

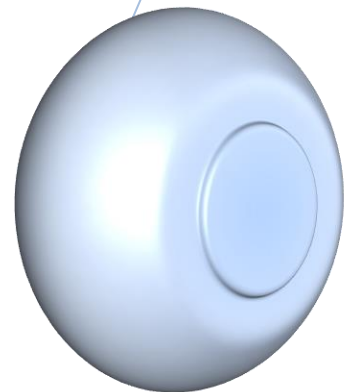
**MINISTRY OF ECONOMIC DEVELOPMENT AND DIGITALIZATION
OF THE REPUBLIC OF MOLDOVA**



PROGRESS REPORT for YEAR 2023

**WORLD BANK Micro, Small and Medium
Competitiveness Project (P177895)**

Developed by the PIU of MSME Project



March 2024

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ABBREVIATIONS AND ACRONYMS

ANSA	National Agency for Food security
ANTA	National Agency for Auto Transport
BDS	Business Development Services
BIP	Business Improvement Project
BSPs	Business Service Providers
CEP II	Second Competitiveness Enhancement Project
CGF	Credit Guarantee Fund
E-Gov	Electronic Government Agency
EEP	Eligible Expenditure Program
EUR	Euro
FA	Financing Agreement
FM	Financial Management
GoM	Government of the Republic of Moldova
GD	Governmental Decree
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMU	Inspections Monitoring Unit
IT	Information Technology
M&E	Monitoring and Evaluation
MDL	Moldovan Leu
MGF	Matching Grant Facility
MIA	Moldovan Investment Agency
MEDD	Ministry of Economic Development and Digitization
MoF	Ministry of Finance
MIRD	Ministry of Infrastructure and Regional Development
ODA	Organization for the Development of Entrepreneurship
OM	Operations Manual
OSS	One Stop Shop
PDO	Project Development Objective
PDI	Project Development Indicators
PBC	Performance Based Conditions
PFI	Participating Financial Intermediary
PIU	Project Implementation Unit
POM	Project Operations Manual
SC	State Chancellery
MSME	Micro, Small and Medium Enterprises
TA	Technical Assistance
US\$	United States Dollar
WB	World Bank

PROJECT OVERVIEW

The Government of the Republic of Moldova (GoM) is pursuing a policy agenda to support export-led economic growth. To achieve this goal and in order to sustain the results of the CEP II and other programs implemented, the Government of the Republic of Moldova in May 2022 has negotiated funding from the World Bank Group for implementing the Micro, Small, Medium Enterprises Competitiveness Project (“the Project”), that takes a more comprehensive approach to increase business competitiveness and will support the continued implementation of reforms to create a more favorable business environment and facilitate export promotion.

The Project is closely aligned with GoM’s policy priorities as identified in the National development strategy "Moldova Europeana 2030". In 2023 the Government of the Republic of Moldova announced 20 governmental priority actions aiming to modernize localities, guarantee the security of the citizens, contribute to the increase of incomes and the creation of well-paid jobs, and thus build Moldova Europeana. Three out of twenty priority actions are directly related to the core activity of the MSME Project and efficiently implementing the project activities and achieving the project targets will contribute to the European integration process that Moldova is engaged in. These refer to Action 5 – Digitization of public services, Action 9 – Support to enterprises and Action 11 – Reducing the bureaucracy for entrepreneurs. Documents highlighted the priorities of improving the business enabling environment by reducing bureaucracy and digitization of public services, support for MSME competitiveness, and facilitating access to finance.

Objectives. The MSME Project supports the Government of Moldova’s efforts to promote export-led economic growth and job creation. The Project development objectives (PDO) are: (i) to reduce the regulatory burden, increase access to finance, increase the export competitiveness of Moldovan enterprises, and (ii) in case of an Eligible Crisis or Emergency, to respond promptly and effectively to it.

The PDO will be achieved through a set of activities that aim to: (a) digitize government-to-business services and inspections, streamline permissive documents, and enhance national quality infrastructure to reduce the regulatory burden enterprises face; (b) support access to finance for enterprises through credit guarantees and enhance the capacity of CGF, and (c) support the development of MSMEs and enhance their export competitiveness; d) support project management; e) support the government's response in case of an emergency.

Timeline. The Project was approved by the World Bank Board of Directors in May 2022 and ratified by the Parliament in July 2022¹. The Project became effective on November 22, 2022 and is to be implemented over a period of five years, with the closing date set for August 2, 2027.

