

MINISTRY OF AGRICULTURE AND FOOD INDUSTRY
OF THE REPUBLIC OF MOLDOVA

Consolidated Unit for Implementation and Monitoring of
Wine Sector Restructuring Program (PIU)

WINE SECTOR RESTRUCTURING PROGRAM
ACTIVITY REPORT

(For period July 01 - September 30, 2011)

Date of submission to EIB: _27_October, 2011

"The contents of this publication are the sole responsibility of Consolidated Unit for Implementing and Monitoring the Vine-Growing and Wine-Making Sector Restructuring Program and can in no way be taken to reflect the views of the European Union."

The information contained herein in this report was sent to the EIB under the responsibility of:

Company	Consolidated Unit for Implementation and Monitoring Of Vine-growing and Wine-making Sector Restructuring Program (PIU)
Contact person	Iurie BRUMAREL
Title	Executive Director of Moldovan Vine-growing and Wine-making Sector Restructuring Program
Address	162, Stefan cel Mare Boulevard, Chisinau, Republic of Moldova <i>(mail address: 18, Calea Basarabiei str., Chisinau, Republic of Moldova)</i>
Contact Phones	Cell: + 373 691 76 027 Office: + 373 22 260901
Emails	iurie.brumarel@winemoldova.md iurie.brumarel@yahoo.com ucimprsvv@yahoo.com

Table of Contents

ABBREVIATIONS.....	4
A. INTRODUCTION	5
B. PROGRAM PERFORMANCE EVOLUTION	6
C. PLANNED ACTIVITIES FOR THE 4 th QUARTER, 2011.....	9
ANNEX 1. REPORTS PRESENTED BY PIU TO LPAs DURING THE 3 RD QUARTER, 2011	13
ANNEX 2. LIST OF REPORTS THAT HAVE TO BE ELABORATED BY PIU	14

Abbreviations

ASC&PI	Associazione Culturale & Promozione Italianita
CLD	Credit Line Directorate
EIB	The European Investment Bank
LPA	Local Public Authorities
M&E	Monitoring and Evaluation
MIS	Management Information System
MoAFI	Ministry of Agriculture and Food Industry
MoF	Ministry of Finance
POM	Program Operations Manual
PDO	Protected Designation of Origin
PED	Program Executive Director
PFI	Program Financial Institution
PGI	Protected Geographical Indication
PIU	Program Implementation Unit
PP	Program Procurement Plan
ToR	Terms of Reference
WSRP	Wine Sector Restructuring Program

A. INTRODUCTION

The Wine Sector Restructuring Program (WSRP) has been launched on the 23rd of November, 2010 and is expected to be finalized on the 31st of March 2016. About EUR 75 million have been allocated for the implementation of activities envisaged under the program being operational for almost 4 years.

The WSRP aims to contribute to wine sector recovery and develop the production of bottled wines of “Protected Designation of Origin” and “Protected Geographical Indication”, by (i) restructuring the wine industry, (ii) improving the quality and consistency of wine produced in Moldova from the quality of vineyards to the final packaging and dispatch of products, and (iii) diversifying the country’s export markets.

The WSRP is targeting winemaking enterprises, nurseries, including local grape growers, enterprises of associated industries such as bottle, cork production and affiliated educational institutions.

In order to achieve the program’s goal and objectives Program Implementation Unit (PIU) will act through 4 components:

- i. Winemaking and associated industries enterprises development - upgrading the equipment and facilities of mostly small and medium sized winemakers and associated industries, construction of new winemaking enterprises, or expand the activities of the existing ones;
- ii. Viticulture sector development - improve the quality of grapes through restructuring and revitalization of the old and un-productive vineyards, introduce new growing technologies (drip irrigation, hail protection) and upgrade the viticulture equipment at the farm level;
- iii. Promote quality control bodies and research - acting through:
 - (a) National Laboratories Network Development - establishment / development of the relevant control bodies and testing wine quality at national level;
 - (b) Promotion of pro-wine policies and institutions - support the introduction of the system of PDO and PGI for Moldovan wines; organize trainings for students; create working laboratories or update the equipment in the existing laboratories in three educational institutions.
- iv. Program management - finance the PIU operations undertaken for the WSRP implementation.

This Report has been elaborated by the PIU in accordance with Article 12.06, Schedule A (Reporting), point 3 of the Finance Contract Serapis № 2010-0484, and reflects the evolution of program’s performance during July 01 - September 30, 2011, considering the activities targeted in the Inception Report for April - June 2011. Taking into account the fact that still none of the above mentioned Program components is active, except the Program management, the present report focuses on the achievements and activities undertaken by PIU.

