remaining legislation approximating the EU acquis on industrial emissions prevention and air quality management are currently being discussed by the Parliament.

Also, the green growth concept has been gradually (although slowly) promoted in the country as alternative development model for more sustainable economic growth, improved human well-being and social equity. It is worth noting that a report based on green growth indicators (GGI) is produced annually to monitor the performance and qualitative changes in the promotion of the green economy. Progress has been acknowledged for the past decade mainly in drinking water supply and sanitation, reduction of GHG emissions, improving energy efficiency and the use of renewables in public buildings.

Those initiatives represent a sectorial approach which certainly will address major bottlenecks and help solving sectorial hurdles; however, a truly systemic approach is missing. Therefore, a lot remains to be done and in spite of recent positive developments, the persisting challenge is to set up right "enabling conditions" which are also instrumental for sustainable green economy investments, but imply a real mind-shift in the country's planning and budgeting system. By way of example targeted subsidies or incentives in support of green sectors (e.g. direct payments, tax exemptions or access to low-cost capital) can play a powerful role in leveraging private finance, but subsidising has to be based on clear criteria and transparent procedures. Bridging the gaps between Strategic planning, sectorial policies and the several initiatives, mostly funded by the EU (e.g. EU4Environment, EU4Climate, EU4Energy, etc.) and other donors, seem still unexplored in spite of the evident gains in terms of leverage, efficiency and effectiveness.

Women and men may experience the adverse impacts of climate change and environmental degradation differently, therefore gender inequalities (which in Moldova encompass economic disparities, differences in access to productive resources, different levels of environment sensitivity) may also affect their abilities to successfully profit from a green transformation. Women, especially in rural areas, normally spend more time at their households because of a larger share of domestic and care responsibilities and therefore are more exposed to environmental stress amplified by climate change such as water pollution or droughts. Empowering women's informal decision-making at the local and national levels may definitely contribute to increase ownership and ensure the necessary push from civil society towards a green transition.

With regard to possible initiative on air quality and environmental monitoring:

According to an OECD assessment, reducing air pollution will be beneficial to improve health of the citizens as well as have positive implications on economic development. Currently, welfare costs associated with air pollution by fine particles (PM2.5) represent about 6.5% of GDP equivalent in Moldova, compared to 3.8% on average in the EU. The mean exposure to PM2.5 by Moldova's population largely exceeds the WHO guideline (17 vs 10 µg/m³). One of the main sources of air pollution is transport.

In addition, under the EU-Moldova Association Agreement, Moldova has to transpose into its national legislation several air related directives, among them the EU framework Directive on ambient air quality and cleaner air for Europe¹⁷, the Directive relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons (PAHCs) in ambient air¹⁸ and the Directive laying down the rules concerning reference methods, data validation and location of sampling points for the assessment of ambient air quality¹⁹, which specifies the thematic strategy of European Union for improvement of ambient air quality. Additionally, in light of the

¹⁷ 2008/50/EC

¹⁸ 2004/107/EC

¹⁹ 2015/1480/EC

dynamic approximation process, it is relevant to consider also the National Emissions reduction Commitments (NEC)²⁰ entered into force on 31 December 2016. Replacing earlier legislation²¹, the new NEC Directive sets 2020 and 2030 emission reduction commitments for five main air pollutants.

In particular, the EU-Directive 2008/50/EC defines the basic principles of a common, harmonised strategy:

- establish objectives for ambient air quality to avoid, prevent or reduce air pollution;
- assess the ambient air quality in Member States on the basis of common methods;
- obtain appropriate information on air quality and make it available to the public;
- maintain ambient air quality where it is good and improve it in other cases.

A draft policy document on Air Quality Management for Moldova, according to related EU-Directives, as well as a draft Law on air quality were developed with the support of the German International Cooperation (GIZ). The law was approved by Parliament in the first reading on 18.03.2021. It is therefore necessary to increase the capacity of relevant stakeholders as well as important to implement at least the first mobile automatic stations as part of the network for monitoring air quality which will allow obtaining reliable data in different pollution areas

Key stakeholders are:

- The Ministry of Environment is accountable for the policies in the sectors of environment and climate change.
- The Environmental Agency has several tasks on environmental monitoring and implementation of policies.
- The Ministry of Infrastructure and Regional Development is the national authority responsible for the policies in the area of energy and regional development. It is responsible for promoting multifunctional industrial platforms and related environmental programmes.
- The Energy Efficiency Agency is responsible for implementation of the policies in the area of energy efficiency and renewables. It is responsible for promoting multifunctional industrial platforms and business environmental programmes.
- The European Business Association is a non-government organisation aimed at delivering business support services and alignment of the national economy and business legislation to the EU acquis.

Gender equality, human rights, environment and climate change, and innovation are the main cross-cutting issues.

3. DESCRIPTION OF THE ACTION

3.1. Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to contribute to resilient, sustainable and inclusive economic development, as well as pave the way to a fully-fledged green transition for the Republic of Moldova. It will also enhance Moldova's resilience to respond to urgent needs by the Moldovan central and local authorities as well as the population that are resulting or could result from the war situation following the Russian aggression against Ukraine.

The Specific(s) Objective(s) (Outcomes) of this action are to

1. Improve investment climate, trade opportunities, employability and conducive business environment for SMEs;

²⁰ Directive (2016/2284/EU)

²¹ (Directive 2001/81/EC)

2. Increase awareness and capacity of the stakeholders to implement a Transformative Green Agenda, also delivering key green, energy and resource efficient and eco-innovative projects, as well as improved monitoring system for air quality and the environment.

