



This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2019 in favour of Republic of Moldova

Action Document for "EU4MOLDOVA: Clean Water for Cahul (UE pentru Moldova: Apă Curată pentru Cahul)"

1. Title/basic act/ CRIS number	EU4MOLDOVA: Clean Water for Cahul (UE pentru Moldova: Apă Curată pentru Cahul) CRIS number: ENI/2019/042-233 financed under the European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Cahul, Republic of Moldova. The action shall be carried out at the following location: the Region of Cahul in the South of the Republic of Moldova.	
3. Programming document	Single Support Framework for EU support to the Republic of Moldova (2017-2020)	
4. Sustainable Development Goals (SDGs)	The 2030 Sustainable Development Goal SDGs 6 (Clean Water and Sanitation), Goal 3 (Good health and wellbeing), 11 (Sustainable Cities and Communities) and 13 (Climate Action)	
5. Sector of intervention/ thematic area	Sector 3 "Connectivity, Energy Efficiency, Environment and Climate Change" from the relevant programming document based on the EU – Moldova Association Agreement signed in June 2014.	DEV. Assistance: YES
6. Amounts concerned	Total estimated cost: EUR 14 000 000 Total amount of European Union (EU) contribution EUR 14 000 000	
7. Aid modality(ies) and implementation modality(ies)	Project Modality: Indirect management with Kreditanstalt fuer Wiederaufbau (KfW)	
8 a) DAC code(s)	Main DAC code – 14020 Water Supply and Sanitation – Sub-code 1-	

	4030 Urban development and management; Sub-code 2 - 43040 Rural development; Sub-code 3 -15170 Women's equality organisations and institutions.			
b) Main Delivery Channel	42000- European Commission ¹			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	X	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Gender equality and Women's and Girl's Empowerment	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
10. Global Public Goods and Challenges (GPGC) thematic flagships	Environment and climate change			

SUMMARY

This action is extending Water Supply and Sanitation Services in the region of Cahul, in the South of the Republic of Moldova. It will contribute to infrastructure of vital importance for local communities and bring direct, tangible results to the citizens of the region of Cahul, which is a focal region for EU support to Moldova.

This action will support the implementation of the EU-Moldova Association Agreement through promotion of regional development and contribution to preservation, protection, improvement of the quality of the environment in the areas of water. The proposed action will build on the implementation of national priorities identified in the relevant national strategies and their corresponding action plans.

1 CONTEXT ANALYSIS

The Republic of Moldova (further on referred to as Moldova) is a lower middle income country. Despite strong investments, gross domestic product (GDP) growth slowed to 4.0% in real terms in 2018, moderating from the 4.7% expansion in 2017. A period of sustained economic growth and reforms to the social protection system helped to reduce poverty levels.

¹ <http://www.oecd.org/dac/stats/annex2.htm>.

Nevertheless, Moldova remains the poorest country in Europe with a GDP per capita of USD 3,187 in 2018, compared with USD 2,693 in 2017². In 2017, the National Bureau of Statistics estimated that 42.7% of the population were urban dwellers and 57.3% lived in the rural areas. Moldova ranked 118th out of 188 countries on the Human Development Index (HDI-0.7). Absolute and relative poverty is particularly acute amongst the rural population, the elderly living alone and larger (5+) households in the urban areas. Moldova scored 1.005 on the Gender Development Index, and while there is little appreciable difference between men and women on the majority of indicators, there is a substantial difference in share of gross national income. Corruption in the public and the private sectors still remains a major obstacle to sustainable economic, political and social development of the country.

The rayon Cahul is situated in the South of Moldova. It has about 120,000 inhabitants. The economy of the rayon Cahul is in recession since 2011, since then there has been a 9% decline of commercial activities per year. Based on historical data, a population reduction of 0.5% per year is observed. The population especially migrates to Southern Europe (Italy, Portugal, Spain, etc.). Accordingly, the social structure of the population has undergone significant changes over the last years: there is a significant decrease in the number of actively employed persons, and a significant increase in the number of pensioners. Cahul town is the rayon capital. With a population of ca. 36,000, it is the biggest city in the southern part of Moldova and the sixth biggest city in the entire country.