Components. The Project includes four main components, focusing on (i) support to expand digitization and regulatory reform to ensure a transparent, predictable, and low-cost business enabling environment for private sector operations; (ii) facilitation of access to finance through capitalization of Credit Guarantee Fund and strengthening ODA institutional capacities to implement portfolio guarantees scheme; (iii) MSME Development and Export Competitiveness through managing a Matching Grant Facility (MGF) to SMEs to implement business improvement projects focused on export competitiveness, as well as strengthening the institutional capacity of ODA and MIA related to export promotion; and (iv) Project management and operational support. In addition, an unfunded Contingency Emergency Response Component is envisaged and can be activated in case of a relevant emergency event.

The design of the project includes Performance-Based Conditions (PBCs) in support of key reforms under Component 1 and disbursement conditions for Component 2.

¹ Law No.165 and Law No. 166 of July 21,2014 published in the Official Monitor on August 15, 2014.

This report is prepared in accordance to the Project Operational Manual and summarizes main activities undertaken and results achieved during 2023, as well as factors affecting the implementation and next steps.

The PIU team would like to thank all counterparts for their contribution in project activities, as well as the World Bank team for their valuable support during the 4 supervision and implementation support missions conducted during the year 2023.

PROJECT PROGRESS BY COMPONENTS

A short description of main activities undertaken in 2023 under each component is summarized below.

Component 1. Digitalization and regulatory reform

This component was designed to support the Government in reducing regulatory burden for business through further digitization both at the national and local levels, enhancing and digitizing inspection services, improving interoperability and integrated service delivery for enterprises, simplifying the regulatory environment, as well as improving the national quality infrastructure system.

Activities under this component are in progress, despite observed challenges.

Digitalization

1. **The PIU started the process of procurement of services of an IT consultant to provide management and advisory support services under the IT subprojects** to be implemented, ex. MMIP upgrade, rolling out MMIP to local level and development of the new e-Inspection registry. Taking into account challenges in finding a suitable IT candidate, due to high demand and small market supply for these experts, the PIU in coordination with MEDD decided to hire an IT company, the scope of work including the technical design and oversight in implementing (i) upgrade of the digital platform for Managing and Issuing Business Permits (MMIP-e-Permit), (ii) streamlining and digitalizing of business permits at the national level and rolling out the platform at the local public authorities level, and (iii) upgrading the current Inspection Registry Software (IRS) to a full fledged e-Inspection platform. Due to the lack of relevant proposals and additional market research conducted, the PIU reconsidered this assignment and proposed to split the scope of work into 3 individual expert positions:
 - (i) Adviser to provide support in coordination and oversight during various phases of the implementation, upgrades, as well as the rollout of ICT solutions, i.e., MMIP at local and central level and e-KYC.
 - (ii) Business analyst, to develop technical requirement specifications and other technical inputs for the modernization of the MMIP and the introduction of e-Permits to the local public authorities, integration of these platforms and the digitization of the relevant registers; and
 - (iii) Business analyst, to develop technical specifications and other technical inputs for the upgrading the existing Inspection Registry software into a full e-Inspection system.

The ToRs for three individuals have been drafted, coordinated with the World Bank and the procurement process initiated.

2. **The MEDD and E-Gov requested support from the Project in implementing the online onboarding for a digital identity (e-Know Your Customer)**, that would enhance the uptake of the online service delivery for businesses. The WB task team advised that such a development could possibly be considered under the project activity after a due diligence to identify preconditions for the implementation of the e-KYC platform for digital on-boarding and review the previous preparatory work, assessments, and budget estimates. The PIU in coordination with the Economic Secretariat under the Prime Minister Office drafted the ToR and after coordination with WB team intends to hire an individual expert to conduct and have ready the assessment by end of May 2024. On other side, the Economic Council is leading the effort to gain broad support, including the e-Government Agency, despite the digital on boarding to use e-KYC as a mechanism for issuing digital signatures.
3. **The State Chancellery Inspections’ coordination unit is interested to move with upgrading the Inspection registry.** The Concept of the new e-Inspection software has been developed and is under public consultation. Despite the fact that some support has been carried out under IFC CJET project, however still additional work was required to complement and finalize the ToR for which an IT specialist has to be engaged in the first quarter of 2024.
4. At the same time, until the deployment of the new e-Inspection registry, **the State Chancellery requested the support of the MSME project to ensure the proper functioning of the existing RSC** in order not to disrupt the reporting and inspections planning processes. Therefore, in order to ensure well-functioning of the RSC during the transition period, the PIU will engage a local IT engineer (consultant) who developed the existing RSC platform. The ToR have been developed and are in the process of coordination with WB team. A direct selection method is envisaged to be applied and the implementation of this assignment is planned to start not later than April 2024.