Given the unfolding and unforeseeable consequences of the war initiated by Russia in Ukraine, the specific Objective (Outcomes) of this action are also

3. To address the immediate needs of population affected by the war in Ukraine:
 - building resilience of Moldova to deal with crisis situations such as large influx of refugees, as a result of the war in Ukraine, by developing infrastructures for sanitation, food, shelter, and to allow for orderly transit for those people wishing to leave Moldova;
 - addressing the needs of victims of the armed conflict in Ukraine who are temporarily settled in Moldova, to benefit from a minimum of socio-economic standards;
 - tackling irregular migration and forced displacement caused by the armed conflict.
4. To strengthen resilience and build capacities to respond to war-generated impacts:
 - enhancing capacities to respond to cyber-security and information security and hybrid threats by contributing to a resilient digital environment in line with human rights standards and principles;
 - strengthening economic resilience and supporting individuals, communities, institutions, and countries to quickly recover from the shocks of the armed conflict;
 - enhancing societal resilience including support to fight against disinformation and by promoting an enabling environment for media, civil society and the support to internally displaced people and refugees;
 - contributing to the enhancement of the country's energy resilience by restoring and strengthening its production capacity, including by enhancing energy security and diversification of energy sources;
 - enhancing the resilience of institutions at national and local level, and promoting international cooperation, including support to European integration.

2

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

- 1.1 SMEs are supported in a gender-sensitive way, including in seizing new opportunities in high growth potential areas such as agriculture (on adaptation to consequences of climate change, sustainable agriculture and nature-based solutions in land use), industrial production, greening of the economy and digital markets, and to have improved access to finance;
- 1.2 Trade facilitation capacities of the Moldovan Customs service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported;
- 1.3 National capacities for residues monitoring in agri-food products increased;
- 2.1 The necessary enabling socio-economic framework for a Green transition with the view of a green transition for Moldova is in place;
- 2.2 Deployment of pilot green projects on energy and eco-innovation with the view of attracting private investments;
- 2.3 Increased capacity of public institutions in the implementation of legislation under the Environment Chapter of the EU-Moldova Association Agreement (AA).

3.2. Indicative Activities

With regard to Priority A - Resilient, sustainable and integrated economy

Under Output 1.1 SMEs are supported in a gender-sensitive way, including to seize new opportunities in high growth potential areas such as agriculture, industrial production, greening of the economy and digital markets, and to have improved access to finance.

- Co-finance the gender-sensitive National sectoral SMEs support programmes the organisation is implementing;
- Policy dialogue with MEI and financial support for the implementation of the Strategy for an Inclusive, Sustainable and Digital Economy by 2030 and the related SME support programme.
- Financial support to selected beneficiaries under the National programmes, following competitive procedures, thus improving access to finance, with a focus on women entrepreneurs in sectors where they are underrepresented;
- Tailor-made trainings will be provided to the beneficiaries of the grants by the implementing partner, with a focus on women entrepreneurs in sectors where they are underrepresented.

This action will contribute to EIP flagship 1: ‘Supporting a sustainable, innovative, green and competitive economy’

Under Output 1.2 Trade facilitation capacities of the Moldovan Customs service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported

- Development of the National Transit System (NTS) compatible with NCTS;
- Trainings to the Customs officers to prepare them to work with the system and maintain it after the guarantee period;
- The NTS will be tested during one year. After the testing period, the Commission will assess it for NCTS compliance and will certify the country can accede to the CTC based on the new system.;
- Feasibility study on the Customs Single Window will be launched.

This action will contribute to EIP flagship 2 ‘Boosting EU-Moldova trade’

Under Output 1.3 National capacities for residues monitoring in agri-food products increased

- Procurement of laboratory equipment (ANSA Central reference laboratories of Food safety, Phytosanitary, Veterinary Animal Health);
- Training of staff involved in testing / implementation of methods (laboratory, inspectors);
- Validation and accreditation of methods.
- Elaboration of the maintenance procedure of the purchased equipment, management of consumables, continuous training of the laboratory staff;
- Elaboration/revision of Annual residues monitoring plans;
- Communication and sensitisation of Food business operators also in light of the EU Farm to Fork Strategy²².

This action will contribute to EIP flagship 1: ‘Supporting a sustainable, innovative, green and competitive economy’

²² COM(2020) 381 final

With regard to priority B “Environment and climate resilience”

Under Output 2.1 The necessary enabling socio-economic framework for a green transition for Moldova

Possible activities:

- Creation of Stakeholders’ platforms to enable a green transition also with the view of establishing pipelines of projects (i.e. Stakeholder Platforms on Energy and Resource efficiency, Circular Economy, Renewables, Climate Change and Bio-economy);
- Creation of an institutional multilevel coordination mechanism on economic, business and environmental policies (i.e. Alliance for a Green transition.);
- Provide technical support to complete the enabling framework to facilitate the introduction of market-based incentives that will successfully reduce pollution, GHG emissions and that will generate tax revenues for furthering green investments.;
- Provide technical support to promote sustainability and greening activities (e.g. Eco-Management and Audit Scheme (EMAS) to improve environmental and sustainable development performance of the organisations and public institutions, eco-labelling system or green public procurement);
- Awareness raising on the green transformative agenda and sustainable development and need of adaptation to consequences to climate change (including inaction) for decision-makers, academia, private sector, media and citizens, with a great focus on gender aspects as well as including children and youth.; to develop sustainable consumption behaviours / sensitise around issue of climate change, carbon footprint and consumer choices
- Networking activities and technical support to deliver an enabling environment for green partnerships and green jobs where sustainability, innovation, digitalisation, environmental and social justice are the key cornerstones.;
- Create capacities at the national, sectorial and private sector level to advocate for and advance the green development agenda in Moldova.
- Developing climate adaptation awareness, possibly some pilot projects on adaptation in cities/ some analysis of climate resilience of existing and planned infrastructure.
- Financing participation of Moldova in EU knowledge sharing platforms / programmes related to climate change / health nexus.

This action will contribute to EIP flagship 3: ‘Increasing energy efficiency’

Under Output 2.2 - Deployment of pilot green projects on energy and eco-innovation with the view of attracting private investments

Implementation of the most relevant projects stemming from the pipelines developed under the stakeholders’ platforms will be supported. The preferred approach will be to facilitate Public-Private partnerships (PPPs) with the view of attracting private investments and at the same time address key environmental challenges.

