

**The Republic of Moldova
Ministry of Economy**

**SECOND COMPETITIVENESS ENHANCEMENT PROJECT
CEP-II**

Environmental Management Framework

**Volume I
Main text**

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Acronyms

BP	Bank Procedures
DCFTA	Deep and Comprehensive Free Trade Agreement
EA	Environmental Assessment
EG	Environmental Guidelines
EIA	Environmental Impact Assessment
ELV	Emission Limit Values
EMF	Environmental Management Framework
EMP	Environmental Management Plan
EU	European Union
FI	Financial Intermediary
GEF	Global Environmental Facility
GMO	Genetically Modified Organisms
GoM	Government of Moldova
IDA	International Development Association
IEC	Important Environmental Component
IFC	International Finance Corporation
IPM	Integrated Pest Management
LOC	Line of Credit
MAC	Maximum Allowable Concentrations
MDL	Moldovan Lei
ME	Ministry of Environment
MoE	Ministry of Economy
MGF	Matching Grant Facility
MIEPO	Moldovan Investment and Export Promotion Organization
NGO's	Non-governmental Organizations
ODIMM	Organization for the Development of Small and Medium Enterprises
OP	Operational Policy
PFI	Participating Financial Institutions/Intermediaries
PIA	Project Implementing Agency
PIU	Project Implementation Unit
RISP	Rural Investment and Services Project
RM	Republic of Moldova
RSF	Risk Sharing Facility
SEE	State Ecological Expertise
SEI	State Ecological Inspectorate
SEIA	Statement on the Environmental Impact Assessment
SER	Sectorial Environmental Review
SME	Small and Medium Enterprise
TA	Technical Assistance
TOR	Terms of Reference
USA	United States of America
WB	World Bank

Executive Summary

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

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

2. ***Project description.*** The project has three main components:

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

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

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

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

(a) *Strengthening the institutional capacity of ODIMM and MIEPO*, so that they may play a more effective role in facilitating market-based SME growth, helping these institutions to

develop, and implement adequate governance, institutional and staffing structures, budgets, monitoring and evaluation systems, management information systems and IT tools, and communications strategies; and

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

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

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

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

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

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

3. **Location.** The matching grants and sub-projects¹ to be supported under the project will be identified and screened during the implementation stage, and will be implemented countrywide based on demand for proposed activities.

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

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

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

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

¹ Sub-projects refer to projects that will be finance through funds on-lent under the line of credit

- (c) manufacturing: air pollution, waste waters, hazardous wastes and solid waste generation, labor safety;
- (d) construction: soil and air pollution; acoustic, aesthetics impacts, etc. Overall, all these impacts will be site-specific and mostly temporary, and can be easily mitigated through good project design and implementation practices.

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

7. Potential social impact. The project will generate a great number of both direct and indirect positive impacts. Direct positive impacts will be generated by increased production, products and goods, resulting in the creation of new jobs increased income. Indirect positive impacts will relate to overall improvement of business environment, increased exports and secured enterprise domestic market position, introduction of advanced technologies and techniques, creating new opportunities for access to foreign markets, enhancement competitiveness of domestic production and products, contribution to poverty reduction and food safety, and improvement of country's socio-economic conditions.

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

9. Environmental Management Framework (EMF). In order to address safeguard issues, the borrower updated the Environmental Management Framework (EMF) prepared for the CEP I project. The EMF outlines the environmental assessment procedure, including criteria and responsibilities for environmental screening, assessment, designing Environmental Management Plans (EMPs), EMPs implementation and monitoring of matching grants and sub-projects. The document also includes Environmental Guidelines for different types of proposed sub-projects. These guidelines provide guidance on potential impacts and generic mitigation measures to be

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

10. ***EMF disclosure and consultation.*** The Project Implementation Unit (PIU) has disseminated the draft EMF to the Ministry of Economy, Ministry of Environment, and other relevant institutions for their review and comments, and also, on March 07, 2014, the document was posted on a Public Consultation web-platform (www.particip.gov.md) for broad access to the public. On March 21, 2014, the PIU organized a consultation on CEP-2 and EMF provisions. After the consultation, the draft EMF document was reviewed to consider inputs from consulted parties. On March 25, 2014, the final EMF was posted on the website of the Ministry of Economy and submitted to the World Bank for disclosure in the InfoShop.

1. Environmental Assessment Policies, Rules and Procedures

1.1 National Environmental Assessment Regulatory Framework

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

1.1.1 Environmental legal framework

This section describes the laws relevant to environmental management of sub-projects to be supported by the CEP-II.

Law on Environmental Protection (1993). This is a basic law that provides a general framework for Moldova's environmental protection as well as options for sustainable development. The central environmental body shall (art. 16):

- (i) conduct state environmental expertise which is its exclusive area of responsibility and competence;
- (ii) prohibit or suspend the construction and reconstruction of industrial, agricultural and other activities that exploit natural resources; and likewise to other activities that are in defiance of environmental legislation.

State Ecological Expertise should be conducted (art. 21) for:

(i) construction, extension, reconstruction and modernization of any economic and social activity (administrative and military activities are exemptions) that may cause an impact to the environment.

Expertise must be conducted (art. 22), among other activities, for:

- (i) hydro technical installations, dykes, irrigation and drainage systems;
- (ii) establishment of vineyards and orchards in zones with water protection schemes;
- (iii) production, sale and use of pesticides and other toxic substances;
- (iv) any other activity that may have a negative effect on environmental quality.

Law on Ecological Expertise and Environment Impact Assessment (1996). The law determines goals, objectives and principles of Ecological Expertise and EIA, as well as fundamentals of both

procedures. The Law describes in detail EIA procedures, demands the reporting, rules for compliance and submission of documentation on EIA, public involvement, revision of EIA documentation, rules for conducting the SEE. The State Ecological Expertise is a part of a group of activities working toward environmental protection through which the potential impacts on environment from planned economic activity, compliance of parameters of these activities with legislation and normative acts, norms and standards in force are identified and mitigated.

According to the Law, project documentation for the objects that may adversely affect the environment is a subject of state ecological expertise which in turn determines whether it complies or not with environmental protection requirements. Decisions on ecological expertise can be considered as the basis for approval or refusal of the project. Ecological expertise is conducted prior to making decisions on planned economic activities, and it is mandatory for all economic activities that may have a negative impact on the environment regardless of their destination, ownership, investments, location, source of financing etc. In case the objects can affect the environment severely, their planning documentation is a subject of EIA to be conducted prior to Ecological Expertise.

The EIA/SEE documents should also include

- (i) a comparison of alternatives and justification for the selected alternative;
- (ii) mitigation measures and conditions to avoid or minimize impacts. These impacts have to be considered during all stages of the project including construction, operation and decommissioning. Public ecological expertise may be organized and conducted on the basis of the initiative of officially-registered public organizations/associations. However, until approval from the Central Environmental Authority, the results of the public ecological expertise are considered on recommendation status.

Land Code (1991). The Land Code establishes the relations and rights of land ownership and the basic framework of land use. Art. 5 states that land conservation should be a priority while implementing any kind of activities. Art. 23 is particularly important because it stipulates cases of termination of land rights, including use of the land in ways that result in soil degradation, chemical and other pollution, deterioration and destruction of ecosystems or their components. The obligations of the land owners (art. 29) are: use of land to conform to its intended and planned use, observe conditions of land exploitation, to ensure structure of crop rotation to conform to good agricultural practices, to apply chemical inputs only to recommended levels and to provide protection and improvement of soil fertility.

Forest Code (1996). The Law aims to regulate housekeeping of the forest fund through its rational use and regeneration, forest defense and protection, maintenance, conservation and improvement of forest biodiversity to ensure current and future needs of society for forest resources.

Subsoil Code (2009). This newly adopted Code has replaced the old Code on mineral resources as of 1993. It provides improved regulatory frameworks for mineral resources management to ensure scientifically substantiated, rational and complex use of mineral resources to ensure their long-term availability for the national economy, and establishes responsibilities physical and juridical persons in the field.

Law on Water Protection Strips along the Rivers and Water Bodies (1995). The law establishes the rules for creation of water protection zones and strips along rivers and water bodies, the regime of their use and protection.

The law determines: (i) dimension of protected zones and strips; (ii) water protection regime (permitted economic activities) within the water protection strips, etc. According to the Law, use of pesticides is restricted on the strip of 300 m width along the river bank; ii) sitting of livestock farms, septic tanks and solid waste from livestock farms, location of technical services stations, machinery and transport wash, location of municipal and industrial waste disposals, and irrigation by sewage is to be controlled with respect to distance from river bank.

Law on Air Protection (1997). The main objectives of the Law are maintenance of clean air, improvement of air quality, prevention and mitigation of harmful physical, chemical, biological and radiological impacts on air quality, and accordingly protection of human health and environment.

Law on Natural Resources (1997). This law provides the basic principles of natural resource management and use. The legal act includes, among others, provisions for “payment for use of natural resources” and “payment for pollution pay” principles and other economic mechanisms aimed at the improvement of economic entities’ production technology to minimize utilization of natural resources and enhance their protection and encouraging environmentally friendly economic activities.

The Law on Taxes for Pollution of the Environment (1998). This Law refers to the penalties for the discharge of pollutants into the environment. Art. 9(1) describes the penalty charges for pollutants released from waste water discharges both to water bodies and effluents into sewerage systems where such discharges exceed established limits. Part (2) indicates that penalties for pollutants released into sewage facilities and on filtration fields are to be imposed on the basis of the total volume of water allocation. Part (3) describes the penalty for release of water from fish ponds in the case of excessive volume of pollutants. Annex 6 of the law provides norm for counting of fees for pollutants released from cattle, pig and poultry farms into septic tanks; annex 7 - for collection and storage of other solid wastes, including toxic.

Law on Licensing of Certain Kinds of Activities (2001). The Law aims at ensuring of the state control over compliance with requirements and conditions to be adhered while fulfilling certain activities. It determines the legal, organizational and economic basis for certain types of activities and establishes the types of activities that require permits. The list of activities liable to licensing includes: ecological control, exploitation of deposits of mineral resources, import and sale of chemical and biological means of plant protection; collection, storage and processing of used accumulator batteries, and design of all kinds of buildings and reconstruction works, capital repairs, etc.

Law on Animal Kingdom (1995). The main purpose of the law is creating conditions for effective protection and rational use of fauna resources. The law determines that design and construction of any facility should be implemented only if animal protection measures (habitat, reproduction, and means of migration) are undertaken. Art. 13 stipulates that sites for construction of enterprises, facilities, installations and other objects are coordinated with the Ministry of Environment, with local public authorities and other agencies; Art. 14: while carrying out agricultural and construction works, exploitation of transport and implementation of other activities, physical and juridical persons are obliged to undertake measures to prevent the loss of animals.

The Law on plant protection and plant quarantine (2010). This law, among others, establishes the requirement of those responsible for the storage, transportation, selling and use of pesticides used for plant protection to observe the stated rules and norms for such. As well, the law bars environmental pollution and other negative impact that they may have on man and animals.

Law on Regime of Harmful Products and Substances (1997). The Law establishes the role and responsibilities of the Government and other central and local authorities in relation to harmful products and substances, and describes the regime of harmful products and substances (licensing, production, storing, transportation, use, registration, neutralization, import and export).

Law on production and household wastes (1997). The Law provides basic principles in the field of waste management generated during the process of production and consumption, and aims to reduce wastes and prevent environmental pollution. Art. 17(2) of the Law stipulates the prohibition of construction and making operational new and reconstructed enterprises and other objects not provided with equipment and technologies that are safe to use, as well as , treatment and removal of wastes that are not supported by ecological and sanitary-epidemiological expert services. Art. 18 describe the requirements regarding waste disposals, i.e., disposal and storage of waste is executed by means not affecting the human health and the environment.

Law on the Fund for Natural Areas Protected by State (1998). This law establishes the list of objects/areas under state protection, protection regime and buffer zones around protection objects/areas.

Law on the Ecological Network (2007). The Law establishes a legal framework for creation and maintenance of the National Ecological Network as an integral part of Pan-European Ecological Network.

Law on Quality in Construction (1996). This law determines juridical, technical, economic and institutional aspects related to the construction activities and its quality. The Law stipulates that construction requirements should guarantee resistance and stability, fire, hygiene and environmental safety, etc. Art. 13: construction, modernization, strengthening, repair/ renovation are implemented only in accordance with project documentation worked out by physical and juridical persons authorized for such types of works and verified by authorized specialists in the field; Art 14: design and construction of buildings is implemented by physical and juridical persons licensed for activity in the field.