Inspections

1. **Consultant support to PIU and inspection bodies to coordinate activities under this subcomponent was contracted in February.** The consultant worked with inspections and relevant ministries and conducted needs assessment, focusing on six inspectorates: Food Safety Agency, Agency for Technical Security, Environmental inspectorate, Auto Transport Agency and Customer Protection Inspectorate and Labor Protection Inspectorate. The consultant assisted inspection bodies to develop the so called “project files”, 2-3 pages description of inspectorates’ needs in terms of equipment and tools, estimated budget, as well as the legal framework to make sure these are following their fields of responsibility. The total estimated cost of the equipment based on project files is USD 3,8 million.
2. **The PIU in coordination with inspections bodies and SC prioritized specialized equipment to be purchased and conducted two bids.** The PIU split procurements in two major categories of inspection equipment, including (i) vehicles and specialized vehicles for six agencies² and (ii) IT equipment, including laptops, desktop, printers, and body cameras. Two contracts for the delivery of 92 vehicles have been signed at the end of December 2023, while the other two for IT equipment signed in January 2024. For all contracts, the PIU applies a phased approach for

² The total number of specialized inspection vehicles being purchased is 92, for ANSA (35), Environmental Inspectorate (34), ANTA (14), Labor Inspectorate (5), Supervision of Non-food Products and Consumer Protection (3), and Inspectorate for Technical Supervision (1)

delivery of the equipment, particularly for specialized vehicles, and asked for detailed plans on how the inspectorates will distribute the equipment to their regional units.

Another round of acquisitions is to be launched in early 2024 to purchase a refrigerator vehicle (2,5m3) and specialized cooling equipment (20 portable fridges for sampling) for ANSA and a boat for the Environmental Protection Inspectorate.

3. **The PIU is in continuous discussions with the Inspection Monitoring Unit (IMU) to identify any additional support to strengthen the capacity to perform its functions.** After restructuring of the State Chancellery (SC) the decision was made to keep the IMU as a separate unit under the SC. Still, the IMU is understaffed, with four existing staff and at least two additional that may be hired in 2024. Along with defining an organizational structure of the IMU with staff roles and responsibilities, that is the minimum capacity required for the IMU to coordinate business inspections efficiently and ensure the implementation of inspection performance indicators.
4. **The status of implementing the performance indicators by inspectorates.** The IMU informed that the report on implementing the inspection performance indicators for year 2022 was endorsed by the Government in April 2023 and is published on the website (www.controale.gov.md). The report for 2023 is under preparation and will be ready for publication by the end of April 2024. An independent analysis of the implementation for 2019-2021 shared with the PIU in June 2023 as an annex of the WB technical note, revealed substantial inconsistencies in their implementation, ranging from fully and partially implemented, to unachieved and unreported, with some lacking predefined target values. The IMU has informed that an analysis pertaining to the definition of the indicators is in progress, specifically the Government Decision No. 355/2020, which defines the general and specific inspection indicators may be revised³. During the WB mission in October was agreed that a thorough review of any suggested modifications to their definitions and the related Government Decision, should be coordinated with the WB team. In addition, to assess the performance indicators fulfillment, the PIU will involve the consultant hired under inspection subcomponent to conduct an evaluation of the performance indicators in 2022 and 2023 reported by agencies.

Regulatory Environment

1. *A detailed review of business regulatory requirements with the relevant agencies and inspectorates was coordinated by the Economic Council under Prime-Minister Office.* The USAID MISRA project contributed to these streamlining efforts by providing regulatory experts to the working groups coordinated by the Economic Council. Additionally, the MISRA project supported the analysis of the Law on Inspections⁴, suggesting policy enhancements and other improvements giving more significant role to the IMU. Moreover, the MISRA is supporting other improvements, like regulatory streamlining and digitalizing business licenses that fall outside the scope of the Law 160 at ANTA and ANSA. The WB task team during the mission in October has cautioned that these efforts could potentially compromise the effectiveness of the existing business regulatory reforms and the implementation of the Law 160 also supported through the MSME Competitiveness Project. Because certain business permitting requirements might be imposed by

³ The IMU is benefiting from the assistance of the USAID MISRA project support in this process.

