

**The Republic of Moldova  
Ministry of Economy and Infrastructure**

**SECOND COMPETITIVENESS ENHANCEMENT PROJECT  
ADDITIONAL FINANCING  
CEP-II AF Project**

# **Environmental and Social Management Framework (ESMF)<sup>1</sup>**

**Main text**

**Volume I**

**Chisinau, 2021**

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<sup>1</sup> This document is an update of the Environmental and Social Management Framework of the CEP-II Project.

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# Acronyms

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BP	Bank Procedures
CEP	Competitiveness Enhancement Project
CGF	Credit Guarantee Facility
DCFTA	Deep and Comprehensive Free Trade Agreement
EA	Environmental Assessment
EG	Environmental Guidelines
EIA	Environmental Impact Assessment
ELV	Emission Limit Values
ESA	Environmental and Social Assessment
ESF	Environmental and Social Framework
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standard(s)
EU	European Union
FI	Financial Intermediary
GBV	Gender Based Violence
GEF	Global Environmental Facility
GMO	Genetically Modified Organisms
GoM	Government of Moldova
GRM	Grievance Redress Mechanism
IDA	International Development Association
IEP	Inspection for Environmental Protection
IFC	International Finance Corporation
IPM	Integrated Pest Management
LoC	Line of Credit
LMP	Labor Management Procedures
MAC	Maximum Allowable Concentrations
MARDE	Ministry of Agriculture, Regional Development and Environment
MEI	Ministry of Economy and Infrastructure
MGF	Matching Grant Facility
MIA	Moldovan Investment Agency
NGO	Non-governmental Organization(s)
ODIMM	Organization for the Development of Small and Medium Enterprises
OP	Operational Policy
PFI	Participating Financial Institutions/Intermediaries
PIU	Project Implementation Unit
PMP	Pest Management Plan
RSF	Risk Sharing Facility
SEE	State Ecological Expertise
SEI	State Ecological Inspectorate
SEIA	Statement on the Environmental Impact Assessment
SER	Sectorial Environmental Review
SME	Small and Medium Enterprise
TA	Technical Assistance
WB	World Bank

# Executive Summary

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1. **Project objective.** The project's development objective is to increase the export competitiveness of Moldovan enterprises and decrease the regulatory burden they face.

The PDO would be achieved through a set of measures that aimed to: (i) improve the business environment through regulatory reforms that reduce the cost of doing business; (ii) help Small and Medium Sized Enterprises (SMEs) and exporters to get access to business development services; and (iii) improve access to medium and long term finance for export oriented enterprises.

2. **Original Project description.** The original Project has three main components:

**Component 1: Regulatory Reform** (USD 6.3 million) will have two subcomponents:

(a) *Reform governance and capacity building* to improve the timely delivery of reforms and quality of the business enabling environment. Within this subcomponent the activities that will be supported are: (i) Strengthening oversight of reform strategies implementation: The project will support the Ministry of Economy's (MoE) Division for Business Development in monitoring the implementation of and updating the Government's regulatory reform strategies; (ii) Increasing accountability of the impact of public authorities on the business community: The project will help MoE establish and implement a system that strengthens accountability and incentives for public authorities that regulate business activities (for instance, to reduce the burden of these activities in terms of cost, time, procedures, transparency, and predictability). It will include reporting and monitoring on performance indicators and the annual Cost of Doing Business survey; (iii) Ensuring that laws and regulations do not impose unjustified costs on businesses: The project will support and improve the existing mechanisms for: assessing the impact of proposed laws and regulations on the business community; reviewing and publicly discussing these through the RIA Secretariat and the Working Group, respectively; and reducing the regulatory burden placed on businesses in high-priority areas identified through the project activities; (iv) Strengthen awareness: The project will contribute to creating a more "business-friendly" culture by supporting events and communication campaigns that will help public officials better understand the importance of a transparent, predictable, and low-cost business-enabling environment; and

(b) *Reform implementation support*, to provide direct assistance for implementing priority reforms. Within this subcomponent the project will assist the Government in implementing regulatory reforms that could greatly benefit export competitiveness, in particular with regard to permissive documents, including licenses, permits and authorizations, and competition advocacy and implementation capacity building. Component 1 also includes *Results-Based Financing (RBF)* (USD 1.5 million) to be used for compliance with Disbursement Linked Indicators (DLI) reflecting the Government's own objectives, and that are deemed highly relevant to the success of regulatory reform.

**Component 2: Small and Medium Enterprise (SME) Development (USD 8.0 million).** It will have two subcomponents:

(a) *Strengthening the institutional capacity of ODIMM and MIA*, so that they may play a more effective role in facilitating market-based SME growth, helping these institutions to develop, and implement adequate governance, institutional and staffing structures, budgets, monitoring

and evaluation systems, management information systems and IT tools, and communications strategies; and

(b) *Providing matching grants to SMEs* to implement business improvement projects focused on export competitiveness. The facility will be USD3.0 million and is expected to benefit approximately 280 enterprises helping Moldovan SMEs get access to business development services (BDS). BDS providers will support SMEs to, inter alia: (i) improve existing products and services; (ii) create new products and services; (iii) improve production processes; (iv) improve business management; (v) improve business image; (vi) find new customers and markets; and, (vii) create and strengthen partnerships within the value chain.

(c) *Results-Based Financing*: Component 2 will also benefit from a USD 1.5 million RBF intervention to set and publicly report results, encourage accountability and improve performance.

**Component 3: Access to Finance (USD 29.8 million).** This component will have three sub-components:

(a) *Line of Credit (LoC) provided medium- to long-term financing for working capital and investment purposes*, expected to benefit approximately 100 enterprises. The LoC was implemented through eligible participating financial intermediaries (PFIs) to private sector and indirect exporters for working capital and investment projects, based on specific eligibility criteria supporting export-oriented enterprises in agriculture, agro-processing, manufacturing or other economic sectors;

(b) *Technical assistance on Risk Sharing Facility (RSF)* to revamp the existing credit guarantee scheme undertaken by ODIMM; and

(c) *Technical assistance to MoE and banks on developing value chain financing models.*

### ***Additional Financing***

**The PDO will remain unchanged under the AF**, as the PDO and the core activities are critical for economic recovery in Moldova post the COVID-19 crisis. The economic costs and continued vulnerability remain large, and the financing needs for economic recovery in Moldova are high. In its letter dated November 25, 2020, the Ministry of Finance of Moldova has requested additional financing under the Project to improve business environment, export competitiveness and access to finance as a post crisis short- and medium-term response to alleviate the negative impacts of COVID-19. The Government's coordinated economic policy and investment response for the post-COVID recovery strategy for a number of sectors of the national economy<sup>2</sup> focuses on linkages with international markets and has been the key recommendation.

**The proposed AF in the amount of US\$33-35 million would support:** (i) digitization of government to business services and reduction of compliance costs for enterprises in the country; and (ii) SME development and export competitiveness through export linkages and export promotion to re-launch exports and help local firms integrate in export value chains and enhancement of export operations; (iii) access to longer-term finance to help local SMEs. These three activities will be designed to directly respond to the challenges faced by SMEs during the pandemic and its aftermath and will contribute significantly to the scale and speed of economic recovery for firms, workers and the households that depend on this income.

**Digitization and export linkages/competitiveness are important for COVID-19 recovery for enterprises in a landlocked country like Moldova.** There is a direct impact of growth

<sup>2</sup> COVID Matrix. Economic Council under the Prime Minister of Moldova, 2020

slowdown in EU and Russia and a decline in demand for FDI-firms' goods in Moldova, in particular car supply chain firms from Germany, Italy, Romania, and Austria, as well as for agricultural exports – both of which are key for the Moldovan land-locked economy. Disruption of the supply chain for manufacturing, textile, agriculture, and supply of pharmaceuticals is also evidenced. The export to EU is over 68% of total (goods exports to GDP ratio is low, 17% of GDP). FDIs in Free Economic Zones in Moldova accounted for half of all FDI inflows pre-crisis and net FDIs accounted for 4.6% of GDP in 2019. Trade and export value chains have been severely affected. 2020 estimates are 14.5% drop in exports, which for small land-locked economy is significant. Reducing compliance costs and scaling up digitization of government services will enable smoother trade flows, and in general, minimizing trade barriers, reducing costs and logistical disruptions are the best response to ensure that food supplies can flow to all markets<sup>3</sup>. More broadly, countries that sustain positive investment climate during the crisis are more likely to enjoy access to (public and private) foreign capital flows that will support stronger recovery<sup>4</sup>.

Finally, for a small landlocked country, enabling export linkages and increasing export competitiveness is critical to spur growth in post COVID-19 recovery. It is likely that some importing countries will require additional COVID-related processing, packaging and transportation requirements before Moldovan goods can be accepted in the future. This would increase costs to the firms so a more supportive set of business and investment climate tools and policies would be especially important to enable a smooth re-entry into those markets.

**The proposed AF will also support the financing needs of private SMEs, during and post the COVID-19 crisis.** Firms, especially SMEs, are confronted by plunging incomes and disruptions in supply chains. This translates into a liquidity crunch, which raises demand for additional financing, particularly working capital loans. The Enterprise survey follow-up surveys conducted in November 2020 found that 87.8% of Moldovan firms experienced decreased liquidity or cash flow availability while 34.5% had been overdue on obligations to financial institutions for reasons directly related to the pandemic and trade disruptions. At the same time, banks are likely to tighten lending standards or refrain from extending new loans to riskier market segments such as private SMEs (particularly young firms) thus amplifying procyclical negative behavior. Access to credit and working capital for viable enterprises who have become cash-strapped due to exogenous pandemic-related causes is critical to preserve the private enterprise sector, avoid a wave of defaults, and provide the needed financing support during the recovery phase. As evidenced by studies on the impact of crises on SMEs, facilitating capital is of particular importance as SMEs often experience a depletion of working capital and lack of available financing, which contributes to increased insolvencies. Furthermore, reduced use of long-term finance can result in a decline of profitable fixed investment and lower productivity growth<sup>5</sup>.

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<sup>3</sup> World BankG COVID19 Crises Response Approach paper June 2020.

<sup>4</sup> World BankG COVID19 Crises Response Approach paper June 2020.

<sup>5</sup> OECD. "The Impact of the Global Crisis on SME and Entrepreneurship Financing and Policy Responses." 2009.

## ***Project Components and Costs***

**The AF components will remain unchanged** from the Project (Component 1 – Regulatory reform and cutting red tape, including DLIs; Component 2 – SME development, including DLIs, and Component 3 – Access to finance). Some of the activities under each component will be adjusted to reflect COVID-19 reality, as well as progress in implementation so far, but in general Components and key topic/focus areas remain unchanged.

3. **Location.** The matching grants and sub-projects<sup>6</sup> to be supported under the project will be identified and screened during the implementation stage, and will be implemented countrywide based on demand for proposed activities.

4. **Project category.** In accordance with the Bank's safeguard policies and procedures, including OP/BP/GP 4.01 *Environmental Assessment*, the project relates to the Bank's *FI Category* which is applied to all proposed projects that involve investment of Bank funds through a participating financial intermediary (FI) to be used for sub-projects with environmental impacts which cannot be determined during appraisal of the World Bank project. For a FI operation, the Bank requires that FI screens each proposed sub-project to ensure that sub-project beneficiaries carry out appropriate Environmental and Social Assessment (ESA). Before approving a sub-project, the FI verifies (through its own staff, outside experts, or existing public institutions and agencies) that the sub-project meets the environmental requirements set by current national legislation and is consistent with the Bank's OP/BP/GP 4.01. For such projects it is necessary to prepare an *Environmental and Social Management Framework (ESMF)* which would specify all rules and procedures for the sub-project's ESA.

5. **Potential environmental and social impacts.** The grants and sub-projects to be supported under the project might cause some environmental and social impacts that can be summarized as follows:

(a) agricultural production: soil erosion, loss of soil productive capacity, soil compaction and soil pollution, surface and underground water pollution, health and environmental risks associated with use of agro-chemicals, loss of biodiversity;

(b) agro-processing: contribution to surface water pollution, wastes generation, odor;

(c) manufacturing: air pollution, waste waters, hazardous wastes and solid waste generation, labor safety;

(d) construction: soil and air pollution; acoustic, aesthetics impacts, etc. Overall, all these impacts will be site-specific and mostly temporary, and can be easily mitigated through good project design and implementation practices;

(e) inclusion - the benefits of projects could be reached only for few SMEs who are well connected (elite capture) to market and services but it would be necessary to have all private SMEs, especially in rural regions have knowledge and ability to obtain the project support – this risks will be mitigated through information sharing and awareness creation;

(f) non-discrimination - SMEs should not be discriminated against any social or other characteristics. For example, SMEs headed by women, SMEs serving people with disabilities etc. should have equal access to benefits. Social- social screening checklist will be used to ensure such discriminations are avoided;

(g) labor - SMEs that use labor for production and services should have labor protection measures, measures to avoid gender based violence, sexual harassment and not use child or force labor in the production process. prior to provide project benefits, social screening will be done to exclude such impacts/risks. Pursuant to WB requirements, a Labor Management Procedure has been developed as a separate document. The procedure aims to ensure fair treatment of workers and provision of safe and healthy working conditions.

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<sup>6</sup> Sub-projects refer to projects that will be financed through funds under the credit guarantee facility

**6. Environmental and social screening.** All grants and sub-projects to be supported under the CEP II AF project will be subject to environmental and social screening as per criteria laid down in the CEP II AF ESMF. In cases where grants and sub-projects cause significant impact that may require a full Environmental and Social Impact Assessment (ESIA) (Category A projects), such sub-projects will not be financed under the project. Also, the sub-projects located in protected areas, critical habitats or areas that are cultural or social significance, along with sub-projects which might have impact on international waterways, will be excluded from the project financing. Most of the sub-projects will fall under Category B projects, which will require a simple Environmental and Social Assessment and/or preparation of a simple Environmental and Social Management Plan. It is also expected that many grants and sub-projects will have insignificant environmental impact and will fall under Category C projects which will require only environmental and social due diligence procedure.

**7. Potential social impact.** The project will generate a great number of both direct and indirect positive impacts. Direct positive impacts will be generated by increased production, products and goods, resulting in the creation of new jobs increased income. Indirect positive impacts will relate to overall improvement of business environment, increased exports and secured enterprise domestic market position, introduction of advanced technologies and techniques, creating new opportunities for access to foreign markets, enhancement competitiveness of domestic production and products, contribution to poverty reduction and food safety, and improvement of country's socio-economic conditions. However, some possible negative impacts are anticipated. Beneficiary companies will have temporary access to project resources and thus may have difficulty managing export activities, maintaining jobs, etc. in perspective. Also, grants offered to support target local businesses and promote exports can determine unfair market conditions between beneficiary and non-beneficiary SMEs.

**8. Triggered WB OPs.** As the project activities might generate some environmental and social impacts it triggers the WB OP 4.01. The project could potentially trigger OP 4.09 on *Pest Management* as supporting agricultural activities may require more use of agro-chemicals. At the same time, as all proposed activities are to be implemented within existing agricultural land and settlement boundaries, the project will not have impact on wildlife and natural habitats, and thus OP/BP 4.04 *Natural habitats* are not triggered. No impact is expected on physical cultural resources, and therefore OP/BP 4.11 *Physical Cultural Resources* is not triggered. The Environmental and Social Management Framework (ESMF) prepared by the Borrower was updated to specify that private businesses will be eligible to become project beneficiaries under the condition that they have not acquired and/or would not acquire land for the needs of activities to be supported with the project proceeds through a process which involved and/or would involve land expropriation. Additionally, project funds will not support any sub-loans used to invest in a business requiring the involuntary resettlement, physical or economic displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and others. The CGF operations manual will define a screening procedure to be followed by PFIs, and the implementing agency will closely monitor the screening procedure, with the support of the Bank task team. With these restrictions in place, the project does not trigger OP/BP 4.12 *Involuntary Resettlement*.

**9. Environmental and Social Management Framework (ESMF).** In order to address safeguard issues, the borrower updated the Environmental and Social Management Framework (ESMF) prepared for the CEP I project. The ESMF outlines the environmental assessment procedure, including criteria and responsibilities for environmental screening, assessment, designing Environmental and Social Management Plans (ESMPs), ESMPs implementation and monitoring of matching grants and sub-projects. The document also includes Environmental Guidelines for

different types of proposed sub-projects. These guidelines provide guidance on potential impacts and generic mitigation measures to be undertaken for sub-projects in agricultural production, agro-processing, and manufacturing sectors at all stages – from identification and selection, through the design and implementation phase, to the monitoring and evaluation of results. Furthermore, the ESMF provides a monitoring plan format that includes monitoring indicators, timing, methods, and institutional responsibilities. The ESMF also specifies EA capacity building activities for institutions involved, and especially for PFIs. Lastly, the ESMF includes a section that describes measures to ensure compliance with national laws and World Bank requirements related to pesticide purchase and use, and measures to promote Integrated Pest Management (IPM) approaches and safe pesticide handling and disposal practices to reduce human and environmental exposure.

**10. *Grievance Redress Mechanism.*** Project stakeholders can submit questions, complaints and compliments/ suggestions through the project-level GRM, including anonymous requests. Under the MEI/ PIU, GRM will be reviewed and further improvements be made to ensure that health and safety concerns are adequately addressed. The GRM Focal Points will be trained to more effectively address grievances relating to COVID-19 specific risks in a timely, effective and efficient manner that satisfies all parties involved. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to the WB's Grievance Redress Service (GRS).

**11. *ESMF disclosure and consultation.*** The ESMF document for the proposed AF has been disclosed on April 19th, 2021 for *Public Consultation* on PIU official website. In addition to that, on April 20th, 2021 the document has been disclosed on civic.md website, which is specially designed for public consultations of such types of documents. All interested parties have been invited to submit virtually their comments and questions to PIU by April 30th, 2021. By specified time no comments or suggestions on the ESMF document have been received in written form.

The stakeholder virtual meeting was held on May 4th, 2021 to present the project activities within CEP-II AF and relevant ESMF provisions. Among the participants were representatives from the Ministry of Economy and Infrastructure, ODIMM, Chamber of Commerce and Industry, project beneficiaries, potential beneficiaries, representatives of civil society and business development agencies. The participants were informed about objectives and components of CEP-II AF project. The ESMF, LMP and GRM were presented to highlight the importance of these documents/ instruments in assessing and addressing environmental and social risks and engaging the stakeholders.

During the public consultations, it was suggested that priority in funding should be given to SMEs involved in social entrepreneurship activities, so that the project would be a way of providing support for the development of social entrepreneurship. Some aspects are contained in the screening checklist to assess the social impacts and risks of sub-projects, but an additional indicator on areas of social entrepreneurship has been included. Another social topic addressed was the provision of opportunities for women on childcare leave to enlist their children in day-care centres and the possibility for parents, through legislative provisions, to enlist their children not only in the pre-school institution to which their residence refers, but also in the immediate vicinity of their workplace. Some entrepreneurs are open to establishing public-private partnerships in this respect.

Entrepreneurs participating in the discussion appreciated the focus on environmental and social issues, but it was voiced that there are some topics that are beyond them at the moment. One example is the wastewater issue, as the water and sewage operator require that wastewater be

treated to meet wastewater discharges concentrations. The environmental expert mentioned that individual approaches are needed to identify technical solutions that correspond to environmental requirements. The draft document was revised after the dissemination, taking into account outputs from the consultation.

# 1. Environmental and Social Policies and Regulatory Framework

## 1.1 Overview of National Environmental Regulatory Framework

The national legal basis for environmental protection is fairly comprehensive. It includes a set of environmental laws and regulations and there is a general opinion that this existing body of laws, governmental and ministerial decrees, official rules and standards are a sufficient base for effectively addressing the country's environmental issues. Nevertheless, being under the European choice, Moldova is continuously improving legal frameworks toward approximation with European legislation. In the last few years a series of new laws have been adopted, such as the Law on the National Ecological Network, which developed a new version of the Water Law that aims at establishing a legal base for implementation of the Water Framework Directive in Moldova. The new system of Surface Water Quality Standards was approved. This system comprises three principal components: a use-base hierarchical classification of water bodies (ranked in order of decreasing water quality); a list of water pollution parameters to be regulated, consistent with the existing monitoring capacity and pollutants for Moldova; and numerical values of water quality standards for each class of water quality; in line with the EU Urban Waste Water Treatment Directive. Also, the Government developed and approved a Regulation on Discharges of Municipal Wastewaters into Natural Watercourses and others.

The general evaluation of the main legal environmental acts and their relevancy to the Project are provided in *Table 1* below.