Possible activities:

- Creation of PPPs to expand the use of renewable energy technologies and systems in the key areas of the country with the view to contribute to GHG emissions reduction. ;
- Demonstration of sanitation innovative approaches to reduce pollution in the mostly exposed districts;
- Set up new business models along the circular economy value chain and in line with the clean and resource efficient production approach, making sure to integrate also a gender dimension;
- Implement the most relevant projects stemming from the pipeline also with the view of attracting private investments ;
- Deliver the first pilot stations of the Moldovan Air quality monitoring system as well as support the implementation of innovative technologies/equipment to reduce the air pollution.

This action will contribute to EIP flagship 3: ‘Increasing energy efficiency’

Under Output 2.3 - Increased capacity of public institutions in the implementation of legislation under the Environment Chapter of the EU-MD Association Agreement (AA).

With regard to the air quality and environment, necessary support will be provided to increase the capacity of the relevant stakeholders, as well as contribute to setting up the first automatic stations of the network for monitoring of the air quality.

Possible activities:

- Capacity building of operators, private sectors and civil servants in the application and implementation of the principles and requirements of environmental legislation;
- Capacity building activities for relevant stakeholders and public authorities are implemented, making sure that a gender equality is also addressed.

3.3. Mainstreaming

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

The CRA screening concluded that this action is no or low risk (no need for further assessment). Environment aspects will be addressed during the design of the projects.

Gender Equality and empowerment of women and girls.

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the principles of gender equality and women empowerment are significant objectives to this action.

The principle of gender equality will be embedded in the activities related to SME support. A minimum share of female beneficiaries will be fixed in the indicators targets to be achieved. Women make 33.9 % of entrepreneurs in Moldova (2018). It translates into gender professional segregation at the labour market.

The action will hence have a direct impact on women as main final beneficiaries. The implementation of this action will be guided by the principles and objectives of the EU Gender Action Plan III²³. The outputs and outcomes of the action will be disaggregated along gender lines. Specifically, all the data that relate to persons will be collected with sex disaggregation, and impact of the action on the status of men and women will be analysed.

Human Rights

In the implementation of the programme the human rights based approach will be applied and it will be based on the principles of good governance, equality and the inclusion of socially or economically deprived groups.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the inclusion of persons with disabilities is a significant objective to this action.

Democracy

The capacity building aspects of this programme will focus on supporting and strengthening the commitment of the Moldovan Government to the principles of public administration developed by the European Commission in close cooperation with the OECD/SIGMA.

²³ The EU Gender Action Plan (GAP) III is a Joint Communication of the European Commission and the High Representative JOIN(2020) 17 final

Conflict sensitivity, peace and resilience

Conflict sensitivity of the action will be ensured by allocating part of the budget to activities allowing the Transnistria region to benefit from the support of this action applying the EU confidence building measures approach.

Disaster Risk Reduction

Disaster Risk Reduction will be addressed under the Priority B from the perspective of adaptation to climate change in line with the Sendai Framework. The capacity building activities will also incorporate Disaster Risk Reduction as part of the systemic green transformation.

Other considerations if relevant

Innovation will be encouraged. A participative approach should be used as much as possible to embed final beneficiaries in the modernisation process. Innovation will also be encouraged in the implementation of the concrete activities of this action (e.g. innovative business models, including digitisation, innovative products and services, new sales markets, innovative teaching methods, etc.).

3.4. Risks and Lessons Learned

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
1-Related to external environment	General political instability) has an impact on the government's ability and commitment to implement provisions of the AA/DCFTA, and to adopt needed economic development strategy and programmes	H	H	Reorientation of assistance. Intensified policy dialogue with the Government and local stakeholders following (and within) the frameworks of the AA and DCFTA.
4-Related to legality and regularity aspects	Insufficient results in areas of increased (critical) relevance to economic development objectives, such as the rule of law / justice reform and the fight against corruption	M	M	Sustained policy dialogue with the key stakeholders on the importance to continue the reforms in the rule of law/justice and anti-corruption area.
3-Related to people and organisations	Limited institutional and human resource capacities within the stakeholder Ministries to formulate, manage and monitor the imple-	M	M	Capacity building and training sessions, including on gender equality, for staff within relevant institutions. Two Technical Assistance projects help improve the public administration reform (PAR) strategic framework, as well as the conditions of public employees.

	mentation of their respective gender-sensitive sector policies			
3-Related to people and organisations	Frequent change in the composition of the Government and / or the governance program (priorities); lack of agreement at the level of political forces in the legislature on the country's development prospects and / or legislative and budgetary priorities.	M	H	Continuous policy dialogue with all stakeholders on the reform agenda to reach national consensus.
1-Related to external environment	Natural disasters and pandemics	H	H	Discussions with the relevant stakeholders about the possibilities to switch to tele-working and use simple and accessible online platforms such as for swift communication, collaboration, and face-to-face exchanges.
3-Related to people and organisations	Limited institutional and human resource capacities in ODIMM to implement successfully the SME programmes to be co-funded and encourage women to become entrepreneurs	L	L	Support through the current technical assistance project ODIMM's reorganisation, the formulation of its new strategic development strategy and capacity building of its staff. Dedicated efforts and focus on women entrepreneurs and potential entrepreneurs.
2-Related to planning process	Duplication of the EU initiatives by other donors	M	M	Support to strengthening of the existing coordination mechanism.
3-Related to people and organisations	Difficulties to implementation of the sector actions plans and to mobilise the resources (financial and human) for supporting the modernisation of the sector	H	H	Policy dialogue and support to the implementation of the sectors' action plans.
3-Related to people and organisations	Reluctance of stakeholders of SME, and environment sectors to mainstream gender into programming and activities	H	M	Building capacity and sensitivity on gender for the representatives of the central and local public authorities, businesses, media outlets and other stakeholders of these sectors.

