

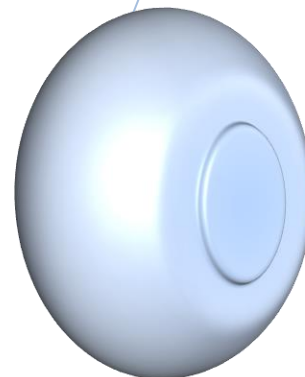
**MINISTRY OF ECONOMIC DEVELOPMENT AND DIGITALIZATION
OF THE REPUBLIC OF MOLDOVA**



SEMUANNUAL PROGRESS REPORT (semestre I 2024)

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

Developed by the PIU of MSME Project



August 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 – Digitalization 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 digitalization 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 digitalization 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 with the Project Operational Manual and summarizes main activities undertaken and results achieved as of 30.06.2024.

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 5 supervision and implementation support missions conducted during the one and a half years of implementation.

PROJECT PROGRESS BY COMPONENTS

A short description of main activities undertaken in 2024 under each component is summarized below.

Table. 1 Project Information

Project Budget	Effectiveness Date	Completion Date	Disbursement Rate	Disbursement Forecast (31 Dec. 2024)
USD 50 million	25 Nov. 2022	02 Aug. 2027	29.4%	32.5%

Component 1. Digitalization and regulatory reform

This component was designed to support the Government in reducing regulatory burden for business through further digitalization 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. **In March, PIU hired an IT consultant to provide management and advisory support services under the IT subprojects** to be implemented, i.e. upgrade of the MMIP platform, rolling out MMIP to local level and development of the new e-Inspection registry. The consultant’s scope of work includes the design and oversight during various phases of the implementation: (i) the 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, (iii) upgrading the current Inspection Registry Software (IRS) to a full fledge e-Inspection platform and (iv) implementation of the e-KYC (e-Know Your Client) platform for digital identity and on line onboarding.
2. **The MEDD and E-Gov requested support from the Project in implementing the online onboarding for a digital identity (e-KYC)**, 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, the draft ToRs designed by the e-Gov agency, and budget estimates.

At the mid of May, PIU completed the selection process by hiring an individual expert to conduct and have ready the assessment by end of July 2024. On other side, the Economic Council under the Prime Minister office 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. The assignment implementation is in progress, upon completion PIU will share the main findings and conclusions of the report with the WB team.

3. **Development of the technical specifications of the future MMIP platform is in progress.** A 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 was contracted at mid of April. The consultant acts in collaboration with the e-Gov and the consultant responsible for the advisory support services of IT projects, as well as with the consulting company contracted to review the legislation in the field of permits. The draft ToRs is expected to be submitted by the end of September.
4. **The State Chancellery Inspections' coordination unit is interested to move with the development of a new e-Inspection Registry.** The draft concept of the new e-Inspection software has been developed with the support received under IFC CJET project, although additional work is required to define the technical specifications of the new e-Inspection Registry. Therefore, PIU completed the selection process and hired an individual consultant for the provision of business analysis and technical specifications for the development of a new automated E-Inspections information system. The draft ToRs is expected to be developed by the end of September.
5. At the same time, until the deployment of the new e-Inspection registry, **the State Chancellery requested the support of the project to ensure proper functioning of the existing Inspection Registry (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 provides support to the SC through the services of a local IT engineer (consultant) who is familiar with the Documentum - module the current RSC platform is built on. The contract envisages minor developments, integration with other platforms if required, but mostly elimination of the bugs and system' maintenance. The contract is a part time one signed by the end of the year.

Inspections

1. **The PIU developed a plan for implementation of the phased delivery of the equipment, in particular the specialized inspection equipment.** A plan for the phased delivery of the equipment, in particular the vehicles, has been developed and presented to the Bank team for information. The delivery foresees a period of eight months until mid-August 2024, according to the plans of the Inspectorates for the distribution of the equipment to the regional units. The procurements were divided in two major categories (i) vehicles and specialized vehicles for six inspectorates² 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 for IT equipment was signed in January 2024.

Seventy-six vehicles were delivered during the period February-June to Food Safety Agency (ANSA), Technical Security Inspectorate, Environmental Inspectorate (IPM), Auto Transport

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

Agency (ANTA), Non-Food Products & Market Surveillance Inspectorate and Labor Inspectorate. The remaining vehicles will be distributed to the inspectorates by end of August in accordance with the agreed phased delivery plan.

All six inspectorates has been benefited from IT equipment, including laptops, desktops, portable printers, scanners and body cameras (more than 700 units). The delivery started in April being completed at the end of June.

Additionally, in the first semester, a 2.5 m³ refrigerator vehicle, 20 portable cooling boxes for ANSA, as well as a motorboat of 60 H.P. for IPM has been contracted and supplied to the inspectorates.

Since the project' launch, the total amount of resources allocated for the procurement of equipment for inspectorates equals to USD 3.5 million.

In the second half of the Y. 2024, the project' plan foresees (i) the procurement of 10 mobile weighing scales for the monitoring of the allowed axle loads of the large trucks for ANTA; (ii) body cameras with required infrastructure for IPM and ANTA; (iii) drones and other specialized equipment for the inspectorates.

This is a considerable support provided through the MSME project for strengthening the capacities of the six inspection bodies.

- 2. 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. The IMU staff (4 people) was complemented with two additional employees hired in May 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.

The SC presented a list of training topics, including the application of the legal framework, i.e., the Law on inspection, performance indicators, the Administrative and Contravention Codes. Considering that the legal changes are in the process, the WB team recommended developing a comprehensive plan for strengthening inspectorates' capacities sequenced with the reform expectations.

In line with that, the SC conducted a study visit facilitated through the project to Greece and learn from their experience in inspection system. A team consisting of 6 officials of the IMU within the State Chancellery and 2 experts delegated by PIU, participated during the study visit held at the end of May to the Ministry of Development and Investments of the Hellenic Republic. During the visit, an exchange of experience was carried out and good practices were identified in the field of state control over entrepreneurial activity.

- 3. The status of implementing the performance indicators by inspectorates.** The report on implementing the inspection performance indicators for year 2023 was endorsed by the Government in April and published on the website (www.controale.gov.md). 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 March 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 involved the consultant hired

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

under inspection subcomponent who has conducted an evaluation of the performance indicators in 2022 and 2023 reported by agencies. The analysis revealed some inconsistencies in the implementation and reporting of the indicators, ranging from fully and partially implemented, to unachieved and unreported, with some lacking predefined target values.