⁴ Law No. 131 of 08.06.2012 regarding the state control over entrepreneurial activity with amendments.

lower-level legal acts, even when not required by the primary law. Without regulatory streamlining first, mere process simplification and digitalization could increase regulatory uncertainty and weaken the reforms introduced by Law 160.

2. Following changes in the Government at the beginning of 2023 the Minister of Infrastructure and Regional Development, being promoted to the position of Deputy Prime-Minister, requested support of the Project to provide *expertise in the field of transport infrastructure*, in preparing and implementing of infrastructure investments projects. After consultations and coordination with WB, an individual consultant has been contracted by the PIU to provide consultancy services on aspects concerning transport infrastructure aimed at improving the export logistics.
3. In order to provide *expert support to the MEDD* an individual consultant has been hired in March by PIU on legal matters related to the regulation of entrepreneurial activity and implementation of the principles of good regulation and regulatory reform.
4. In addition, *the PIU drafted ToR for assessment of the current regulatory framework related to permissive documents* and to provide proposals for amending / simplification of the legislation aiming at reducing the administrative burden for firms. After additional consultations with the MEDD and WB team, the initial ToR have been revised and new requirements of streamlining of the national regulatory framework to the EU legislation have been added. The procurement process is in progress and a consulting company has to be contracted in early 2024.
5. *The Economic Council (EC) under the Prime Minister requested the support of the MSME Project managing its online/digital communication with the business community using its BizRadar.* The PIU developed the ToR for the services of an individual local consultant who will facilitate the public private dialog and support the work of the EC by managing its online/digital communication with the business community using its BizRadar, increase the pool of BizRadar subscribers, primarily businesses, and participation of those in BizRadar activities and functionalities, to the extent necessary to ensure its representativeness and reliability for assessment of business community issues and informing policy decisions.

National Quality Infrastructure

1. *The National Quality Infrastructure (NQI) system's gap assessment, was carried out between April and September 2023, laying out a roadmap for a national development program to meet EU metrology, standardization, conformity, and accreditation standards.* The conclusions of the assessment show that, in general, the country has a reasonable NQI system in place (2,8 points in average, on a scale of 0 to 4), and presents relevant strengths, but also substantial room for improvement in several pillars, such as market needs assessment, strategy, sustainability, or fully coordination as a system, among others. There are also areas for improvement in most of the QI pillars to respond to the private sector needs prioritized by the MEDD. Based on the assessment conducted on the Moldovan NQI system, a vision for 2023-2027 was proposed, along with a set of 58 recommendations were proposed for strengthening the Moldovan NQI. Based on the Ministry's priority list, the PIU will continue to assist the MDED and NQI institutions in developing and implementing the QI national development program for medium term, including the procurement of laboratory equipment, knowledge and know-how transfer and digitalization of processes and services.

2. *An IT company was contracted for development of the digital platform for managing fuel quality controls based on risk assessments.* The MEDD developed ToRs for a digital system which is a core element for market surveillance and consumer protection following the adoption of the new Law on Market Surveillance. Enactment of the Law and an operational digital system are important commitments towards the EU. The technical concept and the draft regulation on using the system have been drafted and has to be approved by the Government in early 2024. The Demo version of the new platform will be presented to the main stakeholders at the end of January 2024. Testing and deployment of the system is planned in the period March-April 2024. The PIU will ensure the budget to cover the cost of this assignment, including the maintenance cost for 6 months after system deployment.
3. *Development of an integrated software platform for NQI system is another area of support the Project provides.* A business analyst was contracted by the PIU in March 2023 to undertake necessary evaluation and develop the ToRs, including technical requirements for such integrated platform. Due to the complexity of the project, a dedicated working group was created under the MDED leadership⁵, including 13 representatives of NQI entities and MEDD. Based on Methodology for reengineering of public services of E-Gov, the Consultant performed a deep business process analysis of the existing public services provided, both G2C and G2B services, analyzed documents, procedures, reports, and statistics, performed survey of the customer perception, as well as assessed existing digital/IT infrastructure in NQI system. Based on conducted analyses the technical high level concept of the NQI platform has been developed and after consultation with relevant stakeholders have to be promoted by the MEDD for the Government approval. The work on developing the technical specifications and ToR is in progress and is to be finalized by the end of May 2024.
4. *Strengthening capacities of NQI institutions.* The Project successfully completed activities of support to MOLDAC (Accreditation Center) - translation services provided during the Peer Evaluation by the European Accreditation Regional Organization of the Moldovan Accreditation Body (MOLDAC) Management System and participation in a study visit in Poland and one workshop in Brussel for key Moldovan QI authorities. The Project covered the travel costs for 6 persons representatives of NQI institutions who participated in a study visit in Poland in October 2023 and 2 persons participating at the workshop in Brussels in November 2023.

