



MD Second Competitiveness Enhancement Project (P144103)

EUROPE AND CENTRAL ASIA | Moldova | Finance, Competitiveness and Innovation Global Practice | IBRD/IDA | Investment Project Financing | FY 2015 | Seq No: 9 | ARCHIVED on 23-Apr-2019 | ISR36655 |

Implementing Agencies: Ministry of Finance, PIU under Ministry of Economy, Credit Line Directorate under Ministry of Finance, Ministry of Economy and Infrastructure, ODIMM, Government of Republic of Moldova

Key Dates

Key Project Dates

Bank Approval Date: 11-Jul-2014	Effectiveness Date: 02-Oct-2014
Planned Mid Term Review Date: 17-Oct-2016	Actual Mid-Term Review Date: 17-Oct-2016
Original Closing Date: 31-Jan-2020	Revised Closing Date: 31-Jan-2020

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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) improve the business environment through regulatory reforms that reduce the cost of doing business; (ii) help SMEs and exporters to get access to business development services; and (iii) improve access to medium and long term finance for export oriented enterprises.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Regulatory Reform:(Cost \$6.24 M)
SME Development:(Cost \$8.04 M)
Access to Finance:(Cost \$30.00 M)
Project Management:(Cost \$0.72 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Substantial	● Substantial

Implementation Status and Key Decisions

Regulatory reform:

There is progress with One-Stop-Shop (OSS) for online issuance of permits and licenses. System is online and active since July. This is a critical reform for the Government to undertake, with many government agencies involved. Integration of Mpay and online banking payments should be done, as well as completion of digitizing all permits. Finally, business registration should be digitized and made online.



The ministry of Economy needs to take more proactive role and ownership over Performance indicators for government authorities with a business regulatory function as this is also part of DLIs. This activity is delayed. It is critical to establish performance indicators for inspection functions, and then to publish results of performance indicators for RIA, OSS and inspections

Progress on amending RIA methodology. The first stage of amending the RIA methodology in line with WBG recommendations was completed, the Government by the Decree nr. 23 from 18.01.2019 approved the new Methodology for Impact Assessment, which unifies RIA and ex-ante mechanisms. The Decree was published in the Official Gazette on 19.01.2019. The second stage envisages revision of the Gov. Decree # 1429 and Laws #235 & #100 which is ongoing. RIA Secretariat moved to the State Chancellery (SC). This is a notable improvement compared to previous ISR. A comprehensive program for RIA and SCM capacity building within ministries will need to be set up. RIA compliance improved. Some progress with the technical assistance to the Competition council, but overall progress with market assessments is very slow and this needs to be improved.

SME development:

Delays with ODIMM in setting up its export promotion department as well as the M&E and Internal Audit Department. This is causing delays in project activities with ODIMM. It is urgently needed to speed up activities on completing internal reorganization of ODIMM and start export readiness program.

MIEPO is restructured and merged into new Investment agency. Investment agency is very active and progressing in meeting project goals and PDO.

MGF facility is progressing well and the first impact evaluation is in the process of being performed.

Access to Finance:

The credit line has disbursed 74%, which is an improvement compared to the previous ISR. New PFI has been added.

ODIMM implemented Credit Guarantee software in several banks

Overall:

Although the overall progress of the project is good, government restructuring slowed progress in some areas and thus project implementation progress still moderately satisfactory. Therefore CEP 2 is restructured.