Regulatory Environment

1. **An in-depth review of the regulatory requirements in the field of permits (Law 160 on licensing) to reduce the burden on business is supported through the Project.** Certain business permitting requirements might be imposed by 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. Therefore, PIU in coordination with MEDD contracted consultancy services to assess the regulatory framework and provide proposals for amending/simplifying the legislation, as well as alignment of the national regulatory framework to EU requirements in the field of the business permits. The main objectives are: (i) identification and exclusion of "hidden" permits issued by the authorities; (ii) analysis of EU directives with the character of permit, which are to be transposed, comparison with those from the Law 160 to avoid duplication; (iii) drafting of a deregulation bill related to business permits, including the revision of the sectoral legal framework. The consultancy is provided by a consortium of Georgian and local teams of experts being implemented by the end of the Y. 2024.
2. **The Project continue providing support to MEDD on matters related to the regulation of entrepreneurial activity** and implementation of principles of good regulation through an individual consultant hired by PIU. The consultant complements and strengthens the capacities of the ministry in this important field.
3. **The PIU provides support to the Economic Council (EC) under the Prime Minister Office in enhancing the communication with the business community using its BizRadar digital platform.** The support is provided by an individual local consultant who facilitates the public private dialog and supports the work of the EC by managing its online/digital communication with the business community using the BizRadar platform, aiming to increase the pool of BizRadar subscribers from among businesses, and assessing the feedback and results of the surveys performed by the EC through BzRadar.

National Quality Infrastructure (NQI)

1. **The NQI system's gap assessment was completed in October 2023, laying out a vision 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 2024-2027 was proposed, along with a set of recommendations for strengthening the Moldovan NQI. In this context the MEDD requested further Project support to (i) engage a consultancy to assist the ministry with development the NQI roadmap; (ii) implementation of the QI national development

program, including designing the specifications and know-how for the metrology equipment in the areas of the gap assessment report. The Project launched the selection process for the **consultancy support of an international expert to MEDD**, the contract negotiation is expected to be finalised by end of August, while commencement of the activities are scheduled for September.

The MEDD is expecting the results of the assessment conducted in the context of EU integration by the independent experts on compliance with the EU directives and regulations which will be complemented to the findings of the gap assessment done under the MSME project.

2. **An IT company was contracted for development of the digital system for managing fuel quality controls (SIGACP).** The digital system 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. In February, the demo version of the system was presented to MDED and the Non-Food Products Market Surveillance and Consumer Protection Inspectorate. The technical concept and the draft Regulation regarding the use and maintenance of the system was expected to be approved by the Government in the first semester of 2024. However, during the public consultations, the State Chancellery insisted to exclude the random approach to the selection of fuel stations and the replacement with the risk-based assessment as well as integration of the platform with the State Register of Controls (RSC). Technical experts responsible for SIGACP and RSC will examine the possibility of integrating these two systems through MConnect, and MDED will ensure the adjustment of the document to the requirements of Law 131 on State Control. Thus, the deployment of the platform could be postponed to the first quarter of 2025. Accordingly, PIU will assess possible budget adjustment to ensure the coverage of additional costs for the integration, including the cost of maintenance for 6 months period after deployment.
3. **Digitalization of the NQI institutions is another area of support the Project provides.** A business analyst contracted by the PIU performed an in-depth business process analysis of the existing public services provided, both G2C and G2B services, analyzed documents, procedures, reports, and statistics, as well as assessed existing digital/IT infrastructure within the NQI institutions. Based on conducted analyses the technical high level concept of the NQI platform has been developed and awaiting the consultation with e-Gov Agency and other stakeholders. The work on developing the technical specifications and ToR is in progress and is to be finalized by the end of October 2024.

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.

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. Prior to 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.

Main achievements under this component are: (i) the CGF Subsidiary Agreement, acceptable to the WB, between the Ministry of Finance and ODA signed; (ii) CGF Operations Manual developed with the Project

support and approved by the ODA Council; (iii) all disbursement conditions⁴ for the 1st tranche for capitalization of the CGF fully met; (iv) the Credit Guarantee Fund capitalized, MDL equivalent of EUR 9,5 million disbursed to ODA CGF special treasury account.

1. **The next tranche in the amount of EUR 4.3 million is envisaged to be disbursed in the second semester of 2025** after meeting a series of conditions imposed by the WB aimed at improving the internal institutional procedures and policies of the Credit Guarantee Fund. 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 (IFRS).
2. One of the disbursement conditions to be fulfilled by ODA to get the next tranche of CGF capitalization, is **conversion from National Accounting reporting Standards (NAS) to the International Financial Reporting System (IFRS)**. The Project supports ODA with this complex activity and will cover the costs required to implement the IFRS system within CGF and ODA as a whole. In this regard, PIU led the process of design and coordination of the ToRs for the implementation of IFRS with ODA and the WB project team. The contest announced in May among eligible audit companies resulted with the nomination of PricewaterhouseCoopers (PwC) as first ranked candidate. After assessing the technical & financial proposal, in coordination with ODA, PIU will conduct the negotiations and sign the contract (tentatively in August) with PwC. Implementation of the assignment is foreseen in the period September 2024 - February 2025.
3. **As part of the ODA institutional strengthening activities, the Project provides support with the development of the CGF internal control manual**, risk management framework, including internal policies and procedures. PIU led the process of design and coordination of the ToRs with ODA and the WB project team. The open contest announced at the end of June was concluded with the nomination of LANDT (Germany) as first ranked candidate from the list of five companies which submitted their expressions of interest. After receiving and assessing LANDT' technical & financial proposal, in coordination with ODA, PIU will conduct the negotiations and sign the contract (tentatively in August). Implementation of the contract is foreseen in the period September – December 2024. Successful implementation of this assignment will ensure that two disbursement conditions for the CGF' second tranche capitalization is fulfilled.
4. **To strengthen the institutional capacities of CGF, PIU provides continuous support to ODA, including inter alia, in attending 2 training courses organized by Frankfurt School of Finance&Management**. The training courses are held in online format in modules during March - September 2024. Following the examination at the end of each course, 3 ODA employees will get certified in the "Sustainable financing" and "SMEs financing" fields. These trainings are an opportunity for ODA staff to gain a comprehensive insight into the mechanisms, practices and

⁴ 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.

benefits associated with international financial instruments, which play a key role in mitigating risks and facilitating access to finance for SMEs.