⁵ The working group is created based on the decision of the MEDD nr. 31 from March 14, 2023.

Component 2. Access to finance

This component aims to support Credit Guarantee Fund (CGF) within ODA for the provision of portfolio financial guarantees to MSMEs, to provide more effective programs and assistance that have positive spillovers for growth of SMEs and export-oriented sectors, as well as to strengthen ODA institutional capacities.

Main results achieved under this component are as follows:

1. The CGF Subsidiary Agreement between the Ministry of Finance and ODA was signed on May 16, 2023.
2. After several iterations of consultations with the WB team the CGF OM was approved by the ODA Committee. This was the last disbursement condition fulfilled to disburse the 1st tranche for the CGF Fund capitalization.
3. Having the 5 disbursement conditions⁶ for the 1st tranche fully met, the PIU in coordination with the MoF and ODA, ensured the withdrawal of funds on the ODA CGF special treasury account. Thus, on July 28, 2023, the IBRD resources in the amount of EUR 9,5 million have been disbursed into ODA CGF account.
4. The PIU initiated discussions with ODA and WB team regarding the next steps and technical assistance needed to fulfill the disbursement conditions for the 2nd tranche in the amount of EUR 4,5 million. The 2nd tranche is envisaged to be disbursed in 2025 after implementing a series of 5 actions aimed at ensuring and strengthening the internal institutional procedures and policies related to CGF scheme. In particular, ODA shall (i) develop, approve and implement a financial model for CGF operations; (ii) review the legislation and assess eligibility to invest in State Securities and NBM Certificates; (iii) develop and approve an internal control manual for the CGF; (iv) develop and adopt a risk management framework, including policies and/or procedures; (v) produce financial statements for CGF for at least one full fiscal year, and audited by an independent external auditor, according to International Financial Reporting Standards.
5. ODA has finalized the portfolio guarantee scheme conditions. The scheme has been developed and included as an annex to the CGF Operations Manual. The scheme will include four types of portfolios with different guarantee fees (capped secured, capped unsecured, uncapped secured, uncapped unsecured). The guarantee rate will be 80% for the capped portfolio and 50% for the uncapped portfolio. The amendments to the CGF OM were agreed with the World Bank and approved by the ODA Council.
6. There is a strong interest among banks in portfolio guarantees. ODA has received letters of intent from five banks: Moldova Agroindbank SA, Victoriabank SA, Energbank SA, OTP Bank SA and ProCreditbank SA. According to the Project's Environmental and Social Commitment Plan (ESCP), each PFI needs to have prepared and adopted its ESMS prior to signing guarantee agreements with ODA. Before signing guarantee agreements, banks will be appraised by ODA in compliance with the process outlined in the CGF Operations Manual. The results of the appraisal will be reviewed and cleared by the World Bank team. Now ODA is conducting the assessment of the ProCredit Bank SA who submitted the request for the due diligence of its ESMS.

⁶ The first set of disbursement conditions for tranche 1 (9.5 million EUR) included the following: i) the Subsidiary Agreement between the Borrower and ODA has been signed; ii) the Borrower has opened a separate treasury account for the World Bank loan proceeds designated for the capitalization of the CGF, iii) the Borrower, through MoE, has caused ODA to prepare and adopt the CGF Operations Manual, iv) at least two Letters of Intent have been received from potential Participating Financial Institutions (PFIs), in content and substance acceptable to the Bank, v) legal and regulatory amendments have been approved to enable CGF to issue portfolio guarantees.

7. In October 2023 the PIU provided support to ODA in organization of the event dedicated to the 30th anniversary of the CGF. During the event, leaders from the financial sector and experts in the field gathered to mark the achievements of the FGC and discuss future trends in the field of financial guarantees. The awareness, organization and logistic costs were covered by Project's resources.
8. To strengthen the institutional capacities of the ODA CGF, especially in implementing the new scheme of guarantee portfolio products, at the ODA request the PIU covered the cost of a study visit to Brussels, Belgium for 2 representatives of CGF during the period of December 10-13, 2023. The study visit was organized to the invitation received from PMV-Standaardwaarborgen, and WE Wallone Entreprendre, both members of the European Association of Gurantee Institutions (AECM). PMV is a public regional institution which provides financial support to SMEs through the issuance of portfolio credit guarantees, while the WE Wallone Entreprendre is similar to ODA providing support to enrepreneurs in the field of business consulting, start-ups, as well as facilitation in obtaining loans through the issuance of portfolio credit guarantees to SMEs. A summary report of the study visit was submitted to the PIU.