The Law on Principles of Urbanism and Territorial Improvement (1996). This law relates to planning, location and construction of buildings, including any modifications to buildings. Art. 6(3) states that documentation for town-planning and territorial development establishes the location of land zones and rules for their use. Town-planning certificates and permits for construction are issued on the basis of this documentation. For construction purposes based on approved documentation, art. 52 stipulates that local public administration shall provide permits for operations and also for any changes of operation location. Assessment of potential environmental impacts of above activities and developments, and the provision of ecological expertise is to be conducted in accordance with the Law on Ecological Expertise and EIA.

Law on Fish reserve, Fishing and Fish-farming (2006). Most of national natural water streams, lakes and reservoirs are classified as fish-water. The law prohibits; (i) to discharge to fish water of un-treated waste water, (ii) to use fertilizers, pesticides and other chemicals on the water bodies and at the banks (300 m), (iii) to lowering water level or use water for agricultural purposes without a permit issued by Fishery Service under the State Ecological Inspectorate, (iv) to abstract water without fish protection installations, etc.

Law on Industrial Safety of Dangerous Industrial Facilities (2012). The Law establishes the legal, economic and social aspects of safety operation of dangerous objects/enterprises, and focuses on prevention of industrial accidents, stoppage actions, minimization and liquidation of

accident consequences, and protection of environment and population. Technical installations/devices used at dangerous objects/enterprises shall be subject to compulsory certification in compliance with industrial safety requirements in accordance with established order (Annex No 1 of the Law explains that dangerous industrial objects are considered those technical installations disruption that can cause an accident).

1.1.2 International conventions ratified by RM

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

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

1.1.3 Environmental Impact Assessment by-laws

Regulation on Environmental Impact Assessment (2000). The Regulation is included as an Annex to the Law on Ecological Expertise and Environmental Impact Assessment. It establishes the goal of preparing documentation on EIA, its procedure, coordination and approval, and includes the List of objects and types of activities for which EIA prior to their design is compulsory. EIA is carried out to determine the requisite measures to prevent adverse ecological impacts due to realization of certain planned objects and types of activities. The Regulation describes the requirements for documentation on EIA (materials in which the direct and indirect impacts of planned objects on air, water, soil, landscape, protected areas, fauna, flora, natural resources, cultural and historic monuments, socio-economic situation are establishing, describing

and evaluating; comparison of alternative solutions and substantiation of the best one; suggested mitigation activities (on the basis of developed documentation on EIA, the client designs a Statement on EIA in which all materials, calculations and researches are presented and systematized), EIA content (title of the project; character of activity; location; substantiation for location; project duration; technical and technological characteristics of the project; suggested technical solutions; project cost; localities affected by projects; information of direct impacts on the environment (water, soil, etc.); land to be occupied by project; water abstraction; water use, water source; sources of raw materials, transport and other infrastructure, emissions to air, wastes and their utilization, etc.); order of elaboration and submission documentation on EIA, state ecological expertise of EIA documentation, decision on a state ecological expertise of EIA documentation, etc.

Instruction in Order of Organization and Conducting of the State Ecological Expertise (2002). The State Ecological Expertise (SEE) is applied for any new construction, its modernization and upgrading. All design documents should be presented to the State Ecological Expertise units (ME for major projects, headquarters of the State Ecological Inspection and rayonal Ecological Inspectorates). Technical solutions, reflected in the submitted for SEE technical documentation have to be sufficiently substantiated in relation to reduction/mitigation of impact on environment. The instruction is accompanied by a series of annexes, which: (i) describe in detail requirements for project documentation submitted to SEE; (ii) nominate subdivisions of ME responsible for SEE different types and scales of projects; (iii) establish requirements for every chapter or volume of project documentation, etc.

Regulation on conducting Ecological Audit of Enterprises (1998). The regulation establishes that Ecological Audit aims at controlling compliance of enterprise activities with the requirements stipulated in the Law on Environment Protection, Law on Sanitary-Epidemiological Protection of the Population and other environmental protection regulatory documents.

General Regulations on Elaboration and Mode of Submission of Declaration on Industrial Security (2000). The Regulation establishes rules on elaboration of and requirements to be adhered while presenting it to the Department of Standardization and Metrology, which in compliance with the law on hazardous industrial objects security, it exercises the normative regulation in industrial security.

1.1.4 Environmental Impact Assessment Procedure

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

1.1.4.1 Project Environmental Screening. Following national environmental approval procedures, all projects may be conventionally divided into three main categories:

First category - projects which may have significant impact on the environment (see the list of projects below). They require a full EIA before designing and can be further developed (detailed engineering design) with a positive approval of the EIA findings by the State Ecological Expertise (SEE). The projects of this category mainly correspond to WB Category A projects as well as partly, to Category B projects, e.g., electrical transmission, nature protection projects,

some watershed projects (e.g., protection strips along river and water bodies), some rural water supply projects (for grouped water intakes with 1 thousand m³/day and more for underground water intake and 10 thousand m³ per day for surface water intake), etc.

Second category - projects not listed in the list of first category projects, which may have less significant impact on environment. They require ecological substantiation of project activities. Such substantiation is described in a special Environmental Chapter of the project documentation, which has to contain information on potentially affected environment as well as outline the main potential environmental impacts and mitigation measures. This Chapter has to be included in the project design documentation and respectively, be passed through the State Ecological Expertise before project implementation – this Category mainly corresponds to WB Category B projects.

Third category - projects which are expected to have minor impact on the environment and therefore do not need to be passed through the formal procedures of EIA and SEE. This Category fully corresponds to WB Category C projects.

According to the Law on Ecological Expertise and EIA (1996), project documentation for the projects that may adversely affect environment is a subject of a *state ecological expertise*. The main goal of the SEE is to determine whether the project documentation complies with environmental protection requirements and to check whether all environmental standards/principles are adhered, and the environmental protection measures are addressed. Ecological Expertise should be conducted prior to making decisions on planned economic activity, and is compulsory for project and planning documentation with regard to planned economic objectives and activities that affect or may affect environmental conditions and/or envisage use of natural resources, regardless of destination, placement, type of ownership and subordination of these objectives, the amount of capital investments, source of funding and method of execution of construction works.

The decision of the ecological expertise is the basis for further approval or refusal of the project documentation. In the case of projects which may severely affect the environment (specified in the relevant list attached to the Law on SEE and EIA), their documentation is a subject of EIA to be conducted prior to Ecological Expertise. The purpose of the EIA is to identify impact effects that these projects may have on the environment and to provide solutions to mitigate any significant effects that could occur as a result of project implementation.

1.1.4.2 Projects that require full EIA. Per the Law on SEE and EIA (1996), a full EIA followed by the compulsory State Ecological Expertise must be conducted for all activities and objectives which: may change natural water regimes and provoke soil salinization, related to crop cultivation with increased risk of pesticide use, are to be situated in zones with water protection regime, produce releases of harmful substances and materials, e.g. use of pesticides, cement production including those that use asbestos in technological processes, and many other activities that may have a negative effect on the quality of environment, etc. The list of activities requiring a full EIA includes the following types of projects:

1. Thermoelectric stations, thermal industrial and heating stations with the capacity of 300 MW and more;
2. Mechanical enterprises and car construction enterprises with high capacity foundries – ten thousand tons of cast iron, iron per year and more; 1 thousand tons of non-ferrous metals per year and more;
3. Metallurgical enterprises with a production capacity of 500 thousand tons and more of rolled metal per year;

4. Enterprises for the production of cement and slate, including those using asbestos in the technological processes, stationary asphalt-concrete plants;
5. Chemical and oil-chemical enterprises, secondary processing of paper and cellulose;
6. Pharmaceutical and ether-oil production enterprises;
7. Construction of highways, roads arranged for high speed, long-distance railways, airports with the length of landing strip of 2,100 m and more;
8. Complicated hydro-technical constructions (ports, large dams and water reservoirs);
9. Main high pressure oil and gas pipelines;
10. Petroleum storage depots;
11. Sugar refinery and butter-fat factories;
12. Dairies and meat processing enterprises;
13. Canneries with a production capacity of 100 million conventional cans per year and more, and large big storage/pre-processing units;
14. Animal agro-industrial complexes for cattle, pigs, sheep and poultry;
15. Grouped water intakes for enterprises, urban and rural localities with the debit: 1 thousand m³/day and more for underground water intake, 10 thousand m³/day for surface water intake;
16. Industrial and municipal waste water treatment plants with the capacity of 10 thousand m² per day and above;
17. Industrial orchards and vineyards with an area of 500 ha and more;
18. Irrigation and drainage systems with areas of 1000 ha and 100 h and more, respectively;
19. Greenhouse complexes with areas of 24 ha and more;
20. Waste treatment and waste incineration plants;
21. Installations and polygons for the treatment, incineration and neutralization of industrial wastes, including of toxic, drugs and radioactive ones;
22. Any type of construction activity in riverbeds, in protection strips along rivers and water bodies;
23. Open mining of: a) limestone, with an extraction capacity of 100 thousand m³/year and more; and (b) sand, gravel, clay, gypsum, with an extraction capacity of 100 thousand m³/year and more;
24. Exploration and development of gas- and oilfields;
25. Underground extraction of limestone;
26. Military polygons and bases;
27. Wineries and beverages, enterprises for the production of sparkling wines, cognacs, liquors, vodka and of other alcoholic products, with a production capacity of 100 thousand deciliters and more per year;
28. Lines of electric-power transmission with the voltage of 330 kV and more;
29. Radio-electronic and electro-technical enterprises with a production area of 2 thousand m² and more.
30. Tanneries, including enterprises for the primary processing of raw skins;
31. Sawmilling and furniture manufacturing enterprises with a production area of 4 thousand m² and more;
32. Enterprises of the textile, clothing and shoemaking manufacturing with dyeing processing, and production of synthetic raw materials and polymers.

The Ministry of Environment (ME) may also require a full EIA for other types and scales of projects on the case-by-case screening, but criteria and procedures for that are not specifically stipulated by the Law. In conformity with the Law, the EIA should be conducted at an early stage of the project, before designing stage in conformity with approved methodology, structure of the report and other documentation requirements. The EIA can be conducted by institutions which hold a special license issued by the ME, based on their qualification.

Based on the full EIA study should be prepared a Statement on the EIA which is subject to the ME review and approval. The SEIA is also a subject of public consultation. The procedure for the SEIA disclosure and consultation established by the Law on SEE and EIA is the following: the beneficiary submits the SEIA to the competent ministries and departments, in conformity with a profile of the objective or activities, and to concerned local public authorities. Within the next five days, local public authorities have to disseminate through mass media the information about the place and time one can get acquainted with the SEIE, obtain a copy of SEIA, public ecological expertise and public debates. The public access to the SEIA shall be open within 30 days. During this term, the objections on the respective documents may be submitted in writing to the person especially appointed by the local public authorities. Within the next 14 days after a 30-day public access to the SEIA, concerned local public authorities shall submit the objections formulated within the public debates on the SEIA as well as their own objections to the beneficiary, and to copy these to the central environment authorities. The ministries and departments shall submit to the beneficiary, within 50 days from the receipt of the SEIA, their own objections, and also copy these to the central environment authority. Should the beneficiary and the central environment authority not receive objections on the SEIA within 50 days it shall be considered that there are none.

Corrected SEIA and other EIA documentations (additions, inputs from public consultation, results of specific research, when necessary, tables, maps, models, etc.) should be presented to ME for review by the State Ecological Expertise (SEE).

The main objectives of Ecological Expertise of planned objects' documentation are maintenance of ecological balance, conservation of genetic fund and biological diversity, creation of favorable conditions for living, etc. The basic principles of Ecological Expertise are comprehensive examination of technical, ecological, social and economic parameters presented in documentation on planned economic activity with consideration of regional characteristics, ecosystem conditions and their resistance to the planned impact, perspective of socio-economic development of the region, etc.

The following new projects, programs, plans and schemes are subject of the State Ecological Expertise (cite on the *Instruction in Order of Organization and Conducting of the State Ecological Expertise*, 2002):

- a) draft legislative acts and other draft legal acts, instructions, norms and methodologies, regulations and standards referring to the state of the environment and/or regulating potentially dangerous for the environment activities, the use of natural resources and environment protection;
- b) draft international conventions, draft concession contracts presuming the use of natural resources;
- c) new projects, programs, plans and charts regarding:
 - the economic and social development of the Republic of Moldova, of certain regions, districts, municipalities, villages;
 - nature protection in the country as a whole and by separate territories;
 - reconstruction of municipalities, cities, villages;
 - supply of heat, water, gases, electric power;
 - construction of sewerage systems of localities;
 - town planning and land arrangement in urban and rural localities;
 - construction, extension, reconstruction, re-equipment, modernization and readjustment, conservation, demolition or liquidation of all economic and social objects liable to affect the environment as well as of those that can affect the environmental state in neighboring countries, determined by the Espoo

Convention;

- construction of roads, railways, river communication, reconstruction of riverbeds, hydro-technical constructions, irrigation and draining systems, construction of systems to prevent soil erosion and salinization;
- mineral resources extraction and exploitation, including in areas with water protection regime;
- production and destruction of pesticides and of other toxic substances;
- placement and arrangement of platforms for industrial, domestic, agricultural wastes and toxic residues, construction or placement of installations for processing, neutralizing or destroying such wastes and residues;
- other activities that can affect the state of the environment.