In the same context, during the previous year, the Project covered the cost of a study visit to Brussels for 2 CGF staff members. The study visit was hosted by PMV-Standaardwaarborgen and WE Wallone Entrepreneurs, both members of the European Association of Guarantee 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 Entrepreneurs is similar to ODA providing support to entrepreneurs in the field of business consulting, start-ups, as well as facilitation in obtaining loans through the issuance of portfolio credit guarantees to SMEs.

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 intermediary results registered under MGF are below the target indicators** set under the Project and could put at risk the successful implementation of the business support MSME component. Since the MGF launch in June 2023 till now, 53 companies submitted their business improvement plans (BIPs), half of them from the list of previous CEP-II, contacted directly by the MGF team. Out of the 53 applications submitted, 27 were approved, 23 were rejected and 3 are under evaluation. The total committed amount under the signed agreements equals Euro 459.210 or 9.7 percent of the total MGF budget. The average amount of grant size per beneficiary is Euro 15.900.

After the start of dissemination campaign, 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 12 months of implementation, only 53 firms applied for the program.

For more information on MGF implementation please refer to Annex 1.

Table. 2 Data on number of MGF applications

Category	June-December 2023	January-June 2024	Cumulative, June 2023 -June 2024
Cumulative number of applications, <i>including</i> :	28	25	53
Approved	16	11	27
Rejected	12	11	23
Under evaluation		3	3

The total committed amount under the signed grant agreements equals to Euro 459.210 or 9,7% (!) only of the MGF budget, the reimbursed amount equals to Euro 120.100 which is less than 3% of the budget.

Table 3. MGF in figures (as of 30.06.2024)

# beneficiaries approved	BIP amount approved	Committed amount (grant)	Reimbursed (paid) amount
27	Euro 968.300	Euro 459.210	Euro 120.100

The evaluation procedure applied within ODA, including MGF should be simplified to streamline the process. A fast-tracking mechanism should be applied for the evaluation of MGF applications as soon as possible.

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 defined the Terms of Reference for the Supplier Development Program (SDP). The ToRs were consulted with the WB team, once approved PIU could launch the procurement process for the consultancy services. However, the legal basis for the SDP is not yet in place, therefore MEDD / ODA are expected to institutionalize the Program by means of a Governmental Decree, which will establish the eligibility criteria / evaluation / selection process of the participant firms. Given the IFC experience with similar SDPs successfully implemented in Balkans, PIU shared the information about the SDP implemented in Serbia provided by IFC colleagues, on firms' eligibility criteria, selection procedures, etc. with ODA and MEDD to help them design a similar SDP for Moldova.
3. **The Project is continuing to support the Investment Agency (IA) to build up its export promotion work.** Four B2Bs missions in selected foreign markets are foreseen during the implementation of the MSME project with a total of 240 firms to connect with potential buyers abroad. The first B2B export mission for local companies was conducted in Romania in November 2023 with participation of fifty-seven companies from the five sectors: (i) fresh fruits & vegetables, (ii) wine production, (iii) food processing, (iv) industrial products including metal processing and (v) furniture manufacturing. Based on the monitoring report, the new export sales reported by the participating companies *reached EUR 0.9 million after 3 months from the export mission.*

Based on the results achieved, organization of export missions will continue. Thus, in 2024 two B2Bs missions in Germany and Romania are expected to take place. PIU jointly with AI, developed the ToR for engaging the respective services for a new round of programs, with the procurement procedure launched in May. More than 80 local firms will be participating to these B2Bs meetings. The negotiation and signing of the contract is planned in August, while the implementation is foreseen during September-November of the current year.

4. **Activities to disseminate information about specific export requirements on certain markets (export mornings) continued in 2024.** Thus, in addition to the 4 export morning events held in 2023, in the first semester of 2024, 2 additional events were organized dedicated to Turkish and Romanian markets. During July 2023 - March 2024 period, six export morning events were held covering Egyptian, Indian, Austrian, Switzerland, Turkish and Romanian markets. The information on the results of the studies was disseminated among local companies in the so called "export morning" workshops organized jointly by the Investment Agency and the consulting firm. To date,

all six “export mornings” workshops have been conducted, with more than 260 local firms attending the events.

The Project continue providing support to the Investment Agency to conduct market research of the targeted export markets and disseminate the results through “export vision”⁵ workshops planned starting October 2024, offering platforms for businesses to learn about opportunities and challenges within targeted markets and enable more exports. The contest for the selection of the consulting firm to conduct the market research of selected five foreign markets is in progress expected to be completed in early July.

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.
6. Printing of the promotion materials (brochures and leaflets) about country’ investment, tourism and other opportunities for the Moldovan embassies and procurement of IT equipment (laptops, printers) for the Agency staff are being underway.

In addition, following the request of the Investment Agency, the Project is assessing the possibility of procuring a car.

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 PIU⁶ under MoEDD 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 mid 2023 the PIU was additionally staffed with part time positions, i.e. environmental and social (E&S) specialist(s), a communication specialist and an additional procurement expert. In April 2024 the PIU extended its staff with a part-time position of Monitoring&Evaluation specialist. A new communication specialist is to be hired, given that the existing one has resigned in connection with employment in a public position.

In addition, to support ODA in implementing the MGF sub-component, PIU has an MGF Coordinator and a Monitoring and Evaluation Specialist for the matching grants. They work closely with ODA and PIU ensuring support at all stages of MGF process from reviewing the applications form potential beneficiaries through reviewing the payment request and monitoring of implemented activities. The MGF team also help PIU in collecting and analyzing data from relevant institutions and ensure that considered activities are implemented and the Project indicators are monitored and properly reported.

Project Steering Committee led by the Minister of Economic Development and Digitalization 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 MoEDD, MoF, State Chancellery and other stakeholders, responsible for overseeing the operations of the PIU and advising on any major

⁵ Change of name, former “export morning” workshops

⁶ The PIU is established through Government decision No. 895 of August 25, 2005

policy issues related to the implementation of the project. Starting with project approval and by the end of June 2024, the Committee held four meetings, the last one in December 2023. PIU inform on a regular basis the Steering Committee about the Project' implementation by submitting quarterly and semiannual progress reports.

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).

During the first semester of 2024, the disbursements processed amounted to 61.5 million lei (equivalent to Euro 3.2 million) which is 61 percent of the planned annual amount. All disbursements during the 1st semester were made from IDA 7174-MD account.

As of 30.06.2024 the total amount disbursed is EUR 13,95 million with an overall disbursement rate of 29,4%. The total committed amount is EUR 15,5 million or almost 33% of the total budget. The table below shows the financial data in terms of disbursements, commitments, actual expenditures, and forecasts.