Component 3. MSME & export competitiveness

Key activities under this component are focused on supporting firms through matching grants, export readiness, supplier linkages, and export promotion programs, all are underway.

1. **The matching grants facility (MGF)** was launched in April 2023. An additional event with participation of Government' high level representatives to encourage participation to the program took place at the end-June. Since July 2023 ODA has stopped financing and implementation of the Government-funded Internationalization Program. This should have allowed the MGF to move forward and acquire the ground, however this did not really happen mainly due to the ODA' "heavy" procedures imposed during the evaluation process as several potential beneficiaries withdrawn the applications or didn't apply at all.

After official launch of MGF in June and start of dissemination on the opportunities offered by the Program, there were numerous calls, emails and in person meetings performed by MGF team with potential beneficiaries, some of them being highly interested in contracting the resources. Although, during the period June-December 2023, only 28 companies submitted their BIPs, half of them from the list of previous CEP II, contacted directly by MGF team.

Out of the 28 applications submitted, as of the end of 2023, 18 were approved, 17 grant agreements signed, 10 rejected. The total committed amount under the signed agreements equals Euro 251.010 or 5.5 percent of the total MGF budget. The average amount of grant per beneficiary is Euro 14.760.

Table 1. Track view of the MGF figures

# beneficiaries approved	BIP amount approved	Committed amount	Reimbursed (paid) amount
17	Euro 542.400	Euro 251.010	Euro 40.170

More information on the progress of implementation of MGF sub-component can be found on the

official web page of the Project.

The evaluation process applied within ODA, including MGF should be simplified to streamline the process. PIU had several meetings with ODA and the MEDD trying to identify solutions to streamline the MGF' procedures and facilitate the access of the beneficiaries to the available resources. Many issues have been solved and mutually agreed on during these meetings, however, there are still aspects which may require additional consultations and adjustments, including changes to the MGF Operations Manual.

2. **On export readiness & supplier linkages program**, the Project is supporting ODA to develop the capacity to perform 360-degree assessments of MSMEs to identify their gaps in becoming export-ready and comply with the buyers' requirements. ODA with the PIU support is working on the Terms of Reference expected to be defined by the middle of March.
3. **The Project is continuing to support the Investment Agency (IA) to build up its export promotion work.** Based on the results achieved under CEP II, IA began assuming an increasing export promotion role, including the piloting of export missions. B2Bs missions in four foreign markets are foreseen during the implementation of the MSME project with a total of 240 firms to connect with potential buyers abroad. Therefore, activities are underway, including *the first B2B export mission for local companies in Romania conducted in November last year*. Fifty-seven companies from the following five sectors attended the B2B event in Romania: (i) fresh fruits & vegetables, (ii) wine production, (iii) food processing, (iv) industrial products including metal processing and (v) furniture manufacturing. According to the agreed schedule on average five meetings with potential buyers / firms were conducted.
4. In addition, *the "export mornings" exercise has been prepared and launched in July 2023*.

A consulting firm was hired under the Project to conduct market research of the six targeted export markets and disseminate the results through "export morning" workshops offering platforms for businesses to learn about opportunities and challenges within targeted markets and enable more exports to these countries. Under the current assignment the following exports markets have been studied: Egypt, India, Austria, Switzerland, Türkiye, and Romania. To date, all six "export mornings" workshops have been conducted, with more than 260 local firms attending the events. The Investment Agency requested Project's support to cover at least 5 new markets to be explored in 2024.



5. Another activity supported by the Project is *enhancing the Moldova country brand in key markets* and building IA's operational and market capacity for target export markets. PIU is working with IA on defining the ToRs for branding in the first key market. Developing TORs for a firm to manage and design the branding awareness and recognition activities in Romanian market is in progress.

Component 4. Project management

The key activities under the project management component are related to procurement, financial management, audits and other activities to ensure overall project management, monitoring and coordination.

The PIU⁷ under MoE is responsible for the overall implementation of the Project. The PIU is fully staffed with four core team members, including director, financial specialist, procurement specialist, and accountant. In 2023 the PIU was additionally staffed with other part time positions, i.e. environmental and social (E&S) specialist(s), and a procurement expert.