All EIA conclusions, including list of mitigation measures and environmental management plan should be outlined in the chapter on “Environment Protection” of the Design Document. The SEE can be conducted either by the central office of the ME (Division for Pollution Reduction Prevention), or by the State Ecological Inspectorate headquarter, or Territorial Ecological Agency in dependence on scale of the project and significance of potential environmental impacts.

Above procedure mainly corresponds to a full EIA required by the World Bank for Category A projects.

According to the national procedure, for the enterprises which exists already and are operating but which plan to be reconstructed, modernized, enlarged, etc. an EIA should be conducted only for those parts which are going to be under reconstruction, modernization, enlargement, etc.

The list of objects, buildings and installations which has to be presented to the relevant sub-divisions of the Ministry of Environment for conducting of the State Ecological Expertise is presented the in *Table 1* below.

According to the Law, the central environmental authority is compelled to inform the public about the results of the ecological expertise on the EIA. This must be done no more than 10 days after a positive or negative decision is made on EIA documentation.

Table 1. List of objects, buildings, installations documentation which has to be presented to the relevant sub-divisions of the Ministry of Environment

№	Title of branch and object	ME Divisions		
		Division for Pollution Reduction	Direction of the Ecological Expertise and Environmental Authorisation of the SEI	Territorial Ecological Agencies and Inspections of the SEI
A	PROJECT OF THE SOCIO-CULTURAL AND COMMUNAL DESTINATION			+
B	PROJECTS OF THE INDUSTRIAL, COMMUNAL, TRANSPORTATION, ENERGY, COMMUNICATION, WAREHOUSE AND OTHER			
I	Industrial destination:			
1	Enterprises of metallurgical, chemical, engineering, electro-technical industries		+	
2	Enterprises of forestry, woodworking, light, food, meat and dairy and construction materials industries		+	
3	Agricultural projects		+	
a	Cattle and pig farms, poultries		+	
b	Cattle and pig farms		+	
c	Processing: - in towns, cities and district centers - in rural localities		+	+

№	Title of branch and object	ME Divisions		
		Division for Pollution Reduction	Direction of the Ecological Expertise and Environmental Authorisation of the SEI	Territorial Ecological Agencies and Inspections of the SEI
d	Oil and flour mills in rural areas			+
4	Irrigation and other water management objects		+	
a	Projects, construction working projects, construction, re-construction, enlargement of irrigation systems, hydro-technical installations, etc.		+	
b	Projects: fish protection installation, sedimentation and flood prevention ponds as well as projects to prevent dangerous geological processes		+	
5	Open pits and mines for extraction of mineral resources		+	
6	Exploration and exploitation of gas- and oilfields		+	
7	Documentation on other projects not listed in items A & B		+	
II Projects of communal destination				
1	Water intakes and waste water treatment plants, sewage		+	
2	Water supply systems; industrial, municipal and storm sewage, heating, sanitary treatment, transport: - on the national level - towns, cities, district centers, rural localities	+	+	
3	Municipal solid waste incineration plants, polygons on treatment and disposal of industrial, municipal and toxic wastes: - for municipalities Chisinau, Balti, Tiraspol, Bender - for other localities.	+	+	
III Warehouses of any destination, projects of communication, transportation service, ports, tunnels			+	
IV Energy objects				
1	Power station 330/110/35 kV, district, industrial and heating houses		+	
2	Other energy enterprises, objects and installations			+
C LINEAR PROJECTS AND FACILITIES				
I Transport, energy, communication				
1	River bridges, crossroads in urban localities, international roads		+	
2	Roads of national and inter-district significance, etc.		+	
3	Roads in rural localities and between them		+	
4	Oil filling stations (regardless their location)		+	
5	Sites for open parking and garages for cars: - with technical service - without technical services		+	+
6	High-voltage power lines:			
a	110 kV and more	+		
6	35 kV and less			+
7	Heating networks: a From municipal and district heating houses b From local heating houses		+	
8	Communication lines on pylons and underground: a Main (magisterial) b Between localities and inside them		+	+
9	Gas pipelines: a Main of high and medium pressure, international and inter-district, gas distribution stations b Gas pipelines from gas distribution points to customers in rural and urban areas		+	
10	Water supply and waste water collection systems in bounds of localities (without installations)			+
11	Oil pipelines		+	
D DOCUMENTATION ON TOWN BOULDING AND URBAN DEVELOPMENT				
V Schemes of a complex use and protection of water resources and river basins		+		
VI Drafts of the environmental laws and other regulartory documents, including standards as well as those regarding environmental conditions and/ or regulating potentially hazardous for environment activities, use of natural resources and enviornmental protection		+		
VII Drafts of international Conventions and concession agreements presuming use of natural resources		+		
IX Projects of the national and special importance as well as ones developing by foreign economic agents		+		
X Documentation on EIA		+		
XI Other documents and materials not listed in items A, B, C & D			+	

Remarks:

- Volume, content and composition of the project documentation on construction, re-construction, technical modernization, re-profiling of enterprise should correspond to requirements of normative, methodical, instruction

and directive documents and environmental legislation in force.

2. Ecological Expertise of the projects, materials and documents related to development and adoption of new technologies, equipment and materials, including foreign ones, is being implemented by the Institute of Ecology and Geography of the Academy of Sciences at the initial stage of the elaboration of project documentation.

Public consultations for the projects which require a full EIA (listed above) are compulsory at the initial stage of the project before conducting EIA (at the scoping stage) and at a later stage, when the Statement on EIA is disclosed to the public prior to reviewing of the final (corrected) documentation by the SEE and thus, the existing national public consultation procedure for first category fully complies with the Bank's (for Category A projects). For projects not listed in the Law, public consultation is not compulsory, issue which doesn't comply with WB requirements concerning second category projects (WB Category B projects).

Based on the results of the SEE of the EIA documentation and consideration of results of public consultations, the opinion letter is being compiled. A positive opinion letter/decision of SEE on the EIA documentation serves as official basis to proceed with further project design.

Obviously, the EIA procedure is a complex one, and consists of subsequent steps of documentation submission and approval. The national EIA procedure is illustrated in the *Figure* below.

The developer (initiator of the planned activity) is responsible for the organization of the EIA study, conducting consultations, presentation of EIA documentation and SEIA to the SEE, including its financing.

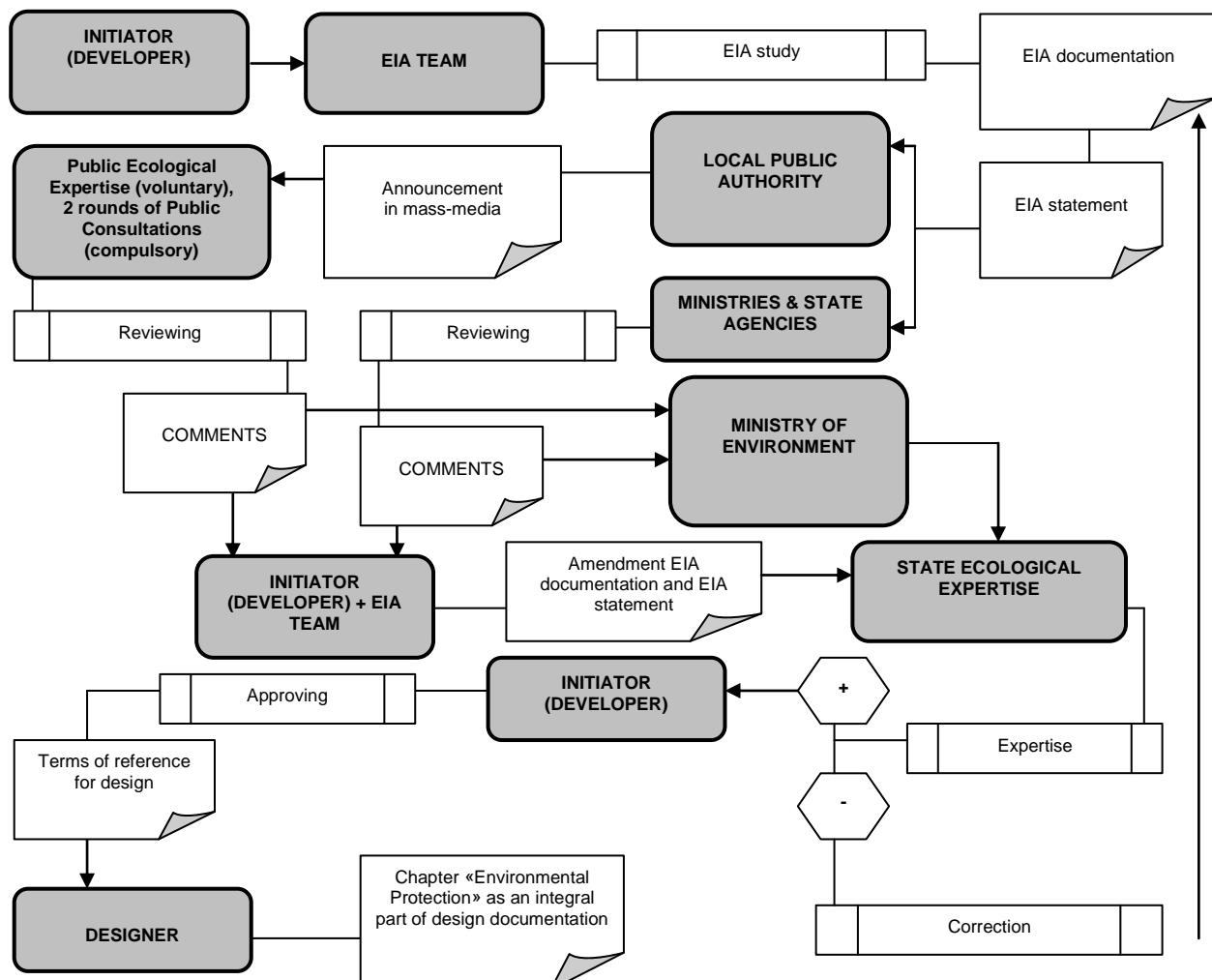


Figure 1. The national EIA procedure
(designed by R. Melian, Acvaproject Design Institute, Moldova)

1.1.4.3 Projects that require SEE of design documentation. All projects, which may have a negative impact on the environment, but not listed in Regulation on EIA (second category), will require SEE before construction. The SEE procedures are usually applied after feasibility and engineering design stages. The design documentation for these projects usually linked with construction, reconstruction and enlargement, is being developed in line with technical documentation.

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

1.1.4.4 Projects that not require EIA and SEE of the design documentation. Projects that do not need an EIA study and/or SEE of design documentation normally relate to activities when no (re)construction takes place, e.g., purchase of machinery for crop cultivation, small-scale horticulture and viticulture, beekeeping, agro-mechanization services, woodworking, infrastructure maintenance projects, etc. In these cases for project approvals the following steps are to be followed:

Step 1. Sub-project applicant presents a project description (location and intention) to relevant local (rayon or municipal) authorities where it is going to be located to get its approval to proceed.

Note: It relates to cases when there should be a new business activity to be registered or authorized, or new building, and/or new technological device or process, or extension of buildings/devices, or new placing of activity, or water use in technology.

Step 2. Applicant submits the sub-project business plan to the district authority (often, in order to review the business plan, a commission is being established, and one member of the commission should be a representative of environmental authority) to receive its approval. The commission determines whether an EIA is required. If the commission disagrees on approval of the plan, the applicant may have to provide additional information and/or the commission may request input from other interested parties.

Notes:

- a) If it is confirmed that no EIA is required (as per list provided in the Instruction on the Order of Organization and Implementation of the State Ecological Expertise) the applicant can proceed with the implementation of sub-project in case he/she received all other needed approval and permits.
- b) If the commission requires some EIA, then the applicant shall hire an authorized body to conduct the EIA on his/her behalf.

Step 3. Once the EIA is conducted, the applicant submits it to the central or local (as per Instruction’s guidance) environmental authorities for EIA approval. The EIA is submitted to the Division of Ecological Expertise and Environmental Authorizations for its review and comments. Comments may be followed by the: (i) approval, (ii) approval under certain condition(s) to be met, or (iii) outright rejection of EIA, and hence, the sub-project.

Step 4. Upon approval from environmental authorities and obtaining permits issued by all concerned institutions (the officers of entities visited by applicants v to get an approval determine what kind of special permits on maximum admissible discharges of wastewater, maximum admissible emissions to air - both are calculated for each particular case; water use;

construction certificate as well as license on other than water natural resources use should be obtained from specialized institutions), the sub-project implementation is allowed to commence.