Table 4. Disbursements by source of funding, as of 30.06.2024

Source of funding	Budget, EUR	Disbursed, EUR	Committed, EUR	Expenditures, EUR	Disbursed vs. budget, %
IDA Credit #7174-MD	29 800 000	4 100 817	5 636 033	3 427 744	14
<i>o/w: PBC</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	9 848 490	9 787 563	56
Total project	47 500 000	13 950 817	15 484 523	13 215 306	29,4
Disbursement forecast by 31.12.2024		15 500 000			
Disbursement forecast by 30.06.2025		17 500 000			

The disbursement rate of IBRD resources is maintained at 56%, while the disbursement rate of IDA resources considerably increased and reached 14% of total IDA available budget. The substantial increase in disbursements of IDA account is due to the procurement of vehicles and IT equipment for control bodies.

Based on preliminary estimations during the second half of the year 2024 new disbursements in the amount of EUR 1,5 mil. are planned, therefore, the total disbursements by the end of the year are forecasted at EUR 15,5 mil., which constitute 33% of the Project' budget.

Table 5. Financial implementation by components, as of 30.06.2024

Component	Approved Budget (EUR)	Committed (EUR)	Commitment rate, %	Actual implemented (EUR)	Implementation rate, %
<i>1</i>	<i>2</i>	<i>3</i>	<i>4 (3/2)</i>	<i>5</i>	<i>6 (5/3)</i>
#1 – Digitization & Regulatory reform	20 750 000	4 063 193	20%	2 810 559	69%
#2 – Access to Finance	14 278 000	9 532 674	67%	9 787 562	103%
#3 – MSME export competitiveness	11 622 000	1 142 982	10%	331 940	29%
<i>o/w: MGF</i>	<i>4 750 000</i>	<i>426 936</i>	<i>9%</i>	<i>116 284</i>	<i>27%</i>
#4 - Project Management	850 000	745 672	88%	285 243	38%
TOTAL	47 500 000	15 484 523	33%	13 215 306	85%

Source: PIU financial reports

The financial management of the Project was ex-post reviewed by the World Bank financial specialist in May 2024 and assessed to be good and in compliance with Project documentation. All Interim Financial reports have been submitted 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.

Following the procurement procedures held and based on the contract signed with Baker Tilly, during the April-May 2024, the audit of the financial statements of UIPAC, as well as of the eligible expenditure programs of MDED and ODA, were carried out. The audit report for the period November 2022 - December 2023 was validated with the World Bank in early June 2024 being published on the PIU web page <https://uipac.md/planuri-si-rapoarte-de-activitate>.

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 the 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 2024 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 modified⁷ and currently consists of members from MEDD, MoF, Investment Agency and National Institute of Metrology.

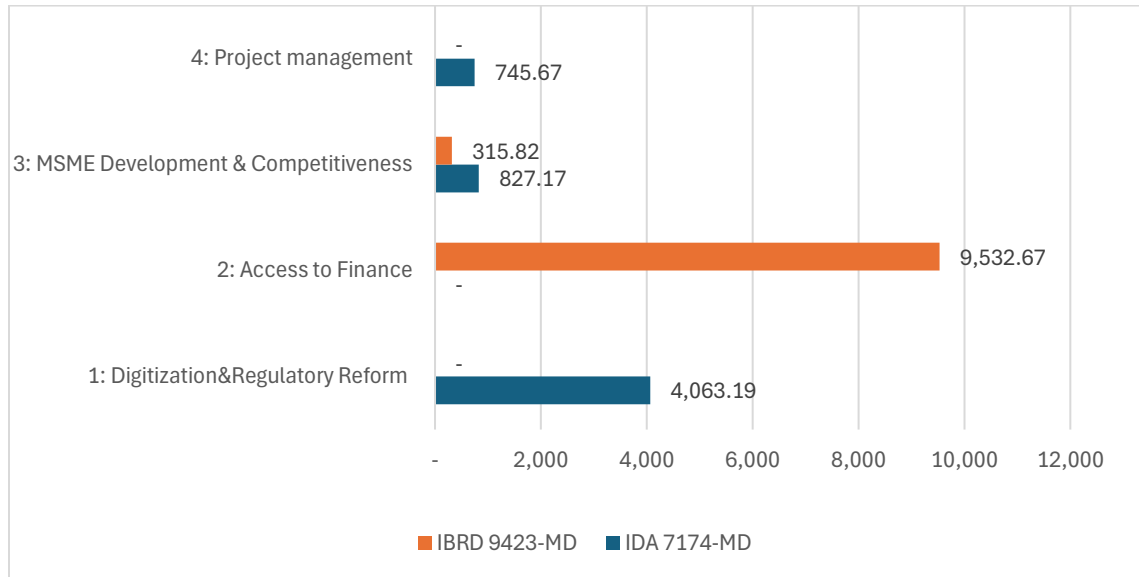
⁷ PIU Supervisory Board Minutes No. 20 dated December 04, 2023

A post review mission was conducted by the WB in March 2024 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 15,5 million. The analysis 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.

The breakdown of the commitments by sources and components is presented in the chart below.

Figure 1. Commitments by components and sources of financing (000 Euro)



ANNEX 1 MGF IMPLEMENTATION

Under the Moldovan MSMEs Competitiveness Project (sub. component 3.2 of Project) a Matching Grant Facility (MGF) to support Micro, Small and Medium enterprises (MSME's) to implement a set of activities that seek to improve their export competitiveness is established. Unlike the previous MGF, under the actual Project it was agreed that the MGF implementation will be conducted in close partnership with Organization for Entrepreneurship Development (ODA).

The actual MGF was officially launched in April 2023 and continue to support MSMEs, Beneficiaries being attracted to receive financial support to implement Business Improvement Projects which should be mostly oriented to business development services, but can also include a part of financing for some minor production equipment.

The facility budget is EUR 4.74 million and it is expected to benefit approximately 320 enterprises during the period of 2023 – 2027.

Through the provision of matching grants, the project helps Moldovan SMEs to get access to business development services (BDS) and other relevant business services.

Service providers 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.

The project aims to help increase the number of SMEs developing new export-oriented activities (such as exporting to new markets or new customers, exporting for the first time, exporting new products, or selling new products into export-oriented value chains).

This report is prepared in accordance with the provisions of p. 42 of the MGF OM and summarizes main activities undertaken under the MGF sub-component during January 2024 – June 2024, as well as cumulative data for the whole period of this sub-component implementation).