Lessons Learned:

The experience from the implementation of previous programmes targeting economic development, trade and food safety and environment, and their final evaluations, have brought the following main lessons learnt:

- development of the programmes and activities must be based on strong recent sector analysis endorsed by the beneficiaries country and the international community (e.g. Final Evaluation of the Budget Support Programmes: ‘Economic Stimulation in the Rural Areas’ & ‘Deep & Comprehensive Free Trade Area Sector Reform Contract’);
- establishing genuine policy dialogue fora, use or strengthened existing government policy dialogue mechanisms to make these fora more inclusive of other key stakeholders;
- ensuring that the beneficiary puts in place mechanisms to establish and maintain an effective institutional memory;
- channelling the donors support through local entities with due sectoral experience and sound financial management can increase efficiency of the interventions and their impact and sustainability;
- additional efforts are needed from ODIMM’s side to customize the training and consultancy support based on the level of background/preparation of the beneficiaries to meet better their individual needs;
- participatory involvement of stakeholders at all stages of the intervention, from the identification phase to implementation, which endure ownership building and accountability for project results, and guarantee sustainable impact of the EU assistance after the end of the project;
- gender mainstreaming helps improve results of the programming by better reflecting the needs of target groups, existing imbalances and barriers, and making sure that women, men and vulnerable groups equally benefit from and contribute to the programmes;
- concrete, tangible initiatives and delivering results early in the project, in order to ensure positive momentum, leverage and a genuine and continued support to the modernisation process;
- small-scale pilots of green transformative solutions have proved high feasibility and replicability potential;
- Selection of implementing partners should be based on comparative advantage and demonstrated success and capacity.

3.5. Intervention Logic

The underlying intervention logic for this action is as follows:

Impact: To contribute to resilient, sustainable, and inclusive economic development, as well as pave the way to a fully-fledged green transition for the Republic of Moldova.

Assumptions

The following external necessary and positive conditions must hold in order for the result chain to be valid:

Assumptions under Outcome 1:

- There is political will to improve business climate, implement the AA/DCFTA and continue support to the SME sector.
- Assumptions under Outputs 1.1, 1.2 and 1.3 :
 - Relevant national SMEs support programmes are in place;
 - Willingness and available capacity of the Customs Service to implement the NCTS compatible NTS;
 - Customs Service collaborates with the TA provided on the Customs Single Window drafting;
 - Laboratory financial and human resources are increased accordingly to ensure testing capacities (esp. for newly accredited methods, equipment procured).

Assumptions under Outcome 2:

- There is political will to embrace a green transformative agenda for the Republic of Moldova;
- Relevant line ministries and institutions are cooperative and open to support the changes.

Specific assumptions under Outputs 2.1 and 2.2:

- Key stakeholders are open to receive awareness and capacity;
- There are no hidden obstacles against inter-institutional coordination mechanisms.

Specific assumptions under Output 2.3:

- The Ministry for Environment is committed as well as the relevant local institutions.

The underlying intervention logic for this action is that the action will contribute to the impact because the following three Outcomes will materialise as a result of its successful implementation:

Outcome 1: Improved investment climate, trade opportunities, employability and conducive business environment for SMEs

The Outcome 1 will be realised through the achievement of the following four outputs:

Output 1.1 SMEs are supported in a gender sensitive way, including to seize new opportunities in high growth potential areas such as agriculture, industrial production, greening of the economy and digital markets and to have better access to finance

Output 1.1 will be achieved through the financial support to the National SMEs support Programmes as described in section 2.2 above. At least 600 SMEs, including at least 250 women-owned SMEs, will receive support through grants following competitive procedures. At least 50 % of them will be able to seize new opportunities in high growth potential sectors. SMEs greening, digitalisation and internationalisation will be supported, together with innovation. Companies with problems resulting from the COVID-19 crisis will be supported through the SME Second Chance Programme. Re-industrialisation will be supported through the Re-tech programme. Migrants' productive investments will be further encouraged under the continuation of the PARE 1+ 1 Programme. Women entrepreneurship will be further boosted under the Women in Business Programme, with a focus on IT, STEM, industry and other business niches where women are underrepresented. Rural tourism development will be supported under the upcoming Eco tourism Programme, paying special attention to the promotion of sustainable economic model that entails protection of natural resources. The EU support will result in at least EUR 15 million new investments in different sectors of economy (assuming that EUR five million will be allocated to this output (leverage 1:3)). The beneficiaries of the grants will also have access to the needed consulting services and mentoring. The support provided will be reflected in the progress in the innovation policy dimension of the SMEs policy index, as well as in the internationalisation and access to finance dimensions.

Output 1.2 Trade facilitation capacities of the Moldovan Customs service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported.

Output 1.2 will be achieved through the establishment of National Transit System (NTS) compatible with the NCTS. The Republic of Moldova has plans to join the Common Transit Convention (CTC) at the earliest opportunity. This is also envisaged under the AA/DCFTA. A previous EU Twinning project has prepared the draft legal framework for the implementation of the NCTS and for joining the CTC. It is now necessary to create the software based on the new NCTS – phase 5 specification. The NTS will be integrated into the existing Customs Management System ASYCUDA World (AW), with the possibility to be used separately from it. The IT application will be developed based on the following minimum conditions:

0. The NCTS P5 module should be developed so that it could be used separately from AW, therefore it should not be developed on the SoClass platform;
1. The module should be "open source", so that its functionality is not conditioned by any licenses;

2. Developers should train experts from Customs Service IT Division to be able to provide maintenance of the NCTS P5 module in the future, on their own.

It is expected that the system will be developed and tested in a period of 24 months. If funding is available by the end of 2021 and some preparatory work is done in the meantime, Moldova can have an operational NTS (NCTS compatible) in 2023 and join the CTC in 2024. The benefits of it are numerous both for Moldova and the EU, to mention just the much better possibilities to counter fraud and smuggling, as well trade facilitation.

Furthermore, a feasibility study on the implementation of the Customs Single Window will be commissioned, to inform about its practical implementation.