Note: The institutions issuing relevant permits might be: State Ecological Inspectorate (wastewater discharge volumes, pollutants in effluent and emissions to air), State Agency for Geology and Mineral Resources (AGeoM) (use of underground water resources), State Agency “Apele Moldovei (use of surface water resources), local public authorities/ mayoralities (construction certificates), etc.

1.2 Country's Environmental Management Institutional System

1.2.1 Central Public Authorities

Ministry of the Environment (ME). This is the central authority, responsible for the development and promotion of the state policy in the field of environment and natural resources. It performs: state control over the natural resources use; coordination and control over the implementation of environmental laws and policies; initiating and drafting laws and regulations and issuing relevant instructions/decisions; issuing permits on natural resources uses and licenses for polluting emissions; elaboration, approval and introduction of environmental standards and normative documents in the field of its competence; environmental monitoring; imposing economic sanctions in case of violations of environmental legislation; supervises territorial development and its infrastructure, town-planning, architecture, industry of construction materials and introduction of new techniques and technologies in the sphere of its competence; drinking water supply and waste water treatment in urban areas, etc. The following institutions sub-ordinate to the Ministry: State Ecological Inspectorate; State Hydro-Meteorological Service, and the State Agency for Geology (AGeoM).

State Ecological Inspectorate (SEI). The SEI is an environmental protection regulatory and enforcement agency which performs the state control over the rational use and protection/conversation of natural resources. Its role is to control implementation of environmental legislation. The SEI through its country-wide network of Territorial Agencies and Rayonal Inspections monitors industrial facilities which generate impacts on environment. The SEI issues permits on use of natural resources and environmental pollution in admissible limits; supervises the level of respecting ecological norms and requirements, instructions, recommendations, norms on use of natural resources, dangerous products and substances, and wastes; evaluates EIA applications for new developments; provides ecological expertise; regulates and establishes Emission Limit Values (ELVs) and Maximum Allowable Concentrations (MACs) and regulates the emission of dangerous substances into the environment as well as the storage limits of industrial, domestic, hazardous and other wastes; performs environmental pollution monitoring; carries out enforcement of the permits by inspection visits, monitors, and levies fines in cases of non-compliance, initiates legal processing, ceases the activity in case of non-compliance with environmental protection requirements, etc.

State Hydro meteorological Service (SHS). Through the Monitoring Centre on Environmental Quality, the SHS performs regular monitoring of the air, water and soil quality as well as atmospheric radiation background level. Among other responsibilities are monitoring of meteorological conditions, Prut and Dniester Rivers' water flow, hydrological forecast, weather forecast, agro-meteorological monitoring and forecast, etc.

State Agency for Geology and Mineral Resources (AGeoM). The AGeoM is responsible for promoting of state policy in the field of management and monitoring of underground resources in Moldova and provides an overall umbrella for state organizations and enterprises specialized in field of underground water use; administrations at district and regional level, as well as organizations specialized in the design and investigation of underground water objects. It

performs management of underground water resources and their protection; counting of groundwater resources and monitoring of groundwater quality and regime.

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

Ministry of Healthcare. The Ministry of Healthcare is the central authority responsible for population health protection, and sanitary and epidemiological supervision in Moldova. The Ministerial sub-division *National Centre for Public Health* performs regular sampling and analyzing water quality in water bodies and groundwater used for drinking water supply (tap water, artesian and shallow wells), and those used for recreation purposes.

National Institute for Standards and Metrology. The National Institute for Standards and Metrology is a sub-division of the Service of Standardization and Metrology which as a public administration authority subordinates directly to the Government. The Institute was designated as a National Metrology Body with responsibilities to develop metrological policy, assure the instrumental measurement results, development and adherence of national and reference standards, etc.

State Agency “Moldsilva”. State Forestry Agency “Moldsilva” is a state institution subordinated directly to the Government. It is responsible for development and promotion of the state policy in the field of forest resources management through establishment forest resources management, forest research and monitoring, conservation and protection of forest fund; forestation of eroded and agricultural lands, etc.

1.2.2 Local Public Authorities

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

1.3 World Bank Environmental Assessment Policy, Rules and Procedure

1.3.1 World Bank’s Safeguard Policies and their relevance to project

There are 10 key Environmental and Social World Bank Safeguard Policies which are intended to ensure that potentially adverse environmental and social consequences of projects financed by Bank are identified, minimized and mitigated. World Bank Safeguard Policies have a three-part format: *Operational Policies (OP)* - statement of policy objectives and operational principles including the roles and obligations of the Borrower and the Bank; *Bank Procedures (BP)* - mandatory procedures to be followed by the Borrower and the Bank, and *Good Practice (GP)* - non-mandatory advisory material. World Bank’s Safeguard Policies and their relevance to sub-projects to be funded under the CEP II are indicated in the *Table 2* below.

Table 2. World Bank’s Safeguard Policies and their relevance to sub-projects

Safeguard Policies	Relevance
Environmental Assessment (OP/BP 4.01) This Policy aims at ensuring that projects proposed for Bank financing are environmentally and socially sound and sustainable; to inform decision makers of the nature of environmental and social risks; to increase transparency and participation of stakeholders in the decision-making process	Yes (refer to the description below)
Natural Habitats (OP/BP 4.04) This Policy aims at safeguarding natural habitats and their biodiversity; avoid significant conversion or degradation of critical natural habitats, and to ensure sustainability of services and products which natural habitats provide to human society	No. As all proposed activities are to be implemented within existing agricultural land and settlement boundaries, the sub-projects to be supported under the project will not have impacts on wildlife and natural habitats, and thus, this OP is not triggered.
Forestry (OP/BP 4.36) This Policy is to ensure that forests are managed in a sustainable manner; significant areas of forest are not encroached upon; the rights of communities to use their traditional forest areas in a sustainable manner are not compromised	No. No wood harvesting sub-projects or those that would impact the health of the existing forests will be supported.
Pest Management (OP 4.09). This policy is to ensure pest management activities follow an Integrated Pest Management (IPM) approach, to minimize environmental and health hazards due to pesticide use, and to contribute to developing national capacity to implement IPM, and to regulate and monitor the distribution and use of pesticides	Yes. While the project will not support purchasing pesticides indirectly its activities may stimulate their increased usage.
Physical Cultural Resources (OP/BP 4.11) This policy is to ensure that: Physical Cultural Resources (PCR) are identified and protected in World Bank financed projects; national laws governing the protection of physical cultural property are complied with; PCR includes archaeological and historical sites, historic urban areas, sacred sites, graveyards, burial sites, unique natural values; implemented as an element of the EA	No. The EMF specifies there will be no impact on physical cultural resources, and therefore OP/BP 4.11 “Physical Cultural Resources” is not triggered. All proposed sub-projects will be screened in this regard and in the case there might be such impacts those projects will be not supported under the project.
Indigenous Peoples (OP/BP 4.10) IP – distinct, vulnerable, social and cultural group attached to geographically distinct habitats or historical territories, with separate culture than the project area, and usually different language. The Policy aims to foster full respect for human rights, economies, and cultures of IP, and to avoid adverse effects on IP during the project development.	No. This Policy is not applicable for Moldova.
Involuntary Resettlement (OP/BP 4.12) This policy aims to minimize displacement; treat resettlement as a development program; provide affected people with opportunities for participation; assist displaced persons in their efforts to improve their incomes and standards of living, or at least to restore them; assist displaced people regardless of legality of tenure; pay compensation for affected assets at replacement cost; the OP Annexes include descriptions of Resettlement Plans and Resettlement Policy Frameworks	No. Private businesses will be eligible to become project beneficiaries under the condition that they have not acquired and/or would not acquire land for the needs of activities to be supported with the project proceeds through a process which involved and/or would involve officially supported expropriation. Additionally, project funds will not support any sub-loans used to invest in a business which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other. The project operational manual will define a screening procedure to be filled by PFIs, and the Project Implementing Agency will closely monitor the screening procedure, with the support of the Bank task team. With these restrictions in place, the project does not trigger OP/BP 4.12 “Involuntary Resettlement”.

Safeguard Policies	Relevance
Safety of Dams (OP/BP 4.37) This Policy is to ensure due consideration is given to the safety of dams in projects involving construction of new dams, or that may be affected by the safety or performance of an existing dam or dams under construction; important considerations are dam height & reservoir capacity	No. The project will not support any activities which might have impact on dam safety.
Projects on International Waterways (OP/BP 7.50) The Policy aims to ensure that projects will neither affect the efficient utilization and protection of international waterways, nor adversely affect relations between the Bank and its Borrowers and between riparian states	No. The project not finance any sub-projects which may affect international waterways and in particular: irrigation projects; projects involving discharging waste waters directly in the international waterways; abstraction or diversion of international waters; projects related to discharging waste materials in a location that could impact on international waters; construction of any dams that might affect international waters hydrological regime. These requirements represent screening criteria to be applied by the PFIs.
Disputed Areas (OP/BP 7.60) The Bank may support a project in a disputed area if governments concerned agree that, pending the settlement of the dispute, the project proposed for one country should go forward without prejudice to the claims of the other country	No. The project will not support any activities in disputed areas.
Disclosure Policy (BP 17.50) supports decision making by the borrower and Bank by allowing the public access to information on environmental and social aspects of projects and has specific requirements for disclosure	Yes. The EMF will be disclosed and consulted in the country before appraisal and in the WB Info Shop.

Reference Documents on World Bank's Operational Policies (OP) and Bank Procedures (BP) are presented in *Annex I*.

1.3.2 World Bank Screening Categories and Environmental Assessment Procedures

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

The Bank classifies a proposed project into one of four categories, depending on the type, location, sensitivity and scale of the project and the nature and magnitude of its potential environmental impacts². These four Categories are A, B, C, and FI.

Category A projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may be sensitive, irreversible, and diverse, with attributes such direct pollutant discharges large enough to cause degradation of air, water, or soil; large-scale physical disturbances of the site and/or surroundings; extraction, consumption, or conversion of substantial amounts of forest and other natural resources; measurable modifications of hydrological cycles; hazardous materials in more than incidental quantities; and involuntary displacement of people and other significant social disturbances. The impacts are likely to be comprehensive, broad, sector-wide, or precedent-setting. Impacts generally result from a major component of the project and affect the area as a whole or an entire sector. They may affect an area broader than the sites or facilities subject to physical works. The

² See: Environmental Assessment Update Sourcebook, Environmental Department, April 1993. The World Bank

EA for a Category A project examines the project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" scenario), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project, the borrower is responsible for preparing a report, normally a full EIA (or a suitably comprehensive regional or sectoral EIA).

To the Category A projects correspond activities listed in the Regulation on EIA (2000) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) in case they attribute to newly planned activities/enterprises.

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

To the Category B projects may be attributed all activities not listed in the Regulation on EIA (2000) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) as well as those listed in above documents activities which attribute to already working enterprises which already passed through the procedures of EIA and SEE, e.g., to those, which according to the national procedure, require EIA *only* for their newly developing parts (construction, reconstruction, rehabilitation, expansion of industrial facilities, etc.).

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

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

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

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

Examples of projects that fall under Categories A, B, and C are provided in *Table 3* below. However, this list is just a good starting point and framework for the screening decision. Because of other factors involved such as project sitting, the nature of impacts, and the need for the EIA

process to be flexible enough to accommodate them, the lists should not be used as the sole basis for screening.

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

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

Table 3. Types of projects under the World Bank's Categories A, B, and C

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

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

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

Therefore, an environmental audit may be more useful than an impact assessment in fulfilling the EA needs for such projects.

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

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

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

1.3.3 Public Consultation and Disclosure

1.3.3.1 World Bank Public Consultation Procedure

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

1.3.3.2 World Bank Disclosure Procedure

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

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

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

1.3.3.3 The comparison of National and WB EA requirements

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

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

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

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

of public ecological expertise can be published in mass-media, deliver to the local public authority, other stakeholders. In the case of World Bank EA policy, the Sub-borrower is responsible for conducting at least one public consultation for all Category B projects to discuss the issues to be addressed in the EMP or to discuss the draft EMP itself. Therefore, for the sub-project, the PIU will review any documentation of the public consultation conducted in the preparation of any national EA documentation to determine if it is consistent with World Bank requirements. If the national public consultation is satisfactory, there would be no further consultation requirement. However, if no public consultation was conducted or the PIU determines that the public consultation documentation is not adequate, the sub-borrower will be required to perform at least one public consultation to discuss the environmental issues of concern to the locally affected communities and include these issues in the content of the EMP. Documentation for the consultation should be submitted to the PIU as part of the sub-project file. Romanian language version of the EMP and the record of the public consultation should be located at in public location near the project site and, if available - on the sub-borrower website. Category B EIA sub-project would be made available to project-affected groups and local NGOs in an easily accessible PFI and/or PIU website.