The information presented in the report has been elaborated based on the data collected mainly from the documents submitted by the beneficiaries at the application and implementation /monitoring stage, business improvement projects (BIPs), as well as that gathered during the field visits.

Dissemination and Application process status

During the reporting period the MGF team continued direct contacting potential beneficiaries from the list available under CEP II and other contacts in order to disseminate the information about opportunities offered by MGF. Thus, more than 700 MSMEs received emails announcing that the MGF is in place and they could apply through ODA web site together with the available support from the MGF team. Email contains short info about the eligibility criteria, the structure of the proposed financing as well as the steps in the application process.

During the reporting period, the MGF team continued to be actively engaged with contacting potential beneficiaries through phone calls, emails, offline meetings, and awareness campaign. These interactions aimed to clarify procedures, eligibility requirements, and discuss business improvement ideas/plans. Some beneficiaries expressed strong interest in engaging with MGF.

The actual format of the application and especially evaluation process remain complex requiring multiple economic and financial indicators negatively impacting MGF towards diminishing its attractiveness for SMEs. The MGF team in discussion with ODA representatives advice to apply the Format of Application Form approved in the MGF Operational Manual.

As part of the approach, the team remains in contact with beneficiaries which are contacting the MGF coordinator, before the submission of the application to ODA, assisting potential applicants in clarifying eligibility, structure of financing, allocation/evaluation process steps & timeline and other issues. Thus, these applications are better prepared with less time consuming on the ODA side for adjustments (referring to the structure of the BIP and proposed eligible costs).

Awareness campaign intermediary results

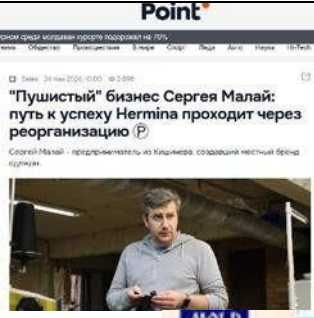

In the scope of dissemination of the opportunities offered under MGF, the PIU in coordination with ODA launched in 2023 an awareness campaign, the main objective of the assignment being the implementation of the dissemination campaign considering the communication objectives and potential beneficiaries of the Program. Taking into account rather modest results of the campaign from 2023, some adjustments to the initial plan of activities was performed.

For the period January-June 2024, several activities and effective communication tools have been implemented. Here is a detailed description of them:

- 1. Publishing thematic articles (success stories) in online media:*
- 2. Making and broadcasting thematic and informative programs on TV:*
- 3. Broadcasting informative video spot on TV stations:*
- 4. Organization of conferences, round tables and information events:*
- 5. Information via social media:*
- 6. Creating informative infographics distributed for social networks*

The short report of the fulfilled activities is presented in the table below:

1. Writing and publishing thematic articles (success stories) in the online press:

<ul style="list-style-type: none"> • <i>Sergiu Malai's "fluffy" business: the road to success of "Hermina" goes through retechnology.</i> 		<p>23.05.24</p>
<ul style="list-style-type: none"> • <i>Rikardel: a history of growth through investment and determination, with the support of the Government, the World Bank and ODA.</i> 		<p>29.05.24</p>

2. Making and broadcasting thematic and informative programs on TV stations:

<p>Production of a show on TVR Moldova about the Program opportunities for Export activities (grant financing). The show "Economic Connections", the guest of the show Vadim Codreanu, director of the Organization for Entrepreneurial Development. <i>Topic: The challenges of business and the business environment in the Republic of Moldova</i></p>	<p>10.06.24</p>
<p>Production of a show on TVR Moldova about the Grants for Export Program. The show "Economic Connections", the guest of the show Mrs. Veronica Arpintin, Secretary of State, MDED, and Alexandru Guzun, ACAM member. Theme: <i>"The role of IMMM - the engine of a modern economy, which not only has the largest share of the country's GDP but also the most jobs offered."</i></p>	<p>03.06.24</p>
	<p>03.06.24</p>

3. **Broadcast informative video spot on TV stations:** Broadcasting of the informative video spot about the program on PRO TV. Total broadcast time 20 minutes in prime-time. (period 26.02 – 06.03.2024)
4. **Organization of dissemination events:**
Six MGF dissemination events on MGF opportunities targeting more than 120 firms organised with the support of profile business associations (Chisinau): **28.02.24, 06.03.24, 20.03.24, 26.04.24, 15.05.24, 14.06.24**



5. **Information via social media** - Promotion on social media – 28 posts in the months of January - June 2024, on FB, to ensure a total coverage of at least 1 million. people.
6. **informative infographs for social networks** - 4 Info graphics have been produced during the reporting period.






GRANT DE COFINANȚARE NERAMBURSABILĂ

CINE?	CE ?	PENTRU CE?
ÎNTRERINDERI MICI ȘI MIJLOCII	SERVICII DE DEZVOLTARE A AFACERII	ÎMBUNĂTĂȚIREA COMPETITIVITĂȚII LA EXPORT




CUM APLIC?

<https://www.oda.md/internationalizare>



It is worth to mention, that based on the analysis of "Evaluation sheet", collected after the indicated dissemination events, the indicator which represents the level of participants reporting satisfied or very satisfied with workshops constituted 91% (results framework from PAD suggest a target of 90%).

Key indicators & financial data

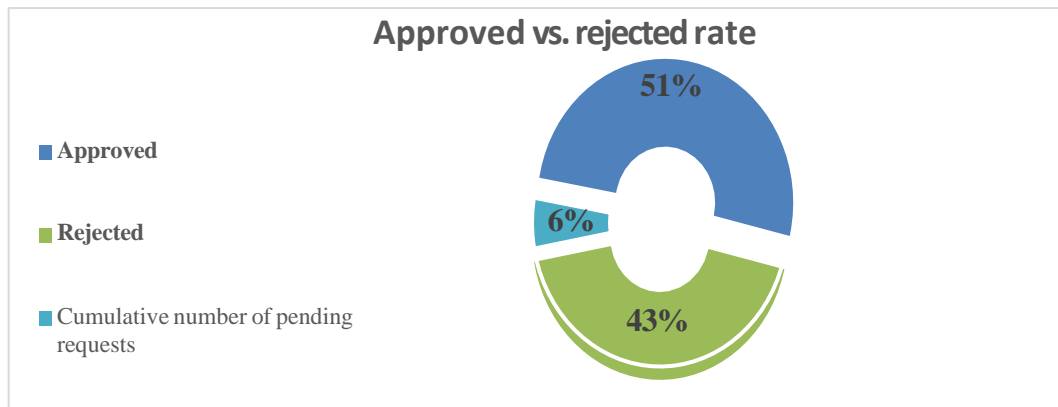
Since the official launch of the MGF in June 2023, 53 companies submitted their Business Improvement Plans (BIPs) to ODA. Out of these 53 applications, only 27 (!) have been approved with grant agreements signed, 3 applications are under evaluation and 23 were rejected by ODA for various reasons or discontinued at the initiative of the companies.