**Table 1.** Main national legal environmental acts relevant to the Project

Legal act	General overview	Relevancy with the Project
<i>Law on the environmental protection #1515-XII of June 16, 1993</i>	Establishes the basic legal framework for drafting special normative acts and instructions issues of environmental protection	Provides basic rules regarding environmental quality conditions, rights and duties of each actor with activities with potential impact to environment, - to be applied while conducting ESA for project activities
<i>Law on State Ecological Expertise #851-XIII of May 29, 1996</i>	Determines goals, objectives and principles of State Ecological Expertise (SEE), as well as basics of procedure	Provides the list and ESA procedure for the small economical activities that are subject of Ecological Expertise – necessary for ESIA and implementation of project components
<i>Law on Environmental Impact Assessment #86 of May 29, 2014</i>	Establishes the goal of preparing documentation on the Environmental Impact Assessment (EIA), its procedure, coordination and approval, and includes the List of objects and types of activities for which an EIA is compulsory prior to their design	This law could be relevant for Project as the proposed activities are listed in the annexes 1 or 2 of this law
<i>Law on green spaces of the urban and rural localities #591</i>	Regulates relations in the field of development and protection of green spaces in urban and rural localities in order to ensure the right of everyone to a	Regulates the identification and delineation of the green areas within the

Legal act	General overview	Relevancy with the Project
<i>of 1999</i>	healthy and aesthetic environment	settlements' areas
<i>The Water Law #272 of Dec 23, 2012</i>	Establishes the legal framework necessary for the water management, protection and use	It is relevant as it specifies the procedures for obtaining water use authorizations
<i>Land Code #828-XII of Dec 25, 1991</i>	Establishes the relations and rights of land ownership and the basic requirements of land use and protection	It is relevant for establishing the procedures, duties and obligations under the land management
<i>Law on water protection strips along the rivers and water bodies #440 of 1995</i>	Establishes the rules for creation of water protection zones and strips along rivers and water bodies, the regime of their use and protection	The law is relevant and is mandatory to be followed in the case of new construction or rehabilitation/extension activities
<i>Law on natural resources #1102 of 1997</i>	This law provides the basic principles of natural resource management and use. The legal act includes, among others, provisions for "payment for use of natural resources" and "payment for pollution pay" principles and other economic mechanisms aimed at the improvement of economic entities' production technology to minimize utilization of natural resources and enhance their protection and encouraging environmentally friendly economic activities	The law is relevant and is mandatory to be followed in the case of new construction or rehabilitation/extension activities
<i>Law on taxes for pollution of the environment #1540 of 1998</i>	This law refers to the taxes and penalties for the discharge of pollutants into the environment	The law is relevant and is mandatory to be followed in the case of new construction or rehabilitation/extension activities
<i>Law on industrial safety of dangerous industrial facilities #116 of 2012</i>	The law establishes the legal, economic and social aspects of safety operation of dangerous objects/enterprises, and focuses on prevention of industrial accidents, stoppage actions, minimization and liquidation of accident consequences, and protection of environment and population. Technical installations/devices used at dangerous objects/enterprises shall be subject to compulsory certification in compliance with industrial safety requirements in accordance with established order (Annex No 1 of the Law explains that dangerous industrial objects are considered those technical installations disruption that can cause an accident)	The law is relevant and is mandatory to be followed in the case of new construction or rehabilitation/extension activities
<i>Law on state supervision of public health #10-XVI of February 03, 2009</i>	<p>This law regulates the organization of the state supervision of public health, establishing general requirements to public health, the rights and obligations of physical persons and legal entities, procedure for the organization of system of the state supervision of public health.</p> <p>The Purpose of this law is providing optimum conditions for the maximum realization of potential of health of everyone throughout all life by means of organized efforts of society on the prevention of diseases, protection and promotion of health of the</p>	It is relevant for the project and its provisions need to be reflected in the ESA documents

Legal act	General overview	Relevancy with the Project
	population, improvement of quality of life	
<i>Law on quality in construction #721 of February 02, 1996</i>	The provisions of this law are applied to construction and related facilities, hereinafter referred to as the building industry, in the design, construction and building, as well as in the stages of exploitation and interventions to existing buildings and post-utilization them, regardless of their form of ownership, destination, category and class or source of funding, in order to protect people's lives their goods, society and the environment	The law provisions are relevant to project activities and should be reflected in the ESA documents for all proposed civil works
<i>Law on authorization of the executing the construction works #163 of July 09, 2010</i>	<p>The purpose of this law is to legalize the way of authorizing, approving and verifying the design work, execution or demolition of the buildings and approximate area according to urbanism planning and spatial planning documentation, by applying the system of normative documents in construction and in order to ensure transparency and visibility when issuing administrative acts and creating favourable conditions for the business environment.</p> <p>The provisions of the law are mandatory for authorizing the execution of constructions of any kind, category, destination and type of property, except for objects of a military or secret character, which are specifically authorized</p>	Similarly – this law is relevant, and its requirements are applied for all civil works
<i>Law on access to information #982-XIV of May 11, 2000</i>	This law shall govern the rights of access to information of public importance held by public authorities, with a view to exercising and protecting the public interest to know and attaining a free democratic order and an open society	This is relevant for ensuring disseminating information about implementation of the project and about potential environmental and social impacts
<i>Law on wastes #209 of July 29, 2016</i>	The law sees that waste management methods will not endanger the environment, peoples' health and other living organisms. Authorities in charge are authorizing waste collecting, transportation, exploitation and disposal activities, avoiding water, soil, flora, fauna, phonic and air pollution. New methods must not endanger landscapes or protected areas	This is relevant for ensuring the adequate waste management at the level of each institution/company for the solid wastes, including hazardous ones (ABP, asbestos etc.)
<i>Law on air protection #1422-XIII of Dec 17, 1997</i>	The law has the objective to maintaining the air quality and improving the air quality - component of the environment, preventing and reducing the adverse effects of physical, chemical, biological, radioactive and other factors on the atmosphere, with adverse consequences for the population and/or the environment, and regulates the activity of individuals and legal entities, irrespective of type of ownership and legal form of organization, when he/she directly or indirectly affects or may affect the air quality.	The law is relevant and requires measures for ensuring the air quality for the activities related to civil works and operations, and also for ensuring the legal requirements for noise during civil works and facility operations
<i>Law on occupational safety and health #186-XVI of July 10, 2008</i>	The present Law (1) regulates the legal reports regarding the establishment of measures regarding the safety and health of the workers in the workplace; (2) establishes the general principles regarding the prevention of occupational risks, the protection of workers at workplace, the elimination of risk and	The law is relevant and is mandatory to be followed in the case of construction and operation activities, ensuring OHS issues

Legal act	General overview	Relevancy with the Project
	accident factors, the information, the consultation, the balanced participation, the training of the workers and their representatives.	

Also, Moldova is a party to 26 *International Environmental Conventions*. Among them are the following:

- Convention on Environmental Impact Assessment in a Trans boundary Context (Espoo, 1991), ratified in 1993;
- Convention on the Conservation of European Wildlife and Natural Habitats (Bern, 1979), ratified in 1993;
- Convention on Transboundary Effects of Industrial Accidents (Helsinki, 1992); ratified in 1993;
- Convention on the Protection of Trans boundary Watercourses and International Lakes (Helsinki, 1992), ratified in 1993;
- Convention on Biological Diversity (Rio de Janeiro, 1992), ratified in 1993;
- Convention on Long-Range Trans boundary Air Pollution (Geneva, 1979), ratified in 1995;
- United Nations Framework Convention on Climate Change (Rio de Janeiro, 1992), ratified in 1995;
- Convention on Wetlands of International Importance Especially Waterfowl Habitat (Ramsar, 1971), ratified in 1999;
- The United Nations Convention to Combat Desertification (Paris, 1994), ratified in 1999;
- Convention on Access to Information, Public Participation in Decision-Making Process and Access to Justice in Environment (Aarhus, 1998), ratified in 1999.
- Convention on Cooperation for the Protection and Sustainable Development of the Danube River (Sofia, 1994), ratified in 1999;
- Agreement on the Conservation of African-Eurasian Migratory Species (Hague, 1995), ratified in 2000;
- Convention on Migratory Species of Wild Animals (Bonn, 1979), ratified in 2000;
- European Landscape Convention (Florence, 2000), ratified in 2001;
- Cartagena Protocol on the Biosafety to the Convention on Biological Diversity, ratified in 2003;
- Convention on Plant Protection Service (Rotterdam, 1998), ratified in 2004;
- Stockholm Convention on Persistent Organic Pollutants (Stockholm, 2001), ratified in 2004;
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington, 1973).

## 1.2 Environmental Management Institutional Framework

In the last years, environmental policies and management practices in Moldova have been under continuous changes. Even though these changes were more on institutional level their impact on the state of environment have been essential. One of the important instruments that influenced on the development of the environmental management in country constitutes the *Association Agreement* signed with European Union (EU). By this, Moldova must implement a reform agenda based around a comprehensive program of Moldova's approximation of its environmental (and not only) legislation to EU norms. Thus, in order to carry out the institutional reform and the capacity building in the environmental sector, have been created the *Environmental Agency* and *Inspectorate for Environmental Protection*, both institutions being functional. According to

recent Governmental Reform, undertaken in July-September 2017, at central level the *Ministry of Agriculture, Regional Development and Environment* (MARDE) has been formed<sup>7</sup>, it elaborates efficient public policies in the areas of competence (agriculture, food production; food safety; regional and rural development; spatial planning; environmental protection and climate change; natural resources), to monitor the quality of policies and normative acts and to propose justified interventions of the state that will offer effective solutions in the areas of competence, ensuring the best ratio between the expected results and the costs.

**Environmental Agency (EA)** is an administrative authority<sup>8</sup> subordinated to MARDE responsible for the implementation of state policy in the following areas of activity:

- (a) prevention of environmental pollution;
- (b) protection of atmospheric air and climate change;
- (c) protection and regulation of the use of water resources;
- (d) protection and regulation of the use of the animal and plant kingdom, of the aquatic biological resources;
- (e) conservation of biodiversity and management of natural areas protected by the state;
- (f) waste management; and
- (g) biosecurity.

Among the *key functions* of the EA are: (i) ensuring the implementation of public policy documents and environmental protection legislation both at national and local level; (ii) granting the technical support to the Ministry to substantiate the projects of public policy documents and normative acts in the field of environmental protection; (iii) regulating and authorizing activities with an impact on the quality of the environment, issuing permissive acts to the natural and legal persons for the activities of entrepreneur with environmental impact (authorizations, environmental agreements, permits, certificates, notifications, opinions and coordination), provided in the Nomenclature of permissive documents, approved by Law #160 of July 22, 2011 regarding the regulation by authorization of the entrepreneur activity; (iv) carrying out the monitoring of the quality of the environmental factors (monitoring of the quality of water, air, soil, forestry monitoring and of the natural areas protected by the state, monitoring of the status and use of water and soil resources, monitoring of the plant and animal kingdom, monitoring of fishing, monitoring of the state basement, air pollution monitoring, geological monitoring, environmental pollution monitoring) in order to provide natural and legal persons with information on environmental quality, developing the system of statistical indicators in the field of environmental protection, as well as for the elaboration and publication of the national report on the environmental status in the Republic of Moldova; (v) creation and administration of cadastre and special registers, administration of the information and data system for its fields of activity and ensuring public access to environmental information.

**Inspectorate for Environmental Protection** – is organized and functions as an administrative authority under MARDE, empowered to carry out *the state supervision and control* in the field of environmental protection and use of natural resources<sup>9</sup>.

**State Agency for Geology and Mineral Resources (AGMR)**. The AGMR is responsible for promoting of state policy in the field of management and monitoring of underground resources in Moldova and provides an overall umbrella for state organizations and enterprises specialized

<sup>7</sup> GD #695/2017 on MARDE regulation (Ref.: <http://lex.justice.md/md/371190/>)

<sup>8</sup> GD #549 of June 13, 2018 on Environmental Agency Regulation (Ref.: <http://lex.justice.md/md/375961/>)

<sup>9</sup> GD #548 of June 13, 2018 on Inspectorate for Environmental Protection Regulation (Ref.: <http://lex.justice.md/md/375960/>)

in field of underground water use; administrations at district and regional level, as well as organizations specialized in the design and investigation of underground water objects. It performs management of underground water resources and their protection; counting of groundwater resources and monitoring of groundwater quality and regime.

**State Agency “Apele Moldovei”.** The Agency is subordinated to the MARDE. It is the central technical and administrative organization dealing with surface water resources, and is responsible for management of water resources used for irrigation, domestic and industrial water supply purposes as follows: development of long-term programs concerning river basins and water administration works throughout the country, including centralized water supply facilities, irrigation and drainage, protection against floods or other damage, coordinating of construction, design, and operation activities in the field of water.

**Local public authorities.** Among responsibilities of local public authorities on local (settlement) level are: land management; construction authorization; approval and supervision of local programs in the field of environmental protection; protection and conservation of historical and natural monuments; natural parks and protected areas, and approval of admissible limit values of emissions and discharges (admissible level of environmental pollution) and limits of natural resources (water) use and others.

### **1.3 Environmental Impact Assessment procedures**

In Moldova, the *Environmental Impact Assessment* (EIA) procedure was established by the Law on Environmental Impact Assessment #86/2014 and Law on State Ecological Expertise #851/1996. The EIA procedures are applicable to complex and potentially dangerous (to the environment) projects which could lead to significant impacts and aim to prevent and mitigate impacts even on the projects' design stage. The EIA should be conducted at an early stage of the project activities in case of new construction, upgrading, reconstruction, modernization, production profile changes, conservation or liquidation of existing enterprises or new development planning is expected to be implemented.

#### **Project environmental screening**

Following to the national environmental approval practices, all projects may be conventionally divided into three main categories:

*First category (A)* – projects which may have significant impacts on the environment. They are specified in a special Annex to the Law on EIA and require a full Environmental Impact Assessment before designing and can be further developed (detailed engineering design) with a positive approval of the EIA findings by the Agency of Environment (AE) – this conventional category mainly corresponds to WB Category A projects as well as partly, to Category B projects, e.g., electrical transmission, nature protection projects, some watershed projects (e.g., protection strips along river and water bodies), some rural water supply projects (for grouped water intakes with 1 thousand m<sup>3</sup>/day and more for underground water intake and 10 thousand m<sup>3</sup> per day for surface water intake), etc. As mentioned above such projects are not expected under the Project.

*Second category (B)* – projects which not listed in the Annex 1 to the Law on EIA, which may have less significant impact on environment. They require ecological substantiation of project activities. This might be presented in a special Environmental Chapter, which has to contain information on potentially affected environment as well as outline main potential environmental impacts and mitigation measures. This Chapter has to be included in the project design

documentation and respectively, to be passed through the State Ecological Expertise before project implementation – this conventional Category mainly corresponds to WB Category B projects. The Environmental Chapter in the documentation for such type of projects, to great extent, corresponds to “some environmental assessment/ environmental analysis” presumed for the Category B projects.

*Third category (C)* – the rest of projects which are expected to have minor impacts on environment and therefore do not need to be passed through the formal procedures of EIA and SEE. This conventional Category mainly corresponds to WB Category C projects.

### **Projects that require SEE of design documentation**

All projects, which may have negative impact to environment, but not listed in annexes to Law on Environmental Impact Assessment, will require applying of SEE procedures before implementation. The SEE procedures are usually applied after feasibility and engineering design stages. The design documentation for these projects usually linked with construction, reconstruction and enlargement is being developed in conformity with a technical documentation.

Sections “Environment Protection” and “Environment Protection during Construction” in the project documentation should be developed only by specialists in the fields. Technical solutions, reflected in the submitted for SEE technical documentation have to be sufficiently substantiated in relation to mitigation of impact on environment.

### **Projects that not require EIA and SEE of the detail design documentation**

Projects that do not meet criteria for the full EIA study and/or SEE of design documentation normally relate to activities when no (re)construction takes place, e.g., purchase of small-scale production equipment or farm machinery for crop cultivation, small-scale horticulture and viticulture, beekeeping, agro-mechanization services, woodworking, small-scale manufacturing, infrastructure maintenance projects, etc.

## **1.4 EIA requirements under national regulatory framework applicable for potential AF activities**

According to provisions of Art. 22 of the Law on Environmental Impact Assessment #86/2014, all activities that plan the construction of new objectives and/or installations, the extension or modification/modernization of the existing ones with potential impact on the environment, including the decommissioning projects, are classified according to the degree of impact on the environment, as follows:

1. *Activities with low impact*, which no need *Certificate of Urbanism (CU)* for Detail Design (DD) and *Construction Authorization (CA)* in conformity with Law #163/2010 for authorization of construction works;
2. *Activities with moderate impact* – are considered activities described in the Annex #1 of Law #851/1996 on ecological expertise, which involves the use of natural resources, modification of landscape, generation of wastes, emission and discharge of pollutants and which can cause the change of the environment and the components of the nature and according to applicable laws it is necessary Ecological Expertise of the DD and CA;
3. *Activities with significant impact at national level* – the activities indicated in the Annex 2 to the Law #86/2014 for which the Environmental Impact Assessment is necessary to

determine, as well as those mentioned in sbp. (2) that, after carrying out the preliminary assessment stage, the necessity of carrying out the EIA procedure is established, and the *Environmental Agreement* is issued or refused;

4. *Activities with significant impact* at national level and on cross border context – the activities indicated in the Annex 1 to the Law #86/2014 for which the Environmental Impact Assessment is mandatory, as well as those mentioned in sbp. (2) that, after carrying out the preliminary assessment stage, the necessity of carrying out the EIA procedure is established, and the *Environmental Agreement* is issued or refused. The documentation submitted for obtaining the *Environmental Agreement* will be the basis for issuing the permissive act for the realization and development of the project activity, before beginning the construction works and putting into operation the objective.

Considering specified provisions, the proposed project investments under CEP II AF components **are the subject** of the State Ecological Expertise and of Construction Authorization.

## 1.5 Overview of National Social Regulations

In respect of the provisions of Constitution and for stronger implementation, it was adopted the laws relevant for the social component, as described in *Table 2* below.

**Table 2.** Main national legal social acts relevant to the Project

Legal act	General overview	Relevancy with the Project
<i>Law on Social Inclusion of Persons with Disabilities #60 of Mar 30, 2012</i>	The law regulates the rights of persons with disabilities for their social inclusion, guaranteeing the possibility of their participation in all areas of life without discrimination, at a level identical to the other members of the society, having as a basis the respect of fundamental human rights and freedoms	The law is relevant and requires measures for ensuring the participation of person from socially vulnerable groups in the project activities, to promote and defend their interests
<i>Law regarding the promotion of employment and unemployment insurance #105 of Jun 14, 2018</i>	The purpose of the law is to prevent and reduce unemployment and its social effects, reduce the risk of unemployment and ensure a high level of employment and adapting to the demands of the labor market	The law is important to ensure the rights of employees
<i>Law on Social Services #123 of Jun 18, 2010</i>	The law establishes the general framework for the creation and functioning of the integrated system of social services, with the determination of the tasks and responsibilities of the central and local public administration authorities, of other legal and natural persons empowered to provide and provide social services, as well as the protection of the rights of the beneficiaries of social services;	The provisions of the law are important for ensuring the quality of public services and respecting the interests of consumers
<i>Law on ensuring equal opportunities between women and men #5-XVI of Feb 09, 2006</i>	The purpose of the Law is to ensure the exercise of their equal rights by women and men in the political, economic, social, cultural, other spheres of life, rights guaranteed by the Constitution of the Republic of Moldova, in order to prevent and eliminate all forms of discrimination according to the criteria of sex. The Law also introduces the notion of affirmative actions	The provisions of the law are important for promoting women's interests in exercising their rights in labor relations
<i>Law on Access to</i>	The law regulates the interaction between the	This is relevant for ensuring

Legal act	General overview	Relevancy with the Project
<i>Information #982/2000, as amended in 2003-2011-2015</i>	providers of information and individuals and/or legal entities during the exercise of their constitutional right to access information, the rights of applicants for obtaining the information, the obligations of information providers to ensure access to official information, methods of safeguarding the right to information	disseminating information about implementation of the project and about potential environmental and social impacts
<i>Law on Freedom of Expression #64/2010, as amended in 2012-2013-2015</i>	This Law guarantees right to freedom of expression and regulates the balance between right to freedom of expression and defense of private and family life	This is relevant for ensuring disseminating information about implementation of the project and about potential environmental and social impacts
<i>Law on Transparency in Decision Making #239/2008</i>	The law refers to the transparency of information linked with the decision-making process and to the consultation of stakeholders when drafting decisions	This is relevant for ensuring disseminating information about implementation of the project and about potential environmental and social impacts
<i>Administrative Code of Republic of Moldova #116/2018</i>	The Code establishes procedure for consideration of petitions of the RM citizens addressed to the relevant authorities/bodies (further - "bodies") for the purpose of ensuring protection of petitioners' rights and legitimate interests	This is relevant for ensuring for the early collection of information regarding the risks of non-compliance with environmental and social standards

**Labour Management Procedures.** In the Republic of Moldova the labor relations are regulated by the *Labor Code (LC)* and *Law on Occupational Health and Safety (L-OHS)*, all the relevant provisions of these laws (*Table 3*) will be applied in relation to all project workers. The LC, the principal legislative act governing employment/work relations, specifically regulates the working hours, workers' right to rest, remuneration, guarantees and compensations, workplace discipline, working conditions, work safety, female labor, youth labor, vulnerable groups' labor (e.g. persons with disabilities), etc.

**Table 3.** The most important provisions relevant to the labor relations

The regulated subject	Reference	Brief description
Wages and deductions	LC, Art. 128-165	Regulates the minimum size of the income, the types and size of tax deductions exemptions, tax exemptions
Working Hours	LC, Art. 96	Regulates the duration of work and the categories of individuals who can benefit from a special work program
Rest breaks	LC, Art. 107, 109, 110	Regulates the duration and frequency of rest breaks
Leaves	LC, Art. 112-122	Regulates the rights of employees to annual leave, the rights and conditions to benefit from an unpaid leave
Over time works	LC, Art. 104	Regulates the conditions under which the employer can apply for overtime work, the additional payments for over time works
Labor disputes	LC, Art. 288, 357-361	Regulates the areas of disputes and the mechanism of dispute resolution between employers and employees
Employer's	LC, Art. 198,	Regulates the employer's obligations

obligations	L-OHS, Art. 9-12	
Employees' Rights and Obligations	LC, L-OHS and the internal regulations of the employers	Regulates Employees' Rights and Obligations

**Gaps in exiting labor laws and procedures.** The analysis of RM social and labor legislations and the World Bank requirements on the Project indicates that they are largely similar. The World Bank policy and procedure is generally compatible with the social legislation system and practice established in RM, both terminologically and methodologically. The main problem is on application in practice, which many times are very bureaucratic, so is needed substantial efforts from beneficiaries to obtain their rights. While the Moldovan labor management and OHS legislation is extensive, its actual implementation and enforcement have proven to be lacking, particularly in terms of enforcement of safety and OHS regulations. This may particularly concern the hygiene, accommodation and employment rights of the seasonal workers.

The overview focuses on legislation, which relates to the items set out in ESS2, paragraph 11 (i.e. wages, deductions and benefits). The Labor Code of the Republic of Moldova will be applied in relation to all project workers.

With the outbreak and spread of COVID-19, the Parliament of RM adopted changes to the Labor Code to address issues related to remote work new type of individual labor agreement was introduced: telecommuting. This effectively allowed a working relationship between the employee and the employer in which the employee can perform his/her tasks from home or any other location he or she chooses. In addition, the government created a framework allowing employers, during states of emergency, to temporarily change employees' work places without amending the employment agreements.

## 1.6 Social Management and Administrative/Institutional Framework

This framework is composed by the following state authorities:

**Ministry of Health, Labor and Social Protection (MHLSP)** has the mission to analyze the situation and the problems in the areas of health, work, social protection and demographics, to elaborate efficient public policies in the fields, to monitor the quality of the policies and normative acts and to propose justified interventions of the state that will offer effective solutions in the areas of competence, ensuring the best ratio between the expected results and the expected costs.

The Ministry has under its subordination a range of agencies and institutions, that has as aim to implement the policy promoted by the Ministry. The institutions related to the social field, can be mentioned:

**National Agency for Public Health** is the administrative authority subordinated to the MHLSP, empowered to ensure the implementation of the policy in the field of national public health.

**National Agency for Employment** is the administrative authority subordinated to the Ministry of Health, Labour and Social Protection, empowered to ensure the implementation of the policy in the field of promoting employment, labor migration and unemployment insurance. Agency's

mission is to increase the employment opportunities of people looking for a job and supports employers in identifying the skilled workforce and creating new jobs. The Agency carries out its tasks in the following fields: (i) the implementation of the employment promotion policy; (ii) labor force migration; and (iii) unemployment insurance.

***State Labour Inspectorate*** is an administrative authority, which is empowered with the right to exercise state control over compliance with legislative acts and other normative acts in the field of work, safety and health at work. Social Inspection has the mission of inspecting the correct and unitary application of the laws and other normative acts that regulate the granting of the social aid, the aid for the cold period of the year and the social services. Thus, some of the actions of the inspection are: (a) ensuring the exercise of the inspection on the implementation of the provisions of the normative acts regarding the granting of the social aid, the aid for the cold period of the year and of the social services provided by the social service providers, regardless of the type of property and the legal form of organization; and (b) detecting and detecting violations of legal provisions in the field subject to inspection and informs the competent bodies.

***The National Social Assistance Agency*** is an administrative authority subordinated to the Ministry of Health, Labor and Social Protection. The Agency's mission is to increase the quality of the social assistance granted to the population by implementing the state policy in the field of social assistance.

In its activity, the Agency exercises the following basic functions: (a) elaboration of the methodological framework for the unitary implementation of the legislation in the field of social assistance; (b) management of the activity of public institutions in which the Ministry of Health, Labor and Social Protection exercises the status of founder; (c) facilitating the process of consolidating the professional capacities of the personnel from the social assistance system; and (d) management of the financial means for financing the programs with special purpose in the field of social assistance and the minimum social services package.

***The National Council for Accreditation of Social Service Providers*** is an administrative authority with the Ministry of Health, Labor and Social Protection, which has the mission to certify the capacity of social service providers, regardless of the type of property, the legal form of organization and administrative subordination and to provide qualitative social services.

***The National Council for the Determination of Disability and Capacity of Work*** has the mission to ensure the fulfilment of the provisions of the normative acts in force regarding the determination of the disability and the capacity of work, having as final objectives the social inclusion of the persons with disabilities.

***Temporary Placement Centers*** for elderly, children and people with disabilities (from few localities), as well ***Center for Assistance and Protection*** of victims and potential victims of trafficking in human beings, that represents institution of social assistance and rehabilitation/recovery from the management of the *National Agency for Social Assistance*.