Output 1.3 National capacities for residues monitoring in agri-food products increased

Domestic laboratory testing capacities (food safety, phytosanitary and veterinary/animal health) shall be expanded to fully implement the national Residue Monitoring Plans to ensure compliance of agro-food products with maximum permissible limit of pesticides and veterinary drugs. Strengthened national capacities will allow to extend the range of residues and sample quantities (number of samples) by accredited reference methods in the national laboratory, while reducing the time for obtaining the results of samples tested (compliance testing), but also a possibility to generate access for the food business operators to a modern laboratory network allowing performing self-controls and residue monitoring programs of suppliers and along value chains. Increased capacities of the National Food safety agency and its decentralised structures will not only contribute to national consumer safety and access to safe, healthy and nutritious foods, but prepare for the access of new markets for these products, including the authorisation to transit and export additional products to the European Union.

The project shall include procurement of the necessary equipment and training of staff involved (Laboratory and inspection). Selected activities to strengthen the linkage between the public authorities and private entities (incl. SMEs) will be integrated. Quality control procedures and validation practices of all residue-testing methods shall be aligned with the relevant requirements of the EU, including the Farm to Fork Strategy.

Outcome 2: Increased awareness and capacity of the stakeholders to implement a Transformative Green Agenda also delivering key green and eco-innovative projects as well as improved monitoring system for air quality

The Outcome 2 will be realised through the achievement of the following three outputs:

Output 2.1: The necessary enabling socio-economic framework for a Green transition with the view of a green transition for Moldova is in place

A Transformative Green Agenda aims at delivering the “enabling conditions” and build the foundation for a Green Deal in the Republic of Moldova to unleash long lasting and sustainable economic development. The Transformative Green Agenda, in line with the European Green Deal, will be framed around the following pillars:

- I. Circular economy and Energy and Resource efficiency: with a specific focus on business models, practices and eco-technologies along the circular value chain so to deliver the enabling conditions in the areas of waste management, industrial and food production, processing and marketing, circular use of natural resources but also construction and buildings, mobility sectors and eco-innovation, also making sure that a gender dimension is duly considered. In particular, efficient management of natural resources, including water, and innovative ways of keeping raw and secondary materials into economically meaningful value chains could be strong driving forces for the Moldovan economy.

- II. Climate Change: Addressing climate change with both mitigation and adaptation actions. The focus will be on Smart Regional and Territorial development and citizens empowering, including use of information and communications technology (ICT) for improved spatial planning and monitoring systems and possibly enhance data-driven provision of local public services, with specific focus on Climate Change Adaptation and Mitigation.
- III. Eco-innovation and Bio-economy: with a specific focus on green energy, eco-innovation and the potential for bio-based economy/bio-technology, ideally defining a Strategy for Moldova. This might also include integrated and participatory land use and spatial planning to support informed decision making process, also taking in due consideration a gender dimension,

The enabling framework for Inclusive Green Economy, aimed by the Transformative Green Agenda, aims to ensuring coherence between economic and environment policies across relevant areas such as the business environment, finance and investments, employment. The Transformative Agenda will build in the existing gaps between sectoral or national policies and strategies, and work beyond to specific projects' pipeline, looking at strategic interventions, linked to regulatory measures and financial incentives.

The Transformative Agenda will serve, among others, to:

- Improve institutional coordination on economic, business and environmental policies.
- Increase awareness and capacities of policy makers and stakeholders on inclusive green economy.
- Increase stakeholders participation in green economy policy development
- Facilitate the transition towards sustainable production and consumption models
- Facilitate the setup of pipeline of green and eco-innovative projects (some of which will be implemented under the Output 3.2 below)

The Transformative Green Agenda for Moldova will create the umbrella for the several existing but yet scattered initiatives and develop the framework for a successful transition towards a greener economic development. Once in place, the enabling framework might allow also the introduction of further market-based incentives for reducing pollution while simultaneously generating funds as well as targeting subsidies and/or incentives for crowding in of private investments.

Output 2.2 Deployment of pilot green projects on energy and eco-innovation with the view of attracting private investments

Innovation is an essential element of a green transition and business opportunity for the private sector to increase their efficiency while reducing the environmental footprint. It is also underpinning the achievement of key objectives of the European Green Deal, such as zero pollution and carbon neutrality. In Moldova the energy sector has the greatest potential for mitigation policies, therefore implementation of sustainable energy solutions in various sector of the economy provides an opportunity not to only reduce the GHG emissions but to create sustainable partnerships empowered to deliver new energy technologies and systems. Waste is another top ranking GHG emitter and also a major polluter along with the industrial processes but which at the same time can generate new streams of secondary materials and new economic opportunities related to that.

The green energy and eco-innovative projects could be designed around the same pillars described under the Output 3.1, by way of example:

- I. Low-carbon energy technologies and systems: with specific focus on renewables and their potential to address the energy security and poverty while contributing to climate change mitigation.
- II. Circular economy: with specific focus on investing into redesigning of the current business models and practices of production and consumption as well as supporting the emerging business opportunities that eco-innovation and circular economy has to offer to be more resource efficient, cleaner and environment-friendly.

- III. Environmental monitoring, also by using digital technologies, with a view to increasing efficiency and reducing pollution. As an example, the first pilot of the air quality monitoring stations will be synergistic with the twinning described below.

The pipeline of projects delivered under the Output 3.1 will help preparing a number of green eco-innovative projects aimed at delivering new and/or significantly improved solutions that optimizes the use of resource, avoid or reduce environmental harmful emissions and minimise material and energy flow. The green and eco-innovative projects will also support:

- adoption of leading-edge technologies in the key economic sectors to achieve a resource-efficient growth;
- private sector embankment onto the green transformative agenda and leverage of private and public funds channelled towards climate and environmental issues, making sure that a gender dimension is properly represented in this process;
- stimulate demand, investment and awareness on eco-innovative approaches among public and private sectors and of the environmental entrepreneurship with a specific focus on women-led businesses.

The green and eco-innovative projects will lay a foundation for further adoption of low-carbon, energy and resource efficient practices and pave the way for further investments in a future Moldovan Green Deal.