Against this background, the Social and Economic Development Strategy for rayon Cahul aims at the improvement of economic development. Water Supply and Sanitation (WSS) development is considered as priorities within the framework of this Strategy. It indeed has a key role to play in the increase of living standards and limitation of health risks for the local population and to stimulate economic development for the region.

In the region of Cahul, the existing water and wastewater network is in poor condition and the level of non-revenue water is very high, water related diseases occur 30 times more often in this region than in EU average. In the region, 75,000 people do have access to water sanitation services whereas 42,000 people have no access to improved water supply. When it comes to sewerage services, only 20,000 inhabitants have access to these services whereas 97,000 need sewer services.

The objectives are to increase the number of people benefiting from quality water and sewerage services and to improve quality of everyday life, in particular for the households newly connected to the supply water and wastewater networks.

1.1 Context description

The water and sanitation infrastructure of the cities and villages of Moldova dates from the Soviet era and is insufficient in terms of quality and quantity. For decades, not only rehabilitation or extension investments, but also important maintenance works have been neglected. According to the Moldovan Ministry of Agriculture, Regional Development and Environment (MARDE), in 2014 only about 77% of households were connected to the municipal water systems (36% in rural areas) as only 50% of urban households were

² World Bank, Economic update for Moldova, <https://www.ceicdata.com/en/indicator/moldova/gdp-per-capita>

connected to sewage systems (almost non-existent in rural areas). In fact, Moldova is the only country in Europe which missed the Millennium Development Goal of halving the proportion of people without access to water supply and sanitation services (The United Nations Children's Fund (UNICEF) / World Health Organisation (WHO) 2015). This is a worrisome starting point to achieve the 2030 Sustainable Development Goal (SDG) 6 of universal access to safely managed water and sanitation services.

This situation results in inadequate living standards and increased health risks for the Moldovan population as well as insufficient economic development and, amongst others, contributes to emigration. Emigration figures are constantly high, with especially working and well-trained people emigrating, while leaving elder people and children behind.

Until now, its main national strategy document has been the Strategy on Water Supply and Sanitation (WSS) for 2014 – 2018, with the general objective to ensure gradual access to safe water and adequate sanitation for the whole population of Moldova, thus contributing to improved health, dignity and quality of life and economic development of the country. This Water Supply and Sanitation Strategy³ places public water supply and sanitation services in the sphere of general economic interest as defined in the EU Green Charter and seeks to align these services to the European concept. The National Decentralisation Strategy 2012 - 2018 aims at transferring competences and financial resources from the central authorities to local authorities, among others in the WSS. The reform was intended to result in better quality public services delivered by upgraded, efficient, and sustainable structures; however, its implementation shows heavy delays.

1.2 Policy Framework (Global, EU)

In June 2014, EU and Moldova signed the Association Agreement which provides the framework for the political and economic cooperation between Moldova and the EU. One of the main objectives of Moldova is the alignment with EU policies, programmes and values.

The Water Law of 2011 and related bylaws introduced the basin principle of water management and related bylaws, effective since 2013. Basin committees have been created in the Danube-Prut and Black Sea District (that covers Cahul region) and for the Dniester District. In 2018, an EU-compliant River Basin Management Plan was officially approved for the Danube-Prut and Black Sea District. The plan was developed with EU support as part of the EU Water Initiative Plus. Almost a decade earlier, an agreement on co-operation on protection and sustainable use of waters of Prut and Danube rivers was signed with Romania.

Under the Protocol on Water and Health to the UNECE (United Nations Economic Commission for Europe) Water Convention, the latest revised national targets were officially adopted in 2016 with a detailed action plan for their implementation and with estimates of financial resources needed and established responsibilities and timeline (2016-25).

Moldova has registered some achievements in economic development and poverty reduction in the previous years. However, despite international support and governmental efforts, the municipal services and their administration still suffer from poor effectiveness and efficiency, which is reflected in the poor quality of municipal infrastructure.

³ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=352311>

1.3 Public policy analysis of the partner country/region

The entrance into force in 2014 of the new law on public water supply and sanitation services triggered positive changes and new challenges in the water supply and sanitation (WSS) sector. It concerns the new role of the central regulator (ANRE) in tariff approval, and the introduction of mandatory licensing requirements for WSS operators. Also, a uniform methodology to set WSS tariffs was introduced.