1.3.4 Implementation

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

2. Project Description

Project Development Objective. The project's development objective is to increase the export competitiveness of Moldovan enterprises and decrease the regulatory burden they face. This PDO will be achieved through a set of measures that aim to: (i) increase the competitiveness of existing exporters, increase the export readiness of enterprises that are not yet exporting, and increase linkages with markets for both categories of enterprises; (ii) improve firms' ability to access medium to long-term finance; and (iii) improve the business enabling environment to reduce costs.

Project Components.

Component 1: Regulatory Reform (USD 6.3 million)

The objective of the Regulatory Reform component is to support GoM in improving the business enabling environment in Moldova, and specifically in implementing its regulatory reform strategies over the next five years. These strategies include the Roadmap for the Government's Actions to Remove Critical Barriers in the Business Environment for 2013-2014 (Business Roadmap), approved by the Government in September 2013; the Regulatory Reform Strategy and its Action Plan 2013-2020, approved by the Government in December 2013; and the Roadmap for Increasing Competitiveness, approved by the Government in January 2014. In order to achieve this objective, the project will support the following activities:

- (a) *Reform governance and capacity building*, to improve the timely delivery of reforms and quality of the business enabling environment;
- (b) *Reform implementation support*, to provide direct assistance for implementing priority reforms.

Sub-component 1A on reform governance and capacity building aims to improve the implementation of the regulatory reform strategies. The Ministry of Economy has been tasked by the Government to design, update, and implement the regulatory reforms strategies, but it has shown weak coordinating power to fully advance the strategies. In addition, the commitment by public authorities to ensuring a sound (transparent, predictable, and relatively low-cost) business enabling environment has varied greatly by authority, with the MoE being one of the few champions for reforms. On the other hand, some structures for supporting improvements in the business enabling environment have worked well: i) the Working Group of the State Commission for Entrepreneurial Activity (“Working Group”), which discusses proposed laws and regulations affecting businesses and reviews Regulatory Impact Assessments (RIAs), and the RIA Secretariat that supports it; and ii) the annual, domestic Cost of Doing Business survey, which has been a useful tool for monitoring the quality of the business enabling environment.

Therefore, in order to improve the timely delivery of reforms and support improvements in the business enabling environment, the sub-component on reform governance will implement activities in the following areas:

- (a) *Strengthen oversight of reform strategies implementation:* The project will support MoE's Division for Business Development in monitoring the implementation of and updating the Government's regulatory reform strategies.³
- (b) *Increase accountability of public authorities' impacts on the business community:* The project will help MoE establish and implement a system that strengthens

³ The project's mid-term review will determine whether such structures should stay at this level (linked to MoE) or be elevated to the highest level of government (e.g. Prime Minister). The project team will also see whether there is an opportunity to consider this option before the mid-term review.

accountability and incentives for public authorities that regulate business activities (for instance, to reduce the burden of these activities in terms of cost, time, procedures, transparency, and predictability). It will include reporting and monitoring on performance indicators and the annual Cost of Doing Business survey.

(c) *Ensure that laws and regulations do not impose unjustified costs on businesses:* The project will support and improve the existing mechanisms for (i) assessing the impact of proposed laws and regulations on the business community; (ii) reviewing and publicly discussing these through the RIA Secretariat and the Working Group, respectively; and (iii) reducing the regulatory burden placed on businesses in high-priority areas identified through the project activities.

(d) *Strengthen awareness:* The project will contribute creating a more “business-friendly” culture by supporting events and communication campaigns that will help public officials better understand the importance of a transparent, predictable, and low-cost business enabling environment.

Sub-component 1B on reform implementation support will assist the Government in implementing regulatory reforms that could greatly benefit export competitiveness. The project has identified two areas that are considered critical, require additional funds, and that other donors are not planning to fund: permissive documents, including licenses, permits and authorizations, and competition advocacy and implementation capacity building. The support will be articulated as follows:

(a) *Permissive documents:* Permissive documents are defined as permits, authorizations, licenses, and other documents required by Moldovan authorities for an enterprise to do business. The project will (i) target the elimination of overlaps and duplications in the requirements for such documents,⁴ (ii) increase transparency and predictability in their issuance, and (iii) reduce the cost and time required to obtain them. The project will identify those permissive documents that present the greatest problems for businesses, obstruct competition, and/or may be required for exports. Then, it will support activities to simplify their requirements and implement electronic one-stop shops for their timely efficient issuance. When appropriate, these activities will be carried out in partnership with the Licensing Chamber (the one-stop shop for issuing licenses) and the e-Government Center (which provides electronic platforms for one-stop shops).

(b) *Competition advocacy and implementation capacity building:* To enhance incentives for firms to become more productive in the domestic market and therefore boost their export competitiveness, a framework to ensure competition between firms is critical. The Competition Council of the Republic of Moldova has the responsibility of tackling anti-competitive market conduct and proactively advocating for fair competition in the economy, but lacks capacity and resources to conduct these tasks effectively. The project will support the Competition Council to: (i) identify barriers to competition in those sectors or markets where the lack of competitive conditions hamper firms’ domestic and export competitiveness; (ii) develop guidelines on market definition that would help the identification of markets or sectors, (iii) work with the MoE and other public authorities, in its advocacy role, to amend laws and regulations that create barriers to competition; and (iv) implement its competition policy with economy-wide effects through better tools and processes, such as equipment, advocacy workshops, and training activities for judges on the application of the competition law (including also state aid control legislation).

⁴ The problems with overlaps and duplications are documented in the 2013 World Bank report “Policy Priorities for Private Sector Development in Moldova” and in inventories of regulatory requirements compiled by IFC in Moldova.

Results-Based Financing (RBF): Component 1 also includes RBF: USD 1.5 million has been set aside for compliance with Disbursement Linked Indicators (DLI) that reflects the Government's own objectives and are deemed highly relevant to the success of regulatory reform. This is one of the innovative features of this operation. It is intended to raise the profile of targets, encourage accountability, and improve results. Three times over the course of the project, the following specific DLIs will be publicly reported on, and achievement of quantitative results will be rewarded with additional disbursement:

- (a) Establish and apply performance indicators for Government agencies that have a regulatory function related to business
- (b) Number of reforms enacted to reduce regulatory barriers and remove anti-competitive elements of legislation (laws, regulations, or other legal provisions)

Component 2: Small and Medium Enterprise (SME) Development (USD 8.0 million)

The objective of the SME Development component is to strengthen Moldovan SMEs' linkages to markets and ability to compete in those markets through two closely related aspects:

- (a) *Strengthening the institutional capacity of ODIMM and MIEPO*, so that they can play a more effective role in facilitating market-based SME growth
- (b) *Providing matching grants to SMEs* to implement business improvement projects focused on export competitiveness.

Experience in countries such as Singapore, Malaysia, Chile, Ireland, Mexico, and others have shown that public institutions can play an important role in facilitating the development of vibrant and competitive SME and export sectors. Successful institutions understand and respond to market needs, and act as facilitators and not direct service providers.

More effective SME development and export promotion is needed in Moldova, given the lack of dynamism in exporting sectors, the importance of SMEs for the economy, and the limited roles that ODIMM and MIEPO have played in recent years. Given that nearly 98 percent of companies in Moldova are SMEs, and that the DCFTA with the EU has made enterprise competitiveness even more crucial, MoE has prioritized these areas and requested that the project strengthen these institutions as one of its main priorities. As stated in section I, the project will not focus solely on exports to the EU. It will help MIEPO identify priority products and priority markets, and will also consider that the EU framework contemplates that 50% of a country's exports should go outside of the EU region. A key element of the project is to assist ODIMM and MIEPO to identify the characteristics of SMEs with high growth potential, and to help them provide new programs to increase both revenues and employment.

Component 2A: Institutional Strengthening. The project will strengthen the capacity of ODIMM and MIEPO to contribute to the development of a vibrant and economically sustainable SME sector. The project will help ODIMM and MIEPO to understand where and how their assistance can be most effective by understanding growth dynamics by type and subsector of SMEs and exporters. Based on assessments of these growth dynamics, the project will help ODIMM and MIEPO develop strategies for effective assistance to SMEs and exporters, and will help these institutions restructure, develop, and broaden their services through new programs and delivery mechanisms to meet the needs of their client companies. The project preparation grant is helping GoM to develop an Export Development Strategy and SME Segmentation Study that will inform work to be done in this project.

ODIMM and MIEPO must play a facilitating role in helping companies to access services provided by the private sector. Tools for linking SMEs with service providers, activities to increase SMEs' awareness of business development services and business support infrastructure, methodologies for providing market analysis and information to exporters, and other supporting

elements, will be implemented through the project. The project will also help ODIMM and MIEPO develop and implement adequate governance and institutional structures, staffing structures, budgets, monitoring and evaluation systems, management information systems and IT tools, communications strategies, and more (see Annex 2).

Component 2B: Matching Grant Facility. The project will provide a Matching Grant Facility (MGF) to help SMEs implement a set of activities that will have a specific and direct impact on their export competitiveness. The facility will be USD 3.0 million and is expected to benefit approximately 280 enterprises. The enterprises that apply must make a business case for how the activities will directly increase their export competitiveness. Through the provision of matching grants the project will help Moldovan SMEs to get access to business development services (BDS). BDS providers will support SMEs to, inter alia: i) improve existing products and services; ii) create new products and services; iii) improve production processes; iv) improve business management; v) improve business image; vi) find new customers and markets; and, vii) create and strengthen partnerships within the value chain. The project will 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.

Results-Based Financing: Component 2 will also benefit from a USD 1.5 million RBF intervention to set and publicly report results, encourage accountability and improve performance. The relevant DLIs are the following:

- (a) Strategy of ODIMM promotes organizational effectiveness and reflects segmentation of delivery assistance mechanisms and enterprise needs
- (b) Strategy of MIEPO promotes organizational effectiveness and reflects market segmentation and improved export promotion delivery assistance mechanisms.

Component 3: Access to Finance (USD 29.8 million)

The objective of the Access to Finance component is to improve access to medium to long-term finance for export-oriented enterprises, reduce barriers to finance due to perceived high credit risk in SME finance and high collateral requirements, and promote suitable models for value chain financing, particularly in the agriculture sector. The June 2013 World Bank study “Policy Priorities for Private Sector Development in Moldova” and subsequent discussions with Government, financial institutions, and enterprises confirmed the existence of market failures of shortage of access to medium to long-term working capital and investment financing, especially for export-oriented enterprises, barriers to finance due to insufficient or unacceptable collateral, and information asymmetry and insufficient techniques for assessing SMEs’ credit risk at banks.

To achieve the above objective, this component will have three sub-components:

- (a) Line of credit (LOC) to provide medium to long term financing for working capital and investment purposes.
- (b) Technical assistance on Risk Sharing Facility (RSF) to revamp the existing credit guarantee scheme undertaken by ODIMM. A fully-functional credit guarantee scheme will facilitate greater SME lending by reducing the credit risks that commercial banks face in expanding in this segment and by providing a new type of collateral (i.e. guarantees to address SME financing constraints resulting from insufficient or unacceptable collateral).
- (c) Technical assistance to MoE and banks on developing value chain financing models.

The Line of Credit will be USD 29.3 million and is expected to benefit approximately 100 enterprises.⁵ The sub-component on LOC will be extended through eligible participating financial intermediaries (PFIs) to private sector exporters⁶ and indirect exporters for working capital and investment projects, based on specific eligibility criteria. The main beneficiaries are export oriented enterprises in agriculture, agro-processing, manufacturing or other economic sectors that provide goods or services directly related to generation of foreign exchange export revenues. In addition, up to 30 percent of funds under the line of credit can be lent to indirect exporters (enterprises providing inputs/services to export oriented enterprises). The primary focus on export oriented enterprises is in line with government efforts to improve the competitiveness of Moldovan enterprises particularly export oriented to take advantage of the opportunities arising from recently initialed DCFTA with the EU.

The interest rates to enterprises under LOC will be market-based, and the PFIs will on-lend the funds to export oriented enterprises and indirect exporters based on their own credit assessment and risk of the borrower. To participate as a PFI, the interested bank should be able to meet the established eligibility criteria. Once qualified, a PFI should be expected to continue to meet the eligibility criteria at all times. The eligibility criteria for PFIs follow principles recommended by the Bank's Operational Policy for Financial Intermediary Operations OP10 (including financial indicators and corporate governance).

The sub-component on technical assistance on RSF would support ODIMM in implementing a time-bound action plan aimed at revamping the design of the existing guarantee mechanism, and strengthening institutional capacity and governance to effectively implement its current guarantee programs. MoE and banks have expressed strong interest in a RSF, as it will help address issues relating to perceived high risks and lack of sufficient collateral in SME financing. Previously, two separate initiatives were launched in Moldova to set up such a mechanism, one through ODIMM and another through GuarantInvest (which was launched by banks). However, both initiatives have failed to achieve their intended purpose due to several issues ranging from significant deficiencies in the design of respective guarantee programs, lack of institutional capacity and conflict of interests. The technical assistance will particularly focus on redesigning the processes, methodologies, products and current operations of ODIMM's credit guarantee fund. This TA will be integrated with activities under sub-component 2A above.