Output 2.3 Increased capacity of public institutions in the implementation of legislation under the Environment Chapter of the EU-MD Association Agreement (AA).

With regard to air quality and environmental legislation the necessary support will be provided to increase the capacity of relevant stakeholders as well as contribute to put in operation the first automatic stations, described under output 2.2 among the possible eco-innovative projects, as part of the network for monitoring air quality.

3.6. Indicative Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (): Main expected results (maximum 10)	Indicators (): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	<i>To contribute to resilient, sustainable, and inclusive economic development as well as pave the way to a fully-fledged Green Deal for the Republic of Moldova</i>	<p>1. Global Competitiveness ranking of the Republic of Moldova</p> <p>2. Global Competitiveness score of the Republic of Moldova</p> <p>3. Carbon productivity (tCO₂eq per unit of GDP)</p>	<p>86 (2019)</p> <p>56,7 (2019)</p> <p>2.3 tCO₂eq/GDP (2019)</p>	<p>70 (2024)</p> <p>61 (2024)</p> <p><2.3 tCO₂eq/GDP (2024)</p>	<p>Global Competitiveness Report of the World Economic Forum</p> <p>Report of the Republic of Moldova under the UNFCCC</p>	<i>Not applicable</i>
Outcome 1	<i>1. Improved investment climate, trade opportunities, employability, and conducive business environment for SMEs</i>	<p>1.1 GDP growth</p> <p>1.2 Employment rate by sex (% , 15+)</p>	<p>-7,2% (2020)</p> <p>44 % - men 37 % - women (2019)²⁴</p>	<p>3,6 % (2024)</p> <p>50% - men 40% - women (2024)</p>	National Statistics	There is political will to improve business climate, implement the AA/DCFTA and continue support to the SME sector

²⁴ https://statbank.statistica.md/PxWeb/pxweb/ro/30%20Statistica%20sociala/30%20Statistica%20sociala_03%20FM_03%20MUN2019_MUN010/MUN110200.px/table/tableViewLayout1/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774

<p>Outcome 2</p>	<p><i>2. Increased awareness and capacity of the stakeholders to implement a Transformative Green Agenda also delivering key green, energy and resource efficient and eco-innovative projects as well as improved monitoring system for air quality and the environment</i></p>	<p><i>2.1 Adoption of the National Energy and Climate public policy document</i></p> <p><i>2.2 Number of high level policy events on the green agenda organised by key stakeholders</i></p> <p><i>2.3 Volume of investments in the green economy</i></p>	<p>No NECP (2021)</p> <p>0(2021)</p> <p>0(2021)</p>	<p>NECP is in place (2024)</p> <p>3(2024)</p> <p>30 m EUR (2024)</p>	<p>OECD GGKP</p> <p>Project reports</p>	<p>There is political will to embrace a green transformative agenda for the Republic of Moldova</p> <p>Relevant line ministries and institutions are cooperative and open to support the changes</p>
<p>Output 1 related to Outcome 1</p>	<p><i>1.1 SMEs are supported in a gender-sensitive way, including to seize new opportunities in high growth potential areas such as agriculture, industrial production, greening of the economy and digital markets and to have better access to finance</i></p>	<p><i>1.1.1 Progress in the internationalisation dimension of the SME policy index</i></p> <p><i>1.1.2 Progress in the innovation policy dimension of the SME policy index</i></p> <p><i>1.1.3 Volume of grants provided to SMEs, by sex of SME owner</i></p> <p><i>1.1.4 Volume of new investments by SMEs supported with the EU grants, by sex of SME owner</i></p> <p><i>1.1.5 Share of grants beneficiaries which seized new opportunities in high growth potential areas, by sex of SME owner</i></p>	<p>2,74 (2020)</p> <p>2,99 (2020)</p> <p>0(2020)</p> <p>0(2020)</p> <p>0(2020)</p> <p>0(2020)</p> <p>0(2020)</p> <p>0(2020)</p> <p>0(2020)</p>	<p>3,00 (2024)</p> <p>3,3 (2024)</p> <p>5 m EUR (2024)</p> <p>15 m EUR (2024)</p> <p>50% (2024)</p> <p>600 (2024)</p> <p>250(2024)</p>	<p>SME Policy index report</p> <p>Project reports</p>	<p>Relevant national SMEs support Programmes are in place</p>

		<p><i>1.1.6 Total number of SMEs supported, by sex of SME owner, out of which women-led</i></p> <p><i>1.1.7 Number of SMEs which went digital with EU support, by sex of SMEs owner</i></p> <p><i>1.1.9 Progress in the access to finance dimension of the SMEs policy index, by sex of SMEs owner</i></p>	<p>0(2020)</p> <p>3,61 (2020)</p>	<p>200 (2024)</p> <p>4,00 (2024)</p>		
<p>Output 2 related to Outcome 1</p>	<p><i>1.2 Trade facilitation capacities of the Moldovan Customs Service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported</i></p>	<p><i>1.2.1 National Transit System (NTS) compatible with the NCTS established</i></p> <p>1.2.2 Feasibility study on the implementation of the SW is drafted</p>	<p>NCTS compatible NTS not available (2020)</p> <p>Feasibility study not available in 2020</p>	<p>The NTS compatible with NCTS is implemented, tested and positively assessed (2023-2024)</p> <p>Feasibility study available by mid - 2023</p>	<p>DG TAXUD assessment of Moldova's readiness to join the Convention</p> <p>Project report</p>	<p>Willingness of the Customs service to implement the NCTS compatible NTS</p> <p>Customs Service collaborates with the TA provided</p>