Furthermore, the Government of Moldova initiated a process to reform the national program for the Water Supply and Sanitation Sector. Until now, its main national strategy document has been the Strategy on Water Supply and Sanitation for 2014 – 2018, with the general objective to ensure gradual access to safe water and adequate sanitation (SDG 6) for all Moldovan localities and population, thus contributing to improving health, dignity and quality of life and economic development of the country. The overall policies in Moldova related to the WSS are:

- Local public authorities should have exclusive competences to establish, organise, coordinate and control public services, as decentralisation of the services and increasing the responsibility of local authorities will improve service quality. This is in line with the EU-Moldova Association Agreement wherein the Government of Moldova commits itself to the establishment of efficient and effective public institutions according to the subsidiarity principle;
- Improvement of the operational and financial performance of WSS service providers is required to enhance safety and quality of services;
- Extension/ regionalisation of WSS systems and the provision of access to WSS services will improve living conditions of the population. Centralised/ regionalised water supply systems and connections of nearby localities should be developed.

Vulnerability of Moldova and its WSS to droughts is very high therefore the climate adaptation aspects need to be carefully considered while developing the respective infrastructure. Climate modelling and projections suggest that climate change impacts will only increase the risks of water-related hazards (i.e. floods and droughts) in the country. The WSS infrastructure needs to become more resilient to such risks by better knowing them, assessing the acceptable level of risks, and identifying measures to manage them. With EU support, recommendations were worked out in 2013 on adapting the WSS in Moldova to climate change⁴.

1.4 Stakeholder analysis

The key target groups relevant to this Action are the citizens living in the region of Cahul and the employees of the public utilities in charge of WSS services.

The current local **water utility 'Apa-Canal Cahul'** is a financial autonomous municipal enterprise, founded and fully owned by the town council of Cahul. Today, the enterprise does not operate in an efficient way. It has a very high number of employees, 75% of them being above 50 years old and staff cost account for over 50% of the operation cost. Even with high collection efficiency the financial situation is severe as tariffs are far too low. The utility operates from an administrative centre situated at the outskirts of Cahul town, with very congested office and workshop space. These premises are considered not appropriate. 'Apa-

⁴ https://www.oecd.org/environment/outreach/Feasible%20adaptation%20strategy%20for%20WSS%20in%20Moldova_ENG%20web.pdf

Canal Cahul' is in the process of being reorganised as a Joint Stock Company (JSC), however the process is still at very early stage. The objective is to develop a regional utility that supplies the population of Cahul rayon, following a stepwise process. In line with the implementation of future rehabilitation projects the **municipalities interested by this action** (i.e. Cotihana, Crihana Veche, and possibly Pascani and Manta) could be offered shares of the new Water utility Cahul JSC.

Cahul municipality, the Implementing Consultant and Regional Development Agency (RDA) South will engage closely with MARDE and other public authorities at regional, central or local level; this will provide for an appropriate communication channel for a close coordination with relevant line departments at municipal, rayon and national levels.

Cahul Municipality will provide a platform for local stakeholders to voice their views and concerns. **Citizens and Civil society** active in the areas of intervention will be associated to the action, including through a separate action funded by the EU and implemented by GIZ (Action Document for 'Citizens' Empowerment in the Republic of Moldova' funded under the Annual Action Programme 2017 for Moldova). They will play an active role in monitoring the project implementation, supporting the analysis of tariff impact and in proposing ways to mitigate the impact on the most vulnerable households. They will also play a key role in communicating and promoting change behaviour in the use of these improved services.

ANRE is the National Energy Regulatory Agency of Moldova, responsible for setting the tariffs for the water supply and wastewater services. According to the law, ANRE is responsible for regulation of both tariffs and service levels, which are to be set at cost recovery level and also include both development and profit components.

The **relevant Ministries, the Regional Development Agency South** and the EU, MARDE, the respective rayon authorities and municipalities, villages, civil society organisations, Gesellschaft für Internationale Zusammenarbeit (GIZ) and KfW will also be engaged in the implementation of the action. Such associations would be a forum where strategic orientations and cooperation agreements would be discussed and agreed among participating Local Public Authorities (LPAs). The investments supported will indeed be correlated to the policy reforms in the WSS Sector and will be used as promoters of new standards within the sector.