To support ODA in implementing the MGF sub-component, an MGF Coordinator and a Monitoring and Evaluation Specialist for the matching grants has been hired. The PIU launched the process of hiring a monitoring and evaluation (M&E) specialist to help PIU in collecting and analyzing data from relevant institutions and to ensure that considered activities are implemented and the Project indicators are monitored and properly reported.

Project Steering Committee led by the Minister of Economy is established through Government decision No. 895 of August 25, 2005. The Committee composition has been updated in September 2022 and consists of high-level representatives from the MoE, MoF, State Chancellery and other stakeholders, responsible for overseeing the operations of the PIU and advising on any major policy issues related to the implementation of the project. Starting with project approval and by the end of 2023, the Committee had held four meetings, the last one in December 2023.

Financial management and disbursements

The project is implemented by the PIU under the MEDD with the support of the ODA for implementing the Credit Guarantee Fund capitalization (component 2) and Matching Grant Facility (component 3.1).

As of 31.12.2023 an amount of EUR 10,75 million has been disbursed under the MSME Project and the overall disbursement rate is 22,6%. The total committed amount under the Project is EUR 14 million or almost 30% of the total budget. The table below shows the financial data in terms of disbursements, commitments, actual expenditures, and forecasted disbursements.

Table 2. Disbursements by sources, as of 31.12.2023

Source of funding	Budget, EUR	Disbursed, EUR	Committed, EUR	Expenditures, EUR	Disbursed vs. budget, %
IDA Credit #7174-MD	29 800 000	900 000	4 162 930	582 617	3
<i>o/w: Performance based conditions</i>	<i>1 900 000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
IBRD Loan #9423-MD	17 700 000	9 850 000	9 833 374	9 755 317	55
Total project	47 500 000	10 750 000	13 996 304	10 337 934	<u>22,6</u>
Disbursement forecast by 30.06.2024		13 750 000			
Disbursement forecast by 31.12.2024		16 450 000			

⁷ The PIU is established through Government decision No. 895 of August 25, 2005

The disbursement rate of IBRD resources reached 56%, while the disbursement rate of IDA resources constituted 3% of total IDA available budget. Slow disbursements of the IDA resources is explained by several factors (i) the delayed launch and slow implementation of the MGF sub-component managed by ODA as part of the Business Internationalization Program; (ii) the preparation of several assignments on digitization component took longer time than initially envisaged; (iii) due to the resignation of the head of the tender committee, major part of procurements were completed at end of December only.

Based on preliminary estimations during the year 2024 new disbursements in the amount of EUR 5,7 mil. are planned, therefore, the total disbursements are forecasted at EUR 16,45 mil., which constitute 35% of the Project' budget.

The financial analysis by components shows that implementation of the Access to Finance component (IBRD Loan #9423-MD) prevails in the total project implementation and constitutes 92% of total budget execution. This high rate is explained by the disbursement of the 1st tranche in the amount of EUR 9,5 million for the CGF capitalization.

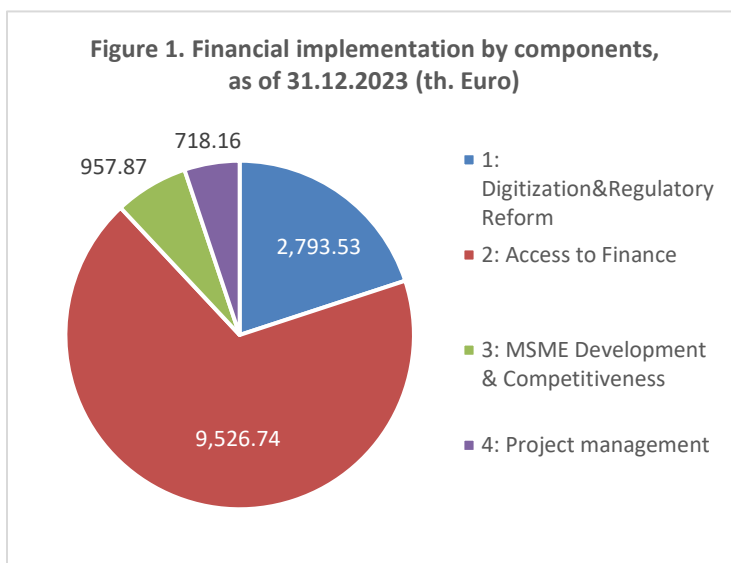


Figure 1 reflects the distribution of budget execution by components.