Output 3 related to Outcome 1	<i>1.3 National capacities for residues monitoring in agri-food products increased</i>	<i>1.3.1 Number of additional laboratory testing methods at National reference laboratories validated/accredited with EU support</i> <i>1.3.2 Percentage increase in test samples for selected residues</i> <i>1.3.3 Time reduction in obtaining test results for selected residues</i> <i>1.3.4 Number of laboratory staff and inspectors trained</i>	0(2020) 0(2020) 0(2020) 0(2020)	2 (2024) 20% (2024) 50% (2024) >30 (2024)	ANSA National residues monitoring plan; ANSA/Laboratories Annual report	Laboratory financial and human resources are increased accordingly to ensure testing capacities (esp. for newly accredited methods, equipment procured).
Output 1 related to Outcome 2	<i>2.1 The necessary enabling socio-economic framework</i>	<i>2.1.1 Number of meetings for policy dialogue under the</i>	0 (2021)	30 (2024)	Project Progress Reports	Key stakeholders are open to receive

	<p><i>for a Green transition with the view of a green transition for Moldova is in place</i></p>	<p><i>Stakeholder Platforms supported by the project</i></p> <p><i>2.1.2 Public policy document on green policies (e.g. Draft Strategy on Bio economy) produced by stakeholders in place</i></p> <p><i>2.1.3 Institutional multilevel coordination mechanism on economic, business and environmental policies established with project support and number of actors engaged in these mechanisms (disaggregated by sex)</i></p> <p><i>2.1.4 Inclusive Green Economy policy instruments developed</i></p> <p><i>2.1.5 Number of public officials, and other stakeholders equipped with skills, knowledge, and competencies necessary for the green transition, disaggregated by sex</i></p>		<p>3 (2024)</p> <p>12 (2024)</p> <p>3 (2024)</p> <p>100 (2024)</p>		<p>awareness and capacity</p> <p>There are no hidden obstacles against inter-institutional collaborations mechanisms</p>
<p>Output 2 related to Outcome 2</p>	<p><i>.2 Deployment of pilot green projects on energy and eco-innovation with the view of attracting private investments</i></p>	<p><i>2.2.1 Amount of additional private investments attracted on green and eco-innovative projects</i></p>	<p>0 (2021)</p>	<p>1.000.000 EUR (2024)</p> <p>5 (2024)</p>	<p>Project Progress Reports</p>	<p>Key stakeholders are open to receive awareness and capacity</p>

		<p>2.2.2 <i>Number of green and eco-innovative projects launched</i></p> <p>2.2.3 <i>Number of air quality automatic monitoring stations in place</i></p>		4 (2024)		There are no hidden obstacles against inter-institutional consultations mechanisms
Output 3 related to Outcome 2	<i>2.3 Increased capacity of public institutions in the implementation of legislation under the Environment Chapter of the EU-MD Association Agreement (AA)</i>	<i>2.3.1 Number of stakeholders trained by the project , disaggregated by sex</i>	0 (2021)	50 (2024)	Project Reports Progress	The Ministry for Environment is committed as well as the relevant local institutions

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Government of the Republic of Moldova.

4.2. Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3. Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²⁵.

4.3.1. Direct Management (Grants)

4.3.1.1 Grants: (direct management)

(a) Purpose of the grant(s)

The grant will contribute to the achievement of Specific Objective (Outcome) 1: Improved investment climate, trade opportunities, employability and conducive business environment for SMEs and concretely of Output 1.1 - SMEs are supported in a gender-sensitive way, including to seize new opportunities in high growth potential areas such as agriculture, industrial production, greening of the economy and digital markets and to have better access to finance.

Grants may be awarded for the purpose of implementing activities contributing to the achievement of any of the cross-cutting specific objectives. Such grants may be considered as complementing and integrating any of the activities already under implementation under any of the components of the present action.

(b) Type of applicants targeted

Targeted applicant will be a public body with proven experience and sufficient operational capacities to implement complex SMEs support Programmes.

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the Organisation for Small and Medium Enterprises Sector Development (ODIMM).

²⁵ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The envisaged entity has been selected using the following criteria:

- the nature of the action
- operational capacity
- value added

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because of the beneficiary's technical competence and specialisation, in particular its unique experience in implementing national SMEs support programmes and exceptional operational capacities (cf. Financial Regulation 2018, art. 195(f)).

4.3.1.2 Twinning (Direct management)

(a) Purpose of the Twinning(s)

The Twinning will contribute to the achievement of Specific Objective (Outcome) 2 - Increased awareness and capacity of the stakeholders to implement a Transformative Green Agenda also delivering key green , energy and resource efficient and eco-innovative projects as well as improved monitoring system for air quality and the environment and concretely of Output 2.3 - Increased capacity of public institutions in the implementation of legislation under the Environment Chapter of the EU-MD Association Agreement.

(b) Type of applicants targeted

Applicants will be EU Member State administrations or their mandated bodies.

4.3.2. Direct Management (Procurement)

The procurement will contribute to the achievement of Specific Objective 1 - Improved investment climate, trade opportunities, employability, and conducive business environment for SMEs and concretely of Output 1.2 Trade facilitation capacities of the Moldovan Customs service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported.

4.3.3. Indirect Management with Pillar Assessed entities²⁶

4.3.3.1 A part of this action will be implemented in indirect management with the international organisation UNCTAD. This implementation entails the contribution to the achievement of Specific Objective (Outcome) 1 - Improved investment climate, trade opportunities, employability, and conducive business environment for SMEs and concretely of Output 1.2 Trade facilitation capacities of the Moldovan Customs service improved and preparatory work for the implementation of the Customs Single Window (SW) is supported.

The envisaged entity has been selected using the following criteria:

- the nature of the action which aims at achieving trade facilitation.
- operational capacity and experience required to implement the National Transit System software in line with the New Computerized Transit System.
- value added in terms of large previous experience in the Republic of Moldova and record of excellent collaboration with the Customs Service.