Overall business environment in Moldova is not improving in 2018. Since 2015, businesses confirmed improvements in business environment through annual Cost of Doing Business survey. Strong Government push for reforms in 2016 and 2017 when inspections and permits were reforms, was not followed by even a stronger push in 2018. OSS for permissive documents was launched in second half of 2018, but its effects will be felt in 2019. Therefore, 2018 business environment is at 2005 levels, and Government has to make even stronger push to improve the conditions and meet PDO.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● High
Macroeconomic	--	● Substantial	● Substantial
Sector Strategies and Policies	--	● Substantial	● Substantial
Technical Design of Project or Program	--	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	--	● High	● High
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Low	● Low
Stakeholders	--	● Moderate	● Moderate
Other	--	● Low	● Low
Overall	--	● Substantial	● Substantial



Results

PDO Indicators by Objectives / Outcomes

Improve the business environment through regulatory reforms that reduce costs of doing business				
▶Reduction in management time spent meeting regulatory requirements (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.70	--	10.20	8.50
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	To be measured by Annual Cost of Doing Business survey			

Help SMEs and exporters to get access to business development services				
▶Percentage of matching grant recipients that are engaged in a new export oriented activity (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	20.00	50.00
Date	02-Oct-2014	--	31-Dec-2018	30-Jul-2021
Comments:	As of 31st of December 2018, 38 enterprises of 190 receiving MGF were engaged in a new export oriented activity.			

Improve access to medium and long term finance for export oriented companies				
▶Average annual percentage increase in lending to export oriented enterprises by participating financial institutions (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	11.30	5.00
Date	02-Oct-2014	--	31-Dec-2018	30-Jul-2021
Comments:	13.9% data from end 2016; 33.7% data from end 2017. Since inception, we managed to meet this indicator until 2018, where increase was not 5% over previous year. But 2017 saw notable increase as compared to baseline and 2016 (basically surpassing the entire PDO target).			
▶Cumulative amount of medium and long term lending by participating financial institutions under the line of credit (>24 months) (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	75.00	60.00
Date	02-Jun-2014	--	31-Dec-2018	30-Jul-2021



Comments:

This indicator measures percentage of total disbursement and not absolute USD amounts. the indicator accurately captures the impact on medium/long-term lending without duplication with the Intermediate indicators that tracks overall disbursement in absolute terms.
As of December 31, 2018, actual cumulative amount of medium and long term lending by participating financial institutions under the line of credit (>24 months) was \$16.2million, or 75%.

Overall Comments

Solid progress towards meeting PDO.

Intermediate Results Indicators by Components

Regulatory Reform				
▶Cummulative number of reforms enacted according to the Action Plan to reduce regulatory barriers and remive anti-competitive elements of legislation and regulation (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	7 cumulative actions have been implemented	6.00
Date	02-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	7 reforms have already been implemented			
▶Percentage of laws and sub-laws affecting businesses that are assessed by the RIA Secretariat before approval by Parliament (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	35.00	--	70.00	75.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	This indicator is showing continuous progress (35% baseline; 40% in 2016; 55% in 2017, and now 70%).			
▶Establish and apply performace indicators for Government authorities with business regulatory function (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Don't exist	--	RIA and OSS indicators established. Performance based indicator for inspections needs to be established and monitored. Good progress so far on all three.	Performance indicators established for all the Recipient's authorities with a business regulatory function that are included in the action plan agreed on with the World Bank; The performance indicators are monitored and publicly reported per the action



				plan agreed on with the World Bank; and The targets for each performance indicator are revised and validated for 2020 and the following years, per the action plan agreed upon with the World Bank
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	RIA and OSS for permissive documents indicators established, but would need to be published in 2019; inspections performance based indicators being prepared.			

Access to Finance				
▶Volume of PFI funding for exporters through Line of Credit (Amount(USD), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	20.60	29.40
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	Slowdown in disbursement as a result of interest rate setting mechanism by the MoF that resulted in too high interest rates. This was amended in March 2019, but effects will be reflected in the next ISR.			
▶Portfolio at risk (NPLs) under the Line of Credit (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	5.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
▶Number of sub-loans disbursed from the Line of Credit (cummulative) (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	123.00	83.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	In terms of cumulative number of sub-loans disbursed the results of the Y.1 -Y.4 are significantly above the targets (71 targeted vs. 123 de facto). As of December 31, 2018 a total of 123 exporters received sub-loans (60 direct + 63 indirect) , which is very good			