Out of the total committed amount of EUR 14 million (or 29% of the budget), actual implementation rate constitutes 74% or EUR 10,4 million. The difference in the amounts represents contracts in progress which are not paid yet. Table 3 below shows the distribution of financial data in terms of budget, commitments, and actual execution by components.

Table 3. Financial implementation by components, as of 31.12.2023

Component	Approved Budget (EUR)	Committed (EUR)	Commitment rate, %	Actual implemented (EUR)	Implementation rate, %
1	2	3	4 (3/2)	5	6 (5/3)
#1 – Digitization & Regulatory reform	20 750 000	2 793 532	13%	239 241	9%
#2 – Access to Finance	14 278 000	9 526 744	67%	9 526 744	100%
#3 – MSME development and competitiveness	11 622 000	957 869	8%	380 828	40%
<i>o/w: Matching Grant Facility</i>	<i>4 750 000</i>	<i>251 009</i>	<i>5%</i>	<i>23 456</i>	9%
#4 - Project Management	850 000	718 157	84%	191 119	27%
TOTAL	47 500 000	13 996 304	29%	10 337 934	74%

The financial management of the Project was ex-post reviewed by the World Bank financial specialist in May and assessed to be good and in compliance with Project documentation. All Interim Financial reports have been submitted quarterly on time and are approved by the Project’s task team leader.

The PIU prepared the terms of reference and launched the process for procurement of audit services for the period ended December 31, 2023. Requests for proposals have been submitted to a list of companies. The contract with the selected audit company is expected to be signed not later than the end of March 2024.

A blockchain loan disbursement traceability initiative is to be piloted under the MSME project, therefore, in fall 2023 the PIU had several meetings with the blockchain team, with a workshop for main Project counterparts conducted in February 2024.

Implementation of the procurement plan

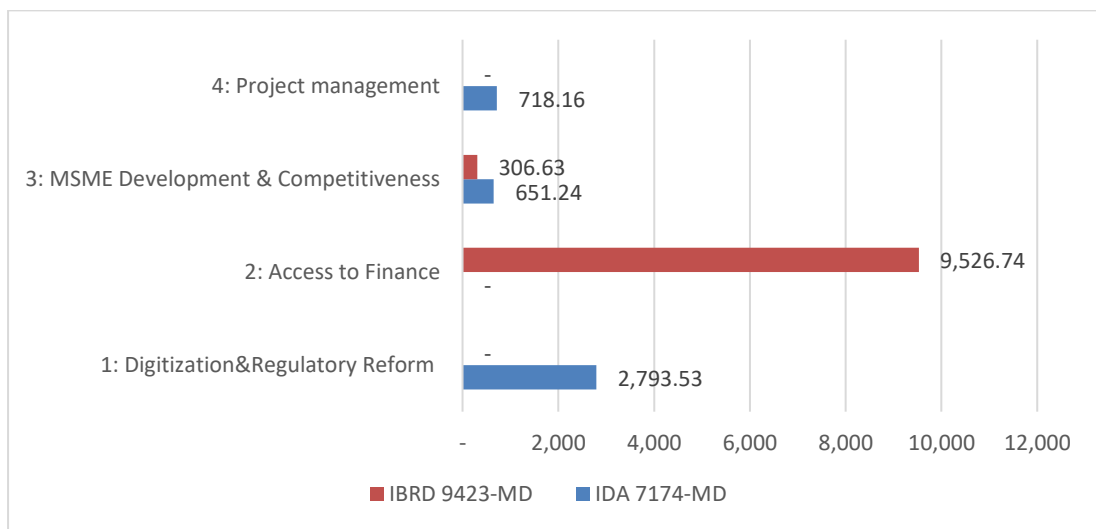
The procurement plan (PP) is implemented in accordance with the approved Procurement Strategy for implementation of the MSME project. During the year 2023 the procurement plan was adjusted several times based on the requests from project’s Beneficiaries.

The tender committee was established by the PIU Supervisory Board according to the decision dated December 20, 2022 and comprises five permanent members. Following the changes in the management of the MEDD, the tender committee composition was modified⁸ and currently consists of members from MEDD, MoF, Investment Agency and National Institute of Metrology.

A post review mission was conducted by the WB in March and the overall mark offered was “LOW risk level”. Since the project’s effectiveness the PIU has completed tenders and signed 27 contracts.

The total committed amount as of the end of the reporting period is EUR 14 million. The breakdown of the commitments by sources and components is presented in the chart below.

Figure 2. Commitments by components and sources of financing (Th. Euro)



⁸ PIU Supervisory Board Minutes No. 20 dated December 04, 2023