Table 1 Data on number of applications

No.	Category	June-December 2023		January-June 2024		Cumulative June 2023 - June 2024	
		No. MSME	%	Nr. MSME	%	Nr. MSME	%
1	Cumulative number of the registered Applications	28	100%	25	100%	53	100%
2	Approved	16*	57%	11	44%	27	51%
3	Rejected	12*	43%	11	44%	23	43%
4	Cumulative number of pending requests, of which:			3	12%	3	6%
4.1.	<i>Number of applications in the process of evaluating</i>			3	100%	3	100%
4.2.	<i>Number of the applications returned for improvement</i>			0	0	0	0%

Under the category **Rejected are included Applications which are refused by ODA at different stages of processing/evaluation process, as well as those which are refused after the Committee (Pamiart LLC case) and /or terminated therefore by official notification to the beneficiary (Fautor LLC case):*

- For Pamiart LLC the additional conditions established by the ODA Financial and Risk Committee (FRC) to be fulfilled before the signature were not accepted by the Beneficiary, (i.e. some data which contravene the policies of keeping personal and confidential data). Thus, FRC decided to reject the previously approved BIP of Pamiart company;*
- Fautor LLC requested some adjustments within the lines of the investment project, for which did not submit the requested arguments and offers. Thus, the FRC refused the request of project adjustment and further ODA notified the Beneficiary about the termination of the Grant agreement.*

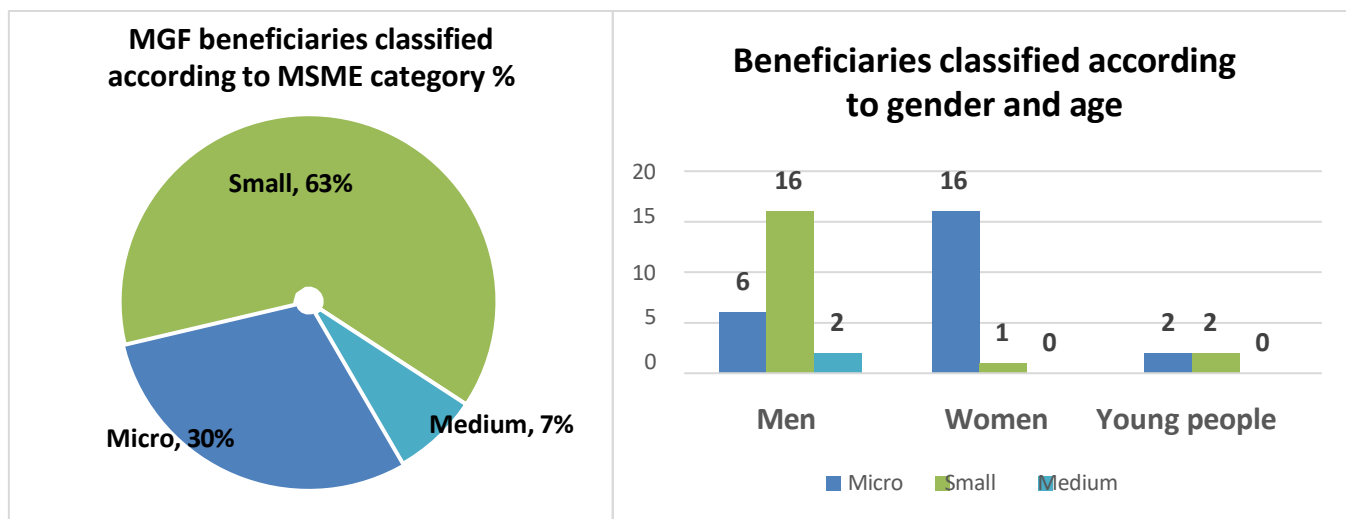


The share of rejected applications is 43% and remains rather big (!). It shall be reduced by (i) streamlining the evaluation process - “fast track“ approach is an option, (ii) dedicated support to firms during the preparation of the BIPs, (ii) finetuning of the online application process.

It is worth mentioning that compared to the first year of implementation (2023), where the annual rate of approval was approximately 50 applications, the approval rate in the reporting period has decreased to about 30 applications per year.

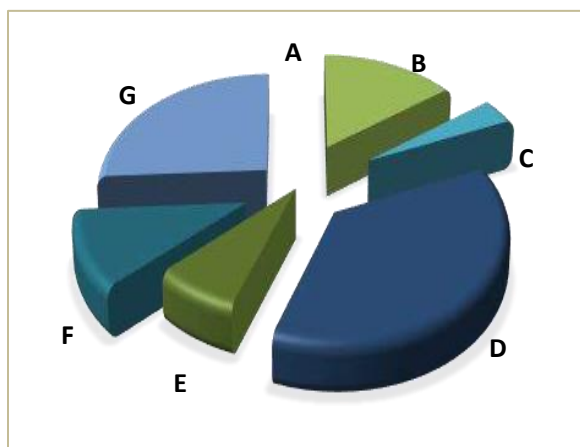
The biggest number of MGF beneficiaries are from the category of small MSMEs, from which 16 are managed by men, women being more active in micro MSMEs.

Figure 1. MGF beneficiaries by categories



Referring to distribution of MGF beneficiaries by the sector of economic activity, it could be observed that the MGF is mostly popular among the **Food and beverages** and **Production** sectors, these having the biggest share compared with other sectors.

Table 2 Distribution of MGF beneficiaries by sector of activity



	Sector	No.	%
A.	<i>Electronic and mechanical products</i>	0	0%
B.	<i>Clothing, footwear and other textile products</i>	4	15%
C.	<i>IT</i>	1	4%
D.	<i>Food and beverages</i>	10	37%
E.	<i>Agriculture</i>	2	7%
F.	<i>Services</i>	3	11%
G.	<i>Production</i>	7	26%
Total		27	100%

Moving from qualitative to numerical indicators of MGF implementation, the most indicative one is the value of BIPs approved during the reporting period and value of MGF grants committed. In the below tables are presented data for 2023, 2024 (I sem.) separately, as well as cumulative data for the whole period of MGF implementation.