## 1.7 World Bank Environmental and Social Assessment Policy, Rules and Procedures

### 1.7.1 World Bank's Safeguard Policies and their relevance to project

There are 10 key Environmental and Social World Bank Safeguard Policies which are intended to ensure that potentially adverse environmental and social consequences of projects financed by Bank are identified, minimized and mitigated. World Bank Safeguard Policies have a three-part format: *Operational Policies (OP)* - statement of policy objectives and operational principles including the roles and obligations of the Borrower and the Bank; *Bank Procedures (BP)* - mandatory procedures to be followed by the Borrower and the Bank, and *Good Practice (GP)* - non-mandatory advisory material. World Bank's Safeguard Policies and their relevance to sub-projects to be funded under the CEP II AF are indicated in the *Table 4* below.

**Table 4.** World Bank's Safeguard Policies and their relevance to sub-projects

Safeguard Policies	Relevance
<p><b>Environmental Assessment (OP/BP 4.01)</b> This Policy aims at ensuring that projects proposed for Bank financing are environmentally and socially sound and sustainable; to inform decision makers of the nature of environmental and social risks; to increase transparency and participation of stakeholders in the decision-making process</p>	<p><b>Yes</b> (refer to the description below)</p>
<p><b>Natural Habitats (OP/BP 4.04)</b> This Policy aims at safeguarding natural habitats and their biodiversity; avoid significant conversion or degradation of critical natural habitats, and to ensure sustainability of services and products which natural habitats provide to human society</p>	<p><b>No.</b> As all proposed activities are to be implemented within existing agricultural land and settlement boundaries, the sub-projects to be supported under the project will not have impacts on wildlife and natural habitats, and thus, this OP is not triggered.</p>
<p><b>Forestry (OP/BP 4.36)</b> This Policy is to ensure that forests are managed in a sustainable manner; significant areas of forest are not encroached upon; the rights of communities to use their traditional forest areas in a sustainable manner are not compromised</p>	<p><b>No.</b> No wood harvesting sub-projects or those that would impact the health of the existing forests will be supported.</p>
<p><b>Pest Management (OP 4.09).</b> This policy is to ensure pest management activities follow an Integrated Pest Management (IPM) approach, to minimize environmental and health hazards due to pesticide use, and to contribute to developing national capacity to implement IPM, and to regulate and monitor the distribution and use of pesticides</p>	<p><b>Yes.</b> While the project will not support purchasing pesticides indirectly its activities may stimulate their increased usage.</p>
<p><b>Physical Cultural Resources (OP/BP 4.11)</b> This policy is to ensure that: Physical Cultural Resources (PCR) are identified and protected in World Bank financed projects; national laws governing the protection of physical cultural property are complied with; PCR includes archaeological and historical sites, historic urban areas, sacred sites, graveyards, burial sites, unique natural values; implemented as an element of the EA</p>	<p><b>No.</b> The ESMF specifies there will be no impact on physical cultural resources, and therefore OP/BP 4.11 "<i>Physical Cultural Resources</i>" is not triggered. All proposed sub-projects will be screened in this regard and in the case there might be such impacts those projects will be not supported under the project.</p>
<p><b>Indigenous Peoples (OP/BP 4.10)</b> IP – distinct, vulnerable, social and cultural group attached to geographically distinct habitats or historical territories, with separate culture than the project area, and usually different language. The Policy aims to foster full respect for human rights, economies, and cultures of IP, and to avoid adverse effects on IP during the project development.</p>	<p><b>No.</b> This Policy is not applicable for Moldova.</p>

Safeguard Policies	Relevance
<p><b>Involuntary Resettlement (OP/BP 4.12)</b> This policy aims to minimize displacement; treat resettlement as a development program; provide affected people with opportunities for participation; assist displaced persons in their efforts to improve their incomes and standards of living, or at least to restore them; assist displaced people regardless of legality of tenure; pay compensation for affected assets at replacement cost; the OP Annexes include descriptions of Resettlement Plans and Resettlement Policy Frameworks</p>	<p><b>No.</b> Private businesses will be eligible to become project beneficiaries under the condition that they have not acquired and/or would not acquire land for the needs of activities to be supported with the project proceeds through a process which involved and/or would involve officially supported expropriation. Additionally, project funds will not support any sub-loans used to invest in a business which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other. The project operational manual will define a screening procedure to be filled by PFIs, and the Project Implementing Agency will closely monitor the screening procedure, with the support of the Bank task team. With these restrictions in place, the project does not trigger OP/BP 4.12 “<i>Involuntary Resettlement</i>”.</p>
<p><b>Safety of Dams (OP/BP 4.37)</b> This Policy is to ensure due consideration is given to the safety of dams in projects involving construction of new dams, or that may be affected by the safety or performance of an existing dam or dams under construction; important considerations are dam height &amp; reservoir capacity</p>	<p><b>No.</b> The project will not support any activities which might have impact on dam safety.</p>
<p><b>Projects on International Waterways (OP/BP 7.50)</b> The Policy aims to ensure that projects will neither affect the efficient utilization and protection of international waterways, nor adversely affect relations between the Bank and its Borrowers and between riparian states</p>	<p><b>No.</b> The project not finance any sub-projects which may affect international waterways and in particular: irrigation projects; projects involving discharging waste waters directly in the international waterways; abstraction or diversion of international waters; projects related to discharging waste materials in a location that could impact on international waters; construction of any dams that might affect international waters hydrological regime. These requirements represent screening criteria to be applied by the PFIs.</p>
<p><b>Disputed Areas (OP/BP 7.60)</b> The Bank may support a project in a disputed area if governments concerned agree that, pending the settlement of the dispute, the project proposed for one country should go forward without prejudice to the claims of the other country</p>	<p><b>No.</b> The project will not support any activities in disputed areas.</p>
<p><b>Disclosure Policy (BP 17.50)</b> supports decision making by the borrower and Bank by allowing the public access to information on environmental and social aspects of projects and has specific requirements for disclosure</p>	<p><b>Yes.</b> The ESMF will be disclosed and consulted in the country before appraisal and in the WB Info Shop.</p>

### 1.7.2 World Bank screening categories and Environmental Assessment procedures

Environmental Screening is a Mandatory Procedure for the OP/BP 4.01 *Environmental Assessment*. The Bank undertakes environmental screening of each proposed project for which it will provide funding in order to determine the appropriate extent and type of the Environmental Assessment to be conducted.

The Bank classifies a proposed project into one of four categories, depending on the type, location, sensitivity and scale of the project and the nature and magnitude of its potential environmental impacts<sup>10</sup>. These four Categories are A, B, C, and FI.

**Category A** projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may be sensitive, irreversible, and diverse, with attributes such as direct pollutant discharges large enough to cause degradation of air, water, or soil; large-scale physical disturbances of the site and/or surroundings; extraction, consumption, or conversion of substantial amounts of forest and other natural resources; measurable modifications of hydrological cycles; hazardous materials in more than incidental quantities; and involuntary displacement of people and other significant social disturbances. The impacts are likely to be comprehensive, broad, sector-wide, or precedent-setting. Impacts generally result from a major component of the project and affect the area as a whole or an entire sector. They may affect an area broader than the sites or facilities subject to physical works. The EA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" scenario), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report, normally a full EIA (or a suitably comprehensive regional or sectoral EIA).

To the Category A projects correspond activities listed in the Law #86 on EIA (2014) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) in case they attribute to newly planned activities/enterprises.

**Category B** projects have potential adverse environmental impacts on human populations or environmentally important areas - including wetlands, forests, grasslands, and other natural habitats - which are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; in most cases mitigating measures can be designed more readily than for Category A projects. The scope of EA for a Category B project may vary from project to project, but it is narrower than that of Category A assessment. Like Category A, a Category B environmental assessment examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. The findings and results of EIA for Category B projects are described in the project documentation (Project Appraisal Document and Project Information Document).

To the Category B projects may be attributed all activities not listed in the Law #86 on EIA (2014) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) as well as those listed in above documents activities which attribute to already working enterprises which already passed through the procedures of EIA and SEE, e.g., to those, which according to the national procedure, require EIA *only* for their newly developing parts (construction, reconstruction, rehabilitation, expansion of industrial facilities, etc.).

**Category C.** An EIA or environmental analysis is normally not required for Category C projects because the project is unlikely to have adverse impacts; normally, they have negligible or minimal direct disturbances on the physical setting. Professional judgment finds the project to have negligible, insignificant, or minimal environmental impacts. Beyond screening, no further EA action is required.

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<sup>10</sup> See: Environmental Assessment Update Sourcebook, Environmental Department, April 1993. The World Bank

To the Category C projects mainly correspond activities related to the convention 3<sup>rd</sup> category of projects which are expected to have minor impacts on environment and therefore do not need to be passed through the formal procedures of EIA and SEE.

**Category FI.** A Category FI project involves investment of Bank funds through a financial intermediary, in sub-projects that may result in adverse environmental impacts.

The Bank reviews the findings and recommendations of the EIA to determine whether they provide an adequate basis for processing the project for Bank financing. When the borrower has completed or partially completed EA work prior to the Bank's involvement in a project, the Bank reviews the EA to ensure its consistency with this policy. The Bank may, if appropriate, require additional EA work, including public consultation and disclosure.

Examples of projects that fall under Categories A, B, and C are provided in *Table 5* below. However, this list is just a good starting point and framework for the screening decision. Because of other factors involved such as project sitting, the nature of impacts, and the need for the EIA process to be flexible enough to accommodate them, the lists should not be used as the sole basis for screening.

Projects with multiple components are classified accordingly to the component that with the most significant adverse impact; if there is a Category A component, the project is classified as A, and, respectively, requires a full EIA.

The selection of the category should be based on professional judgment and information available at the time of project identification. If the project is modified or new information becomes available, Bank EA policy permits to reclassify a project. For example, a Category B project might become Category A if new information reveals that it may have diverse and significant environmental impacts when they were originally thought to be limited to one aspect of the environment. Conversely, a Category A project might be reclassified as B if a component with significant impacts is dropped or altered. The option to reclassify projects relieves some of the pressure to make the initial decision the correct and final one.

**Table 5.** Types of projects under the World Bank’s Categories A, B, and C

<b>Category A</b> <i>Projects/project components which may have diverse and significant impacts – normally require EIA</i>	<b>Category B</b> <i>Projects/project components which may have diverse and significant impacts – more limited EIA is appropriate</i>	<b>Category C</b> <i>Projects which are unlikely to have direct adverse impacts – no EIA is required</i>
<ul style="list-style-type: none"> <li>• Dams and reservoirs;</li> <li>• Forestry production projects;</li> <li>• Irrigation, drainage and flood control (large scale);</li> <li>• Industrial plants (large scale*) and industrial estates, including major expansion, rehabilitation, or modification;</li> <li>• Aquaculture and marine culture (large scale);</li> <li>• Land clearance and leveling;</li> <li>• Mineral development</li> <li>• Port and harbor development;</li> <li>• Reclamation, new land development;</li> <li>• Resettlement and all projects with potentially major impacts on people;</li> <li>• River basin development;</li> <li>• Thermal and hydropower development;</li> <li>• Manufacture, transportation, and use of pesticides or other hazardous and/or toxic materials</li> </ul>	<ul style="list-style-type: none"> <li>• Agro-industries (small scale);</li> <li>• Electrical; transmission;</li> <li>• Irrigation and drainage (small scale);</li> <li>• Renewable energy;</li> <li>• Rural electrification;</li> <li>• Tourism;</li> <li>• Rural water supply and sanitation;</li> <li>• Watershed projects (management or rehabilitation);</li> <li>• Rehabilitation, maintenance, and upgrading projects (small-scale);</li> <li>• Protected areas and biodiversity conservation;</li> <li>• Rehabilitation or modification of existing industrial facilities (small scale);</li> <li>• Rehabilitation of highways or rural roads;</li> <li>• Energy efficiency and energy conservation</li> </ul>	<ul style="list-style-type: none"> <li>• Education;</li> <li>• Family planning;</li> <li>• Health;</li> <li>• Nutrition;</li> <li>• Institutional development;</li> <li>• Technical assistance;</li> <li>• Most human resource projects</li> </ul>

*Note:* \*Large scale here is defined as enterprises with annual sales of US\$ 3 million or more equivalent

Projects in Category B often differ from A projects of the same type only in scale. In fact, large irrigation and drainage projects are usually Category A, however, small-scale projects of the same type may fall into Category B, the same relates to aquaculture projects and many others. Projects entailing rehabilitation, maintenance or upgrading rather than new construction will usually be in Category B. A project with any of these characteristics may have impacts, but they are less likely to be “significant”. However, each case must be judged on its own merits. Many rehabilitation, maintenance and upgrading projects as well as privatization projects may require attention to existing environmental problems at the site rather than potential new impacts. Therefore, an environmental audit may be more useful than an impact assessment in fulfilling the EA needs for such projects.

The selection of a screening category often depends also substantially on the project setting, while the “significance” of potential impacts is partly a function of the natural and socio-cultural surroundings. There are a number of locations which should cause to consider an “A” classification:

- in or near sensitive and valuable ecosystems - wetlands, natural areas, habitat of endangered species;
- in or near areas with archaeological and/or historical sites or existing cultural and social institutions;
- in densely populated areas, where resettlement may be required or potential pollution impacts and other disturbances may significantly affect communities;
- in regions subject to heavy development activities or where there are conflicts in natural resource allocation;

- along watercourses, in aquifer recharge areas or in reservoir catchments used for drinking water supply; and
- on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, agricultural soils).

The World Bank's experience has shown that precise identification of the project's geographical setting at the screening stage greatly enhances the quality of the screening decision and helps focus the EIA on the important environmental issues.

### **1.7.3 Public consultation and disclosure**

#### ***1.7.3.1 World Bank public consultation procedure***

For all Category A and B projects proposed for WB financing, during the ESIA process, the borrower consults all involved parties, including project-affected groups and local non-governmental organizations (NGOs) about the project's environmental aspects and takes their views into account. The borrower initiates such consultations as early as possible. For Category A projects, the borrower consults these groups at least twice: (a) shortly after environmental screening and before the terms of reference for the EA are finalized; and (b) once a draft EA report is prepared. In addition, the borrower consults with such groups throughout project implementation as necessary to address EA-related issues that affect them.

#### ***1.7.3.2 World Bank disclosure procedure***

For meaningful consultations between the borrower and project-affected groups and local NGOs on all Category A and B projects proposed for IDA financing, the borrower provides relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted.

For a Category A project, the borrower provides for the initial consultation a summary of the proposed project's objectives, description, and potential impacts; for consultation after the draft EA report is prepared, the borrower provides a summary of the EA's conclusions. In addition, for a Category A project, the borrower makes the draft ESA report available at a public place accessible to project-affected groups and local NGOs.

Any Category B ESIA report for a project proposed for WB financing is made available to project-affected groups and local NGOs. Public availability in the borrowing country and official receipt by the Bank of Category A reports for projects proposed for WB financing, and of any Category B EA report for projects proposed for WB funding, are prerequisites to Bank appraisal of these projects.

#### ***1.7.3.3 The comparison of National and WB EA requirements***

While the basic provisions of the national ESA rules and procedures are to some extent similar to the WB requirements, there are several important differences. These differences are related primarily to the following: (a) project environmental screening categories; (b) Environmental and Social Management Plan; (c) ESA disclosure and public consultation; and (d) ESIA reviewing process.

*Differences in screening categories.* In the existing ESIA legal framework there is formal ESIA categorization system and the SEE requires all projects with a potential environmental impact

should have in the project design an assessment of the potential impacts as well as a set of mitigation measures. Thus, as the project will have sub-projects with some environmental impacts, all of them would require environmental assessment and respectively - ecological expertise. The projects which do not require an ESA mainly correspond activities which are expected to have minor impacts on environment and therefore do not need to be passed through the formal procedures of ESIA and SEE (sub-projects that propose purchasing agricultural or agro-processing machinery, small scale construction or reconstruction activities). The scale of the project EA is decided in each concrete case by the SEE/Ecological Inspectors during the preliminary approval of the project location and of its technical specifications. In the case where World Bank and national categorization/ESIA requirements differ, the more stringent requirement will apply. This refers mostly in the case of deciding about Category C sub-projects - the national ESIA legislation doesn't refer to small scale activities, including construction and rehabilitation of various buildings. In these cases the client will apply the WB criteria.

*Differences concerning EMP.* While the national legislation requires for all projects with potential environmental impacts to have relevant mitigation measures in place, it doesn't require a special EMP which should specify, along with the proposed mitigation activities a monitoring plan and reporting requirements, institutional arrangements for EMPs implementation. Neither does the national legislation require needed capacity building activities and necessary expenses in this regard. Similarly, in the case of Category B grant and sub-projects, the beneficiaries will be required to apply WB rules and prepare not a list of mitigation measures but EMPs.

*Differences with regard to disclosure and public consultation.* Conducted analysis shows there is no harmonization between World Bank and national requirements in this regard. According to national legislation, the EIA disclosure and public consultation is mandatory only for large projects (WB Category A projects). At the same time, per the Law on SEE the public might organize at its own initiative a public ecological expertise. Public expertise is being conducted on the basis of NGO's written request toward local public authority. While organizing such expertise, within 7- days, the local public authorities should inform public association about taken decision concerning permission to do so. Public associations conducting ecological expertise are obliged to inform broad local public about beginning of expertise and its results. These associations have the right to obtain planned and project documentation as well as documentation on ESIA and get acquainted with normative-technical documentation on conducting of the State Ecological Expertise.

The results of public ecological expertise are delivering to the bodies conducting the State Ecological Expertise and to the bodies which make decision of implementation of activity – the subject of expertise. The results and conclusion of public ecological expertise have recommendation character and can have the juridical power only after their approval by the responsible state body in field of ecological expertise. The results of public ecological expertise can be published in mass-media, deliver to the local public authority, other stakeholders. In the case of World Bank ESA policy, the Sub-borrower is responsible for conducting at least one public consultation for all Category B projects to discuss the issues to be addressed in the ESMP or to discuss the draft ESMP itself. Therefore, for the sub-project, the PIU will review any documentation of the public consultation conducted in the preparation of any national ESA documentation to determine if it is consistent with World Bank requirements. If the national public consultation is satisfactory, there would be no further consultation requirement. However, if no public consultation was conducted or the PIU determines that the public consultation documentation is not adequate, the sub-borrower will be required to perform at least one public consultation to discuss the environmental issues of concern to the locally affected communities and include these issues in the content of the ESMP.

Documentation for the consultation should be submitted to the PIU as part of the sub-project file. Romanian language version of the EMP and the record of the public consultation should be located at in public location near the project site and, if available - on the sub-borrower website. Category B ESIA sub-project would be made available to project-affected groups and local NGOs in an easily accessible PFI and/or PIU website.

#### 1.7.4 Implementation reporting

During project implementation, the borrower reports on: (a) compliance with measures agreed with the Bank on the basis of the findings and results of the ESIA, including implementation of any ESMP, as set out in the project documents; (b) the status of implementation of mitigating measures; and (c) the findings of monitoring programs. The Bank conducts supervision of the project's environmental and social aspects on the implementation of the ESIA provisions, including measures set out in the legal agreements, ESMP, and other project documents.

### 1.8 Relevant World Bank Environmental and Social Standards

The World Bank *Environmental and Social Framework* (ESF) sets out the World Bank's commitment to sustainable development, through a Bank Policy and a set of *Environmental and Social Standards*, that are designed to support Borrowers' projects, with the aim of ending extreme poverty and promoting shared prosperity.

The *Environmental and Social Standards* (ESSs) set out the requirements for Borrowers relating to the identification and assessment of environmental and social risks and impacts associated with projects supported by the Bank through Investment Project Financing. The Bank believes that the application of these standards, by focusing on the identification and management of environmental and social risks, will support Borrowers in their goal to reduce poverty and increase prosperity in a sustainable manner for the benefit of the environment and their citizens. The standards will:

- ➔ support Borrowers/Clients in achieving good international practices relating to E&S sustainability;
- ➔ assist Borrowers/Clients in fulfilling their national and international E&S obligations;
- ➔ enhance non-discrimination, transparency, participation, accountability and governance;
- ➔ enhance the sustainable development outcomes of projects through ongoing stakeholder engagement.

The ten Environmental and Social Standards establish the standards that the Borrower and the Project will meet through the project life cycle, as follows in *Table 6* below.

***Project risks assessment.*** As part of the environmental and social procedures, The Bank classifies all projects into one of four classifications: *High Risk*, *Substantial Risk*, *Moderate Risk* or *Low Risk*. In determining the appropriate risk classification, the Bank takes into account relevant issues, such as the type, location, sensitivity, and scale of the project; the nature and magnitude of the potential environmental and social risks and impacts; and the capacity and commitment of the Client to manage the environmental and social risks and impacts in a manner consistent with the Environmental and Social Standards.

**Table 6. WB Environmental and Social Standards**

<b>Environmental and Social Standards</b>	<b>Main requirements and conducted activities to meet them</b>
ESS1 – Assessment and Management of Environmental and Social Risks and Impacts	<p>ESS1 sets out the Client’s responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project supported by the Bank through Investment Project Financing, in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs).</p> <p>As required by this standard, the ESIA should be conducted based on current information, including a description and delineation of the project and any associated aspects, and environmental and social baseline data at an appropriate level of detail sufficient to inform characterization and identification of risks and impacts and mitigation measures. The assessment evaluates the project’s potential environmental and social risks and impacts, with a particular attention to those that may fall disproportionately on disadvantaged and/or vulnerable social groups; examine project alternatives; identify ways of improving project selection, siting, planning, design and implementation in order to apply the mitigation hierarchy for adverse environmental and social impacts and seek opportunities to enhance the positive impacts of the project.</p>
ESS2 – Labor and Working Conditions	<p>ESS2 recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Borrowers can promote sound worker- management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions. ESS2 applies to project workers including fulltime, part-time, temporary, seasonal and migrant workers.</p> <p>Considering specified requirements, the Borrower must develop and implement written labor management procedures applicable to the project. These procedures should set out the way in which project workers will be managed, in accordance with the requirements of national law and this ESS. The procedures should address the way in which this ESS will apply to different categories of project workers including direct workers, and the way in which the Borrower will require third parties to manage their workers in accordance with ESS2.</p>
ESS3 – Recourse and Efficiency, Pollution Prevention and Management	<p>ESS3 recognizes that economic activity and urbanization often generate pollution to air, water, and land, and consume finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels. The current and projected atmospheric concentration of <i>greenhouse gases</i> (GHG) threatens the welfare of current and future generations. At the same time, more efficient and effective resource use, pollution prevention and GHG emission avoidance, and mitigation technologies and practices have become more accessible and achievable. This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life cycle consistent with GIIP.</p>
ESS4 – Community Health and Safety	<p>ESS4 recognizes that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration or intensification of impacts due to project activities.</p> <p>ESS4 addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to</p>

Environmental and Social Standards	Main requirements and conducted activities to meet them
	avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.
ESS5 – Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement	ESS5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause physical displacement (relocation, loss of residential land or loss of shelter), economic displacement (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood), or both. The term “involuntary resettlement” refers to these impacts.
ESS6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources	ESS6 recognizes that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to sustainable development. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services. ESS6 recognizes the importance of maintaining core ecological functions of habitats, including forests, and the biodiversity they support. This standard aims to safeguard natural habitats and their biodiversity; avoid significant conversion or degradation of critical natural habitats, and to ensure sustainability of services and products which natural habitats provide to human society.
ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	This ESS contributes to poverty reduction and sustainable development by ensuring that projects supported by the Bank enhance opportunities for Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities to participate in, and benefit from, the development process in ways that do not threaten their unique cultural identities and well-being.
ESS8 – Cultural Heritage	ESS8 recognizes that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. The Borrower will implement globally recognized practices for field-based study, documentation and protection of cultural heritage in connection with the project, including by contractors and other third parties. A chance finds procedure is a project-specific procedure which will be followed if previously unknown cultural heritage is encountered during project activities. It will be included in all contracts relating to construction of the project, including excavations, demolition, movement of earth, flooding or other changes in the physical environment.
ESS9 – Financial Intermediaries	FIs are required to monitor and manage the environmental and social risks and impacts of their portfolio and FI subprojects, and monitor portfolio risk, as appropriate to the nature of intermediated financing, as well as to develop and maintain, in the form of an Environmental and Social Management System (ESMS), effective environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.
ESS10 – Stakeholder Engagement and Information Disclosure	This ESS recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation. The client will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts. In consultation with the Bank, the Borrower will develop and implement a <i>Stakeholder Engagement Plan</i> (SEP) proportionate to the nature and scale of the project and its potential risks and impacts.