Project Management (USD 0.8 million)

The project will be implemented by the PIU under MoE, and by the CLD under MoF.

⁵ Based on an expected average loan size of USD 300,000

⁶ A private sector company is defined as that having more than 75 percent private ownership

3. Analysis of Potential Environmental Impacts

3.1 Potential Environmental Impacts of Matching Grants

As mentioned in point 4 above the second project component would provide support for a series of TA and consultancy activities with regard to the following: (a) conducting studies; (b) provision of matching grants to selected Moldovan SMEs for accessing to business development services that might include: (i) improve existing products and services; (ii) create new products and services; (iii) improve production processes; (iv) improve business management; (v) improve business image; (vi) find new customers and markets; and, (vi) to create and strengthen partnerships within the value chain. While none of these activities will have any direct environmental impacts some of them, indirectly might generate some impacts during the implementation phases. In particular the TA activities that are targeted at developing business plans, creating new products, or improving production processes can generate some impacts related to air and water pollution, waste management, labor and health risks, etc. Considering these factors, it is necessary to conduct preliminary environmental screenings while selecting matching grants. Furthermore, during the screening process it will be possible not only to make a preliminary environmental assessment of matching grants, but, also to identify possible areas for improving environmental performances of proposed activities by identifying opportunities for sound environmentally and/or socially positive alternatives (e.g., energy efficiency, recycling and reducing waste generation, etc.).

3.2 Potential Environmental Impacts of Sub-projects under LoC

3.2.1 Important Environmental Components

The environmental components which may be adversely affected by sub-projects at their construction, operation and decommissioning stages generally are grouped as physical, biological and socio-economic ones. Examples of the environmental components which might be of a different levels and attributes are presented in the *Table 4* below.

Table 4. Environmental Components

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

3.2.2 Analysis of Potential Environmental Impacts from different types of sub-projects under LoC

The impacts associated with the different types of sub-projects might be positive and negative. *Positive impacts* are attributed mainly to the socio-economic environment. *Negative impacts* are attributed to water, air and soil pollution, additional water and energy consumption (if more

goods are produced), noise, odor, loss of biodiversity and habitats, etc. Measures to be taken to minimize potential negative environmental impacts depend on their type, magnitude, combination and distribution.

Potential Environmental Impacts from Manufacturing Sector. The industrial sector is responsible for air and water pollution, soil contamination and waste generation, including hazardous ones. Major pollution sources are the energy and heat generation units, mining, cement and lime productions. Some industrial activities lead to ‘landscape pollution’; they generate noise and other nuisances. Data on the environmental impact of industry in the country is very limited. There is lack of integrated indicator of the industrial impact on the environment. Normally, releases volume and emissions value reported by the enterprises are being counted on the basis of the input and technology process data instead of to be directly measured. This occurs because almost all industrial laboratories have been liquidated. In whole, there is a lack of integrated indicators of the industrial impact on the environment. Industrial pollutants emissions into the atmosphere and discharges into surface waters are monitored by the Ecological Inspectorate at the subject of their compliance with established allowable values for further processing in accordance with the Law on Taxes for Pollution of the Environment (1998) and other applicable laws. This information is stored in the Ecological Inspectorate but not reported in official statistics. As a gap environmental management, and particularly, environmental pollution monitoring, there should be mentioned that industrial pollution is not being comprehensively analyzed, and reduction targets are not established in industrial development programs or other related documents. Though enterprises must report annually on their air emissions, wastewater discharges and waste generation reports are not mandatory for industry. Only waste generated by industries is being reported on a regular basis in official information sources since enterprises report annually to regional authorities on their annual waste generation. Based on these reports, taxes are calculated and collected from enterprises, though enterprises do not need permits for solid waste generation (only an authorization). Recent analysis of available fragmented data on environmental pollution from industrial sector has shown that water use, waste generation, greenhouse gases emission and atmospheric pollution are gradually reducing while economic activity is increasing (i.e., there is a some positive decoupling trend). Improvement of environmental efficiency in industry may result from structural changes (promoting less contaminating production) or/and technology upgrade (cleaner production technologies, end-of-pipe pollution reduction measures). Despite several structural reforms implemented in Moldova, they showed a little effect towards environmental improvement. Implementation of environmental policies in industrial sector needs to be improved through setting of and compliance with environmental priorities and targets, efficient monitoring and better coordination between ministries and use of economic mechanisms.

Environmental Impacts from Agricultural Production Sector. The present agriculture system practiced in Moldova can be characterized as extensive and poorly organized. This is detrimental both to agriculture production and the status of soils and other natural resources. Big share of lands used in agriculture does not allow maintaining sustainable balance between natural and anthropic ecosystems, what results in degradation of soil, adversely affects the biodiversity and an environment, as a whole. At the beginning of 2010, approximately one third of the land was under small farms of maximum 2-3 ha. The rest of agriculture land was consolidated to various extents and in various forms (e.g. leasing, cooperatives, farmers associations, etc.). A land market is developing and agricultural land is being further consolidated. Since the consolidation of agriculture land is an ongoing process, now it is crucial to promote the approach of adapting agriculture activities to the concrete features of the landscape. Concerning potential impacts from crops production, during the last decade, the area of cereals (particularly wheat and corn) has increased considerably, while the areas cultivated with forage crops dropped. The increase of areas under corn resulted in considerable loss of the soil organic matter, especially on slopes (in

Moldova 80% of agriculture land is on slopes). The share of tilled crops steadily increased although to conserve the soil the proportion of tilled crops should be kept within 50% of the sown area. The pesticides usage in agriculture are often out of control of environmental authorities because they are applied on private lands and their owners are not obliged by law to report on pesticides application. Over last years, the use of mineral fertilizer decreased 10-fold while amount of applied manure also dropped substantially. Cattle breeding also raised environmental problem because of overgrazing of pastures; besides since the majority of cattle is kept in private household, solid wastes generated by cattle are not managed properly what contributes to soil, underground and water pollution by organic substances and pathogens. Fertilizers application and pasturing also strongly contribute to pollution of surface waters by nutrients which enter the water bodies with surface run-off.

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

3.2.3 Positive Environmental Impacts

Sub-projects to be implemented under the LoC will generate a great number of both direct and indirect positive impacts. Direct positive impacts will be generated by increased production, products and goods within sectorial activities which would result in creation of new jobs and respectively, more employment, increased income, as well as from direct inputs from loans. Indirect positive impacts form sectorial activities will relate to overall improving of business environment, increased exports and secured enterprises domestic market position, introduction of advanced technologies and techniques, creating new opportunities for access to foreign markets, enhancement competitiveness of domestic production and products, contribution to poverty reduction and food safety, improvement of country's socio-economic conditions and others. Some positive direct and indirect impacts/ benefits generated by activities within concerned sectors and direct inputs from loans are presented in the *Tables 5-6* below.

Table 5. Positive impacts generated by sectorial activities

Sector	Positive impacts/ Benefits
Agriculture: Annual Crop & Plantation Crop Production; Meat & Poultry Production	Introduction of advances agricultural techniques, use of advanced machinery & equipment, increased crop and plantation crop production, mammalian livestock and poultry production; creating new opportunities for access to foreign markets, creating new jobs, contribution to ensuring of food security, contribution to poverty reduction in rural area and generally, to improvement of socio-economic conditions in rural areas, etc.
Aquaculture	Providing alternative source of protein nutrition for population thus contributing to improvement of human health, creating opportunities for export, creating new jobs & increased income, etc.
Agro-processing: Dairy, Meat and Poultry Processing, Vegetable Oil Processing, Sugar Manufacturing, Food and Beverage Processing, etc.	Introduction of new technologies & quality standards at enterprises, use of advanced machinery & equipment, providing additional value to produced agricultural production, creating new opportunities for access to foreign markets, providing more food thus ensuring country's food safely; creating new jobs and better working conditions , especially for women and increased incomes, contribute to improvement of socio-economic conditions urban and rural areas, etc.
Manufacturing: Cement & Lime, Ceramics, Glass, Textile Manufacturing, Tanning & Leather Finishing, Printing, Construction Material Extraction,	Introduction of new technologies & quality standards at enterprises, use of advanced machinery & equipment, creating new opportunities for access to foreign markets; providing machinery and other equipment for other sectors of economy (e.g., farm machinery for agriculture), providing more goods thus contributing to improvement of living conditions, providing new jobs with

Sector	Positive impacts/ Benefits
Surface Treatment of Metals and Plastics, Metal, Plastic & Rubber Products manufacturing, Sawmilling & Manufactured Wood Products, Board & Particle-based Products, Pharmaceuticals & Biotechnology, Semiconductors & Other Electronics manufacturing	better working conditions and increased incomes, improving women's labor market participation, etc.
Construction	Providing new jobs & better income, contributing to development of infrastructure, contribution to improvement of living and work safety conditions, and in general, to socio-economic conditions in urban and rural areas, etc.
Non-renewable resources manufacturing	Sand, aggregate materials, cement, lime provide the materials for new roads construction and rehabilitation of existing ones as well as for construction of new buildings of socio-economic designation; this may result in improved access to new, including foreign, markets and respectively; in improved incomes, more jobs and generally, in improvement of socio-economic conditions, etc.

Table 6. Positive impacts generated by direct loan inputs

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

Input	Positive Impact
	efficiency, increase income, etc.

3.2.4 Negative Environmental Impacts

Negative impacts mainly relate to physical and biological environmental components and are linked to water, air and soil pollution, soil erosion, loss of biodiversity and habitats, energy and water consumption as well as use of other natural resources. The major agricultural impacts are related to livestock and poultry production, both on the small farm holding and the large commercial farm. This may result in increased volumes of animal waste, including contaminated by pesticides affecting soil, groundwater (through leakage from septic tanks) and surface water quality, human health and biodiversity, as well as soil degradation/ compaction due intensive pasturing, loss of agricultural (and remained steppe) biodiversity, etc. In agro-processing sector the main impacts are related to surface water pollution through increased concentrations of pollutants in wastewater effluents and emissions to air, mostly dust and odor. In manufacturing sector main impacts are surface water pollution through increase concentrations of pollutants in wastewater effluents, emissions to air (dust/particulate matter, often toxic substances), acoustic, vibration, water and energy consumption, aesthetics. During construction activities which may have a relevance to all above sectors, the main negative impacts are generated during construction phase and relate to soil erosion, soil and water pollution through waste generation, air pollution, acoustic and aesthetics.

The most common potential negative impacts from sectorial activities and construction activities and their significance are summarized in the *Table 7* below.

Table 7. Potential negative impacts generated by sectorial activities and construction activities

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

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

3.2.5 Cumulative Environmental Impacts

Cumulative impacts are not likely to be an issue as the Project distributes its loan activities more or less evenly throughout the country. In the agricultural production sector, if there is a concentration of loans for the purchase of a large number of livestock in one particular watershed, without effective waste management, the main river of the watershed could become heavily polluted as a result of a high concentration of livestock.

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

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

3.2.6 Residual Environmental Impacts

Residual impacts are those that remain after all mitigation has been carried out. Assuming that all mitigation as indicated in the guideline tables are implemented appropriately, the residual effects, even cumulatively on all sub-projects, should not be significant. Expert judgment on expected residual impacts from sectorial activities within sub-projects implementation once all mitigating measures are taken is presented in Annexes E, F and G. Summary of probable residual impacts generated by sectorial activities is presented in the *Table 8* below.

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

Table 8. Summary of potential residual impacts

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

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Manufacturing	Air & surface water pollution	Low-moderate
Construction	Surface water pollution, soil erosion	Low

4. Environmental Guidelines

4.1 Purpose of Environmental Guidelines

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

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

4.2 Content of Environmental Guidelines

The Environmental Guidelines provide the following:

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

4.3 Matching Grants Environmental Screening and Improving Environmental Performance of Business Development proposals

As described above, the second Project Component would provide support for a series of TA and consultancy activities that might indirectly, during the implementation and operational phases generate some environmental and social impacts. In the development of business plans, creating new products, or improving production processes can generate some impacts related to air and

water pollution, waste generation, labor and health risks, etc. Based on that, the PIU Environmental Specialist will conduct preliminary screening of proposed Matching grants and identify those which might require an EIA and/or a simple EMP. The screening process will also allow these institutions to make a preliminary environmental assessment of matching grants and identify possible areas and recommendations for improving environmental performance of proposed activities by identifying opportunities for sound environmentally and/or socially positive alternatives⁷ (e.g., energy efficiency, recycling and reducing waste generation, etc.).