SME Development				
▶Adoption and implementation of a Strategy for ODIMM that promotes organizational effectiveness and reflects segmentation of delivery assistance mechanisms and enterprise needs (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target



Value	No strategy	--	Delays in implementing ODIMM strategy in terms of establishing export readiness and M&E department. this is affecting implementation of ODIMM strategy as it relates to providing more support to SMEs and export oriented companies. ODIMM has adequate budget and staffing and this is increasing each year to allow for implementation of strategy.	ODIMM strategy is implemented, budgeted, monitored and evaluated effectively in 2018, 2019, 2020. ODIMM strategy is updated and adopted by the appropriate government authority and Government allocates adequate budget based on the updated strategy.
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	Some delays in implementing the strategy in terms of setting up export readiness department and supporting SMEs and export oriented enterprises.			
►Increased outreach of ODIMM (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2.00	--	4.00	2.60
Date	31-Dec-2015	--	31-Dec-2018	30-Jul-2021
Comments:	This indicator is showing negative trend for three years in a row, and ODIMM outreach is decreasing (15% three years ago; 6% two years ago, and 4% last year). While the end target is already met, organizational and management changes in ODIMM as well as delays in starting to support other segments of enterprises in Moldova aside from micro ones (which was ODIMMs focus for many years) are showing negative trend. ODIMM urgently needs to set up export readiness and M&E departments and start serving other segments of companies in Moldova.			
►Increase effectiveness of ODIMM (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	73.00	--	80.00	94.80
Date	31-Dec-2015	--	31-Dec-2018	30-Jul-2021
Comments:	And while there is an improvement in 2018 as compared to 2017, ODIMM is more-less at 2016 level where effectiveness was 81%. Organizational as well as institutional changes in ODIMM as well as delays in supporting other segments of companies in Moldova are affecting bigger improvements in effectiveness for ODIMM.			
►Adoption and implementation of a Strategy for Investment Agency that promotes organizational effectiveness and reflects market segmentation and improved export promotion delivery assistance mechanisms (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No Strategy	--	Investment agency is implementing strategy. Adequate budget has	Investment agency strategy has been adopted by the MoEi or Government.



			been allocated for 2017, 2018 and 2019	Investment Agency has been given increased budgets for 2017, 2018, 2019, 2020, 2021. This is important to ensure the implementation of the institutional strategies and time bound plans for the organization, as well as precondition to meet the requirement on adequate budgeting with regard to DLIs foreseen under this component.
Date	02-Jun-2014	--	31-Dec-2018	30-Jul-2021
► Increase outreach of Investment agency (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.20	--	0.20	0.30
Date	31-Dec-2015	--	31-Dec-2018	30-Jul-2021
Comments:	The Government restructured MIEPO and replaced it Investment agency in 2018. Since Investment agency is basically continuing work of MIEPO, baseline is still valid. The restructuring in 2018 and constant changes in MIEPO in previous years took its toll now. Agency's outreach is continuously decreasing (from 20% three years ago, to 5% two years ago, and same result as baseline last year), while in contrast, effectiveness is notably increasing (please see effectiveness indicator)			
► Increase effectiveness of Investment agency (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	35.00	--	65.00	52.50
Date	31-Dec-2015	--	31-Dec-2018	30-Jul-2021
Comments:	Despite decrease in outreach, effectiveness is notably increasing as agency is providing better and more focused services to those they are serving. Agency is not already meeting end project target in terms of effectiveness.			
► Percentage of event participants reporting satisfied or very satisfied with workshops, training, seminars, conferences, study tours, etc (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	90.00	80.00
Date	01-Jul-2014	--	31-Dec-2018	30-Jul-2021
► Cumulative number of SMEs receiving Matching Grants (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	193.00	250.00



Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	As of December 31st, 2018 there were 205 grant applications registered, of which 193 approved (of which 3 were terminated), 1 canceled, 11 rejected. Also, 5 in the pipeline (companies that initiated the application process). Total committed amount to beneficiaries constitute the equivalent of USD 1,82 Mil*, of which USD 736 thousand* have been already disbursed to SMEs. (*official exchange rate on 31.12.2018 - 1 USD = 17,1427 MDL).			
►Cumulative number of business development services provided to SMEs (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	625.00	500.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
Comments:	The cumulative number of business development services under the approved BIPs, as of 31.12.2018 was 1343, of which 625 BDSs has been delivered to MGF beneficiaries.			
►Number of MGF beneficiaries creating or improving products (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	182.00	150.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
►Number of MGF beneficiaries improving production processes (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	87.00	150.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
►Number of MGF beneficiaries improving business management (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	145.00	150.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021
►Percentage of MGF beneficiaries that are women-owned or have female CEO (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	43.00	0.00
Date	30-Jun-2014	--	31-Dec-2018	30-Jul-2021

Disbursement Linked Indicators



►DLI 1 Establish and apply performance indicators for Government authorities with a business regulatory function (Text, Intermediate Outcome, 484,500.00, 33.33%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2019
Value	System does not exist	Second DLI December 2017 is not met. Government restructuring process resulted in some of the agencies involved in PBI measurement don't exist anymore. Government is trying to set up more elaborate PBI system at the level of State Chancellery. At the moment, little progress on this DLI	Government restructuring process resulted in some of the agencies involved in PBI measurement don't exist anymore. As a part of CEP 2 restructuring it was agreed that this DLI will cover RIA system, OSS for permissive documents and Inspection performance indicators, so combining three sub-indicators for government agencies with business regulatory function. there is a good progress on this DLI. DLI to be met by Dec 2020	Due Dec 2020
Date	--	31-Aug-2018	17-Apr-2019	--
►DLI 2 Cumulative number of reforms enacted according to the Action Plan to reduce regulatory barriers and remove anti-competitive elements of legislation and regulation (Text, Intermediate Outcome, 484,500.00, 66.67%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2019
Value	0.00	4.00	7.00	6.00
Date	--	31-Aug-2018	17-Apr-2019	--
►DLI 3 Adoption and implementation of a Strategy for ODIMM that promotes organizational effectiveness and reflects segmentation of delivery assistance mechanisms and enterprise needs (Text, Intermediate Outcome, 484,500.00, 66.67%)				
	Baseline	Actual (Previous)	Actual (Current)	December 2019
Value	No Strategy	ODIMM strategy is implemented, budgeted and monitored and evaluated effectively in 2016 and 2017. Adequate budget allocated to ODIMM (an increase compared to previous years), and ODIMM effectiveness and efficiency increased	While there is adequate budget allocated to ODIMM (an increase compared to previous years), and ODIMM effectiveness and outreach increased (albeit, outreach is on decreasing trend, but still above target), there is delay in implementing ODIMM strategy in terms of serving medium size companies and export readiness.	due Dec 2020
Date	--	29-Jun-2018	17-Apr-2019	--





►DLI 4 Adoption and implementation of a Strategy for MIEPO that promotes organizational effectiveness and reflects market segmentation and improved export promotion delivery assistance mechanisms (Text, Intermediate Outcome, 484,500.00, 66.67%)

	Baseline	Actual (Previous)	Actual (Current)	December 2019
Value	No Strategy	MIEPO strategy is implemented, budgeted and monitored and evaluated effectively in 2016 and 2017. MIEPO increased effectiveness and efficiency. Budget allocation for MIEPO notably increased, and new staff hired. 2017 DLI met.	The strategy is implemented, budgeted and monitored and evaluated effectively in 2016 and 2017. MIEPO increased effectiveness and efficiency. Budget allocation for Investment Agency (successor of MIEPO) notably increased, and new staff hired. Effectiveness increased notably, while outreach remained the same.	Due dec 2020
Date	--	29-Jun-2018	29-Jun-2018	--