## 2. Project Description

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*Project Development Objective.* The project's development objective is to increase the export competitiveness of Moldovan enterprises and decrease the regulatory burden they face. This PDO will be achieved through a set of measures that aim to:

- (i) increase the competitiveness of existing exporters, increase the export readiness of enterprises that are not yet exporting, and increase linkages with markets for both categories of enterprises;
- (ii) improve firms' ability to access medium to long-term finance; and
- (iii) improve the business enabling environment to reduce costs.

**The proposed AF is fully aligned with the Project and will support the PDO.** Activities to be supported under the AF are for scaling up, re-designed to fit the COVID-19 pandemic crisis, and will build efficiently on the Project's activities:

- a. Digitization and reduction of regulatory burden for enterprises through:
  - i. Digitize inspections, ensuring risk-based inspections are implemented and sustained to enable less burden to business and promoting touchless interactions in line with COVID-19 precautions.
  - ii. Digitize business registration, enabling online service delivery. This will enable further digitization of businesses, reduction of their compliance costs, and easier entry to the market. This will create more business activity in the country, thus leading to more employment generation; scale up digitization of government to business services, including local level ones, and ensuring they are digitized and placed on the central Government portal (OSS for permissive documents).
  - iii. Continue with competition reforms and enabling level playing field for private sector, making recovery for vulnerable but viable SMEs easier.
- b. Export competitiveness through:
  - i. Continue export promotion and export readiness work through focused technical assistance and capacity enhancement activities to help exporting SMEs, which may face new COVID-19 requirements to export their products.
  - ii. Continue enabling local firms to export through matching grants.
  - iii. Enable local linkages, where local firms will be connected with FDIs or exporting companies to enable value chain integration. This is a critical tool for COVID recovery since Moldova is landlocked with limited local market potential. Exporting local products will enable SMEs to grow, generate revenues and maintain and even create employment that would not be possible without exports. Thus, the outcome of this work will be measured in terms of export sales and employment.
- c. Access to Finance through support to private SMEs with medium to long term finance through credit guarantees.
  - i. Contribute to the capitalization of the existing CGF managed by ODIMM, to expand its capacity to facilitate access to funding for SMEs, including export-oriented enterprises and COVID-affected SMEs. Partial credit guarantees will help mitigate financing risks and deploy liquidity from local banks, helping to address the financial institutions' increased perception of risk in lending to SMEs, due to COVID-19 effects.

## 3. Analysis of Potential Environmental and Social Impacts

### 3.1 Potential Environmental and Social Impacts of Matching Grants

As mentioned above the second project component would provide support for a series of TA and consultancy activities with regard to the following: (a) conducting studies; (b) provision of matching grants to selected Moldovan SMEs for accessing to business development services that might include: (i) improve existing products and services; (ii) create new products and services; (iii) improve production processes; (iv) improve business management; (v) improve business image; (vi) find new customers and markets; and, (vi) to create and strengthen partnerships within the value chain. While none of these activities will have any direct environmental impacts some of them, indirectly might generate some impacts during the implementation phases. In particular the TA activities that are targeted at developing business plans, creating new products, or improving production processes can generate some impacts related to air and water pollution, waste management, labor and health risks, etc. Considering these factors, it is necessary to conduct preliminary environmental screenings while selecting matching grants. Furthermore, during the screening process it will be possible not only to make a preliminary environmental assessment of matching grants, but, also to identify possible areas for improving environmental performances of proposed activities by identifying opportunities for sound environmentally and/or socially positive alternatives (e.g., energy efficiency, recycling and reducing waste generation, etc.).

### 3.2 Potential Environmental and Social Impacts of Sub-projects under LoC

#### 3.2.1. Important environmental and social components

The environmental and social components which may be adversely affected by sub-projects at their construction, operation and decommissioning stages generally are grouped as physical, biological and socio-economic ones. Examples of the environmental and social components which might be of a different levels and attributes are presented in the *Table 7* below.

*Table 7.* Environmental and Social Components

Physical Components	Biological Components	Social Components
<ul style="list-style-type: none"> <li>• Physical component of ecosystems (habitats)</li> <li>• Air</li> <li>• Soil (quality, structure, fertility, erodibility)</li> <li>• Land</li> <li>• Water resources (surface water &amp; underground water: quality, availability, hydrological regime)</li> <li>• Landscape/ Aesthetics, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Fauna</li> <li>• Flora</li> <li>• Vegetation communities/ forests</li> <li>• Animals' and plants' populations (number, abundance, distribution, etc.)</li> <li>• Biological component of forest, aquatic, meadow, steppe and other ecosystems (as a whole), etc.</li> <li>• Micro-organisms, etc</li> </ul>	<ul style="list-style-type: none"> <li>• Human health</li> <li>• Settlements</li> <li>• Cultural heritages</li> <li>• Employment</li> <li>• Demography</li> <li>• Income</li> <li>• Poverty</li> <li>• Gender</li> <li>• Education</li> <li>• Migration</li> </ul>

#### 3.2.2 Socio-economical context

The Gross Domestic Product (GDP), estimated for the third quarter of 2020, amounted to 61,719

million lei (3, 45 million US \$). Compared to the third quarter of 2019, GDP decreased, in real terms, by 9.7% on the gross series and by 11.5% on the seasonally adjusted series. In January-September 2020, the GDP decreased compared to January-September 2019 by 8.2%.<sup>11</sup>

During January-October 2020, exports of goods amounted to 2004.9 million US dollars, a volume lower than that achieved in the corresponding period of 2019 by 12.6%. Exports of domestic goods in January-October 2020 amounted to US \$ 1537.2 million (76.7% of total exports), decreasing by 5.7% compared to January-October 2019, thus influencing the decrease in total exports by 4.0%.<sup>12</sup>

Significant gap in Moldova's exports and imports caused the accumulation in January-October 2020 has a trade deficit amounting to 2.3207 billion US dollars US, or 183.7 million US dollars US (-7.3 %) less compared to the one registered in the corresponding period of 2019.<sup>13</sup>

**Activities of the SMEs.** During the years 2014-2019 the number of SMEs in the Republic of Moldova increased by 6.4%, reaching from 52.3 thousand units in 2014 to 55.9 thousand units in 2019, which represents about 98.6% of the total number of enterprises. The share of employees in SMEs increased from 56.2% in 2014 to 61.6% in 2019 of the total number of persons employed in enterprises. Most small and medium enterprises are located in Chisinau, 62.4% of SMEs.<sup>14</sup>

In 2019, the predominant part of SMEs carried out their activity in the field of trade, constituting 20.3 thousand enterprises, or 36.3% of the total small and medium enterprises. 4.7 thousand SMEs or 8.4% of total SMEs were active in the manufacturing industry. In the field of professional, scientific and technical activities, 4.9 thousand SMEs or 8.7% of the total SMEs were active.<sup>15</sup>

**Employment.** According to the results of the annual research "Earnings and labor costs in 2019"<sup>16</sup>, the average number of employees was 625.2 thousand people, 2% (or 12.2 thousand people) more than in 2018.

*Women* predominate among employees (326.9 thousand, or 52.3% of the average number of employees). The share of women and men differs significantly by economic activities and is largely influenced by the profile of economic activities. Thus, women are mainly found in the activities:

- health and social assistance - 81% of the average total number of employees in this activity
- education - 76.7%
- financial and insurance activities - 70.1%
- accommodation and catering activities - 65%.

*Men* predominate in the activities:

- constructions - 86.8% of the total employees in this activity
- agriculture, forestry and fishing - 73%
- transport and storage - 71.8%
- administrative service activities and support service activities - 64.9%.

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<sup>11</sup> National Bureau of Statistics (<https://statistica.gov.md/>)

<sup>12</sup> National Bureau of Statistics (<https://statistica.gov.md/>)

<sup>13</sup> National Bureau of Statistics (<https://statistica.gov.md/>)

<sup>14</sup> <https://statistica.gov.md/category.php?l=ro&idc=368>

<sup>15</sup> Ibidem

<sup>16</sup> <https://statistica.gov.md/print.php?l=en&idc=168&id=6742>

However, gender discrepancies in labor force participation exist where women are less well-paid than men. Gender earnings gap is especially high in higher-skilled and higher-paying jobs (9% in agriculture, but 29% in financial services)<sup>17</sup>. By implementing projects of this nature, women may have more benefits if the project implies a gender sensitive approach.

In 2019, there were 46,900 **unemployed persons**.<sup>18</sup> In terms of gender, more men (27,600) was unemployed than women (19,300) in 2019. The country has significant unemployment issue, mainly in rural areas. The unemployment rate (the share of ILO unemployed in the labor force) at the country level registered the value of 5.1% (SDG indicator 8.5.2). *Youth unemployment* is also extremely high – about 30% of young people are either unemployed or not enrolled in any formal training. Moreover, the impact of economic crisis as an effect of the pandemic situation is expected to have a direct and high impact in the evolution of the situation.

**Migration.** Another contextual social aspect characteristic to Moldova is *the significant outmigration of people*. Moldova has one of the highest migration rates in Europe. The rural communities are particularly affected by migration, with a total of 68.8% of all migrants or 13% of rural human capital (33.3% of the economically active population in rural areas). Once returned, the conditions for reintegration and success on the job market are still not favourable, putting the skills, education and resources at waste, with lack of long-term perspective for career.

**Poverty.** Although the Republic of Moldova has made progresses in income increase, the income of the population remains the smallest in the region, ranking the Republic of Moldova as the poorest country in Europe. From 2010 to 2019 the average disposable income of the population grew by 53.5% from MDL 1,273.7 to MDL 1,956.6. At the same time, the discrepancy between the income of urban and rural population has increased – from 23.6% in 2010 up to 41.8% in 2015, which proves that social inequalities between the urban and rural population have deepened.<sup>19</sup>

**The vulnerable disadvantaged households** also concentrated largely in rural areas. Elderly families left by young generation live in subsistence level with minimum income and lack of sustainable livelihood. Single parent or *monoparental families*<sup>20</sup>, which according to most recent statistics represent around 16% out of the total families, and the current social protection system and labor market has a very poor capacity to support them.

People with *disabilities* another vulnerable group which represent 5.1% of total population of the country, and children with disabilities constitute approximately 1.7% of all children from Moldova. Local labor market remains excluded to integration of people with disabilities as the employment rate in 2019 was 16.5%. In the distribution by sex, this indicator registered the values: 15.9% for men and 17.2% for women. The employment rate of people with disabilities in rural areas was higher (17.0%) compared to the rate for those in urban areas (15.6%).

Overall, 18% of the population can be considered as poor and disadvantaged who live with minimum state sponsored social assistance; nevertheless, the lack of institutional attention and dedicated budget provisions, aggravated by slow job growth, remain major obstacles to eradicate poverty and vulnerability on the country.

<sup>17</sup> World Bank. 2017. Republic of Moldova. Country Gender Action Plan.

<sup>18</sup> <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6617>

<sup>19</sup> Inequalities in urban and rural Moldova: Beyond incomes and averages, looking into the future of inequalities, UNDP, Moldova 2020

In this context, implementation of the proposed CEP II AF project would likely serve as a stimulant for increased economic activity in the traditional sectors (food processing, manufacturing), improve business development environment and ensure sustainability of SME activity.

### 3.2.3 Gender-based Violence, Sexual Harassment, Sexual Exploitation and Abuse

In Moldova 63.4% of women aged >15 suffered at least one form of physical, psychological, or sexual violence during their lives. Rates in rural areas are even higher at 69%<sup>21</sup> (the highest among CIS countries). Sociological studies demonstrated prevalence of physical violence in 50% of the interviewed men's families, and pointed at problematic traditional perceptions and stereotypes, and persisting gender inequality in families/society as root causes of violence: e.g. 27.7% of men/17.5% of women believe that a woman should tolerate violence to save the family, and 41.1% men/ 19.1% women believe that there are situations when a woman's beating is justified.<sup>22</sup> The situation is worse for women in rural areas and with low level of education.

Republic of Moldova has ratified or inherited a number of national and international commitments on gender equality and GBV prevention, including the adoption of Law no. 196; signing the Council of Europe Convention on preventing and combating violence against women and domestic violence<sup>23</sup> signing and ratifying the [CEDAW](#) Convention<sup>24</sup>, one of the first conventions signed and ratified by the Republic of Moldova, on elimination of any form of discrimination against women, the Republic of Moldova is still a country where women are constantly discriminated in all the areas of life.

There is currently an emergency telephone line (0 8008 8008): accessible 24/24 hours a day, offering victim counseling services, information in conditions of anonymity and confidentiality, managed by the International Center "La Strada".<sup>25</sup>

### 3.2.4 Vulnerable Groups

Disadvantaged / vulnerable individuals or groups are potentially disproportionately affected and less able to benefit from opportunities offered by the project due to specific difficulties to access and/or understand information about the project and its environmental and social impacts and mitigation strategies. Such individuals/ groups are also more likely to be excluded from the consultation process. Also, there are groups who may be difficult to reach due to communication barriers (language), to avoid this risk the information will be provided in both Romanian and Russian language. Another group refers to those with limited access to on-line resources, for these reasons, traditional methods of communication and information (face-to-face, advertisements, leaflets etc.) will be also used.

The CEP II AF will operate based on equal access to finance already operationalized in the Project which takes into account financial eligibility criteria and does not discriminate based on gender, age, disabilities, socio-economic status, etc. The SMEs services are administered equally to all categories of people and geographically cover all the areas in the country.

Regarding the specific activities of the CEP II AF Project there is the risk of inequitable direct access to project benefits, particularly for vulnerable and disadvantaged social groups (poor, disabled, elderly, isolated groups), due to their comparatively low participation in the SME

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<sup>21</sup> NBS, "Violence against Women in the Family in the Republic of Moldova", Chisinau, 2011

<sup>22</sup> La Strada/ CBS AXA, 2014

<sup>23</sup> also known as the Istanbul Convention on [February 6, 2017](#)

<sup>24</sup> The Committee on the Elimination of Discrimination against Women

<sup>25</sup> <http://lastrada.md/>

sector of the economy. Beneficiary enterprises are obliged to apply anti-discrimination policies and to implement all reasonable precautions to protect the health and safety of their workers.

The CEP II AF should take into account the ability of different members of the SMEs to access the co-financing and have the opportunity to participate in the consultation process during the project. The eligibility of the grant component beneficiaries is established in the MGF operational manual. It describes who can apply for co-financing and what documents are required to be accepted to the MGF program, as well the financing mechanism applied. The Operational Manual set the rules and procedures for environmental and social assessment of sub-projects. For SME segments, which are not eligible for participation in the program, *i.e. start-ups*, PIU agreed with ODIMM management, that the MGF coordinator provides information on ODIMM similar programs aimed at start-ups and advice applicants from this segment to apply, referring to ODIMM website.

Given the concentration of SMEs in cities, especially in Chisinau in the process of information and public consultation, more attention will be paid to rural enterprises, to ensure that they are well informed, and the information provided is accessible to them. Results framework will have a indicator on percentage of rural owned/managed businesses from the total. SMEs from the left bank of the Dniester region<sup>26</sup> must be officially registered on the right bank of the Dniester in order to benefit from project grants.

MGF grants team reached out to women associations and other groups to encourage applying for matching grants. Results framework has a supplemental indicator on percentage of women owned/managed businesses from the total. This is regularly monitored and tracked. This positive practice will continue going forward for AF.

All eligible companies are encouraged to participate, and to this end, they will work with LPAs, business associations, NGOs and other partners to increase access to information for potential grant recipients and promote their involvement.

### **3.2.5 Analysis of potential environmental and social impacts from different types of sub-projects under LoC**

The impacts associated with the different types of sub-projects might be positive and negative. *Positive impacts* are attributed mainly to the socio-economic environment. *Negative impacts* are attributed to water, air and soil pollution, additional water and energy consumption (if more goods are produced), noise, odor, loss of biodiversity and habitats, etc. Measures to be taken to minimize potential negative environmental impacts depend on their type, magnitude, combination and distribution.

*Potential Environmental Impacts from Manufacturing Sector.* The industrial sector is responsible for air and water pollution, soil contamination and waste generation, including hazardous ones. Major pollution sources are the energy and heat generation units, mining, cement and lime productions. Some industrial activities lead to ‘landscape pollution’; they generate noise and other nuisances. Data on the environmental impact of industry in the country is very limited. There is lack of integrated indicator of the industrial impact on the environment. Normally, releases volume and emissions value reported by the enterprises are being counted on the basis of the input and technology process data instead of to be directly measured. This occurs because

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<sup>26</sup> Transnistria is a breakaway region of Moldova, though it is internationally recognized as a part of Moldova.

almost all industrial laboratories have been liquidated. In whole, there is a lack of integrated indicators of the industrial impact on the environment. Industrial pollutants emissions into the atmosphere and discharges into surface waters are monitored by the Inspectorate for Environmental Protection (IEP) at the subject of their compliance with established allowable values for further processing in accordance with the Law on Taxes for Pollution of the Environment (1998) and other applicable laws. This information is stored in the IEP but not reported in official statistics. As a gap environmental management, and particularly, environmental pollution monitoring, there should be mentioned that industrial pollution is not being comprehensively analyzed, and reduction targets are not established in industrial development programs or other related documents. Though enterprises must report annually on their air emissions, wastewater discharges and waste generation reports are not mandatory for industry. Only waste generated by industries is being reported on a regular basis in official information sources since enterprises report annually to regional authorities on their annual waste generation. Based on these reports, taxes are calculated and collected from enterprises, though enterprises do not need permits for solid waste generation (only an authorization). Recent analysis of available fragmented data on environmental pollution from industrial sector has shown that water use, waste generation, greenhouse gases emission and atmospheric pollution are gradually reducing while economic activity is increasing (i.e., there is a some positive decoupling trend). Improvement of environmental efficiency in industry may result from structural changes (promoting less contaminating production) or/and technology upgrade (cleaner production technologies, end-of-pipe pollution reduction measures). Despite several structural reforms implemented in Moldova, they showed a little effect towards environmental improvement. Implementation of environmental policies in industrial sector needs to be improved through setting of and compliance with environmental priorities and targets, efficient monitoring and better coordination between ministries and use of economic mechanisms.

*Environmental Impacts from Agricultural Production Sector.* The present agriculture system practiced in Moldova can be characterized as extensive and poorly organized. This is detrimental both to agriculture production and the status of soils and other natural resources. Big share of lands used in agriculture does not allow maintaining sustainable balance between natural and anthropic ecosystems, what results in degradation of soil, adversely affects the biodiversity and an environment, as a whole. At the beginning of 2010, approximately one third of the land was under small farms of maximum 2-3 ha. The rest of agriculture land was consolidated to various extents and in various forms (e.g., leasing, cooperatives, farmers associations, etc.). A land market is developing and agricultural land is being further consolidated. Since the consolidation of agriculture land is an ongoing process, now it is crucial to promote the approach of adapting agriculture activities to the concrete features of the landscape. Concerning potential impacts from crops production, during the last decade, the area of cereals (particularly wheat and corn) has increased considerably, while the areas cultivated with forage crops dropped. The increase of areas under corn resulted in considerable loss of the soil organic matter, especially on slopes (in Moldova 80% of agriculture land is on slopes). The share of tilled crops steadily increased although to conserve the soil the proportion of tilled crops should be kept within 50% of the sown area. The pesticides usage in agriculture are often out of control of environmental authorities because they are applied on private lands and their owners are not obliged by law to report on pesticides application. Over last years, the use of mineral fertilizer decreased 10-fold while amount of applied manure also dropped substantially. Cattle breeding also raised environmental problem because of overgrazing of pastures; besides since the majority of cattle is kept in private household, solid wastes generated by cattle are not managed properly what contributes to soil, underground and water pollution by organic substances and pathogens. Fertilizers application and pasturing also strongly contribute to pollution of surface waters by nutrients which enter the water bodies with surface run-off.

*Potential Environmental Impacts from Agro-processing sector.* The share of this sector is 50% from the total country's manufacturing. The main impacts from this sector are mostly relate to surface water and groundwater pollution through increased concentrations of pollutants in wastewater effluents and emissions to air, mostly dust and odor.

### 3.2.6 Positive environmental and social impacts

Sub-projects to be implemented under the LoC will generate a great number of both direct and indirect positive impacts. Direct positive impacts will be generated by increased production, products and goods within sectorial activities which would result in creation of new jobs and respectively, more employment, increased income, as well as from direct inputs from loans. *Indirect positive impacts* from sectorial activities will relate to overall improving of business environment, increased exports and secured enterprises domestic market position, introduction of advanced technologies and techniques, creating new opportunities for access to foreign markets, enhancement competitiveness of domestic production and products, contribution to poverty reduction and food safety, improvement of country's socio-economic conditions and others. Some positive direct and indirect impacts/benefits generated by activities within concerned sectors and direct inputs from loans are presented in the *Tables 8-9* below.

**Table 8.** Positive impacts generated by sectorial activities

Sector	Positive impacts/ Benefits
Agriculture: Annual Crop & Plantation Crop Production; Meet & Poultry Production	Introduction of advances agricultural techniques, use of advanced machinery & equipment, increased crop and plantation crop production, mammalian livestock and poultry production; creating new opportunities for access to foreign markets, creating new jobs, contribution to ensuring of food security, contribution to poverty reduction in rural area and generally, to improvement of socio-economic conditions in rural areas, etc.
Aquaculture	Providing alternative source of protein nutrition for population thus contributing to improvement of human health, creating opportunities for export, creating new jobs & increased income, etc.
Agro-processing: Dairy, Meat and Poultry Processing, Vegetable Oil Processing, Sugar Manufacturing, Food and Beverage Processing, etc.	Introduction of new technologies & quality standards at enterprises, use of advanced machinery & equipment, providing additional value to produced agricultural production, creating new opportunities for access to foreign markets, providing more food thus ensuring country's food safely; creating new jobs and better working conditions, especially for women and increased incomes, contribute to improvement of socio-economic conditions urban and rural areas, etc.
Manufacturing: Cement & Lime, Ceramics, Glass, Textile Manufacturing, Tanning & Leather Finishing, Printing, Construction Material Extraction, Surface Treatment of Metals and Plastics, Metal, Plastic & Rubber Products manufacturing, Sawmilling & Manufactured Wood Products, Board & Particle-based Products, Pharmaceuticals & Biotechnology, Semiconductors & Other Electronics manufacturing	Introduction of new technologies & quality standards at enterprises, use of advanced machinery & equipment, creating new opportunities for access to foreign markets; providing machinery and other equipment for other sectors of economy (e.g., farm machinery for agriculture), providing more goods thus contributing to improvement of living conditions, providing new jobs with better working conditions and increased incomes, improving women's labor market participation, etc.
Construction	Providing new jobs & better income, contributing to development of infrastructure, contribution to improvement of living and work safety conditions, and in general, to socio-economic conditions in urban and rural areas, etc.
Non-renewable resources	Sand, aggregate materials, cement, lime provide the materials for new roads

Sector	Positive impacts/ Benefits
manufacturing	construction and rehabilitation of existing ones as well as for construction of new buildings of socio-economic designation; this may result in improved access to new, including foreign, markets and respectively; in improved incomes, more jobs and generally, in improvement of socio-economic conditions, etc.