1.5 Problem analysis/priority areas for support

Improvement of WSS in the region of Cahul

The water and sanitation infrastructures of the cities and villages of Moldova date from the Soviet era and are insufficient in terms of quality and quantity. For decades, not only rehabilitation or extension investments, but also important maintenance works have been neglected. According to Moldovan Ministry of Environment, in 2014 only about 77% of households were connected to the municipal water systems (36% in rural areas) as only 50% of urban households were connected to sewage systems (almost non-existent in rural areas). Moldova is the only country in Europe which missed the Millennium Development Goal of halving the proportion of people without access to water supply and sanitation services (UNICEF / WHO 2015).

This situation results in inadequate living standards and increased health risks for the Moldovan population as well as insufficient economic development and contributes amongst others to emigration.

Tariff

The Action will contribute to improved living conditions of the target population through the reduction of health risks by increasing the availability of safe water supply and sanitation services. However, in order to achieve long term sustainability tariff increases are required. In this context particular caution will be given to the sensitive increase of tariffs. Hence, the increase of tariffs to achieve full cost coverage will not be possible, as it would be socially unaffordable. The aim of the envisaged tariff increases is to achieve coverage of operation and maintenance costs. With the currently envisaged increase for 2021, tariffs will stay socially affordable as being below the threshold of 3% of average household income. In the meantime, the water services will have to be subsidised by Cahul Municipality, who committed to this in project preparation negotiations.

In order to facilitate acceptance by the population, the action will be supported by awareness campaigns funded under parallel projects funded by the German Ministry of international development (BMZ). Cahul Municipality and RDA South will facilitate the implementation of awareness raising campaigns on the issue of water tariffs. Increased tariffs for the water and sanitation services will request a strategic approach to information sharing and acceptance building for higher tariffs at the level of the end user and ACC customers. Cahul Municipality will provide a platform for local stakeholders to voice their views and concerns. Addressing these shall be a priority for the municipality and ACC and information campaigns need to be tailored in such a way, that customers understand that increased water and sanitation quality comes with increased costs. In order to foster a transparent dialogue on water tariffs with the citizens, the municipality of Cahul will build an open communication with the town council of Cahul, which is a representative body of the target group, and shall engage with local civil society organisations to conduct information campaigns.

A key issue in WSS infrastructure is the introduction of sustainable and cost-recovery tariff for service provision. Especially in rural areas, an actual cost recovery tariff might prove to be unrealistic for the majority of population when a full WSS system is to be built (piped water supply, wastewater services). Typically the result is that the population will, amongst others, lower its water consumption. Lower water consumption in turn increases the unit costs of service provision and leads to technological problems, especially for centralised wastewater systems and blockages might occur in the sewage network, while the WWTP will not be fully operational due to unused capacity.

Therefore, in the proposed action, the focus is on adopting a gradual approach in increasing tariffs and most importantly on minimising operational costs while maintaining treatment standards. In fact, operational savings can be achieved through the reduction in non-revenue water, both technical and administrative. Technical water losses can be reduced through leakage detection and repair, whilst administrative losses can be reduced through physical inspection of water meters and collecting on customer bills.

Additionally the action will profit from the initiatives under the ongoing EU funded project "Citizens' Empowerment in the Republic of Moldova" implemented by GIZ. This project, among others, will help citizens in understanding the importance of proper tariff levels, especially in conjunction with EU investments, also in the area of water supply and sanitation.