Table 3 Investment projects (BIPs) by type of activity sought

Type of activity	2023			2024 (as of 30.06.2024)		
	BIP value, EUR	Grant value, EUR	%	BIP value, EUR	Grant value, EUR	%
Business development services	€ 409 139	€ 189 054	75%	€ 289,289	€ 123,635	59%
Equipment	€ 133 199	€ 61 956	25%	€ 136,685	€ 84,479	41%
Total	€ 542 338	€ 251 010	100%	€ 425,974	€ 208,114	100%

Cumulative 2023 - 2024

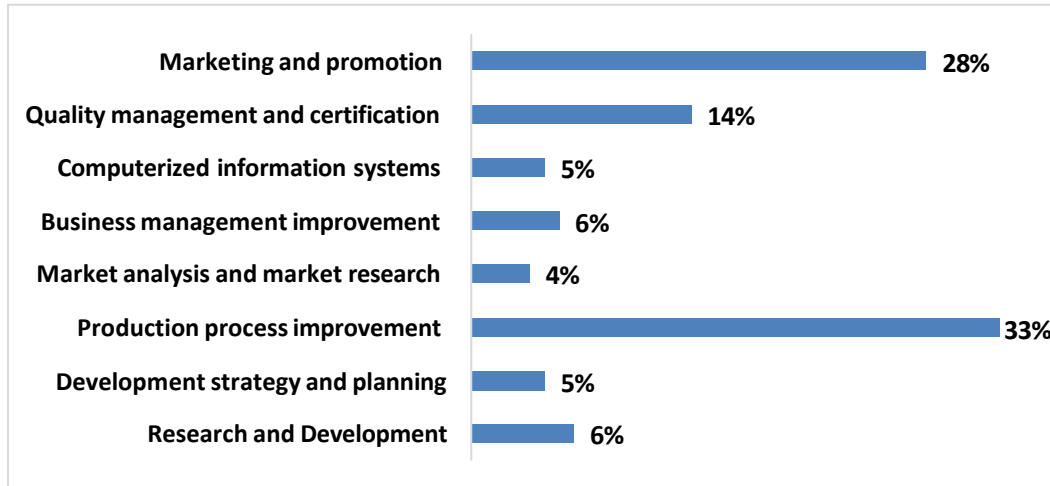
BIPs by type of activity	Number of activities	BIP Value EUR	Grant value, EUR	%
BIPs with BDSs	109	€ 698.428	€ 312.689	67%
BIPS with equipment	54	€ 269.884	€ 146.435	33%
Total activities under BIPs	163	€ 968.312	€ 459.124	100%

It is noteworthy that the total value of the applications approved for financing under MGF amounts to EUR 968.3 thousand. Of this amount, EUR 459.1 thousand represents the committed MGF grant within the Business Improvement Plans (BIPs). From the committed grant amount, EUR 312.7 thousand has been approved for Business Development Services (BDS) and EUR 146.4 thousand allocated for equipment.

An analysis of the provided data in the tables shows that the average MGF grant contribution to the total value of the BIPs is 47.4 percent.

Further below details on type of BDS solicited by firms and included in the BIPs are presented.

Figure 2. Breakdown of solicited BDSs by categories (share from the total number)



The most solicited BDS planned to be implemented include marketing and promotion (ex. branding, corporate identity, packaging, labeling, promotion, e-marketing, marketing strategy, web site, etc.), followed by services to improve the production process and assistance in quality management and certification.

Financial Data

The MGF' budgeted planned amount for year 2024 included MDL 7.5 million (EUR 390 thousand). This amount is foreseen for the disbursement under BIPs approved and implemented during the year. The total disbursed amount during the 1st semester of 2024 represents 27% of the planned amount.

At the same time, it was expected that the total number of beneficiaries will constitute 70 firms by the end of 2024.

It seems, that these indicators were rather optimistic in the situation when first Grant agreements were duly signed at the end of March, only due to the administrative issues linked to the ODA's Financial & Risk Committee, which was not operational since December 2023.

Thus, the number of 11 beneficiaries approved during January-June period is far below the target, representing 16% of the established target of 70 beneficiaries for 2024.

As to the disbursements, since the launch of MGF in June 2023, the cumulative amount disbursed to the beneficiaries equals MDL 2,23 mln. (equiv. EUR 0,12 mln.), of which MDL 0,45 mln (equiv. EUR 23,0 Th.) in 2023 and MDL 1,76 mln. (EUR 92,65 Th.) in 2024.

The cumulative disbursed amount in EUR equals to about 0,12 mln, representing only 3% of the total amount of EUR 4,74 mln. allocated for this sub-component.

In general, the MGF indicators are much below the forecasts and targets set. These could be

improved by making the MGF instrument more attractive for potential beneficiaries, which are in many cases reluctant because of the rather too demanding requirements and process of evaluation established by ODA.

A consensus between the WB and ODA on the application & evaluation rules simplification under MGF expected to be reached as soon as possible will increase the attractiveness of the MGF. Some needed adjustments are now under discussion between PIU, MGF team and ODA (simplification of Application Form and "*Fast tracking*" approach).

Monitoring

According to the Monitoring and Evaluation Strategy detailed in the MGF Operational Manual, M&E activities are conducted by M&E expert, part of the MGF team.

During the 2023-2024 period of MGF implementation, monitoring activities were carried out on BIPs initiated from September 4, 2023, based exclusively on indicators specified in the MGF OM.

Furthermore, for reporting purposes, a set of tables and diagrams were automatically generated using data extracted from the existing M&E database. The progress indicators for the MGF component are outlined in the table below:

Table no. 4 Status of MGF financing applications

No.	Approved BIPs status	Number and share of BIPs	
1	Completed and fully disbursed	5	18%
2	Partially implemented and disbursed	6	21%
3	In process of implementation	16	57%
4	Unreleased	0	0%
5	Terminated	1	4%
Total		28	100%

As indicated in the table above, currently there are 5 implemented and fully disbursed grant contracts, with 21 more in the implementation stage.

During the implementation period (September 2023 to June 2024), out of 27 beneficiaries, 17 are part of the Treatment group undergoing regular monitoring, while 10 are in the Control group.

As of the reporting date, the MGF team has conducted 5 monitoring visits for the Treatment group. The limited number of visits for the Control group is justified by the project being in its initial stage for the first 5 beneficiaries. According to the contract terms, the MGF team can now initiate monitoring in accordance with prescribed procedures. During the second semester of 2024, the MGF team plans to proceed with monitoring of an additional 13 beneficiaries.