Table 9 below presents potential activities that enterprises might include in their business improvement projects to be funded by matching grants, initial guidance on the environmental category that these activities may fall into, and comments on the types of environmental impacts the activities could potentially have.”

Table 9. TA activities, criteria and suggested screening categories

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

While the grant activities considered as Category B, as such, will not generate any adverse environmental and social impacts, if the EIA is not done appropriately, indirectly it may cause some environmental and social risks during the project implementation. If the Environmental Specialist's preliminary screening and consultation with the technical committee of the MGF Administrator (which may include participation of the PIU, ODIMM and MIEPO) concludes that an environmental assessment (EA) should be conducted for the activities the matching grant will

⁷ As noted in 4.2 implementation of recommendations is not a condition for MGF grants and it is up to MGF beneficiaries to take these recommendations into consideration

fund, ODIMM, MIEPO and PIU Environmental Specialist will review the TOR for the EA to ensure it is in compliance with the national and WB safeguards policies. The TOR for EA study should be disclosed on the website of the Matching Grant Facility Administrator or one of the members of the technical committee (e.g., ODIMM or MIEPO – to be determined during project implementation) and virtually consulted with interested parties before the award of the matching grant.

As specified above, during the grants screening, the Environmental Specialist (ES) may identify potential opportunities for MGF beneficiaries to implement environmentally sound and/or socially positive activities. Table 10 below provides initial guidance on the types of environmental issues that may arise from activities to be funded under matching grants. The ES may make recommendations to the beneficiary in these areas.

Table 10. Type of grants and issues to be looked at

Type of grants	Environmental issues
Create new export products and services	Air/water/soil pollution prevention and control technologies applying, wastes reducing and recycling, health and labor safety ensuring, energy efficiency implementing etc.
Improve production processes	Air/water/soil pollution prevention and control technologies improving, wastes reducing and recycling, health and labor safety improving, energy efficiency increasing etc.
Business process re-engineering to improve productivity	Air/water/soil pollution prevention and control technologies applying, wastes reducing and recycling, health and labor safety improving, energy efficiency increasing etc.

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

4.4 Rules and Procedures for Environmental Screening of LoC Sub-projects

4.4.1 Introductory notes

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

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

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

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

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

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

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

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

Examples of projects that fall under Categories A, B, and C are provided in the *Table 3*. However, this list is just a starting point and framework for the screening decision. Because of other factors involved such as project setting, the nature of impacts, and the need for the EIA process to be flexible enough to accommodate them, the lists should not be used as the sole basis for screening.

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

- ➔ *To the Category A projects* will be attributed all planned activities which require a full EIA study and listed in the Regulation on EIA (2000) and in the Order of Organization and Conducting of the State Ecological Expertise (2002) in case they attribute to newly planned activities/ enterprises, as well as those which the ME considers as projects

which also need a full EIA (projects placed in or in the vicinity of environmentally sensitive areas and habitat of endangered species; in or near areas with archaeological and/or historical sites or existing cultural and social institutions).

- ➔ To the Category B projects may be attributed all planned activities which may have adverse impacts on the environment but not listed in the Regulation on EIA (2000) and in the Order of Organization and Conducting of the State Ecological Expertise (2002). Additionally, Category B might be attributed to those listed in above documents projects/enterprises, which were already built and, respectively passed through the procedure of the State Ecological Expertise, but the purpose of funding is their upgrading/improvements. In these cases EIA is required only for their newly developing parts (construction, reconstruction, rehabilitation, expansion of industrial facilities, etc.).
- ➔ To the Category C projects will be mainly attributed those which are expected to have minor impacts on environment and therefore are not needed to be passed through the formal procedures of EIA and SEE.

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

4.4.2 Types of sub-projects that will be not supported by the CEP-II

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

- (i) in the case they may cause significant impacts for which it would be necessary a full EIA (Category A sub-projects);
- (ii) any investments related to wood harvesting and/or those that might have impacts on the forest health(Ref.: OP/BP 4.36 Forestry);
- (iii) production and processing of Genetically Modified Organisms (GMOs);
- (iv) located in protected areas, critical habitats or culturally or socially sensitive areas (Ref.: OP/BP 4.36 Forestry, OP/BP 4.04 Natural Habitats, OP/BP 4.11 Physical Cultural Resources);
- (v) any sub-projects used to invest in a business which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other (Ref.: OP/BP 4.12 Involuntary Resettlement);
- (vi) purchasing pesticides (Ref.: OP 4.09 Pest Management);
- (vii) large scale irrigation systems and sub-projects involving discharging waste waters directly in the international waterways, abstraction or diversion of international waters, sub-projects related to discharging waste materials in a location that could impact on international waters, construction of any dams that might affect international waters hydrological regime, etc. (Ref.: OP/BP 7.50 Projects on International Waterways).

The CEP II will also not support other types of sub-projects that are specified in the IFC/WB Exclusion List (*Table 11*).

Table 11. The IFC/WB Exclusion List

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.*
- Production or trade in alcoholic beverages (excluding beer and wine).*
- Production or trade in tobacco.*
- Gambling, casinos and equivalent enterprises.*
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor**/harmful child labor.***
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

Notes:

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

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

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

4.4.3 Environmental Impact Assessment of LoC Category B of sub-projects

After the FI's and CLD initial environmental screening of sub-project proposal, for the Category B sub-projects – the sub-borrowers should initiate a site specific EIA and EMP and/or prepare a simple EMP and/or a EMP Checklist in order to identify, evaluate and prevent potential environmental impacts and identify mitigation measures that may be incorporated into the project design. The purpose of the EIA and/or EMP is to predict potential effects and improve the environmental aspects of sub-projects by minimizing, mitigating or compensating for negative effects. The EIA should be conducted for the entire enterprise regardless of loan's size or any other specific features of a loan. *Terms of Reference for an Environmental Impact Assessment* are attached as *Annex A/Form 3* of the EMF. The project's applicant is responsible for conducting this study.

4.4.4 Impacts Prevention/Mitigation

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

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

The full set of preventive and mitigation measures for activities in Agricultural & Agro-processing and Manufacturing sectors were developed by the World Bank Group in 2007 in its Environmental, Health, and Safety Guidelines⁸, as well as outlined in the Best Available Techniques to the EU Integrated Pollution Prevention Control Directive⁹, documents which could be consulted while conducting the EIA studies and preparing the Environmental Management Plans.

4.4.5 Steps to be followed while performing EIA of LoC sub-projects

The steps to be followed while performing sub-projects EIA procedure, along with the responsibilities of the various concerned institutions are presented in *Table 12* below.

The screening should be done at the initial stage of the sub-projects selection. Based on the description of the proposed activities and on their potential environmental impacts, the FIs will decide which project category should be attributed. For the purpose of sub-project EIA it should be used special checklists and templates (see *Annexes A-D*). These documents will be attached to all submitted sub-project proposals (*Table 13*).

Table 12. Environmental Impact Assessment Procedure Documents by sub-project categories

Preparer	EIA Document	Sub-project activities and categories					
		New facilities		Existing facilities		Construction/rehabilitation	
		C	B	C	B	C	B
B	Environmental Screening Checklist <i>Part 1</i> (Annex A/Form 1)	X	X			X	X
PFI	Environmental Screening Checklist <i>Part 2</i> (Annex A/Form 1)	X	X			X	X
PIU	Environmental Screening Checklist <i>Part 3</i> (Annex A/Form 1)	X	X			X	X
CLD	Environmental Screening Checklist <i>Part 4</i> (Annex A/Form 1)		X				X
CLD	Field Inspection Checklist (Annex A/Form 2)		X				X
B	Environmental Impact Assessment Study (Annex A/Form 3)		X				X
B	Environmental Screening Checklist <i>Part 1</i> (Annex C/Form 1)			X	X		
PFI	Environmental Screening Checklist <i>Part 2</i> (Annex C/Form 1)			X	X		
CLD	Environmental Screening Checklist <i>Part 3</i> (Annex C/Form 1)			X	X		

⁸ See: <http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvironmentalGuidelines>

⁹ See: http://europa.eu/legislation_summaries/environment/waste_management/l28045_en.htm

Pre-parer	EIA Document	Sub-project activities and categories					
		New facilities		Existing facilities		Construction/rehabilitation	
		C	B	C	B	C	B
B	Environmental Audit Protocol Outline (Annex D)				X		
B	Environmental Management Plan (Annex B/Forms 1-2)		X				X
B	Environmental Monitoring Plan (Annex B/Form 3)		X				X
B	Environmental Management Plan Checklist for small scale constructions/rehabilitations (Annex A/Form 4)					X	X

Note: B – beneficiary, sub-borrower; PFI – participating financial intermediary; CLD – Credit Line Directorate

Table 13. Steps to be followed while performing the EIA procedure of sub-projects

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
Step 1	<p>1) The potential sub-borrower and the PFIs officers prepare an initial sub-project concept and submit it to PFI.</p> <p>Notes:</p> <ul style="list-style-type: none"> i) The sub-borrower is responsible for obtaining appropriate permits and approvals that may be required for the particular type of activity to be financed, and are issued by the local authorities responsible for environmental issues. It should be noted also that a construction permit would be required in case of new construction or substantial reconstruction; ii) At this time the sub-borrower may initiate preliminary discussions, if needed, with the respective of environmental authorities to determine requirements for environmental review 		
Step 2	2) If the sub-project receives preliminary endorsement of PFI, the sub-borrower completes <i>Part 1</i> of the Environmental Screening Checklist (Annex A/Form 1)		
Step 3	3) PFI based on the findings of the environmental screening and scoping process completes <i>Part 2</i> of the Environmental Screening Checklist (Annex A/Form 1)		
Step 4	<p>4) CLD, based on the Environmental Screening Checklist, after consulting the PIU Environmental Specialist, when necessary, determines the environmental category, and makes a conclusion that a full EIA should be done and informs sub-borrower that such sub-project cannot be supported by the project.</p>	<p>4) CLD, based on the Environmental Screening Checklist, after consulting the PIU Environment Specialist, when necessary, determines the environmental category of sub-project is “B”, and makes a conclusion what kind of EIA is to be conducted – an EIA and an EMP and/or partial EIA, or an EMP Checklist, including or not an environmental site assessment, or applying the screening procedure as for “existing facilities”, and informs sub-borrower</p>	<p>4) CLD, based on the Environmental Screening Checklist, after consulting the PIU Environment Specialist, when necessary, determines the environmental category of the subproject is C and approves for financing, and informs sub-borrower</p>
Step 5	N/A	<p>5) In the case of a sub-project which require an EIA and EMP and/or an environmental site assessment, the PFI, CLD and/or PIU Environmental Specialist organizes a field site visit and completes the Field Site Visit Checklist (Annex A/Form 2)</p>	N/A
Step 6	6) CLD in consultation with PIU Environmental Specialist, when necessary, completes <i>Part 3</i> of the Environmental Screening Checklist (Annex A/Form 1)		
Step 7	N/A	<p>7.1) If the applicant wishes to follow further, she/he arranges preparation of Environmental Impact Assessment of a required level and an Environmental Management Plan;</p>	N/A

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
		<p>7.2) For that PFI/CLD provides the sub-borrower the <i>Terms of Reference</i> for preparation of EIA study (<i>Annex A/Form 3</i>)</p> <p>7.3) At sub-borrower's request, an authorized institution prepares the Environmental Impact Assessment/Environmental Analysis and Environmental Management Plan</p> <p>Notes:</p> <ul style="list-style-type: none"> i) Category B sub-projects which are listed in the <i>Instruction on the Order of Organization and Conducting of the State Ecological Expertise</i>, which presume new construction, substantial technological modernization, application of new technologies, change of land use patterns “some Environmental Assessment” is a subject of the <i>State Ecological Expertise</i>; ii) In the case of small scale construction and reconstruction activities it is recommended to apply a generic <i>Environmental Management Plan Checklist</i>, proposed by the WB to address potential environmental impacts; this document is provided in <i>Annex A/Form 4</i>; iii) <i>Content and Description of the Environmental Management Plan</i> are presented in <i>Annex B/Form 1</i> (Parts 1-2); iv) <i>Environmental Management Plan Format</i> is presented in <i>Annex B/Form 2</i>; v) <i>Environmental Monitoring Plan Format</i> is presented in <i>Annex B/Form 3</i>; vi) <i>Measures to mitigate impacts</i> which may be generated by sub-projects from Agricultural Production, Agro-processing and Manufacturing sectors are provided in <i>Annexes E, F, and G</i>, respectively. 	
Step 8	N/A	<p>8.1) The sub-borrower prepares and submits to PFI prepared <i>Environmental Impact Assessment report and the EMP and/or EMP Checklist</i> together with other documents needed for environmental approval as well as other relevant documentation upon PFI's request, when needed;</p> <p>8.2) The PFI/CLD reviews the submitted documentation and completes <i>Part 4</i> of the <i>Environmental Screening Checklist</i> (<i>Annex A/Form</i></p>	N/A