Against this background, infrastructure and network rehabilitation and extension in rayon Cahul, as well as support to the local water utility are of utmost importance.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Investments not implemented in line with the original designs, shortcomings in the public procurement system and corruption risks	M	<p>Continuous policy dialogue at sectorial and political level as well as strengthened anti-corruption efforts preventing the prevalence of vested interests in policy making.</p> <p>Technical expertise will be mobilised to support the implementation of the projects to make sure that terms of reference reflect the original design. Such support will also be available for the public procurement and the implementation of the works.</p> <p>Civil Society will have the capacity to monitor the implementation of the projects through the action "Citizens' Empowerment in the Republic of Moldova" AAP2017.</p>
ANRE is not approving on time the necessary tariffs for the sector	H	Continuous policy dialogue with the authorities and parallel technical support provided by donors to ANRE.
Geo-political tensions, macro-economic shocks and/or internal political conflicts divert the Government's focus and resources away from its reform agenda and restrict the pace and direction of the public finance management reforms	M	<p>Continuous policy dialogue with the Government on macroeconomic and public finance policy issues and improved performance monitoring of the implementation of the Public Finance Management (PFM) reforms.</p> <p>The implementation by an EU Member State agency, which will be responsible for the sound financial management of the project, should mitigate this risk.</p>
Contextual and structural weaknesses/fragilities of the Civil Society Organisations (CSO) sector undermines their capacity to develop its role	M	Technical support/assistance to remediate project management challenges as well as to develop their functions.
Financial situation of Cahul town is weak.	H	Important Policy Dialog with Authorities on sustainable development of the Water sector and involvement of the regulator

		ANRE in the dialog. Projects will be designed in a way so that the managing utilities become financially sustainable and do not depend on financing from LPAs. External expertise by RDA South and an international Consultant will be recruited to support the new utilities to become more efficient and cost-effective.
Affordability constraints within local populations to pay for the services provided	M	Measures included in this action and in an action funded by the EU to support Civil Society will help citizens in understanding the importance of proper tariff levels, especially in conjunction with EU investments, also in the area of water supply and sanitation, and will also help develop tools to mitigate the tariff impact on the most vulnerable households.
Weak institutional set-ups limiting the capacity to implement the investment projects on time	M	External expertise to be provided for the Project Executing Agencies.

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

The lessons learnt from the evaluation and final reports of former infrastructure projects implemented through donor-funding in Moldova are the following:

- Infrastructure development requires associated technical assistance to build capacity and ensure sustainability.
- Tariff adjustments to cost-recovery level are necessary in order to make sure that the investments will be sustainable with due attention to affordability and social protection measures.
- Mitigating measures need to be considered for the most vulnerable parts of the population.
- Civil Society needs to be involved in the monitoring of investments and must play a key role in communicating and promoting change behaviour in the use of improved services.
- Implementing agencies (PEA and RDA) have to play a key role in policy dialogue in the respective sectors of intervention.
- Monitoring the public procurement process is essential to limit possibilities for corruption in public works.
- Steering Committee Meetings involving all relevant actors have to be organised on a regular basis for each project.
- Each new action should use to the best the capacities which are/were built in the framework of parallel actions in the sector.
- Finally, a general lesson learned is that low enforcement record of laws is often due to the poor law-making processes. Therefore, assistance will ensure consistency with national procedures related to fiscal/ regulatory impact assessments, public consultations, inter-ministerial coordination; fast-track adoption shall be avoided.

3.2 Complementarity, synergy and donor co-ordination

There is a number of very relevant EU related and donor supported interventions focused on WSS in Moldova, which the current Action is linked to. Complementarity with other actions will be ensured when preparing the individual relevant projects in the context of the current Action.

The Action will be synergistic with the upcoming initiative on "Inclusive economic empowerment of focal regions of the Republic of Moldova". The objective of the latter is to strengthen the economic, territorial and social cohesion and to improve the standards of living of the citizens in the pilot focal regions of Ungheni and Cahul in Moldova. The first two focal regions are defined as sub-divisions of the Development Regions identified in the Law on Regional Development in the Republic of Moldova.

This programme aims at addressing the urban-rural divide and regional disparities, stimulate economic growth and job creation, refurbish and upgrade some social and technical infrastructure in selected focal regions (smaller towns and villages) while taking into account a gender perspective in the activities of the programme. The intention is to improve the political, economic and social conditions, which will enhance women's and men's ability to gain better living conditions and employment in the selected focal regions. In addition, such measures may also help reducing internal and external migration, establishing transparency, accessibility and responsiveness in the local governance system as well as building partnerships between local governments, civil society and community action groups. This will help to restore trust, promote hope amongst the local communities and empower local citizens. Refurbishing and upgrading the technical and social infrastructure will support the regions efforts to attract the foreign and local investment necessary for the creation of sustainable employment. Support will also be provided to stimulate economic activities and investments, strengthen business support services and job creation.