**Table 9.** Positive impacts generated by direct loan inputs

Input	Positive Impact
Seeds - Agriculture: for Annual Crop & Plantation Crop Production, Aquaculture	Increased agricultural production; increased rural income; improvement of rural economy; contribution to country's food security, etc.
Fertilizers - Agriculture: for Annual Crop & Plantation Crop Production	Improved soil quality, increased agricultural production; increased rural income; rural economy improved; contribution to country's food security, etc.
Pesticides - Agriculture: for Annual Crop & Plantation Crop Production; Agro-processing: Mammalian Livestock & Poultry Production	Increased agricultural production; increased rural income; rural economy improved; contribution to country's food security, etc.
Pedigree seeds - Agriculture: Mammalian Livestock & Poultry Production	Fewer animals required for the same production volume; improved quality of production and respective products for markets, including foreign ones; increased farm income; improved rural economic situation, etc.
Animals for finishing and dairy - Agro-processing: Meet & Poultry Processing	Improved farm income & rural economic situation; contribution to country's food security, etc.
Machinery and other equipment – Agriculture, Agro-processing, Manufacturing	Reduced labor burden for rural employees; improved farms' efficiency; increased production volume, improved soil preparation, improved rural economic conditions, etc. In fact, for primary processing equipment the positive impact will be Additional value to agricultural production resulting in improved local economic situation through more jobs provided; improved farm income; reduction of n transportation costs and fuel consumption, etc..
Vehicles – all sectors	Improved labor efficiency resulting in improved profits
Construction – all sectors	In fact, for stock of machinery and chemicals the positive impact will be: Improved livestock husbandry; better protection of machinery against weather conditions thus contributing to farms net profit; prevention of chemicals' leakages and accidental spills thus improving local environmental conditions, better chemicals' quality, etc.
Storage facilities – all sectors	In fact, for fuel, grain and other products, the positive impact will be: Easy fuel and lubricants handling, avoidance of fuel spills, decrease of fuel wastage; decrease spoilage of crops and grains resulting in improved economic efficiency and higher farm incomes
Fencing materials – Agriculture	Reduced private plots' boundaries disputes; improved livestock husbandry; etc.
Fuel, lubricants – all sectors etc.	Ability to better run machinery and vehicles which will result to increased labor efficiency, increase income, etc.

### 3.2.7 Negative environmental impacts

Negative impacts mainly relate to physical and biological environmental components and are linked to water, air and soil pollution, soil erosion, loss of biodiversity and habitats, energy and water consumption as well as use of other natural resources. The major agricultural impacts are related to livestock and poultry production, both on the small farm holding and the large commercial farm. This may result in increased volumes of animal waste, including contaminated by pesticides affecting soil, groundwater (through leakage from septic tanks) and surface water quality, human health and biodiversity, as well as soil degradation/ compaction due intensive

pasturing, loss of agricultural (and remained steppe) biodiversity, etc. In agro-processing sector the main impacts are related to surface water pollution through increased concentrations of pollutants in wastewater effluents and emissions to air, mostly dust and odor. In manufacturing sector main impacts are surface water pollution through increase concentrations of pollutants in wastewater effluents, emissions to air (dust/particulate matter, often toxic substances), acoustic, vibration, water and energy consumption, aesthetics. During construction activities which may have a relevance to all above sectors, the main negative impacts are generated during construction phase and relate to soil erosion, soil and water pollution through waste generation, air pollution, acoustic and aesthetics.

The most common potential negative impacts from sectorial activities and construction activities and their significance are summarized in the *Table 10* below.

**Table 10.** Potential negative impacts generated by sectorial activities and construction activities

<b>Enterprise Category</b>	<b>Potential Impacts</b>	<b>Level of Significance</b>
Agro-processing:	<ul style="list-style-type: none"> <li>• Water and energy consumption</li> <li>• Water pollution</li> <li>• Soil pollution</li> <li>• Odor</li> </ul>	High High Moderate High
Agriculture & Aquaculture	<ul style="list-style-type: none"> <li>• Soil degradation (soil erosion, loss of productive capacity, compaction, etc.)</li> <li>• Soil pollution (e.g., by pesticides)</li> <li>• Surface (through runoffs) and underground (through infiltration) water pollution</li> <li>• Loss of agricultural biodiversity (due to cattle grazing)</li> <li>• Alien species (aquaculture), etc.</li> </ul>	High High High Moderate
Manufacturing	<ul style="list-style-type: none"> <li>• Water and energy consumption</li> <li>• Surface water pollution by hazardous chemicals</li> <li>• Air pollution</li> <li>• Biodiversity/ habitats loss</li> <li>• Soil and water pollution through hazardous wastes generation and disposal</li> <li>• Impact to drinking water quality</li> </ul>	Very high Very high Very high Moderate Moderate Moderate
Extraction industry: Non-renewable resources	<ul style="list-style-type: none"> <li>• Air pollution (dust, particulate matter)</li> <li>• Acoustic</li> <li>• Vibrations</li> <li>• Aesthetics, etc.</li> </ul>	High High Moderate High
Construction (construction phase)	<ul style="list-style-type: none"> <li>• Soil erosion</li> <li>• Soil pollution</li> <li>• Land degradation/ aesthetics</li> <li>• Air pollution</li> <li>• Acoustic</li> <li>• Water pollution</li> <li>• Access restriction</li> <li>• Disturbance livelihood activities</li> <li>• Community health and safety</li> <li>• Closure of business or other utility services</li> </ul>	Moderate Moderate High Moderate High Moderate Moderate Low Moderate Low

More detailed description of impacts which may arise from each probable activity as per sectors of concerns is presented in the *Environmental Guidelines* (see *Annex E, F and G*).

### 3.2.8 Potential social impacts

Social risk category related to interventions to be conducted in line with the proposed AF is rated

as “*Low*”. Overall, the activities to be implemented under the Project will generate a number of both *direct* and *indirect positive impacts*.

Some *direct positive social impacts* can be expected through the creation of new jobs and respectively, more employment and increased income. *Indirect positive impacts* will relate to overall improving of business environment through the reduction of administrative costs, increased exports and secured enterprises domestic market position, introduction of advanced technologies and techniques, creating new opportunities for access to foreign markets, enhancement competitiveness of domestic production and products, contribution to food safety, and improvement of country’s socio-economic conditions. The previous recipients of MGF Matching grant have cumulatively created 537 new jobs. The impact evaluation revealed that for each US\$1 invested through matching grants, US\$11 in export sales have been realized.

However, some possible negative impacts are anticipate. The increase in exports could lead to insufficient coverage of certain products on the internal market and/or to higher prices, which mainly refers to agricultural products and respectively, lower access, especially for the vulnerable population, to certain agricultural products. Nevertheless, it should be mentioned that the internal market of the Republic of Moldova is a small one, easy to secure for the most part, and the export benefits are indisputable in this context.

Another aspect on which certain negative impacts can be reflected is the competition between the enterprises. Grants offered to support local businesses and promote exports could put other companies on the market, who do not meet the eligibility criteria for grants or for various reasons have not had access to information, on unfair terms. The project assumes that there is a target group that will benefit from support, and these in the future can serve as models for other companies in their field of activity.

Beneficiary companies will have temporary access to project resources and thus may have difficulty managing export activities, maintaining jobs, etc. in perspective. Another aspect that needs to be managed is the diversification of export markets, in order to avoid vulnerability, producers' dependence on a single market.

In general, non-land related social impacts can be discussed at ‘contextual’ and ‘project specific’. At contextual or country level, the project impacts may be felt largely by local population. In terms of the territorial aspects, the social impacts will be primarily analyzed from the *rural population* lenses (which represents 56,9% out of the total<sup>27</sup>).

The Project does not involve any land acquisition or resettlement related impacts, so will not trigger OP/BP 4.12 / ESS5 – Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement. Sub-project activities proposed under the CEP II AF not expected to cause any temporary or permanent physical or economic displacement or loss of assets. Furthermore, the Project will not support any sub-projects that would necessitate involuntary land acquisition or any form of involuntary resettlement. Nevertheless, in order to ensure full compliance with social safeguards polices and requirements of the Bank, the PIU/ MGF will carry out social screening of each sub-project using the checklist from the Annex B. Social staff attached to project implementation unit then will reflect result of this social screening/ due diligence in the Project Environmental and Social Information Sheet based on the magnitude of social risks/ impacts.

In the Republic of Moldova, the share of informal employment is relatively high (23.1% was in

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<sup>27</sup> Total population reported by the National Bureau of Statistics for 2019 was 3542,7 thousands inhabitants.

2019)<sup>28</sup>. Informal employment is most common among the rural employers, men, young and unskilled workers.<sup>29</sup>

Undeclared (based on verbal agreements) work among employees accounted for 7.2% in 2019. The practice of hiring without completing individual employment contracts (based on verbal agreements) is more common among male employees (9.1%) than female employees (5.6%). The largest shares of employees who work only on the basis of verbal agreements, are estimated in agriculture (48.3%), trade (16.0%), construction (15.3%) and industry (6.4%).<sup>30</sup>

Under-declaration of wages/ envelop wages are widespread in Moldova, at least 21.3% of Moldova's employees partially or fully received their salaries in envelopes, according to an opinion poll conducted in 2018<sup>31</sup>. According to the NBS data "Earnings and labor costs in 2019" the average gross nominal monthly earning of an employee was 7233.7 lei, increasing by 15.4% (or 965.7 lei) compared to 2018. (1 US\$= 17.75 lei) and the average net monthly nominal salary was 6010.1 lei, by 16.9% (or 868.2 lei) more than in 2018.

The detailed labor conditions requirements are mandatory for the entire country and do not differ by location or region. A separate document - Labor Management Procedure (LMP) is developed and will be attached to ESMF (Annex J). ESS2 applies to project workers including fulltime, part-time, temporary, seasonal and migrant workers. The risk of informal employment in sub-projects is assessed as "*Medium*".

Trade unions, labor safety control institutions are not very functional in the Republic of Moldova. Mostly, the employees choose to change jobs when they are dissatisfied with the working conditions, salary, salary delays, etc., without addressing other institutions. Distrust persists in state institutions, and addressability is low due to bureaucratic procedures and the perception that justice will not be served. For this reason, employees should be informed about the benefits of formal employment and encouraged to claim their rights when they are violated. All project workers are encouraged to use the existing project grievance mechanism to raise workplace concerns.

The project is assessed as "*Low*" on gender-based violence (GBV) risk. However, the ESMPs for of the project components will be developed and will include GBV risks assessment and mitigation measures to prevent and respond to GBV risks.

Therefore, the GBV aspect in CEP II AF implementation will focus socially vulnerable groups protection and on prevention of GBV (physical violence - such as slapping, kicking, hitting, or the use of weapons; emotional abuse - such as systematic humiliation, controlling behavior, degrading treatment, insults, and threats; sexual violence etc.).

The PIU will ensure that GBV risks are adequately prevented and mitigated. The prevention measures will include but will not limited to awareness raising of all employees and community members on GBV risks and mitigation measures.

### 3.2.9 Cumulative impacts

Cumulative impacts are not likely to be an issue as the Project distributes its loan activities more or less evenly throughout the country. In the agricultural production sector, if there is a concentration of loans for the purchase of a large number of livestock in one particular

<sup>28</sup> NBS, statbank.statistica.md

<sup>29</sup> NBS

<sup>30</sup> <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6617&parent=0>

<sup>31</sup> CBS-AXA/IDIS, <http://www.viitorul.org/ro/content/salariile-%C3%AEn-plic-prejudiciaz%C4%83-bugetul-public-na%C8%9Bional-cu-35-miliarde-anual>

watershed, without effective waste management, the main river of the watershed could become heavily polluted as a result of a high concentration of livestock.

Some activities may require additional water consumption thus contributing to lowering of groundwater table, or contribute to water pollution through additional polluted effluents thus contributing to deterioration of surface water quality and respectively, loss or degradation of aquatic habitats, biodiversity degradation, etc. Pesticide and chemical fertilizer use in agricultural production may have a severe cumulative effect. Enterprises in a single small watershed could cumulatively have a significant effect on surface water bodies, resulting in damaged aquatic ecosystems and affecting water quality downstream, sometimes in adjacent countries. Similarly, the impact on water quality of a common river used by several processing plants could be significant.

The environmental concerns in manufacturing activities will mainly focus on emissions to air and effluent discharges. In spite, emissions and effluent within each activity have to comply with established requirements, cumulatively, all of the industries in one region (e.g., in a small closed valley with poor air circulation) could significantly contribute to the deterioration of overall air quality, resulting in impact on human health. However, taken into consideration that all mitigating measures are taken, these impacts are not likely to be severe.

### 3.2.10 Residual environmental impacts

Residual impacts are those that remain after all mitigation has been carried out. Assuming that all mitigation as indicated in the guideline tables are implemented appropriately, the residual effects, even cumulatively on all sub-projects, should not be significant. Expert judgment on expected residual impacts from sectorial activities within sub-projects implementation once all mitigating measures are taken is presented in *Annexes E, F and G*. Summary of probable residual impacts generated by sectorial activities is presented in the *Table 11* below.

The key issue to minimize residual impacts is an “effective management”; it means that, where required, comprehensive EIA and comprehensive ecological expertise has to be carried out, environmental management plans must be complied appropriately, be sound and implemented effectively, and effective monitoring has to be performed.

**Table 11.** Summary of potential residual impacts

Activity	Potential Residual Impact	Significance
Non-renewable resource extraction industry	Aesthetics	Moderate
Agriculture	Surface water & underground water pollution, soil pollution, soil erosion	Low-moderate
Agro-processing	Surface and underground water pollution, air pollution	Low
Manufacturing	Air & surface water pollution	Low-moderate
Construction	Surface water pollution, soil erosion	Low

## 4. Environmental Guidelines

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### 4.1 Purpose of Environmental Guidelines

The purpose of the project Environmental Guidelines is to assist the PIU staff, PFI loan officers, and sub-borrowers in determining the potential environmental impacts of matching grants and sub-projects. The Guidelines provide potential environmental impacts of matching grants and sub-project-activities and mitigation measures to minimize or prevent them. In particular, the PIU, and PFIs loan officers will use three sets of tables presented in the *Annexes E, F and G*, which will assist them in determining of environmental impacts that can be expected from different types of sub-projects in various sectors. Based on this information, the loan officer and sub-project beneficiary can define the required mitigation measures to meet the sub-loan condition. The Guidelines provide criteria and procedures for matching grants screening and EIA to be applied by the PIU. The Guidelines also provide recommendations for improving environmental performances of business proposals to promote sound environmental practices (implementation of recommendations is not a condition for MGF grants and it is up to MGF beneficiaries to take these recommendations into consideration). These Guidelines will be also be used for the purpose of environmental monitoring of sub-projects.

Since these are only guidelines and the information contained within is generalized, in some instances, the officers would be advised to seek local professional opinion (e.g., Ministry of Environment, agricultural and industrial extension staff, researchers, designers, etc.) for more specific information and advices.

### 4.2 Content of Environmental Guidelines

The Environmental Guidelines provide the following:

- (a) Matching grants environmental screening and recommendations for improving environmental performance in business proposals;
- (b) Rules and Procedures for sub-projects environmental screening to be funded under the LoC;
- (c) Environmental Screening Checklist (presented in the Annex A);
- (d) Content and format for the Environmental Management Plan to be designed for sub-projects and format for an Environmental Monitoring Plan to be follow to achieve environmental protection requirements under the loan (Annex B); as well as,
- (e) Tables that describe potential environmental impacts that may occur as a result of sub-project activities as well as needed mitigation and monitoring measures in three main sectors: Agricultural Production (*Annex E*), Agro-processing (*Annex F*), and Manufacturing & Construction (*Annex G*), which may be financed by the credit.

### 4.3 Matching Grants Environmental Screening and Improving Environmental and Social Performance of Business Development Proposals

As described above, the second Project Component would provide support for a series of TA and consultancy activities that might indirectly, during the implementation and operational phases

generate some environmental and social impacts. In the development of business plans, creating new products, or improving production processes can generate some impacts related to air and water pollution, waste generation, labor and health risks, etc. Based on that, the PIU Environmental and Social Specialists will conduct preliminary screening of proposed Matching grants and identify those which might require an ESIA and/or a simple ESMP. The screening process will also allow these institutions to make a preliminary environmental assessment of matching grants and identify possible areas and recommendations for improving environmental performance of proposed activities by identifying opportunities for sound environmentally and/or socially positive alternatives<sup>32</sup> (e.g., energy efficiency, recycling and reducing waste generation, etc.).

Table 12 below presents potential activities that enterprises might include in their business improvement projects to be funded by matching grants, initial guidance on the environmental category that these activities may fall into, and comments on the types of environmental and social impacts the activities could potentially have.

**Table 12.** TA activities, criteria and suggested screening categories

TA activity	Category B	Category C	Comments
Improve existing products and services		X	Environmental screening procedures for existing facilities if applicable Social screening for existing labor, health and safety procedures
Create new export products and services	X		It can generate new air and water pollution and wastes, have labor and health risks, energy inefficiency etc.
Improve production processes	X		It can generate additional air and water pollution and wastes, increase labor and health risks; have energy inefficiency etc. Environmental screening procedures for existing/new facilities should be applicable
Improve business management		X	N/A
Improve business image		X	N/A
Find new customers and markets		X	N/A
Create and strengthen partnerships within the value chain		X	N/A
Market study		X	N/A
Assistance from a marketing experts as well as from an industry experts in product packaging, branding, in product development, etc.		X	N/A
International quality certification (e.g. ISO, HACCP)		X	N/A
Business process re-engineering to improve productivity	X		It can generate additional air and water pollution and wastes, increase labor and health risks, energy inefficiency etc. Environmental screening procedures for existing/new facilities should be applicable
Export existing products to new markets, exporting for the first time, selling new products into export-oriented value chains, or selling to a new customer in an export-oriented value chain		X	Orientation towards several markets to avoid dependence on the market of a single country.

<sup>32</sup> As noted above, implementation of recommendations is not a condition for MGF grants and it is up to MGF beneficiaries to take these recommendations into consideration.

While the grant activities considered as Category B, as such, will not generate any adverse environmental and social impacts, if the EIA is not done appropriately, indirectly it may cause some environmental and social risks during the project implementation. If the Environmental Specialist's preliminary screening and consultation with the technical committee of the MGF Administrator (which may include participation of the PIU, ODIMM and MIA) concludes that an environmental and social assessment (ESA) should be conducted for the activities the matching grant will fund, ODIMM, MIA and PIU Environmental and Social Specialists will review the TOR for the ESA to ensure it is in compliance with the national and WB safeguards policies. The TOR for ESA study should be disclosed on the website of the Matching Grant Facility Administrator or one of the members of the technical committee (e.g., ODIMM or MIA – to be determined during project implementation) and virtually consulted with interested parties before the award of the matching grant.

As specified above, during the grants screening, the Environmental Specialist (ES) and Social Specialist (SS) may identify potential opportunities for MGF beneficiaries to implement environmentally sound and/or socially positive activities. *Table 13* below provides initial guidance on the types of environmental issues that may arise from activities to be funded under matching grants. The ES and SS may make recommendations to the beneficiary in these areas.

**Table 13.** Type of grants and issues to be looked at

Type of grants	Environmental issues	Social issues
Create new export products and services	Air/water/soil pollution prevention and control technologies applying, wastes reducing and recycling, energy efficiency implementing etc.	Health and labor safety; workplace issues, including, concerns relating to COVID-19; potential risks and impacts of the project on communities; the involvement and consultation of employees and other stakeholders.
Improve production processes	Air/water/soil pollution prevention and control technologies improving, wastes reducing and recycling, energy efficiency increasing etc.	Health and labor safety; workplace issues, including, concerns relating to COVID-19; the involvement and consultation of employees and other stakeholders.
Business process re-engineering to improve productivity	Air/water/soil pollution prevention and control technologies applying, wastes reducing and recycling, energy efficiency increasing etc.	Health and labor safety; workplace issues, including, concerns relating to COVID-19; the involvement and consultation of employees and other stakeholders.

For all of proposed types of grants (activities) the national environmental legislation prescribes to comply with the existing regulations on: ESIA and State Ecological Expertise, Construction/rehabilitation authorization, Authorization on emissions of environmental pollutants, Water use authorization, Waste disposal permit, Technological safety authorization etc., according to individual specific sub-project activities.

## **4.4 Rules and Procedures for Environmental Screening of CGF Sub-projects**

### **4.4.1 Introductory notes**

Screening of each proposed project for funding is to be undertaken in order to determine the appropriate extent and type of Environmental Impact Assessment as well as which one of ten World Bank's Policies will be triggered. The attribution of the project type to WB's EA category and respectively, environmental risk that might be generated (i.e., high risk – by the Category A sub-projects; from moderate to low risk – by the Category B sub-projects, and from low to no risk - by the Category C sub-projects) is to some extent, an expert judgment.

Generally, the significance of impacts and the selection of screening category accordingly, depend on the *type* and *scale* of the project, the *location* and *sensitivity* of environmental issues, and the *nature* and *magnitude* of the potential impacts.

***In terms of type and scale of the projects.*** Usually, the following projects are considered as having “significant” impacts and respectively should be qualified as Category A sub-projects:

- significantly affect human populations or alter environmentally important areas, including wetlands, native forests, grasslands, and other major natural habitats.
- “significant” potential impacts might be also considered the following: direct pollutant discharges that are large enough to cause degradation of air, water or soil;
- large-scale physical disturbance of the site and/or surroundings;
- extraction, consumption, or conversion of substantial amounts of forest and other natural resources;
- measurable modification of hydrologic cycle;
- hazardous materials in more than incidental quantities; and
- involuntary displacement of people and other significant social disturbances.

***In terms of location.*** There are a number of locations which should be considered while deciding to qualify the project as Category “A”:

- in or near sensitive and valuable ecosystems — wetlands, wild lands, and habitat of endangered species;
- in or near areas with archaeological and/or historical sites or existing cultural and social institutions;
- in densely populated areas, where resettlement may be required or potential pollution impact and other disturbances may significantly affect communities;
- in regions subject to heavy development activities or where there are conflicts in natural resource allocation; along watercourses, in aquifer recharge areas or in reservoir catchments used for potable water supply; and on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, prime agricultural soils).

***In terms of sensitivity.*** This is in the case when the project might involve activities or environmental features that are always of particular concern to the Bank as well as to the borrower. These issues may include (but are not limited to): conversion of wetlands, potential adverse effects on protected areas or sites, involuntary resettlement, impacts on international waterways and other trans-boundary issues, and toxic waste disposal.

***In terms of magnitude.*** There are a number of ways in which magnitude can be measured, such as the *absolute amount* of a resource or ecosystem affected, the *amount affected relative to the existing stock* of the resource or ecosystem, the *intensity* of the impact and its *timing* and *duration*. In addition, the *probability of occurrence* for a specific impact and the *cumulative impact* of the proposed action and other planned or ongoing actions may need to be considered.

Examples of projects that fall under Categories A, B, and C are provided in the *Table 5* above. However, this list is just a starting point and framework for the screening decision. Because of other factors involved such as project sitting, the nature of impacts, and the need for the EIA process to be flexible enough to accommodate them, the lists should not be used as the sole basis for screening.