Steps	Category A sub-projects	Category B sub-projects	Category C sub-projects
		<p>1)</p> <p>Notes:</p> <p>i) PFI/CLD may suggest some revisions and/or clarification (which the applicant has to provide upon PFI's request), the Environmental Management Plan and accompanied all necessary permits (the applicant is responsible for obtaining appropriate permits, clearances and approvals which may be required by other local authorities);</p> <p>ii) PFI/CLD may return the EIA documents in case they didn't correspond to specified requirements</p>	
Step 9	N/A	<p>9) When the EIA is conducted and Statement on EIA is ready, the sub-borrower organizes its <i>Disclosure and Public Consultation</i>, involving NGO's, community representatives, affected groups, etc. and records input from the public. Formal Minutes records the participants as well as issues raised toward EIA, and recommended activities to further address stakeholders' concerns.</p> <p>Note: In the case of small scale sub-projects which require only an <i>EMP Checklist</i> the sub-borrower organize its <i>Disclosure without special public consultation</i>.</p>	N/A
Step 10	N/A	<p>10.1) After the consultation the sub-borrower incorporates the received recommendations as well as those received during the review and clearance by other public authorities into the sub-project technical design documentation (and Environmental Management Plan) and submit it for conducting of the <i>State Ecological Expertise</i>.</p> <p>Note: The Category B sub-projects which require only an EMP Checklists are not needed to be presented to the SEE</p> <p>10.2) When required, sub-borrower gets also from the State Ecological Inspectorate the final Authorizations (permits) on use of the natural resources which is issued on the base of permits obtained from core institutions responsible for</p>	N/A

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

4.5 Environmental Monitoring and Reporting

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

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

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

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

4.6 Sub-projects' Environmental Impact Assessment Disclosure and Consultation

Disclosure of the EIA documents for Category B projects is mandatory, and is to be done at a public place accessible to project-affected groups & local NGOs. This might be at the beneficiary web site/office, local authority offices and/or the central State Ecological Inspectorate or its rayon sub-division. Furthermore, the sub-borrower provides a forum or hearing for consultation and comment by project-affected groups ensuring balanced representation and voice for both women and men and local non-governmental organizations during the environmental assessment process and takes their views into account before finalizing project design and submission of the sub-project to the PFI/CLD and to PIU for final approval. The sub-borrower provides any relevant materials (process descriptions, maps, building plans, etc.) to participants in a timely manner and in a form and language that are understandable to the group being consulted and records and describes details of consultations held in the project screening form.

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

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

5. Pest Management Issues

The pest management issues which can be potentially raised by the project may relate to possible indirect effect of stimulating greater use of agro-chemicals associated with more intensive cultivation and/ or higher crop value.

The objective of EMF in this regard is to encourage adoption of Integrated Pest Management approach and increase beneficiaries' awareness of pesticide-related hazards and good practices for safe pesticides use and handling.

5.1 Principles of the Integrated Pest Management¹⁰

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

Integrated Pest Management (IPM) consists of the judicious use of both chemical and non-chemical control techniques to achieve effective and economically efficient pest management with minimal environmental contamination. IPM therefore may include the use of: a) Mechanical and Physical Control; b) Cultural Control; c) Biological Control, and d) rational Chemical Control.

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

5.2 Alternatives to Pesticide Application

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

- Rotate crops to reduce the presence of pests and weeds in the soil ecosystem;
- Use pest-resistant crop varieties;
- Use mechanical weed control and/or thermal weeding;

¹⁰ This section is based on the World Bank Group in the Environmental, Health, and Safety Guidelines prepared in 2007.

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

5.3 Pesticide Application

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

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

5.4 Pesticide Handling and Storage

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

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

5.5 Pest Management Plan

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

The Pest Management Plan should be a framework through which pest management is defined and accomplished. The Plan should identify elements of the program to include health and environmental safety, pest identification, and pest management, as well as pesticide storage, transportation, use and disposal. Management Plan is to be used as a tool to reduce reliance on pesticides, to enhance environmental protection, and to maximize the use of integrated pest management techniques.

The Pest Management Plan shall contain pest management requirements, outlines the resources necessary for surveillance and control, and describes the administrative, safety and environmental requirements. The Plan should provide guidance for operating and maintaining an effective pest management program/ activities. Pests considering in the Plan may be weeds and other unwanted vegetation, crawling insects and other vertebrate pests. Without control, these pests provoke plants' deceases. Adherence to the Plan will ensure effective, economical and environmentally acceptable pest management and will maintain compliance with pertinent laws

and regulations. The recommended structure of a *Pest Management Plan* is presented in the *Annex H*.

6. Institutional Arrangements for the EMF implementation

6.1 General Remarks

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

The PIU will be responsible for implementing the matching grant sub-component under the second project component (SME Development), with technical inputs from ODIMM and MIEPO. This component is targeted at improving enterprises' export competitiveness, by providing matching grants for relevant business development and other related services. Since the PIU does not currently have expertise on environmental issues, it was agreed that an Environmental Specialist (ES) will be hired by the PIU. The ES should have good knowledge of, and experience in applying, WB environmental safeguards and environmental management practices. The role of the ES will focus on following: (i) assessing any potential negative environmental or social impacts of the matching grant proposals (business improvement projects); (ii) conducting environmental screening and assessment of matching grant proposals; (iii) creating and/or strengthening Environmental Management Systems (EMSs) at participating enterprises; (iv) looking for opportunities to recommend environmentally and/or socially positive options (e.g. energy efficiency, recycling and reducing waste generation, etc.) to support the activities presented in the matching grant application; (v) monitoring to ensure that Involuntary Resettlement Policy OP4.12 is not triggered by any of the activities; (vi) providing TA on environmental management to ODIMM and MIEPO as required given their role in the MGF process; (vii) providing inputs on environmental management into the Matching Grants Manual. If administration of technical aspects of the MGF is transferred to ODIMM later in the project, the ES will provide additional TA to ODIMM so that they can adequately screen the MGF applications for environmental issues, per the requirements in the MGF Manual.

The implementation of the Line of Credit under component 3 of the project (Access to Finance) will be done by the Credit Line Directorate under the Ministry of Finance. This is the same implementing agency as under CEP I, and CLD has extensive expertise in the application of Bank Safeguard policies (in addition to CEP I, it has managed several other lines of credit financed under World Bank's Sector Rural Investment and Services Project). Furthermore, the CLD received adequate training to conduct screening of sub-project loan applications for compliance with safeguards procedures. Based on information gathered during WB implementation support visits, safeguards implementation in CEP I was considered positive overall. The EMF was implemented successfully – all submitted sub-projects were preliminarily assessed from the environmental point of view, and were assigned an environmental category as

well as required relevant environmental authorizations, licenses and permits. Furthermore, all approved sub-projects have relevant supporting EA documents (Environmental Screening Checklist and/or simple Environmental Management Plan as well as if needed per national legislation), approvals from local environmental authorities and from the State Ecological Expertise (SEE), and environmental permits and licenses.

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

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

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

The LoC Operational Manual that will be developed will set forth the rules and procedures for environmental assessment of sub-projects as described in the EMF, eligibility criteria for enterprises that can benefit from the LoC, criteria for the eligible investments and working capital loans, terms and conditions of the sub-loans, and other modalities and agreements of the LoC. The sub-projects' EMPs will be also integrated into the contracts for approved activities, both into specifications and bills of quantities and the contractors will be required to include the cost in their financial bids and grant proposals. The Matching Grants Manual will provide rules and environmental assessment procedures for matching grants. These document should be satisfactory to WB.

For the LoC, the EA documentation for the first two Category B sub-projects from each participating PFI will be subject to prior review and approval by the PIU and World Bank. The project will also provide PFI capacity-building activities prior to PFI approving of any sub-projects. This capacity-building would be completed before prior review by the World Bank.

During sub-project appraisal, PFIs will have to ensure that proposed sub-projects are in compliance with all national environmental laws and standards, as certified by the relevant local or national authorities of the country. All relevant documents and permits should be kept in each sub-borrower document file maintained by the PFI, and be made available for review by PIU, CLD and WB representatives.

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

6.2 Credit Line Directorate

The Line of Credit (LOC) will be administered through an apex arrangement placed with the Credit Line Directorate (CLD), a specialized entity operating under the Ministry of Finance. The CLD has ample experience with the Bank's LOCs, and has also administered credit lines of a number of other international institutions. This institution was established under the Bank-funded Private Sector Development I Project in 1995 specifically for the purpose of administering credit line resources financed by IFIs. The CLD is adequately staffed. The CLD will utilize the Operational Manual (OM) developed for the Credit Line component, which will specify details about implementation arrangements and the related functions.

The CLD is involved in the process of project implementation from the very beginning until sub-project Appraisal. It assesses project proposals to attribute them an environmental Category and determines type of Environmental Assessment to be conducted for project, reviews the set of documents prepared by sub-borrowers (sub-projects' Information Sheet or Project Summary Sheet as well as all necessary permits and clearances needed for project implementation) completes Environmental Screening Checklist and makes a final decision on project's financing. In case of non-compliance with presumed mitigating measures during project implementation, the CLD can propose suspension of funding to the PFI based on random supervision.

6.3 Commercial Banks

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

6.4 Project Implementation Unit

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

The PIU staff will include an environmental specialist who will randomly review and verify applications for sub-projects submitted to the PFIs, and if approved, will also randomly monitor their compliance with the EMF. The role of the PIU Environmental Specialist will be two-fold: (I) to provide assistance to PFI loan officers and to CLD to determine the exact impacts that can be generated by proposed activities for which loans are being sought as well as prescribing in specific terms the required mitigating actions to be taken; and, (ii) to monitor and report on a regular basis the effects on the environment that activities financed through PIU may provoke and to ensure that mitigation is carried out.

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

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

7. Training and Capacity Building

7.1 Training for PIU and PFIs

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

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

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

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

7.2 Capacity building activities for SME component

The matching grant facility will be implemented in coordination with ODIMM and MIEPO, with the PIU as the implementing agency, as discussed above. In addition, other activities to be carried out under the SME Development component of the project will strengthen ODIMM's and MIEPO's capacities to effectively deliver programs to facilitate higher business sophistication

and deeper integration into global supply chains. ODIMM will be the primary beneficiary of those activities related to overall SME development and growth of SMEs in Moldova. MIEPO will be the primary beneficiary of those activities related to exports of Moldovan goods and services by SMEs and other enterprises.

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

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

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

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

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

8. EMF Monitoring

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

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

9. Budget

At the project design stage, the amount of funds to be spent for preparing sub-projects EIAs, obtaining of necessary permits and other relevant activities are the responsibilities of sub-borrowers. They will depend on the nature of project proposal, its complexity, scale, etc. At the construction and operation stages, the funds to be spent for installations and other activities to ensure mitigation measures against the environmental impacts from sectoral activities is also the responsibility of sub-borrowers. These funds will depend on particular techniques and technologies used for implementing mitigation measures as well as on their scale, number, variety and other factors. At the same time, in order to ensure successful EMF implementation, a series of capacity building activities are necessary for which the project has to provide adequate funding. Estimated budget for proposed capacity building activities and trainings is presented in the *Table 14* below.

Table 14. Estimated budget for trainings

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

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

10. Environmental Management Framework's Disclosure and Consultation

Draft Environmental Management Framework disclosure occurred on March 07, 2014 by its posting for consultation on national public web-platform (particip.gov.md), as well as on websites of the Ministry of Economy (www.mec.gov.md) and Regional Environmental Center (REC) Moldova (www.rec.md). REC has further forwarded electronically the EMF summary to all national and local environmental NGO's, and PIU - to the Ministry of Environment, Ministry of Economy, Ministry of Finance, and others interested stakeholders.

Consultation on draft EMF took place on March 21, 2014 at premises of Ministry of Economy in Chisinau with participation of representatives of implementing agencies, national environmental authorities, NGO's and PIU.

During the consultation, the Client has presented a summary of a draft Environmental Management Framework to public. Particularly, the audience was informed about screening procedures of the sub-projects, types of EIA for sub-projects, potential impacts which may be generated by sector activities as well as measures to be taken to prevent/mitigate potential impacts. The consultation meeting's attendees actively participated in discussions which were mainly focused on proposed environmental screening procedures and capability of financial intermediaries and implementing agencies to perform environmental management and monitoring of sub-projects.

After the meeting, on the basis of input from participants as well as received comments on draft EMF posted two weeks earlier for consultation, there were made relevant corrections both in the main text of EMF and annexes to EMF to better meet stakeholders' concern. The Report on Consultation on the Draft EMF with interested parties is presented in *Annex J*.

Final version of the Environmental Management Framework approved by World Bank is to be posted on World Bank's InfoShop for its disclosure as well as on websites of the Ministry of Economy and Regional Environmental Center (REC) Moldova.