The Action will establish synergy with other projects in the Water sector among which the Chisinau Water Development programme also supported by the EU, the EBRD and the EIB. Synergy will be also established with the Modernisation of Local Public Services (MLPS) project implemented by GIZ and supported by the EU, the Government of Germany, the Swiss federal Department of Foreign Affairs, the Government of Sweden and the and the Government of Romania.

Synergy will also be established with the EU supported actions implemented by GIZ and by ADA (both through AAP 2016) for strengthening social and technical infrastructures in rural areas respectively in Cahul and Cantemir South Region of Moldova. This action will focus among others on the connection of other communities in the rayon.

Direct coordination will be established with two other actions currently implemented by KFW (for a total of 22 M Euros) and to be funded by the German Government (BMZ). One of them will cover priority measures for rehabilitation of the water supply system (raw water intake, transmission main, reduction of non-revenue water, water treatment plant improvements) as well as of the wastewater treatment plant in Cahul town. The second one will cover a wide extension of the sewerage network of Cahul town in order to provide sewerage services to areas already covered by water supply services. Finally, an implementation consultancy will be funded by BMZ to support the implementation of all the WSS programs in the region of Cahul including the component supported by this action, it will also focus on providing capacity building to the local water utility company and transferring best practice in operation and maintenance.

Synergies and donor coordination should be ensured by the coordinating structures in place (State Chancellery) and the EU Delegation is active in all donor groups and supports the development of aid coordination as a whole.

The actions here described are also to be seen in conjunction and synergy with the ongoing Action in support of Citizens' empowerment in Moldova "*Citizens' Empowerment in the Republic of Moldova*". This action is focused on fostering the participation of citizens and CSOs in local and regional governance in order to improve the use of EU investments also related to water and sanitation.

This action will also be implemented in coordination and complementarity with the part of the action "*Support for the implementation of the EU-Moldova Association Agreement*" (AAP 2018) on Strengthened gender capacity, which shall promote gender mainstreaming in the focal region of Cahul.

Policy dialogue will take full account of the outcomes and on-going work under the EU Water Initiative Plus. This action helps the Eastern Partner to improve their regulatory framework and technical capacities, including as concerns water supply and sanitation.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The **overall objective** of the action is to contribute to improved living conditions of the population households in the region of Cahul through a broader access to quality water supply and to sanitation and therefore the minimisation of health risks, and also targeting the local public administration authorities (Municipality of Cahul, Rayon Cahul), Apa Canal Cahul, RDA South, civil society organisations to improved environmental protection and smarter use of natural resources.

The specific objectives are:

- a) To improve the water supply and sanitation situation of the population in Cahul town and its neighbouring villages (Cotihana and Crihana Veche);
- b) To reduce the water pollution and preserve the groundwater in the South of Moldova, in line with the River Basin Management Plan for the Danube-Prut and Black Sea District.

The expected outputs are:

- Increased water, supply and households' connection as well as improved sanitation situation for the population in Cahul town and its neighbouring villages of Cotihana and Crihana Veche. The preparatory activities to be carried out in Crihana Veche will prepare the ground for Pascani and Manta for future sewerage connections. Around 14.000 people will benefit directly from improved access to water and sanitation services;
- Reduction of the risk of waterborne diseases such as intestinal infections, hepatitis A, Escherichia coli in Cahul town and the neighbouring villages;
- Non-revenue waters reduced;
- Preserved groundwater quality in the South of Moldova and thus smarter management of natural resources for better adaptation to climate change;
- Improved operation and maintenance of the water infrastructures in the region.

Main indicative activities:

- Cotihana water and sewerage network extension including house connections and connection to Cahul, taking account of climate change adaptation needs;
- Cahul town water and sewerage network extension including house connections and rehabilitation of pumping stations, taking account of climate change adaptation needs;
- Establishment of sewer systems, including sewerage network, house connections and waste water pumping stations for municipalities of Crihana Veche, taking account of climate change adaptation needs and with due attention to biodiversity conservation. These preparatory activities in Crihana Veche will prepare the ground for future sewerage connections in Pascani and Manta;
- Investments in operation and maintenance, non-revenue water reduction (leak detection equipment, repair equipment etc.);
- Activities aimed at identifying social protection schemes targeting vulnerable populations.