The United Nations Conference on Trade and Development (UNCTAD) has been selected because the organisation meets the selection criteria. Output 1.2 will be achieved through the establishment of National Transit

²⁶ The signature of a contribution agreement with the chosen entity/ies is subject to the completion of the necessary pillar assessments

System (NTS) compatible with the NCTS. The NTS must be able to function with the existing Customs management system – ASYCUDA World developed by UNCTAD. Recently it was upgraded with UNCTAD’s support which is a proof of their capacity to deal with complex IT systems. The development of the new system requires thorough knowledge of ASYCUDA World and full access to it, to which UNCTAD responds ideally. Besides, UNCTAD is implementing practically the same project in Georgia. Experience gained with it can provide a value added and namely shorter period of implementation and, potentially, lower costs. The established very good working relations between UNCTAD experts and the Customs service of the Republic of Moldova are an additional value added.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.3.2.

4.3.3.2 A part of this action may be implemented in indirect management with an entity(ies), which will be selected by the Commission’s services using the following criteria:

- proven knowledge and expertise in the agricultural area,
- operational and technical capacities required to efficiently deliver trainings and supplies,
- value added,
- transparency,
- absence of conflict of interest

The implementation by this(ese) entity(ies) entails strengthening the national capacities for residues monitoring in agri-food products (Output 1.3) and also the achievement of Specific Objective (Outcome 1) Improved investment climate, trade opportunities, employability and conducive business environment for SMEs.

The implementation entails provision of capacity building, training and coaching activities to local public authorities and entrepreneurs, communication and sensitisation activities, accreditation of laboratory methods and procurement of supplies.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.3.2.

4.3.3.3 A part of this action may be implemented in indirect management with an entity(ies), which will be selected by the Commission’s services using the following criteria:

- operational capacity, especially in terms of outreach and interacting with local stakeholders
- value added in terms of thematic expertise on circular economy, climate change adaptation and mitigation and low-carbon eco-innovation

The implementation by this(ese) entity(ies) entails improving the necessary enabling socio-economic framework for a Green transition with the view of a Green Deal for Moldova (Output 2.1) and the deployment of pilot green projects on energy and eco-innovation with the view of attracting private investments(Output 2.2). It will also contribute to the achievement of Specific Objective (Outcome 2) Increased awareness and capacity of the stakeholders to implement a Transformative Green Agenda also delivering key green, energy and resource efficient and eco-innovative projects as well as improved monitoring system for air quality and the environment.

4.3.4. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances (one alternative second option)

The preferred implementation modality under section 4.3.3.1 and 4.3.3.2 is indirect management with international organisations. In the event that no agreement can be reached with the related international organisation, direct management (procurement) will be used as per section 4.3.2

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5. Indicative Budget

Indicative budget components	EU contribution (amount in EUR)
Output 1.1 – Support for SMEs , composed of	
Grants (direct management) - section 4.3.1.1	N/A
Output 1.2 - Trade facilitation , composed of	
Procurement – section 4.3.2	N/A
Indirect management with UNCTAD - section 4.3.3.1	1 200 000
Output 1.3 - National capacities for residues monitoring in agri-food products , composed of	
Indirect management with an international organisation - section 4.3.3.2	1 500 000
Output 2.1 - Socio-economic framework for a green transition , composed of	
Indirect management with an entrusted entity – section 4.3.3.4	3 000 000
Output 2.2 - Deployment of pilot green projects on energy and eco-innovation , composed of	
Indirect management with an entrusted entity – section 4.3.3.4	7 000 000
Output 2.3 – Air quality and environment , composed of	
Grants (direct management) – cf. section 4.3.1.2	N/A
Total grants – section 4.3.1	12 000 000
Total procurement – section 4.3.2	200 000
Evaluation – section 5.2	100 000
Audit – section 5.3	

Communication and visibility – section 6	N/A
Totals	25 000 000

4.6. Organisational Set-up and Responsibilities

The Delegation of the European Union to the Republic of Moldova, represented by the relevant programme officers from the Delegation’s Cooperation section, will be responsible for supervising the implementation of the projects.

The implementing entities will be responsible for the day-to-day management of the projects and mobilisation of all needed resources. The implementing entities will assist the project beneficiaries in establishing the Project Steering Committees to guide the project implementation. The Project Steering Committees will oversee and validate the overall direction and policy of the project (or other responsibilities to be specified). The implementing entity will report regularly to the Project Steering Committee, which will review the project progress and give guidance on key issues. The Project Steering Committees shall meet on a regular basis, indicatively once or twice a year. Ad-hoc meetings can be convened in case of need. The Project Steering Committee shall be made up of representatives of key stakeholders. As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the EU Delegation may participate in the above governance structures set up for governing the implementation of the action.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

5. PERFORMANCE MEASUREMENT

5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, sex-disaggregated as relevant, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

- **Baselines setting:** Baselines, targets and sources of data have been defined in the logframe. These will be reconfirmed or amended if necessary at the time of the contracting. If needed, additional studies will be commissioned.
- **Data collection and reporting:** Data collection and reporting will be under the responsibility of the implementing partners.
- **Monitoring & Evaluation (M&E) Capacities:** M&E capacities of the partner country are strengthened through a dedicated intervention. While this action doesn’t foresee specific support on M&E, it will certainly require active involvement of the country M&E system.
- **Active and meaningful participation of stakeholders:** This action has been designed based on consultations with a large group of stakeholders, including the Government, the business sector and the civil society. It is in line with many of the priorities identified as a result of the consultation and with Government strategies and programmes. Its successful implementation will be meaningful contribution to

a resilient, sustainable and inclusive economic development of the Republic of Moldova. It will also pave the way to a fully-fledged green transition. It is thus expected that a large number of stakeholders will benefit from it and will be actively supporting it. Due care will be taken to raise awareness about the action and its benefits to ensure active stakeholders' participation.

5.2. Evaluation

Having regard to the importance of the action, a mid-term and final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to the level of achievement of the outcomes.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that follow up actions may be launched under some of the priorities.

The Commission shall inform the implementing partner at least 30 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (as updated by the communication and visibility requirements in force under the current programming period 2021 - 2027), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the action. For the purpose of enhancing the visibility of the EU and its contribution to this action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard

the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the action and its objectives as well as on EU funding of the action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts. Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall action to the relevant monitoring committees.