As there is a general compliance between World Bank and conventional Moldovan project categories liable to various types of the environment assessment while during conducting environmental screening it is necessary to take into consideration the following:

- ➔ *To the Category A* will be attributed all planned activities which require a full EIA study and listed in the Law #86 on EIA (2014) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) in case they attribute to newly planned activities/ enterprises, as well as those which the ME considers as projects which also need a full EIA (sub-projects placed in or in the vicinity of environmentally sensitive areas and habitat of endangered species; in or near areas with archaeological and/or historical sites or existing cultural and social institutions).
- ➔ *To the Category B* may be attributed all planned activities which may have adverse impacts on the environment but not listed in the Law #86 on EIA (2014) and in the Order of Organization and Conducting of the State Ecological Expertise (2002). Additionally, Category B might be attributed to those listed in above documents projects/enterprises, which were already built and, respectively passed through the procedure of the State Ecological Expertise, but the purpose of funding is their upgrading/improvements. In these cases, EIA is required only for their newly developing parts (construction, reconstruction, rehabilitation, expansion of industrial facilities, etc.).
- ➔ *To the Category C* will be mainly attributed those which are expected to have minor impacts on environment and therefore are not needed to be passed through the formal procedures of EIA and SEE.

For Category C sub-projects beyond screening, no further EIA action is required. If the FIs meet difficulties with WB categorization of sub-projects it should consult the PIU Environmental Specialist.

#### **4.4.2 Types of sub-projects that will be not supported within the CEP-II AF**

The CEP-II AF does not support the following sub-projects:

- (i) in the case they may cause significant impacts for which it would be necessary a full EIA (Category A sub-projects);
- (ii) any investments related to wood harvesting and/or those that might have impacts on the forest health (Ref.: OP/BP 4.36 Forestry);
- (iii) production and processing of Genetically Modified Organisms (GMOs);
- (iv) located in protected areas, critical habitats or culturally or socially sensitive areas (Ref.: OP/BP 4.36 Forestry, OP/BP 4.04 Natural Habitats, OP/BP 4.11 Physical Cultural

Resources);

- (v) any activities that may cause any permanent or temporary physical or economic displacement OP 4.12 / ESS 5);
- (vi) any sub-projects used to invest in a business which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other (Ref.: OP/BP 4.12 Involuntary Resettlement);
- (vii) any subproject used to invest in businesses involve forced or child labor, reported or potential for gender-based violence and /or sexual harassments (Ref.: ESS2 of ESF);)
- (viii) purchasing pesticides (Ref.: OP 4.09 Pest Management);
- (ix) large scale irrigation systems and sub-projects involving discharging waste waters directly in the international waterways, abstraction or diversion of international waters, sub-projects related to discharging waste materials in a location that could impact on international waters, construction of any dams that might affect international waters hydrological regime, etc. (Ref.: OP/BP 7.50 Projects on International Waterways).

The CEP II AF will also not support other types of sub-projects that are specified in the IFC/WB Exclusion List (*Table 14*).

**Table 14.** The IFC/WB Exclusion List

<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.</li> <li><input checked="" type="checkbox"/> Production or trade in weapons and munitions.*</li> <li><input checked="" type="checkbox"/> Production or trade in alcoholic beverages (excluding beer and wine).*</li> <li><input checked="" type="checkbox"/> Production or trade in tobacco.*</li> <li><input checked="" type="checkbox"/> Gambling, casinos and equivalent enterprises.*</li> <li><input checked="" type="checkbox"/> Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.</li> <li><input checked="" type="checkbox"/> Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.</li> <li><input checked="" type="checkbox"/> Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.</li> <li><input checked="" type="checkbox"/> Production or activities involving harmful or exploitative forms of forced labor**/harmful child labor.***</li> <li><input checked="" type="checkbox"/> Production or trade in wood or other forestry products other than from sustainably managed forests.</li> <li><input checked="" type="checkbox"/> Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.</li> <li><input checked="" type="checkbox"/> Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.</li> </ul>
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*Notes:*

\* This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

\*\* Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

\*\*\* Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

#### **4.4.3 Environmental impact assessment of Category B sub-projects**

After the FI's initial environmental screening of sub-project proposal, for the Category B sub-projects – the sub-borrowers should initiate a site-specific EIA and EMP and/or prepare a simple

EMP and/or a EMP Checklist in order to identify, evaluate and prevent potential environmental impacts and identify mitigation measures that may be incorporated into the project design. The ESMP Checklists have been developed for the projects with activities which have a low risk level and are typical for civil works, to expedite the ESIA&ESMP process and to ensure recording and implementation of the basic best practice measures within such civil works, and, at the same time, to create convenient to use document corresponding to the World Bank OP 4.01 (see Annex A/Form 4). The ESMP Checklists might be used in the following cases: (a) major rehabilitation of existing facilities (such as replacement of roofs and internal remodeling, affecting structural elements); (b) reconstruction of existing buildings, such as expansion and remodeling; (b) new small scale construction activities, such as one level buildings located within the settlements.

The purpose of the EIA and/or EMP is to predict potential effects and improve the environmental aspects of sub-projects by minimizing, mitigating or compensating for negative effects. The EIA should be conducted for the entire enterprise regardless of loan's size or any other specific features of a loan. *Terms of Reference for an Environmental Impact Assessment* are attached as *Annex A/Form 3* of the ESMF. The project's applicant is responsible for conducting this study.

#### 4.4.4 Impacts prevention/mitigation

Based on the existing WB and national EIA rules and procedures, all potential impacts from planned economic activities have to be identified and the set of mitigation measures has to be outlined. Furthermore, since preventive measures are favored over mitigating or compensatory measures, the Project will provide capacity building to all involved parties and especially to the PIU, PFIs, to avoid or minimize potential environmental impacts through applying a set of good practices directed to sub-borrowing enterprise through providing guidance on environmental sustainability matters when advising on agricultural production, agro-processing and industrial activities. The project will also support environmentally sustainable industry and agriculture technologies, including organic farming, and provide stakeholders by education on environmentally sound practices.

In relation to sectors to be covered by sub-project activities, the generated negative environmental impacts and environmental issues might be such as: surface and underground water pollution, including by hazardous chemicals; soil and water pollution due to wastes generation and improper disposal; as well as use and storage of hazardous materials; air pollution due to emission; soil and land degradation; loss of biodiversity and habitats; water and energy consumption; noise, odor and others; which may affect various environmental components. Description of potential impacts which may arise from sub-projects from agricultural production, agro-processing and manufacturing sectors as well as typical measures to be taken to prevent and mitigate impacts are presented in the *Annexes E (Agricultural Production & Aquaculture)*, *F (Agro-processing & Food Production)* and *G (Manufacturing & Construction)* of the ESMF.

The full set of preventive and mitigation measures for activities in Agricultural & Agro-processing and Manufacturing sectors were developed by the World Bank Group in 2007 in its Environmental, Health, and Safety Guidelines<sup>33</sup>, as well as outlined in the Best Available Techniques to the EU Integrated Pollution Prevention Control Directive<sup>34</sup>, documents which could be consulted while conducting the EIA studies and preparing the Environmental and Social Management Plans.

<sup>33</sup> See: <http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvironmentalGuidelines>

<sup>34</sup> See: [http://europa.eu/legislation\\_summaries/environment/waste\\_management/l28045\\_en.htm](http://europa.eu/legislation_summaries/environment/waste_management/l28045_en.htm)

#### 4.4.5 Occupational health and safety

*Occupational Health and Safety* (OHS) hazards may occur during construction, maintenance, and operation of new facilities and equipment, and must be carefully managed.

The Contractor will develop a Method Statement before starting construction works on site, and this document will be approved by the Employer.

Many workers will be exposed to occupational health and safety hazards, primarily including, but not limited to:

- Lack of awareness on occupational health and safety requirements such as the use of *Personal Protective Equipment* (PPE) and safe workplace practices;
- Electrical works;
- Exposure to chemicals (as paints, solvents, lubricants, and fuels);
- Traffic accidents;
- Excavations hazards;
- Lifting of heavy structures;
- Exposure to construction airborne agents (dust, silica and asbestos);
- Welding hazards (fumes, burns and radiation).

In particular, prevention and control measures must ensure that only trained and certified workers access the facilities or any area that could present occupational health and safety hazards, with the necessary safety devices and respect for minimum setback distances.

Considering the current situation with COVID-19 in the country, in addition to the measures for safety and protection at work, the OH&S plan also should include measures for prevention of COVID-19. Detailed description of the measures and recommendations from the World Bank/WHO, Government of Republic of Moldova and National Commission on Public Health are presented in *Annex K*. The COVID-19 prevention measures contains recommendations from the World Bank/WHO, as well as recommendations from the Moldova’s in the form of a Guide, that the Contractor of the construction works needs to implement. The Contractor is required to follow/update and implement the measures that are currently in force and adopted by the Government as binding at national level. Official site for information related to COVID-19 on national level is [www.msmps.gov.md](http://www.msmps.gov.md) and [www.ansp.md](http://www.ansp.md).

#### 4.4.6 Steps to be followed while performing ESIA of CGF sub-projects

The steps to be followed while performing sub-projects ESIA procedure, along with the responsibilities of the various concerned institutions are presented in *Table 15* below.

The screening should be done at the initial stage of the sub-projects selection. Based on the description of the proposed activities and on their potential environmental impacts, the FIs will decide which project category should be attributed. For the purpose of sub-project ESIA it should be used special checklists and templates (see *Annexes A-D*). These documents will be attached to all submitted sub-project proposals (*Table 16*).

**Table 15.** ESIA procedure documents by sub-project categories

Pre-	ESIA Document	Sub-project activities and categories
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parer		New facilities		Existing facilities		Construction/rehabilitation	
		C	B	C	B	C	B
B	Environmental Screening Checklist <i>Part 1</i> (Annex A/Form 1)	X	X			X	X
PFI	Environmental Screening Checklist <i>Part 2</i> (Annex A/Form 1)	X	X			X	X
PIU	Environmental Screening Checklist <i>Part 3</i> (Annex A/Form 1)	X	X			X	X
B	Environmental Impact Assessment Study (Annex A/Form 3)		X				X
B	Environmental Screening Checklist <i>Part 1</i> (Annex C/Form 1)			X	X		
PFI	Environmental Screening Checklist <i>Part 2</i> (Annex C/Form 1)			X	X		
B	Environmental Audit Protocol Outline (Annex D)				X		
B	Environmental Management Plan (Annex B/Forms 1-2)		X				X
B	Environmental Monitoring Plan (Annex B/Form 3)		X				X
B	Environmental Management Plan Checklist for small scale constructions/rehabilitations (Annex A/Form 4)					X	X
B	Screening checklist to assess the social impacts and risks (Annex H)	X	X	X	X	X	X

Note: B – beneficiary, sub-borrower; PFI – participating financial intermediary

**Table 16.** Steps to be followed while performing the ESIA procedure of sub-projects

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
Step 1	1) The potential sub-borrower and the PFI's officers prepare an <i>initial sub-project concept</i> and submit it to PFI. <i>Notes:</i> i) The sub-borrower is responsible for obtaining <i>appropriate permits and approvals</i> that may be required for the particular type of activity to be financed, and are issued by the local authorities responsible for environmental issues. It should be noted also that a <i>construction permit</i> would be required in case of new construction or substantial reconstruction; ii) At this time the sub-borrower may initiate preliminary discussions, if needed, with environmental and social authorities, in order to determine requirements for environmental, social, health and safety review, respectively.		
Step 2	2) If the sub-project receives preliminary endorsement of PFI, the sub-borrower completes <i>Part 1</i> of the <i>Environmental Screening Checklist (Annex A/Form 1)</i> and Screening checklist to assess the social impacts ( <i>Annex H</i> )		
Step 3	3) PFI based on the findings of the environmental and social screening and scoping process completes <i>Part 2</i> of the <i>Environmental Screening Checklist (Annex A/Form 1)</i>		
Step 4	4) PFI based on the Environmental Screening Checklist, after consulting the PIU Environmental and Social Specialists, when necessary, <i>determines the environmental category, and makes a conclusion that a full ESIA should be done</i> and informs sub-borrower that such sub-project cannot be supported by the project.	4) PFI, based on the Environmental Screening Checklist, after consulting the PIU Environment and Social Specialists, when necessary, <i>determines the environmental category of sub-project is "B", and makes a conclusion what kind of ESIA is to be conducted</i> – an ESIA and an ESMP and/or partial ESIA, or an ESMP Checklist, including or not an environmental site assessment, or applying the screening procedure as for “existing facilities”, and informs sub-borrower	4) PFI, based on the Environmental Screening Checklist, after consulting the PIU Environment and Social Specialists, when necessary, <i>determines the environmental category of the subproject is C and approves for financing</i> , and informs sub-borrower
Step 5	N/A	5) In the case of a sub-project which require an ESIA and ESMP and/or an environmental site assessment, the PFI, and/or PIU Environmental and Social Specialist organizes a field site visit and completes the <i>Field Site Visit Checklist (Annex A/Form 2)</i>	N/A
Step 6	6) PFI / PIU in consultation with PIU Environmental Specialist, when necessary, completes <i>Part 3</i> of the <i>Environmental Screening Checklist (Annex A/Form 1)</i>		
Step 7	N/A	7.1) If the applicant wishes to follow further, she/he arranges preparation of <i>Environmental Impact and Social Assessment of a required level</i> and an <i>Environmental Management Plan</i> ;	N/A

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
		<p>7.2) For that PFI provides the sub-borrower the <i>Terms of Reference</i> for preparation of EIA study (<i>Annex A/Form 3</i>)</p> <p>7.3) At sub-borrower's request, an authorized institution prepares the Environmental and Social Impact Assessment/Environmental and Social Analysis and Environmental and Social Management Plan</p> <p><i>Notes:</i></p> <ul style="list-style-type: none"> <li>i) Category B sub-projects which are listed in the <i>Instruction on the Order of Organization and Conducting of the State Ecological Expertise</i>, which presume new construction, substantial technological modernization, application of new technologies, change of land use patterns "some Environmental Assessment" is a subject of the <i>State Ecological Expertise</i>;</li> <li>ii) In the case of small scale construction and reconstruction activities it is recommended to apply a generic <b><i>Environmental and Social Management Plan Checklist</i></b>, proposed by the WB to address potential environmental impacts; this document is provided in <i>Annex A/Form 4</i>;</li> <li>iii) <b><i>Content and Description of the Environmental and Social Management Plan</i></b> are presented in <i>Annex B/Form 1</i>);</li> <li>iv) <b><i>Environmental and Social Management Plan Format</i></b> is presented in <i>Annex B/Form 2</i>;</li> <li>v) <b><i>Environmental and Social Monitoring Plan Format</i></b> is presented in <i>Annex B/Form 3</i>;</li> <li>vi) <b><i>Measures to mitigate impacts</i></b> which may be generated by sub-projects from Agricultural Production, Agro-processing and Manufacturing sectors are provided in <i>Annexes E, F, and G</i>, respectively.</li> </ul>	
Step 8	N/A	8.1) The sub-borrower prepares and submits to PFI prepared <b><i>Environmental and Social Impact Assessment report and the ESMP and/or ESMP Checklist</i></b> together with other documents needed for environmental approval as well as other relevant documentation upon PFI's request, when needed;	N/A

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
		<p>8.2) The PFI / PIU reviews the submitted documentation and completes <i>Part 4</i> of the <i>Environmental Screening Checklist (Annex A/Form 1)</i></p> <p><i>Notes:</i></p> <ul style="list-style-type: none"> <li>i) PFI/ PIU may suggest some revisions and/or clarification (which the applicant has to provide upon PFI 's request), the Environmental Management Plan and accompanied all necessary permits (the applicant is responsible for obtaining appropriate permits, clearances and approvals which may be required by other local authorities);</li> <li>ii) PFI/ PIU may return the EIA documents in case they didn't correspond to specified requirements</li> </ul>	
Step 9	N/A	<p>9) When the EIA is conducted and Statement on ESIA is ready, the sub-borrower organizes its <b><i>Disclosure and Public Consultation</i></b>, involving NGO's, community representatives, affected groups, etc. and records input from the public Formal Minutes records the participants as well as issues raised toward EIA, and recommended activities to further address stakeholders' concerns.</p> <p><i>Note:</i></p> <p>In the case of small scale sub-projects which require only an <i>EMP Checklist</i> the sub-borrower organize its <i>Disclosure without special public consultation</i>.</p>	N/A
Step 10	N/A	<p>10.1) After the consultation the sub-borrower incorporates the received recommendations as well as those received during the review and clearance by other public authorities into the sub-project technical design documentation (and Environmental Management Plan) and submit it for conducting of the <i>State Ecological Expertise</i>.</p> <p><i>Note:</i></p> <p>The Category B sub-projects which require only an EMP Checklists are not needed to be presented to the SEE</p> <p>10.2) When required, sub-borrower gets also from the Inspectorate for Environmental Protection (IEP) the final Authorizations (permits) on use of</p>	N/A

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
		<p>the natural resources which is issued on the base of permits obtained from core institutions responsible for management of these resources (State Agency “Apele Moldovei”, State Agency for Geology, etc.), and Authorization (permit) on emission of pollutants on the basis of newly established by SEI for this particular activity (e.g., expansion of industrial facilities, etc.) maximum allowable emissions into environment (i.e., limits of pollutants’ concentration in waste water effluents and in emissions into air).</p>	
Step 11		<p>11.1) Sub-borrower submits full set of Environmental and Social Impact Assessment documents to PFI for their consideration and further decision on funding.  11.2) PFI shall inform the sub-borrower in writing regarding approval or rejection of financing.</p> <p><i>Note:</i>  The ESIA documentation for the first two Category B sub-projects from each participating PFI will be subject to prior review and approval by the PIU and World Bank.</p>	

## 4.5 Requirements for preventing COVID 19 infection

As COVID 19 infection might affect of project implementation in the country, while reviewing and approving the proposed activities it is necessary to ensure that the BE (i) has undertaken adequate precautions in place to prevent or minimize an outbreak of COVID-19, and (ii) has in place a plan what to do in the event of an outbreak. The necessary activities in this regard would include the following:

- (i) undertaking measures to minimize the chances and contain the spread of the virus as a result of the movement of workers;
- (ii) ensure their sites are prepared for an outbreak;
- (iii) develop and practice contingency plans so that personnel know what to do if an outbreak occurs and how treatment will be provided;
- (iv) appointing COVID-19 issues focal point;
- (v) requiring the Contractor to communicate with the focal point or project health and safety specialist and medical staff (and where appropriate the local healthcare providers), and coordinating designing and implementing the contingency plans; and
- (vi) encouraging to use the existing project grievance mechanism to report concerns relating to COVID-19, preparations being made by the project to address COVID-19 related issues, how procedures are being implemented, and concerns about the health of their co-workers and other staff.

With regards to all necessary COVID 19 related activities, the WB has issued a Guidance Note on COVID 19 considerations in construction/civil works contracts (see *Annex L*). The document is intended to advise Bank staff on ways to support Borrowers in addressing key issues associated with construction and civil works and COVID-19 and recommends assessing the current situation of the project, understanding the obligations of contractors under existing contracts (Section 3), requiring contractors to put in place appropriate organizational structures (Section 4) and developing plans and procedures to address different aspects of COVID-19 (Section 5). Among most important actions to be undertaken by Contractors are the following:

- a) Training staff on the signs and symptoms of COVID-19, how it is spread, how to protect themselves (including regular handwashing and social distancing) and what to do if they or other people have symptoms;
- b) Placing posters and signs around the working site, with images and text in local languages;
- c) Promoting good respiratory hygiene in the workplace: displaying posters promoting respiratory hygiene and combining this with other communication measures such as offering guidance from occupational health and safety officers, briefing at meetings and information on the intranet etc.; ensuring that face masks are available at your workplaces, for those who develop a runny nose or cough at work, along with closed bins for hygienically disposing of them; and,
- d) Ensuring handwashing facilities supplied with soap, disposable paper towels and closed waste bins exist at office premises. Where handwashing facilities do not exist or are not adequate, arrangements should be made to set them up. Alcohol based sanitizer (if available, 60-95% alcohol) can also be used.

Respectively, the PIU and PFIs need to ensure the project beneficiaries and their contractors will follow this Note and prepare a Contingency plan to be reviewed and approved by PFIs. Furthermore, in the case of subprojects involving civil works, the Contractor must prepare brief reports with regards to COVID situation, using attached template in *Annex L*. It is important that

the Bank team is informed of an outbreak on a site to better coordinating the necessary responses with project management protocols. Such reporting should be done following the guidance in ESIRT for a ‘Serious’ incident, to ensure that the Bank team is informed and that the event is managed accordingly at the project level. An investigation into an outbreak of COVID-19 does not need to be undertaken by the PFIs or Contractor, but the PIU should keep teams informed of any concerns or problems associated with providing care to infected workers on project sites, particularly if infection rate is approaching 50% of the workforce.

#### **4.6 Environmental and Social Monitoring and Reporting**

Environmental monitoring during the project implementation, which is to be performed by the PIU has to provide information about key environmental aspects of the project, particularly the project environmental impacts and the effectiveness of taken mitigation measures. Such information enables to evaluate the success of mitigation as part of project supervision, and allows corrective action(s) to be implemented, when needed. The ESMF identifies monitoring objectives and specifies the type of monitoring, and their link to impacts and mitigation measures. Specifically, the monitoring section of the ESMP provides: (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and, (b) monitoring and reporting procedures to: (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

If approved, during the sub-project’s operation phase, PIU along with the local (rayon) representative of the IEP and other environmental agencies, when required (in the cases prior informed of non-compliance), perform environmental supervision and monitoring to identify the level of compliance with agreed design and mitigation measures to ensure that the sub-projects will be implemented in full compliance with the environmental management plan or making sure the necessary corrective measures have been implemented. (Environmental Monitoring Plan Format is presented in *Annex B/Form 3*).

The status of compliance with agreed environmental mitigation measures is to be reported by the PFI and PIU in their regular (semiannually) reports on project implementation. In the case of non-compliance, the PFI officers (with IEP and PIU assistance) investigate the nature and reason(s) for non-compliance, and a decision has to be made on what is needed to bring a sub-project into compliance, or whether financing should be suspended.

The PIU makes available information on PFI monitoring of environmental management plans and mitigation measures in its routine reporting on sub-project implementation to the World Bank and during periodic Bank supervision missions.

#### **4.7 Sub-projects’ Environmental and Social Impact Assessment Disclosure and Consultation**

Disclosure of the ESIA documents for Category B sub-projects is mandatory, and is to be done at a public place accessible to project-affected groups & local NGOs. This might be at the beneficiary web site/office, local authority offices and/or the central IEP or its rayon subdivision. Furthermore, the sub-borrower provides a forum or hearing for consultation and comment by project-affected groups ensuring balanced representation and voice for both women and men and local non-governmental organizations during the environmental assessment process

and takes their views into account before finalizing project design and submission of the sub-project to the PFI and to PIU for final approval. The sub-borrower provides any relevant materials (process descriptions, maps, building plans, etc.) to participants in a timely manner and in a form and language that are understandable to the group being consulted and records and describes details of consultations held in the project screening form.

In the case of Category B sub-projects, the consultation can be done at the stage when the draft ESIA report is ready.

However, in case of new small construction, insignificant reconstruction, change of machinery and equipment on a new, more ecological one, purchase and application of small amount of fertilizers, purchase of a small quantity of cattle or poultry for production and processing and some others which will not significantly affect the environment, there will be no need for a special public hearing but the project proponent should provide information to all interested parties about these activities. In the case of construction/reconstruction activities the project beneficiaries should also install a notice plate placed in the site of project implementation.