4.2 Intervention Logic

In order to contribute to the creation of synergies between WSS and regional development and in view of improving the quality of life in the region of Cahul, this Action will intervene in the following four dimensions.

- The first dimension focuses its activities on the creation and/or development of infrastructures that will be supporting the implementation of the relevant strategies in the sector and which aim to become examples for future replication in other regions of the country. Important focus will be put on establishing or rehabilitating the responsible public utilities with a view to give them the capacity to manage the new services in a sustainable manner.
- The second dimension is related to the strong involvement of citizens and civil society which will be supported through a parallel action funded by the EU which will aim to have citizen and civil society monitoring the implementation of the action and promoting change behaviour among consumers of the new services.
- The third dimension is that actions will be fully correlated to policy reforms in the sector, including support for the development and introduction of a sustainable and a cost-recovery tariff for the service provision, and will be used as engines of change to promote the implementation of the relevant sectoral reforms included in the EU-MD Association agreement.
- The fourth dimension is that the action will pay particular attention to the affordability constraints of the most vulnerable parts of the population and will be active in developing mitigating measures. Activities will be planned between the EU, the implementing partners, citizens and relevant authorities in order to prepare measures targeting the most vulnerable populations. Additionally, to facilitate acceptance by the population of a likely increase of tariffs, the action will be supported by awareness campaigns funded under the parallel BMZ projects.

The promotion of gender equality will be a cross-cutting dimension and will be supported in complementarity with other EU-funded actions (“Citizens empowerment”/AAP 2017 and “Strengthened gender capacity”/AAP 18).

4.3 Mainstreaming

The present action will help adapting to climate change by reducing groundwater pollution and providing centralised drinking water service, which is more reliable during extended drought periods.

All necessary environmental and social impact assessments will be realised in the framework of the preparation of the project to be supported through this action.

According to previous surveys on time use of women and men in Moldova, women allocate much more time than men to the household activities perceived as “female” (e.g. cooking, cleaning up the house, laundry, physical care of children, etc.) and all these activities require water resources. Thus, there is a considerable gender disparity in these activities. So the new services (i.e. water supply and sanitation) to be provided by this action should facilitate the completion of these activities. At the same time, it will be essential to promote equal responsibilities of men and women including in particular in household activities and childcare. The promotion of gender equality will be supported by the EU-funded actions on “Citizens’ empowerment” (AAP 2017) and on Strengthened gender capacity (AAP 2018 – “Support for the implementation of the EU-Moldova Association Agreement”).

Civil Society will be strongly involved in the implementation of the current Action. Direct coordination will be established with the action "Citizens' Empowerment in the Republic of Moldova" AAP2017 which will provide Civil Society with the capacity to accompany and monitor the investments foreseen in this Action.

Coordination will be established with the media with a view to promote the results of the action. Particular coordination will be sought with the specific action Strategic communication and media support in AAP 2017. This specific action will ensure strategic and horizontal communication on all EU funded actions in Moldova and will ensure a relevant and coordinated visibility for the investments envisaged under this action.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of main SDG(s) Goal 6 (Clean Water and Sanitation), Goal 3 (Good health and wellbeing), 11 (Sustainable Cities and Communities) and 13 (Climate Action). SDG 6 supports availability and sustainable management of water and sanitation for all, and provides a foundation for achieving the other SDGs, in a pyramid where water contributes to all the different aspects of sustainable development.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

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

5.3 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 measures⁵.

5.3.1. Indirect management with a Member State Organisation - Kreditanstalt für Wiederaufbau (KfW)

This action may be implemented in indirect management with Kreditanstalt für Wiederaufbau (KfW). This entails entrusting KfW with the implementation of the action on Water Supply and Sanitation investment in the region of Cahul, as indicated in section 4.1.

The envisaged entity has been selected using the following criteria: the significant expertise in the sector of water supply and sanitation and operational capacity in implementing projects in this field in the region of Moldova. KfW has relevant experience in carrying out similar projects in Moldova.

The entrusted entity KfW would carry out the following budget-implementation tasks: review and no-objection to the procurements, disbursement management and payment to contractors.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same criteria.