Data on Financial Performance

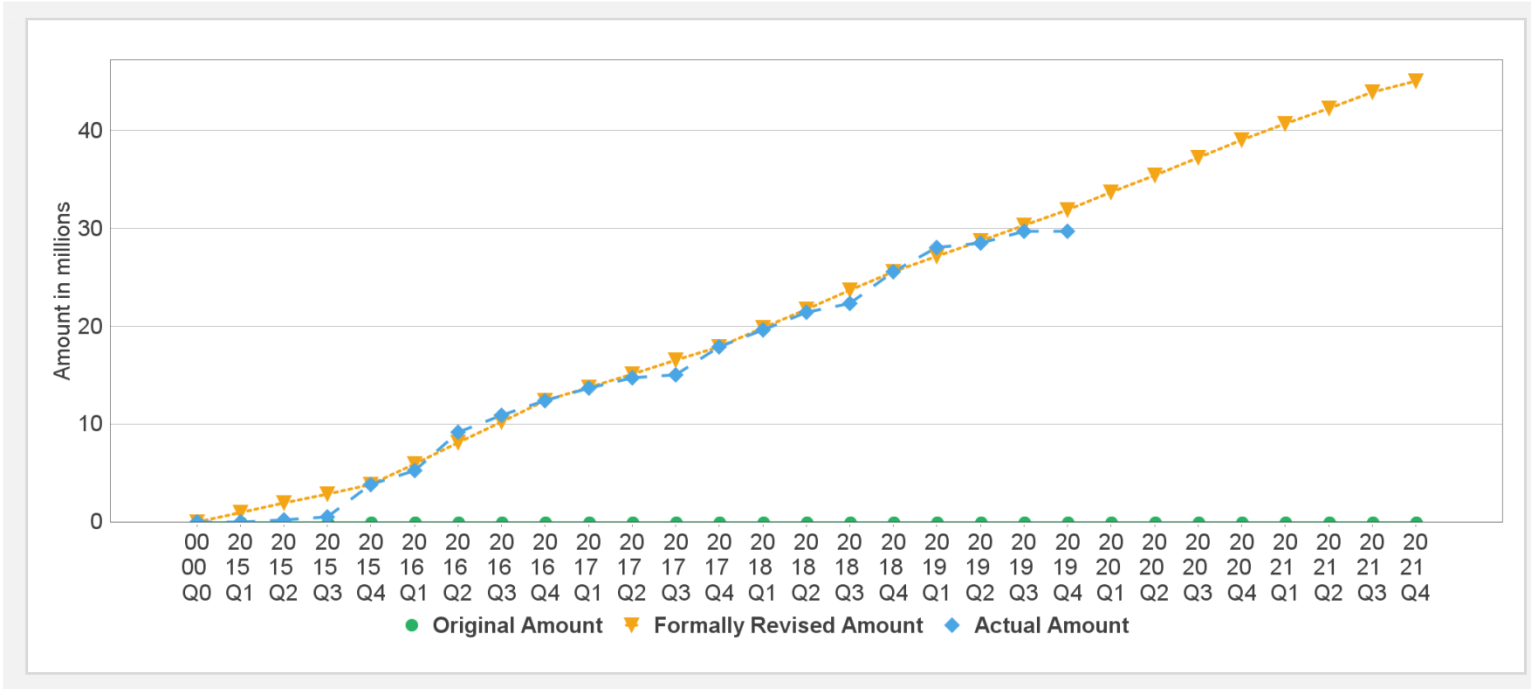
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P144103	IBRD-84000	Effective	USD	30.00	30.00	0.00	22.12	7.88	 74%
P144103	IDA-55090	Effective	USD	15.00	15.00	0.00	7.57	5.98	 56%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P144103	IBRD-84000	Effective	11-Jul-2014	15-Jul-2014	02-Oct-2014	31-Jan-2020	31-Jan-2020
P144103	IDA-55090	Effective	11-Jul-2014	15-Jul-2014	02-Oct-2014	31-Jan-2020	31-Jan-2020

Cumulative Disbursements



Restructuring History

Level 2 Approved on 02-Apr-2019

Related Project(s)

There are no related projects.