## 5. Pest Management Issues

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As was mentioned above, for any sub-project (activity, grant) financed under the CEP-II AF, the PIU is responsible for assuring that (a) all national environmental procedures and approvals are in place before a final financing decision under the Project is made, (b) complete supporting files are available, and (c) any additional safeguard requirements of the World Bank are met.

The purposes of Pest Management Safeguard Policy OP 4.09 are: (i) to ensure good practices are applied in World Bank financed projects, (ii) avoid excessive use of pesticides, and (iii) promote environmentally sound and sustainable pest management. Its objectives include: (i) minimize the environmental and health hazards related to pesticide usage, (ii) ensure that pest management activities follow an Integrated Pest Management (IPM) approach, and (iii) develop national capacity to implement IPM-based crop protection and pesticide regulation. The overall pest management approach is based on the capacity of the country's regulatory framework and institutions to promote and support safe, effective and environmentally sound pest management.

Operational policy 4.09 is triggered when: (i) the Project involves procurement of pesticides or pesticide application equipment, (ii) the Project is expected to introduce new pest management practices or expand or alter existing pest management practices, and/or (iii) the Project may lead to substantially increased pesticide use and subsequent environmental and health risks. With regard to the latest such cases may involve: (a) increased areas of cultivation and/or expansion of high value crops (fruits or vegetables) which is typically accompanied by increased pesticide use; and (b) in the case of purchasing of machines used to spray pesticides.

While the CEP-II AF Project will not support directly any of the above, use of pesticides may increase as a result of the agriculture development activities, as possible indirect effect of stimulating greater use of agro-chemicals associated with more intensive cultivation and/or higher crop value.

To decide if the proposed subproject triggers OP 4.09, all subprojects are the subject of environmental screening, when the type and specific of activity(ies) and respective categories (A, B and C) are determined. At this stage, the all proposed activities with specific of "crop production" (incl. working capital and investments in farm equipment, including spraying machines, fertilizers, seeds) are already under OP 4.09 provision and the subjects of pest management screening, which suppose the checking of existing on-farm pest management systems, licences and permits, IPM plans or any, incl. official acts according to national regulations, etc. (all these are specified in the *Annex I(a)* with the requested information to be provided by sub-project beneficiaries at the screening stage. Overall such initial assessment should go beyond checking for permits and licenses, to assessing whether the subproject is likely to result (indirectly) in increased usage of pesticides. This will also include an assessment of safety and appropriateness of the subproject beneficiaries' existing pesticide management practices (storage, handling/application, disposal of unused products and packages) and whether they are applying an *Integrated Pest Management* approach.

In this regard, each particular sub-project that would fall under specified above 5 criteria has to be consistent with both relevant policies and regulations of Moldova and the World Bank on Pest Management). Furthermore, the responsibility of each such sub-project that triggers the OP 4.09 will be to prepare a *Pest Management Plan*, format of which is attached in the *Annex I(b)* hereto. The PMP must be prepared also in the case of identified unsafe practices and/or of the

absence of any type of IPM approach among the subproject beneficiaries, a PMP would need to be prepared and implemented.

The objective of the PMP is first of all to encourage adoption of *Integrated Pest Management* (IPM) approach, increasing beneficiaries' awareness of pesticide-related hazards and good practices for safe pesticides use and handling and implementing all necessary mitigation and monitoring activities in this regard. Considering these, all sub-project beneficiaries will be required to formally commit to preparing and implementing a PMP on their farms. Furthermore, one of the specific requirements in this regard will be specifying in the document providing farmers with tools, options, training and technical support to encouraging them to adopt safer practices and IPM methods. Such commitment will constitute a condition for sub-project financing. Respectively, the PIU Environmental Specialist will ensure the PMPs are prepared before accepting sub-project financing and conducting environmental supervision and monitoring as specified in section 4.7 of the ESMF. The monitoring activities will include tracking compliance with the commitment or effectiveness of training and provided necessary technical support.

## 5.1 Principles of the Integrated Pest Management<sup>35</sup>

The primary aim of pest management is to manage pests and diseases that may negatively affect production of crops so that they remain at a level that is under an economically damaging threshold. Pesticides should be managed to reduce human exposure and health hazards, to avoid their migration into off-site land or water environments and to avoid ecological impacts such as destruction of beneficial species and the development of pesticide resistance. One important strategy is to promote and facilitate the use of *Integrated Pest Management* (IPM) through preparation and implementation of an *Integrated Pest Management Plan* (PMP).

Integrated Pest Management (IPM) consists of the judicious use of both chemical and non-chemical control techniques to achieve effective and economically efficient pest management with minimal environmental contamination. IPM therefore may include the use of:

- a) Mechanical and Physical Control;
- b) Cultural Control;
- c) Biological Control, and
- d) Rational Chemical Control.

IPM is the use of multiple techniques to prevent or suppress pests in a given situation. Although IPM emphasizes the use of nonchemical strategies, chemical control may be an option used in conjunction with other methods. Integrated pest management strategies depend on surveillance to establish the need for control and to monitor the effectiveness of management efforts. World Bank Group in the Environmental, Health, and Safety Guidelines prepared in 2007 provides the following stages should be considered when designing and implementing an Integrated Pest Management Strategy, giving preference to alternative pest management strategies, with the use of synthetic chemical pesticides as a last option. As a first essential step, those who make pest management decisions should be provided with training in identification of pests and beneficial (e.g. natural enemy) species, identification of weeds, and field scouting methods to evaluate which pests are present and whether they have reached an economic control threshold (the density at which they begin to cause economically significant losses).

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<sup>35</sup> This section is based on the World Bank Group in the Environmental, Health, and Safety Guidelines prepared in 2007.

## 5.2 Alternatives to Pesticide Application

Where feasible, the following alternatives to pesticides should be considered:

- Rotate crops to reduce the presence of pests and weeds in the soil ecosystem;
- Use pest-resistant crop varieties;
- Use mechanical weed control and/or thermal weeding;
- Support and use beneficial organisms, such as insects, birds, mites, and microbial agents, to perform biological control of pests;
- Protect natural enemies of pests by providing a favorable habitat, such as bushes for nesting sites and other original vegetation that can house pest predators and by avoiding the use of broad-spectrum pesticides;
- Use animals to graze areas and manage plant coverage;
- Use mechanical controls such as manual removal, traps, barriers, light, and sound to kill, relocate, or repel pests.

## 5.3 Pesticide Application

If pesticide application is warranted, users are recommended take the following actions:

- Train personnel to apply pesticides and ensure that personnel have received applicable certifications or equivalent training where such certifications are not required;
- Review and follow the manufacturer's directions on maximum recommended dosage or treatment as well as published reports on using the reduced rate of pesticide application without loss of effect, and apply the minimum effective dose;
- Avoid routine "calendar-based" application, and apply pesticides only when needed and useful based on criteria such as field observations, weather data (e.g., appropriate temperature, low wind, etc.),
- Avoid the use of highly hazardous pesticides, particularly by uncertified, untrained or inadequately equipped users. This includes:
- Pesticides that fall under the World Health Organization Recommended Classification of Pesticides by Hazard Classes 1a and 1b should be avoided in almost all cases, to be used only when no practical alternatives are available and where the handling and use of the products will be done in accordance with national laws by certified personnel in conjunction with health and environmental exposure monitoring;
- Pesticides that fall under the World Health Organization Recommended Classification of Pesticides by Hazard Class II should be avoided if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly;
- Avoid the use of pesticides listed in Annexes A and B of the Stockholm Convention, except under the conditions noted in the convention and those subject to international bans or phase-outs;
- Use only pesticides that are manufactured under license and registered and approved by the appropriate authority and in accordance with the Food and Agriculture Organization's (FAO's) International Code of Conduct on the Distribution and Use of Pesticides;
- Use only pesticides that are labeled in accordance with international standards and norms, such as the FAO's Revised Guidelines for Good Labeling Practice for Pesticides;

- Select application technologies and practices designed to reduce unintentional drift or runoff only as indicated in an IPM program, and under controlled conditions;
- Maintain and calibrate pesticide application equipment in accordance with manufacturer's recommendations. Use application equipment that is registered in the country of use;
- Establish untreated buffer zones or strips along water sources, rivers, streams, ponds, lakes, and ditches to help protect water resources;
- Avoid use of pesticides that have been linked to localized environmental problems and threats.

## **5.4 Pesticide Handling and Storage**

Contamination of soils, groundwater, or surface water resources, due to accidental spills during transfer, mixing, and storage of pesticides should be prevented by following the hazardous materials storage and handling recommendations. These are the following:

- Store pesticides in their original packaging, in a dedicated, dry, cool, frost-free, and well aerated location that can be locked and properly identified with signs, with access limited to authorized people. No human or animal food may be stored in this location. The store room should also be designed with spill containment measures and sited in consideration of potential for contamination of soil and water resources;
- Mixing and transfer of pesticides should be undertaken by trained personnel in ventilated and well lit areas, using containers designed and dedicated for this purpose.
- Containers should not be used for any other purpose (e.g., drinking water). Contaminated containers should be handled as hazardous waste, and should be disposed in specially designated for hazardous wastes sites. Ideally, disposal of containers contaminated with pesticides should be done in a manner consistent with FAO guidelines and with manufacturer's directions;
- Purchase and store no more pesticide than needed and rotate stock using a "first-in, first-out" principle so that pesticides do not become obsolete. Additionally, the use of obsolete pesticides should be avoided under all circumstances; a management plan that includes measures for the containment, storage and ultimate destruction of all obsolete stocks should be prepared in accordance to guidelines by FAO and consistent with country commitments under the Stockholm, Rotterdam and Basel Conventions.
- Collect rinse water from equipment cleaning for reuse (such as for the dilution of identical pesticides to concentrations used for application);
- Ensure that protective clothing worn during pesticide application is either cleaned or disposed of in an environmentally responsible manner;
- Maintain records of pesticide use and effectiveness.

## **5.5 Pest Management Plan**

The content of the Pest Management Plan should apply to all the activities and individuals working. It should be emphasized also that non-chemical control efforts will be used to the maximum extent possible before pesticides are used.

The Pest Management Plan should be a framework through which pest management is defined and accomplished. The Plan should identify elements of the program to include health and environmental safety, pest identification, and pest management, as well as pesticide storage,

transportation, use and disposal. Management Plan is to be used as a tool to reduce reliance on pesticides, to enhance environmental protection, and to maximize the use of integrated pest management techniques.

The Pest Management Plan shall contain pest management requirements, outlines the resources necessary for surveillance and control, and describes the administrative, safety and environmental requirements. The Plan should provide guidance for operating and maintaining an effective pest management program/activities. Pests considering in the Plan may be weeds and other unwanted vegetation, crawling insects and other vertebrate pests. Without control, these pests provoke plants' deceases. Adherence to the Plan will ensure effective, economical and environmentally acceptable pest management and will maintain compliance with pertinent laws and regulations. The PM should have a strong focus on providing beneficiary farmers with tools, options, training and technical support to encourage them to adopt safer practices and IPM methods, - all these issues have to be clearly included in the PMP. The recommended structure of a *Pest Management Plan* is presented in the ***Annex I(b)***.

## 6. Institutional Arrangements for the ESMF implementation

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### 6.1 General Remarks

The project will be implemented by MoE, which has been a counterpart of World Bank investment loans focusing on private sector development for over a decade. This includes the 2006-2013 CEP I and 2014-2020 CEP II projects as well as prior private sector development projects. MoE has implemented projects using Project Implementation Units (PIUs) established as separate legal entities under MoE, and staffed with professionals demonstrating adequate knowledge of Bank procurement, financial management, safeguards and other requirements. Implementation of CEP II, including its fiduciary aspects, will be managed by the same PIU that managed CEP I and CEP II project activities. For the purpose of implementing environmental safeguards and monitoring social safeguards, a full-time Environmental Specialist (ES) will be hired within the PIU during the first year of project implementation. Thereafter, ES would be hired on a full-time or part-time basis, based on periodic assessment of project environmental arrangements, and the associated level of effort required to sustain them, by World Bank supervision team. The ES's main responsibility will be to coordinate all Environmental Assessment activities and ensure adequate implementation of Environmental and Social Management Framework requirements.

The PIU will be responsible for implementing the matching grant sub-component under the second project component (SME Development), with technical inputs from ODIMM and MIA. This component is targeted at improving enterprises' export competitiveness, by providing matching grants for relevant business development and other related services. Since the PIU does not currently have expertise on environmental issues, it was agreed that an Environmental Specialist (ES) will be hired by the PIU. The ES should have good knowledge of, and experience in applying, WB environmental safeguards and environmental management practices. The role of the ES will focus on following:

- (i) assessing any potential negative environmental or social impacts of the matching grant proposals (business improvement projects);
- (ii) conducting environmental screening and assessment of matching grant proposals;
- (iii) creating and/or strengthening Environmental Management Systems (EMSs) at participating enterprises;
- (iv) looking for opportunities to recommend environmentally and/or socially positive options (e.g., energy efficiency, recycling and reducing waste generation, etc.) to support the activities presented in the matching grant application;
- (v) monitoring to ensure that Involuntary Resettlement Policy OP4.12 is not triggered by any of the activities;
- (vi) providing TA on environmental management to ODIMM and MIA as required given their role in the MGF process;
- (vii) providing inputs on environmental management into the Matching Grants Manual. If administration of technical aspects of the MGF is transferred to ODIMM later in the project, the ES will provide additional TA to ODIMM so that they can adequately screen the MGF applications for environmental issues, per the requirements in the MGF Manual.

The implementation of the CGF under Component 3 of the Project (Access to Finance) will be done by the PIU in collaboration with ODIMM. ODIMM received adequate training to conduct screening of sub-project loan applications for compliance with safeguards procedures. Based on information gathered during WB implementation support visits, safeguards implementation in CEP II was considered positive overall. The ESMF was implemented successfully – all submitted sub-projects were preliminarily assessed from the environmental point of view, and were assigned an environmental category as well as required relevant environmental authorizations, licenses and permits. Furthermore, all approved sub-projects have relevant supporting EA documents (Environmental Screening Checklist and/or simple Environmental Management Plan as well as if needed per national legislation), approvals from local environmental authorities and from the State Ecological Expertise (SEE), and environmental permits and licenses.

The PIU Environmental Specialist will be in charge of overall coordination for implementing and reporting on the ESMF, inspecting environmental compliance at worksites, advising PFIs and project participants on environmental questions, and coordinating the overall environmental monitoring at project level. The ES will also be responsible for assisting the PFIs in reviewing environmental management plans, monitoring their implementation, advising and guiding PFIs on specific environmental issues and management options, and ensuring that cumulative environmental impacts are addressed. Furthermore, the ES will also identify training needs of the PFIs, ensure that environmental requirements are integrated into bidding documents for physical investments, and analyzing contracts and loan applications in terms of environmental management and mitigation issues. The ES will periodically collect information on changes and impact of the project activities and will study the environmental condition of the areas of supported by CEP II AF sub-projects and identify main environmental parameters. The ES will also be responsible for monitoring any land acquisition issues under LoC sub-projects in order to make sure that OP4.12 is not triggered.

The PFIs will play major role in implementing ESMF provisions, and will be required to ensure that borrowers conduct an appropriate EIA and where necessary prepare an environmental management plan (EMP) for each sub-project. The PFIs will be involved in the process of sub-project implementation from the very beginning, i.e. at the sub-project's appraisal stage. They will evaluate the sub-projects proposals, to assign them an environmental category according to World Bank guidelines and to determine the type of Environmental Assessment that must be conducted for the proposed sub-project. The PFIs will review the set of documents prepared by sub borrowers (sub-projects' Information Sheet or Project Summary Sheet, as well as all necessary permits and clearances needed for project implementation), will complete the Environmental Screening Checklist, and will make a final decision on whether the sub-project will receive financing. In case of non-compliance with presumed mitigation measures during sub-project implementation, the PFIs can decide whether or not to suspend funding.

The sub-project EMPs implementation will remain under the direct responsibility of the PFIs, and of sub borrowers, including responsibilities for their supervision and monitoring. Compliance with the EMPs and monitoring of the impact during the implementation phase will be undertaken by the PFIs and periodically by PIU Environmental Specialist.

The LoC Operational Manual that will be developed will set forth the rules and procedures for environmental assessment of sub-projects as described in the ESMF, eligibility criteria for enterprises that can benefit from the LoC, criteria for the eligible investments and working capital loans, terms and conditions of the sub-loans, and other modalities and agreements of the LoC. The sub-projects' EMPs will be also integrated into the contracts for approved activities, both into specifications and bills of quantities and the contractors will be required to include the

cost in their financial bids and grant proposals. The Matching Grants Manual will provide rules and environmental assessment procedures for matching grants. These documents should be satisfactory to WB.

For the LoC, the EA documentation for the first two Category B sub-projects from each participating PFI will be subject to prior review and approval by the PIU and World Bank. The project will also provide PFI capacity-building activities prior to PFI approving of any sub-projects. This capacity-building would be completed before prior review by the World Bank. During sub-project appraisal, PFIs will have to ensure that proposed sub-projects are in compliance with all national environmental laws and standards, as certified by the relevant local or national authorities of the country. All relevant documents and permits should be kept in each sub-borrower document file maintained by the PFI, and be made available for review by PIU and WB representatives.

A training program targeting the PFIs and other interested parties will be implemented in the framework of the Project's TA activities. The training program should be practical and include work with realistic case studies, based on actual loan proposals and types of business activities supported by the Project. It should also cover an explanation and practical application of the environmental standards and forms designed for use by the PFIs, covering the following issues: (a) national and World Bank requirements for environmental assessment; (b) screening and scoping procedures including checklists of potential environmental impacts of the agricultural production and agro-processing activities; (c) main provisions of environmental management plans for proposed sub projects, including mitigation and monitoring requirements. Field visit also may be included. Such training will enable the PFIs' environmental officers to recognize and assess potential negative environmental impacts of the selected sub-projects and set of measures to mitigate them. The program will also provide an overview of the World Bank requirements for social safeguards to ensure that participants understand the triggers of OP4.12 and are able to ensure that the activities screened by them do not trigger it.

## **6.2 Commercial Banks**

The main function of commercial banks, which will be selected as PFIs in the project is administration of loans' processing, including in conducting sub-projects EIA. The banks will have specially assigned people dealing with projects' environmental assessment and management. As these institutions do not have relevant knowledge with regard to EA issues or might have only some experience in this regard received within CEP I and CEP II or EBRD projects, the Project will provide necessary training in this regard (see point 7.1 below). Also, all PFIs, when needed, will consult the PIU on the project category and on EIA approvals, permits and certificates issued by the IEP under the MARDE as documents confirming that projects proposed for lending are environmentally sound and have in place all necessary EIA documentation.

## **6.3 Project Implementation Unit**

The Project Implementation Unit (PIU) monitors the compliance with the IDA and IBRD Credit Agreement for the Project with regard to the environmental review process, including periodic monitoring of the matching grants screening process of applications for EA requirements. The PIU aims also to assist the beneficiaries in all aspects and is responsible for reporting to both the Government and the World Bank.

The PIU staff will include an environmental specialist who will randomly review and verify applications for sub-projects submitted to the PFIs, and if approved, will also randomly monitor

their compliance with the ESMF. The role of the PIU Environmental Specialist will be two-fold: (i) to provide assistance to PFI loan officers to determine the exact impacts that can be generated by proposed activities for which loans are being sought as well as prescribing in specific terms the required mitigating actions to be taken; and, (ii) to monitor and report on a regular basis the effects on the environment that activities financed through PIU may provoke and to ensure that mitigation is carried out.

The PIU Environmental Specialist would work under the supervision of PIU Executive Director as well as in close collaboration with relevant ME staff and other stakeholders including concerned NGOs. He/she would provide guidance and backstopping to the PIU on projects' environmental screening procedures, and along with PFIs loan officers (to whom he/she would provide advice), will be responsible for ensuring an efficient screening of proposed sub-projects. The objective of the Environmental Specialist's task would be also raising awareness on environmental issues and strengthen capacity of project stakeholders toward ensuring that potential environmental impacts could be recognized, avoided or at least minimized through mitigation. In this regard among the tasks to be performed by Environmental Specialist would be: design the environmental training programs on national environmental legislation, World Bank Safeguard Policies, EIA, etc.; prepare a reference manual for the lending staff of the PFI, which would include the list of national environmental legislation, list of economic activities requiring permits, compliance procedures and/or compliance inspections; deliver the training through a series of seminars to the target audience; conduct environmental monitoring and assessment. Besides, appointed Environmental Specialist would ensure that applicable national standards and guidelines are being followed and achieved. Where multiple sub-projects are being carried out in geographical proximity, the specialist would assess the possible cumulative or residual effects on the environment (particularly, on natural habitats, forests, soil, and air and water resources).

Environmental Specialist has to meet the following qualification criteria: appropriate education in environmental sciences and some engineering skill; relevant knowledge of the current environmental situation in Moldova; high familiarity with environmental and other relevant to the fields policies and legislation; at least 5 years' experience in the area of environmental management; knowledge of World Bank Safeguard Policies and EIA rules and procedures; experience with similar assignment would be an advantage; outstanding communicational, presentational and organizational abilities.

## 7. Training and Capacity Building

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### 7.1 Training for PIU and PFIs

In order to ensure successful implementation of the ESMF requirements it is necessary to provide a series of capacity building activities for various involved parties. For the PIU Environmental Specialist these activities would include training on environmental monitoring techniques and procedures. For the PIU and PFIs staff it is proposed to have a workshop of 2 days duration which might involve about 15 participants. In the design of the training program for staff, the Environmental Specialist has to take into account the following: (i) the training program should be practical and include work with realistic case studies, based on actual loan proposals and types of business activities supported by the Project; (ii) the training program should cover an explanation and practical application of the environmental standards and forms designed for use by the participating financial institutions.

A number of commercial banks will be given the responsibility for reviewing loan applications for agricultural, agro-processing and industrial development under the close monitoring of the PIU. The loan officers of these institutions will need to be familiar with environmental aspects of development projects and basics of environmental analysis. The basics of environmental analysis would include elements of EIA procedures is to be focused: (i) on national and World Bank requirements for environmental assessment, mitigation, monitoring and reporting; (ii) screening and scoping procedures including checklists; (iii) the generic procedures for environmental assessment required by the World Bank and national authorities; (iv) content of management plan; (v) monitoring and reporting requirements of the World Bank for sub-project supervision. Field studies also may be included. Such training will enable these target groups to recognize and assess potential negative environmental impacts and set of measures to mitigate them.

Next the most critical group to be exposed to the importance of the environment concerns includes entrepreneurs from agricultural, agro-processing and manufacturing sectors who will be receiving the sub-projects, and whom should be provided advices on use better available techniques to prevent/ mitigate impact and promote sustainable agriculture and clean industrial technologies. It may be included in the mandate of the environmental specialist that he/she would clearly point out the environmental consequences of various agricultural, agro-processing and manufacturing related activities. The workshops for this group would include environmental awareness and a practical exercise to observe and learn about sustainable agricultural practices and best available techniques in industry. At least 2 workshops for 2 days should be conducted with about 30 persons attending each workshop.

Preparation of user-friendly Environmental Guidelines to be used main stakeholders could be considered to develop capacity. These Guidelines could a dual purpose: (i) indicate how to identify sub-projects that may fall into one of the Bank's environmental categories, and in which case it will be required a full and/or a partial EIA, and, (ii) provide assistance for PIU and PFIs loan officers to identify activities that may affect the environment and in organizing the sub-projects EIAs.

## 7.2 Capacity building activities for SME component

The matching grant facility will be implemented in coordination with ODIMM and MIA, with the PIU as the implementing agency, as discussed above.