5.4 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.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

⁵ 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.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (amount in EUR)
Objective/Result 1 composed of: – Indirect management with KfW on water supply and sanitation situation in the region of Cahul – cf. section 5.3.1.	13 900 000	N.A.
Evaluation (cf. section 5.8.) Audit (cf. section 5.9)	100 000	N.A.
Totals	14 000 000	N.A.

5.6 Organisational set-up and responsibilities

For the activities of the Action a multi-stakeholder approach will be followed in the context of the Project Steering Committee in order to ensure wider range of consensus. The purpose of the steering Committee is to guide Cahul Municipality and RDA South in the project implementation by providing advice and ensuring delivery of project outputs and outcomes. The Steering Committee shall indicatively meet at least twice a year or more frequently if needed.

The main counterparts of this action will be the Ministry of Agriculture, Regional Development and Environment, the State Chancellery, the Ministry of Finance, the National Energy Regulatory Agency (ANRE), the Municipality of Cahul, the Rayon of Cahul, the Regional Development Agency (RDA) South and the Moldovan Water Agency Apele Moldovei.

The Delegation of the European Union to Moldova will co-chair the Project Steering Committee with the Ministry of Agriculture, Regional Development and Environment and the relevant local authorities. Civil Society representatives will be invited to participate. Representatives from other complementary EU-funded projects such as the ones on Focal regions, Citizens empowerment and Gender capacity may be invited to foster synergies, including in particular on the issue of the promotion of gender equality.

5.7 Performance and Results monitoring and reporting

EU Delegation will execute regular monitoring tasks as per its monitoring plan, using standard procedures and tools.

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, using as

reference the Logframe matrix (for project modality) or the partner's strategy, policy or reform action plan list (for budget support).

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

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).

5.8 Evaluation

Having regard to the nature of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least two months in advance of the dates foreseen 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. 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.

5.9 Audit

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 audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The beneficiary, namely the relevant Moldovan institutions and authorities, shall report on its visibility and communication actions in the report submitted to the ENI monitoring committee and the sectoral monitoring committees. As part of the Financing Agreement, the Moldovan government, as well as KfW undertake to fully ensure the visibility of the EU contribution.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness of interventions financed by EU and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

In the framework of AAP 2017, a specific action has been adopted for Strategic communication and media support. The component related to strategic and horizontal communication on all EU funded actions in Moldova will ensure a relevant and coordinated visibility for the activities envisaged under this action.

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

Outreaching/awareness raising activities will play a crucial part in the implementation of the action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions⁶. Additional Visibility Guidelines developed by the Commission will be strictly adhered to.

⁶ <https://ec.europa.eu/europeaid/node/17974>

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, DG NEAR, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

The implementing organisation shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the relevant EU Delegation's communication strategy under the "EU4Country" umbrella initiative.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Sources of data	Assumptions
<i>Impact (Overall Objective)</i>	The overall objective of the action is to contribute to improved living conditions of the population households in the target villages through a broader access to quality water supply and to sanitation and therefore the minimisation of health risks, and also targeting the local public administration authorities (Municipality of Cahul, Rayon Cahul), Apa Canal Cahul, RDA South, civil society organisations to improved environmental protection and smarter use of natural resources	Number of water related diseases in Cahul area	Reports of Health Center SDG goal 3, City Plan SDG goal 11, Regional development strategy.	Political and economic stability in Moldova.
<i>Outcome(s) (Specific Objective(s))</i>	To improve the water supply and sanitation situation of the population in Cahul town and its neighbouring villages (Cotihana and Crihana Veche,)	Population and factories in the region of Cahul supplied with water and having access to sanitation services	Project-related statistics from Project Executive Agency (PEA), statistics from other donors and regulated authorities.	Population trend is in line with forecast. Tariffs are not prohibitive.

Outcome(s) (Specific Objective(s))	To reduce the water pollution and preserve the groundwater in the South of Moldova, in line with the River Basin Management Plan for the Danube-Prut and Black Sea District.	Pollution removed in the Waste Water Treatment Plant	Project-related statistics from PEA	Pollution per Population Equivalents load as estimated in Feasibility Study
Outputs	Rehabilitated and extended water and sewage network in Cahul town and its neighbouring villages. Improved operation and maintenance of the water infrastructures.	Km of distribution network and household connections supplied.	Project-related statistics from PEA.	Budget is not exceeded.