It's noteworthy that applications are submitted online, and the MGF team does not have direct contact with potential beneficiaries at the pre-application stage. So, during the reported period, out of the 27 beneficiaries, the MGF team has conducted 23 pre-financing information monitoring visits. During these pre-financing visits, the MGF team met with enterprise management to explain the grant program conditions, inform about the requirements at the monitoring and evaluation stages, and familiarize themselves with the companies' business processes.

A summary of key progress indicators under the MGF sub-component are reflected in table 5 below.

Table no. 5 MGF Key Progress Indicators

MGF Progress Indicators	31.12.2023	30.06.2024	Comments
Cumulative number of received Applications	28	53	
Cumulative number of rejected Applications	10	23	
Cumulative number of pending Applications	0	3	
Cumulative number, percentage of approved applications	18 (64 %)	27 (51 %)	51 % of submitted applications
Number of Applicants in pipeline (Application in process)	0	3	
Cumulative number of signed MGF Agreements	17	27	Project' target – 320 firms by 2027
Number of terminated grant agreements	0	1	See the reasons in the body text of the report
Cumulative amount of approved applications	10,755,990.30 MDL	17,456,098.30 MDL	
	555,750.24 EUR	909,640.82 EUR	
Cumulative grant amount of approved applications	4,858,893.00 MDL	8,239,448.6 MDL	Total grant amount of approved applications according to additional agreements
	251,054,68 EUR	429,359.33 EUR	
Average grant size	326.534,89 MDL	305,385.20 MDL	
	16,969.55 EUR	15,913.68 EUR	
Cumulative number of approved activities, including BDS & production equipment	90	163	
Cumulative number of BDSs provided to SMEs	-	36	
Cumulative number of SMEs receiving grants	2	11	
Cumulative amount disbursed to MGF beneficiaries	454,465.95 MDL	2,233,639.8 MDL	
	23,456.47 EUR	116,107.08 EUR	
MGF Beneficiaries that are woman-owned or have a female CEO	3	6	
Number of MGF Beneficiaries creating new products/services	n/a	3	
Number of MGF Beneficiaries improving products/services	n/a	16	
Number of MGF Beneficiaries improving production processes	n/a	12	
Number of MGF Beneficiaries improving business management		12	
MFG beneficiaries involved in export-oriented activities (%)		52%	

Challenges & proposed solutions

Despite extensive discussions with the WB project team during several virtual meetings held in May and June 2023, as well as during the WB mission in fall 2023 and spring 2024, regarding the existing bottlenecks in MGF implementation, the WB project team emphasized the need to review the MGF OM to expedite and streamline the evaluation process. However, the adjusted version of the OM agreed upon with WB was not yet fully endorsed by ODA.

After appointment of the new ODA top management, PIU requested the initiation of the discussions in order to raise again the issue of the need to streamline the application and evaluation process for MGF, underlining that this is a specific instrument aimed at enhancing SMEs' export capacities. Thus, during the meeting held on May 28, the PIU proposed for discussion the following issues:

1) Revision of the MGF Operational Manual with consideration of the following elements:

- *The financing agreement signed between the World Bank and the Government of the Republic of Moldova is an international treaty (Law 204/2022), according to which the MGF Operational Manual establishes the operating conditions, including the eligibility criteria of the beneficiaries, the amount granted as a grant, etc.*

- *Application as its expressly defined by the MGF OM, the number of employees as main criteria to determine if the beneficiary is the SME eligible for application for MGF funds.*

- *Exclusion of the affiliation/economic concentration criterion, revision of the eligibility criteria to match with the MGF Operational Manual.*

2) Applying specific rules for the MGF under the World Bank financed Program, reshaping of eligibility conditions, resulting from the fact that resources are allocated according to the post-investment principle, the application of exceptions, including the application of fast tracking and the simplification of the financial evaluation grid.

3) Argue on the consideration of MGF grants payments within the limits of the amounts approved per activity (Annex 1 to the Grant Agreement). If the beneficiary, according to the confirmatory documents, requests a higher amount, by common agreement with the beneficiary, Annex 1 is amended and an additional agreement is signed to the Contract.

At the end of the meeting some conclusions/decisions have been taken and should be envisaged in the following period. These refer to setting of 2 working groups, one on legal matters and second on awareness matters, each aiming:

- *to review and approve the proposals for the adjustment of the MGF Operational Manual (eligibility conditions, process and evaluation grid, etc.).*

- *to identify and implement actions aimed at increasing the visibility and awareness about the Program.*

First group meeting was held in early June, the result of this being the Minutes of meeting stipulating the need to have common discussion between WB and ODA legal experts on the above issues.

The PIU and MGF team strongly advocate for simplifying the application and evaluation processes within ODA, particularly for the MGF instrument, to align more closely with the successful practices of MGF under CEP II. It is worth mentioning about a proactive and constructive push felt more and

more from ODA side, specifically with regards to the development of the fast-track evaluation procedure for the MGF applicants. This will significantly improve access to MGF funds and enhance its attractiveness among MSMEs.

These amendments are critical, especially with the upcoming midterm review of the instrument scheduled for mid-2025. According to the Project PDO, the Quality Performance Indicator (QPI) suggests that at least 120 grants should be signed / committed by that time. With only 27 grants committed as of June 30, 2024, achieving the planned QPI within the remaining timeframe seems highly unlikely. A more realistic expectation would be to achieve no more than 50 grants agreements by the midterm review.

In light of this trend, the MGF team proposes paying special attention to the following conditions, which could positively impact the attractiveness of all grant instruments provided by ODA, including MGF funds:

- Provision of the opportunity on **advising the potential beneficiaries on pre-eligibility issues at pre-application stage** not only with online docs provided on the ODA web site and Consulting Centre, but with ODA's PIU representatives for each specific Grant Program.
- Identify the possibility to establish within ODA the **"front office"**, thus offering the opportunity to potential beneficiaries to have 1 contact person, which should have all necessary information on the status of application dossier.
- Consider the **improvement of ODA web site** which, based on MGF team view and also on opinions of a number of potential beneficiaries, is not "user friendly".
- Consider **the avoidance of existing and future Grant Programs overlapping**. This factor affects a lot on the potential beneficiaries' understanding in their decision for which Program do they can apply.
- Consider **the specific conditions on complexity of application dossier for different Grants Programs**. The lack of difference approach in evaluation process taking into account the amount of funds requested (the request of 50 K MDL – about 2,5 K EUR – implies the same complicated evaluation of economic situation of the company, and sometimes could result in rejection, based on some inconsistent arguments (i.e. the high debt rate of the company)).