In addition, other activities to be carried out under the SME Development component of the project will strengthen ODIMM's and MIA's capacities to effectively deliver programs to facilitate higher business sophistication and deeper integration into global supply chains. ODIMM will be the primary beneficiary of those activities related to overall SME development and growth of SMEs in Moldova. MIA will be the primary beneficiary of those activities related to exports of Moldovan goods and services by SMEs and other enterprises.

As both of these institutions don't have expertise on environment, it was agreed they will receive basic training on environmental issues, through technical assistance (TA). This TA will be provided by the PIU Environmental Specialist which should have good knowledge and experience in applying WB environmental safeguards and environmental management. The focus of capacity building activities will be on the following: assessing any potential negative environmental or social impacts of the business improvement plans (matching grant proposal), conducting environmental screening and environmental impact assessment of business improvement plans to be implemented with matching grants, creating and/or strengthening Environmental Management Systems (EMSs) at participating enterprises, as well as looking for opportunities to recommend environmentally and/or socially positive options (e.g., energy efficiency, recycling and reducing waste generation, etc.).

The target audience for the training program might include staff of ODIMM, MIA, and PFIs.

In the design of the training program, the PIU Environmental Specialist has to take into account the following:

- (i) the training program should be practical and include work with realistic case studies, based on actual loan proposals and types of business activities supported by the CEP II AF project;
- (ii) the training program should cover an explanation and practical application of the environmental standards and forms designed for use by the PFIs.

The major findings of the current ESMF can be used as a background paper showing EIA procedures for screening and scoping phase, identification of significant impacts, development of mitigation and monitoring requirements.

## 8. ESMF Monitoring

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A regular monitoring by the PIU is required to ensure that ESMF requirements are being implemented adequately. This monitoring should involve both matching grants and CGF sub-projects and might include the following indicators: number of category B sub-projects; overall impact of the supported sub-projects; number of complains/ number of sentences/ number of ecological charges applied for the supported sub-projects; number of trainings and participated in capacity building activities. Based on these indicators the PIU semiannually would prepare short progress reports with regard to ESMF implementation. Furthermore, the PIU will ensure annual publishing of these reports on the project website as well as dissemination on environmental issues related to the CEP-II AF to all interested stakeholders and parties (e.g. NGOs, general public etc.).

Additionally, as part of the monitoring of the ESMF implementation, the project-specific inquiries/grievances mechanism will be set at the level of PIU and every PIAs. The information about channels available for inquiries/grievances submission will be placed on the PIU page on the website of Ministry of Economy and on the project-related web-pages of respective PIAs. The process of addressing grievances and related forms will be described in the *Project Operations Manual*.

## 9. Budget

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At the project design stage, the amount of funds to be spent for preparing sub-projects ESIA's, obtaining of necessary permits and other relevant activities are the responsibilities of sub-borrowers. They will depend on the nature of project proposal, its complexity, scale, etc. At the construction and operation stages, the funds to be spent for installations and other activities to ensure mitigation measures against the environmental impacts from sectoral activities is also the responsibility of sub-borrowers. These funds will depend on particular techniques and technologies used for implementing mitigation measures as well as on their scale, number, variety and other factors. At the same time, in order to ensure successful ESMF implementation, a series of capacity building activities are necessary for which the project has to provide adequate funding. Estimated budget for proposed capacity building activities and trainings is presented in the *Table 17* below.

**Table 17.** Estimated budget for trainings

<b>Training Required and Target Group</b>	<b>Purpose</b>	<b>No of participants / No of days for the workshop / No of workshops</b>	<b>Funds to be spent as per budget lines</b>	<b>Total funds</b>
1. Environmental awareness workshop for PIU staff, ODIMM and PFI loan officers	To ensure that PIU staff, ODIMM, PFI and loan officers aware about importance of the environment and know how to recognize the impacts that various funded activities may have on the environment.	15 / 2 / 1	1). Rent a room: \$230 x 2 days = \$460 2). Trainees fee: \$200 x 2 days x 2 trainees = \$800 3). Consumables/handouts: \$12 x 15 pers. = \$180 4). Rent of equipment: \$70 x 2 days = \$140 5). Coffee-breaks: \$2 x 18 pers. x 4 breaks = \$144 6). Lunches: \$25 x 18 pers. x 2 lunches = \$900	\$2624
2. PIU Environment Specialist	To provide PIU ES with knowledge on the screening of the projects, EIA process and EIA review	1 / 2 / 1	1). Trainee fee: \$200 x 2 days = \$400 2). Consumables/ handouts: \$12 x 1 pers. = \$12 3). Coffee-breaks: \$2 x 2 pers. x 4 breaks = \$16 4). Lunches: \$25 x 2 pers. x2 lunches = \$100	\$528
3. PIU Environmental Specialist and ODIMM	To provide PIU staff/ or PIU ES and ODIMM with knowledge on environmental monitoring techniques and procedures	1 / 4 / 1	1). Trainee fee: \$200 x 1 day = \$200 2). Consumables/ handouts:\$12 x 4 pers. = \$48 3). Coffee-breaks: \$2 x 5 pers. x 2 breaks = \$20 4). Lunches: \$25 x 5 pers. x1 lunch = \$250	\$518
4. ODIMM, and PFI Loan officers	Familiarizing with environmental aspects of development projects and environmental analysis to enable them to recognize the potential negative environmental impacts and outline set of measures to mitigate impacts	10 / 2 / 2	1). Rent a room: \$230 x 2 days x 2 workshops = \$920 2). Trainees fee: \$200 x 2 days x 2 trainees x 2 workshops = \$1600 3). Consumables/ handouts: \$12 x 10 pers. x 2 workshops = \$240 4). Rent of equipment: \$70 x 2 days x 2 workshops = \$280 5). Coffee-breaks: \$2 x 12 pers. x 4 breaks x 2 workshops = \$192 6). Lunches: \$25 x 12 pers. x 2 lunches x 2 workshops = \$1200	\$4492
5. Entrepreneurs/project beneficiaries	Environmental awareness and a practical exercise to observe and learn about sustainable agricultural practices and best available techniques and industry and agriculture	15 / 2 / 2	1). Rent a room: \$230 x 2 days x 2 workshops = \$920 2). Trainees fee: \$200 x 2 days x 2 trainees x 2 workshops = \$1600 3). Consumables/ handouts: \$12 x 15 pers. x 2 workshops = \$360 4). Rent of equipment: \$70 x 2 days x 2 workshops = \$280 5). Coffee-breaks: \$2 x 18 pers. x 4 breaks x 2 workshops = \$288 6). Lunches: \$25 x 12 pers. x 2 lunches x 2 workshops = \$1800	\$5248
6. ODIMM, IA, PFIs	Assessing potential negative environmental or social impacts of matching grant proposals, conducting their environmental screening and environmental impact assessment, creating and/or	10 / 2 / 2	1). Rent a room: \$230 x 2 days x 2 workshops = \$920 2). Trainees fee: \$200 x 2 days x 2 trainees x 2 workshops = \$1600 3). Consumables/ handouts: \$12 x 10 pers. x 2 workshops = \$240 4). Rent of equipment: \$70 x 2 days x 2 workshops = \$280 5). Coffee-breaks: \$2 x 12 pers. x 4 breaks x 2 workshops = \$192 6). Lunches: \$25 x 12 pers. x 2 lunches x 2 workshops = \$1200	\$4492

	<p>strengthening Environmental Management Systems (EMSs) at participating enterprises, as well as identifying environmentally and/or socially positive options (e.g., energy efficiency, recycling and reducing waste generation, etc.).</p>			
<p><b>Sub-total for 9 trainings/workshops</b></p>				<p><b>\$17902</b></p>

# 10. Grievance Redress Mechanism

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## 10.1. Objective of the GRM Mechanism

Addressing grievances raised by individual affected by World Bank funded projects is an important component of managing project risks and for mitigation strategies. The GRM can serve as an effective tool for early identification, assessment and resolution of grievances and therefore for strengthening accountability to beneficiaries. The GRM is an important feedback mechanism that can improve project impact and respond to concerns and grievances of project-affected parties related to the environmental and social performance of the project in a timely manner. Due to ongoing COVID-19 safety concerns, with restrictions on movement, it is important that, where possible, staff managing grievances can access systems and work remotely to enable processes to work effectively.

The grievance mechanism for project workers required under ESS2 will be provided separately. All project workers are encouraged to use the existing project grievance mechanism to raise workplace concerns, report concerns related to COVID-19, preparations being made by the project to address COVID-19 related issues, how procedures are being implemented, and concerns about the health of their co-workers and other staff.

## 10.2. Grievance Investigation and Resolution Process

GRM at the Project level will be maintained during the entire period of Project implementation. The GRM will ensure that the all stakeholders can effectively be engaged in the Project design, implementation, provide project staff with practical suggestions/feedback on Project activities allowing them to be more accountable, transparent, and responsive.

This mechanism will follow the following principles:

- Grievances will be treated confidentially, assessed impartially, and handled transparently.
- The submitting and readdressing of the grievances will be free of charge for complainants.
- The MEI/ PIU will ensure that all project-affected parties will have equal opportunity to submit their grievance in accessible way. The Project beneficiaries may use a range of contact options (telephone number, e-mail address and postal address, etc.). The GRM is accessible to all stakeholders.
- The channels for filling in grievance form should be disclosed on official sources;
- The MEI/PIU will provide an opportunity to submit a grievance anonymously;
- Affected persons may raise a complain at any time of project related activity.
- The GRM is designed to be responsive to the needs of all complainants, including anonymous ones.
- All grievances, simple or complex, will be addressed and resolved as quickly as possible. The action taken on the grievance will be swift, decisive, and constructive.
- In cases where the aggrieved individuals or group is not satisfied with the outcome of the amicable mechanism, they will always be able to file to the court at any stage in the resolution process;
- All grievances will be registered and documented, and each grievance resolution process and communication will be systematically tracked;
- The channels for filing complaints will be listed and communicated to the public during the consultations.

The CEP II will ensure equal and nondiscriminatory access to grievance mechanisms, but the special attention will be given to the disadvantaged/ vulnerable groups: people less informed,; young and women entrepreneurs, representatives of startups, etc. The project team will be

working together with Matching Grants Facility team (MGF), PFIs, ODIMM, MIA and NGOs to provide access for complaints and ensure that the most disadvantaged/ vulnerable groups' views are taken into account. Main findings from ESMP will also be consulted with the public and the project team will ensure that all proposals, including those from disadvantaged groups are analyzed and if the suggestions, requirements are reasonable will be included in the project design. The representatives of the potentially disadvantaged/ vulnerable groups (business incubators and business associations, NGOs) will be included in the communication channels for ensuring the dissemination of information to communities about Project preparation activities and about planned public consultations.

The Social Specialist will serve as Grievance Focal Point(s) who will register the submitted grievances in the Grievance Log (database) and review within 15 (fifteen) calendar days, including the information verification, cross-checking, and analysis, and follow-up with the applicant as needed. As necessary, the Grievance Focal Point will involve the other relevant units' specialists in this activity.

*Channels to Make Complaints:* Due to COVID-19, the project has to provide the extend ways whereby grievances would be received. The suggestions/complaints can be submitted by e-mail, website, telephone, mail, etc. The template for grievances will be provided. To make grievance mechanisms accessible to all stakeholders, it is helpful to make the procedures to submit grievances simple and easy to understand and provide an opportunity to submit a grievance anonymously. The channels for filing complaints will be listed communicated to the public during the consultations. The PIU intends to establish the following channels through which citizens/beneficiaries/ PAPs can make complaints/suggestions/compliments regarding CEP II AF activities:

- a) in writing:
  - by email: MEI/ PIU
  - letters: MEI/ PIU
- b) oral/verbal (which should be recorded in writing by the receiver):
  - by phone
  - verbal complaints addressed to the MEI/ PIU

For GBV, and particularly for SEA/ SH complaints, there are risks of stigmatization, rejection and reprisals against survivors. The GRM therefore have multiple channels through which complaints can be registered in a safe and confidential manner.

Project-affected parties may submit complaints regarding the Bank-financed activities to the original project grievance mechanism or the World Bank's corporate Grievance Redress Service:

- (i) **The Project-level GRM** will be established at 3 levels:

***Level 1. MGF and PFIs***

The supervisors/ Grievance Focal Point(s) will be responsible for collecting the grievance from target groups and Contractor's employees. The channels for grievance submission will be disclosed for all applicants for Projects' grants.

***Level 2. PIU.*** The complainant will be able to submit grievance to PIU on:

*e-mail:* [piu@mei.gov.md](mailto:piu@mei.gov.md)

*postal address:* Aureliu Casian 180, Stefan cel Mare si Sfânt ave, office 813, MD 2004

*by telephone:* 022 296724

The GRM will be also accessible online on the [PIU website](http://uipac.md/rom/sugestii-si-reclamatii) <http://uipac.md/rom/sugestii-si-reclamatii>

**Level 3. MEI.** Complainants may fill in online form following the provided on-line link or fill in the template (Annex M) and send to:

online: <https://mei.gov.md/ro/content/petitia-line><sup>36</sup>

e-mail: [secretariat@mei.gov.md](mailto:secretariat@mei.gov.md)

postal address: Ministry of Economy and Infrastructure, MD-2012 Chisinau, Piata Marii Adunari Nationale, 1, street

by telephone: 022 250 500 (green/ trust line)

All the responsible personnel for GRM (local and regional focal points and MEI/PIU) have to fill the Grievance/inquiry template record (Annex N) for GRM Log.

The term of response will not exceed 14 working days. PIU will coordinate and monitor the responses to all complaints. The MEI will be able to extend the term of addressing grievance up to 20 working days (the complainant will be informed about extension).

The GRM will assist GBV survivors by referring them to GBV Services Provider(s) for support immediately after receiving a complaint directly from a survivor. The list of GBV service providers/ NGOs is available [www.stopviolenta.md](http://www.stopviolenta.md)<sup>37</sup>. The *Trust Line for Women* - 0 8008 8008 for appropriate GBV and SHE support, will be disclosure during the public consultations.

ii) **The World Bank's corporate Grievance Redress Service.** Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

### 10.3. Grievance Log

It is important that all complaints, including the anonymous ones, to be recorded in writing and stored in a database. Complaints received should be assigned a number that will help the assigned specialist to track progress via the database. The database should at least contain relevant information on the date of submission, sphere of issue, responsible party, deadline for the problem solving and feedback (positive or negative). The Grievance log will be submitted to the Bank of quarterly basis for review.

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<sup>36</sup> Online petitions to the Government / ministries are confidential, but cannot be anonymous under the law. The addresses that do not contain the obligatorily requested information in the address form and do not correspond to the requirements for the electronic document, including the application of the digital signature (art. 5.2 of the Law on Petitions no. 190 / 19.07.94), are not examined. During the public consultations and through GMF PIIS, the persons will be informed about the possibility to send anonymous notifications by other means.

<sup>37</sup> <https://stopviolenta.md/index.php?do=feedback>

*The mechanism of addressing the complaints will be the following:*

**Stage 1: Receiving the Complaints/proposal/suggestion** (all together named future “complaint”) do not matter what form of receiving: verbal, writing, online etc. An initial screening is done by the receiver - Social specialist and included obligatory in the GRM Log. All complaints that meet the admissibility criteria (related to the Project) are transmitted also to the concerned to obtain their views/proposals on the complaints or allegations of violations contained therein.

**Stage 2: The screening / reviewing of complaints.** The Social specialist together with other specialists investigates and decides on the complaint and assesses the case including whether the complaint alone or in combination with other complaints appear to reveal a consistent pattern of reliably attested future steps.

During its review, the Social specialist may propose to Project manager to decide to:

- dismiss a complaint if it is not admissible because is not related with Project directly or indirectly and inform the applicant.
- keep a complaint under review and request the other stakeholders concerned and/or the complainant to provide further information within a reasonable time.
- solve the grievance in 15 days and inform the applicant about the decision with explanations.
- If it is not in his competence to transmit a file containing all admissible communications as well as recommendations thereon to the MARDE and WB for further consideration.

**Stage 3: MEI, PIU, WB.** The Ministries and WB may express their opinion to:

- discontinue its consideration of the situation.
- keep the situation under review for further consideration or additional information.
- transmit the situation to the other Moldova State institutions for their opinion or solving.

All the stages of solving grievances has to be documented and the resolution included in the GRM Log. The GRM log will be regularly (monthly base) sent to MEI and WB for information.

#### **10.4. Roles and Responsibilities for GRM**

The responsibilities for the management of the GRM system include the following and may be updated from time to time in consultation with PIU, MEI and the World Bank task teams.

- Overall management of the GRM system
- Developing and maintaining awareness-building
- Collection of complaints
- Recording complaints
- Notification to the complainant on the receipt and timeline to review a complaint
- Sorting/categorization of complaints
- Thorough review of the issues, including the causal link between project activities and alleged damage/harm/nuisance
- Decision-making based on such examination
- Processing appeals or continuous communication with complainants with the purpose to resolve issues amicably
- Publishing responses to complaints, unless otherwise is requested by complainants due to privacy or other concerns
- Organization and implementation of information materials and awareness campaigns

- Reporting and feedback on GRM results.

### **10.5. Monitoring and reporting on GRM implementation**

Policies, procedures and regular updates on the GRM system will be made available for all stakeholders. The PIU will regularly track and monitor the status of complaints to ensure that all grievances are resolved within the established time-frame. The PIU will also provide and publish reports available to the World Bank team, and all stakeholders that would contain the following information:

- Status of establishment of the GRM (procedures, staffing, awareness building, etc.);
- Quantitative data on the number of complaints received, the number that were relevant, and the number resolved;
- Qualitative data on the type of complaints and answers provided, issues that are unresolved;
- Time taken to resolve complaints;
- Any issues faced with the procedures/staffing or use;
- Factors that may be affecting the use of the GRM/beneficiary feedback system;
- Any corrective measures suggested/adopted.

The PIU will compile a report summarizing stakeholder engagements and complaints results on annual basis. This report will provide a summary of all public consultation issues, grievances and resolutions. This report will be available on-line for general population. Stakeholders should be reminded that the grievance mechanism is available and important. The GRM will be revised and updated, supplemented as needed with project-specific arrangements and will be publicly disclosed.

# 11. ESMF's Disclosure and Consultation

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## 11.1. ESMF disclosure

The ESMF document for the proposed AF has been disclosed on April 19th, 2021 for *Public Consultation* on PIU official website. In addition to that, on April 20th, 2021 the document has been disclosed on civic.md website, which is specially designed for public consultations of such types of documents. All interested parties have been invited to submit virtually their comments and questions to PIU by April 30th, 2021. By specified time no comments or suggestions on the ESMF document have been received in written form.

The stakeholder virtual meeting was held on May 4th, 2021 to present the project activities within CEP-II AF and relevant ESMF provisions. Among the participants were representatives from the Ministry of Economy and Infrastructure, ODIMM, Chamber of Commerce and Industry, project beneficiaries, potential beneficiaries, representatives of civil society and business development agencies. The participants were informed about objectives and components of CEP-II AF project. The ESMF, LMP and GRM were presented to highlight the importance of these documents/ instruments in assessing and addressing environmental and social risks and engaging the stakeholders.

During the public consultations, it was suggested that priority in funding should be given to SMEs involved in social entrepreneurship activities, so that the project would be a way of providing support for the development of social entrepreneurship. Some aspects are contained in the screening checklist to assess the social impacts and risks of sub-projects, but an additional indicator on areas of social entrepreneurship has been included. Another social topic addressed was the provision of opportunities for women on childcare leave to enlist their children in day-care centres and the possibility for parents, through legislative provisions, to enlist their children not only in the pre-school institution to which their residence refers, but also in the immediate vicinity of their workplace. Some entrepreneurs are open to establishing public-private partnerships in this respect.

Entrepreneurs participating in the discussion appreciated the focus on environmental and social issues, but it was voiced that there are some topics that are beyond them at the moment. One example is the wastewater issue, as the water and sewage operator require that wastewater be treated to meet wastewater discharges concentrations. The environmental expert mentioned that individual approaches are needed to identify technical solutions that correspond to environmental requirements.

After consultations, the updated ESMF, final version for the AF was disclosed on both, national (PIU website) and WB website.

## 11.2. ESMF consultations

The updated ESMF document for proposed CEP-II AF has been disclosed on April 19th, 2021 for *Public Consultation* (PC) on PIU official website. In addition to that, on April 20th, 2021 the document has been disclosed on civic.md website, which is specially designed for public consultations of such types of documents. All interested parties have been invited to submit

virtually their comments and questions to PIU by April 30th, 2021. By specified time no comments or suggestions on the ESMF document have been received in written form.

The stakeholder virtual meeting was held on May 4th, 2021 to present the project activities within CEP-II AF and relevant ESMF provisions (see *Annex O*). Among the participants were representatives from MoEI, ODIMM, project beneficiaries, potential beneficiaries, representatives of civil society and business development agencies. The participants were informed about description, objectives and components of CEP-II AF project. The ESMF, LMP and GRM were presented to highlight the importance of these documents/ instruments in assessing and addressing environmental and social risks, and engaging the stakeholders.

During the public consultations, it was suggested that priority in funding should be given to SMEs involved in social entrepreneurship activities, so that the project would be a way of providing support for the development of social entrepreneurship. Some aspects are contained in the screening checklist to assess the social impacts and risks of sub-projects, but an additional indicator on areas of social entrepreneurship has been included. Another social topic addressed was the provision of opportunities for women on childcare leave to enlist their children in day-care centres and the possibility for parents, through legislative provisions, to enlist their children not only in the pre-school institution to which their residence refers, but also in the immediate vicinity of their workplace. Some entrepreneurs are open to establishing public-private partnerships in this respect.

Entrepreneurs participating in the discussion appreciated the focus on environmental and social issues, but it was voiced that there are some topics that are beyond them at the moment. One example is the wastewater issue, as the water and sewage operator requires that wastewater be treated to meet wastewater discharges concentrations. The environmental expert mentioned that individual approaches are needed to identify technical solutions that correspond to environmental requirements. Other participants mentioned that this is a systemic issue and good practices from other countries should be presented and regulatory intervention should be made. Another topic discussed was waste sorting and disposal. The contractors mentioned that although they currently sort the waste, the service provider does not collect the waste separately, and the utility does not currently offer this alternative. PIU representatives pointed out that efforts have been made during the project, but further discussions are needed with stakeholders to improve the conditions for investment and development of existing businesses. There was also a discussion on issues of ensuring working conditions, including in the context of COVID-19.

The draft document was revised after the dissemination, taking into account outputs from the consultation. The final version of the ESMF was posted on the PIU website and submitted to the World Bank for its disclosure in the Infoshop. Final ESMF document will be used during the CEP-II AF implementation.

Stakeholders consultations on ESMF will continue through project implementation and documents will be updated where needed.

# References

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Land Code #828-XII of Dec 25, 1991  
Law on the Environmental Protection #1515-XII of June 16, 1993  
Law on Ecological Expertise #851-XIII of May 29, 1996  
Law on Environmental Impact Assessment #86 of May 29, 2014  
Law on Air Protection #1422-XIII of Dec 17, 1997  
Law on State Supervision of Public Health #10-XVI of February 03, 2009  
Law on the Fund of Natural Areas Protected by the State #1538-XIII of February 25, 1998  
Law on chemicals #277 of Nov 29, 2018  
Law on access to information #982-XIV of May 11, 2000  
Law on Wastes #209 of July 29, 2016  
Law on Quality in Construction #721 of February 02, 1996  
Law on Town-planning and Territorial Development #835 of 1996  
Law on accreditation and conformity assessment activities #235 of Dec 01, 2011  
Law on Construction Works authorizations #163 of July 09, 2010  
Law on Green Spaces of the Urban and Rural Localities #591 of 1999  
Law on occupational safety and health #186-XVI of July 10, 2008