B. PROGRAM PERFORMANCE EVOLUTION

During the reported period, the PIU continued with the start-up procedures for the WSRP and the targets of the Wine Program Inception Report March 2011 were fulfilled, along with the following activities:

1. The bellow mentioned individual consultancy was successfully contracted for Program and the organizational chat was elaborated:
 - a) Local Credit-lease Officer
 - b) Local M&E Expert
 - c) Local Finance Officer
 - d) Program driver/courier
2. The ToRs for the following local Consultants have been elaborated and selections commenced (collection of CVs, build up Evaluation Reports, etc.):
 - a) Local Credit Specialist
 - b) Local Lease Specialist
 - c) Local Legal Expert
 - d) Local Viticulture Expert
 - e) Local Winemaking Expert
 - f) Administrative Officer
 - g) Program Assistant/Translator
 - h) Procurement Assistant
3. The following largest procurements of goods/services for PIU operational start-up/needs have been made during the reporting period:

Supplier's Name	Procurement method	What was procured
Aproservice-X SRL	Shopping	Copying machine
BEMOL RETAIL SRL	Shopping	Fuel for program car
Birovits SRL	Shopping	Office supplies
Mobigrup Anturaj SRL	Shopping	Furniture for Program office
Moldcell SA	Shopping	Cell phone communication services for program staff
Noi TI & Service SRL	Shopping	ICT equipment for Program office
Orange Moldova SA	Shopping	Internet communication services for program office
SC "Aquastart Grup" SRL	Shopping	Drinking water for Program office

In addition, there was a number of small value contracting, that refers to operational activity of the PIU. Such contracts, which make part of Program Incremental Operational Costs, were signed with:

Supplier's Name	What was procured
"SERGIU PLUS NICOLAE"SRL	DHL postal services
Agrofermotech SRL	Program car washing services
Anodilia SRL	Written translation services
ARASEIF SRL	Procurement of metal 1 safe for program
Arta Curateniei SRL	Office cleaning
Asito SA	Program assets insurance
AUTOFORTA SRL	Program car technical testing
Dedal Business Travel SRL	Green card for 1 year for program car
Editura Statistica IS	Accounting forms
Giganet SRL	Cabling of internet/phone within program office
JECARS SRL	Repairing services for program car
Melitax-Grup SRL	Inventory printing device
Metro Cash&Carry Moldova SRL	Supplies (office/cleaning etc.) for program
MoldData SRL	Program domain name procurement
Profdesign SRL	Program office window blinds
Revista economica Logos-Pres SA	Advertising of hiring in the newspaper
SC"MAX-EXPRES" SRL	Newspapers for program
Service Centru JSB SA	Procurement of 1 Air Conditioner
Uniunea Conducatorilor Auto din RM	Parking needs for program car
Vitasbenefic SRL	Change all locks for program office doors

In total, during the period July 01-October 01, 2011, the PIU spent about 100,000 Euro for goods, services, consulting services (including salaries).

PIU progress towards establishing the operations procedures:

1. PIU worked with CLD and EIB at the Program Operational Manual (POM) and have tried to analyze in depth each article in order to ensure that stakeholders agreed on the envisaged provisions and prevent potential bottlenecks in program implementing process.
2. PIU Developed the final draft version of Program Operational Manual (POM), including all annexes at the points mentioned below and sent to EIB the "track changes" and the "clean version" for NO:
 - i) Annexes on Procurements for Credit Line Component (*Annex E-1 on Procurement Arrangements for WSRP and Annex E-2 on Procurements for Credit Line Component*);
 - ii) Attachment A on Credit Line component (redefined the eligibility criteria for Final Beneficiaries and for eligible financing expenditures and non - eligible for financing expenditures, arranged the criteria of retroactive financing for Final Beneficiaries, adjusted the MOF interest margin calculation method for PFI Sub-Financing loans) ;
 - iii) Annex A-1 Sub-Financing Agreement model between MoF and PFI (added the provisions on Participation of the European Investment Bank that reflects all advantages of the EIB funding);

- iv) Annex A-2 On-lending agreement model between PFI and Final Beneficiary (added the provisions on Participation of the European Investment Bank that reflects all advantages of the EIB funding);
3. PIU harmonized all provisions between the Side Letter and POM, revised each article from the Side Letter and POM, through incorporating the provisions on eligible financing expenditures and criteria of retroactive financing for Final Beneficiaries from Side Letter to POM;
4. PIU defined the list of documents for the first 10 fiches for first loan disbursement transaction, which have to be submitted by PIU to EIB (*Annex 1 on Side Letter Sub-Program Fiches content for submission to EIB*).
5. All modifications and adjustments in the documents mentioned above have been coordinated with CLD and MoF and PIU received their verbal acceptance after several working meetings organized by PIU to achieve the identical positions and common vision on provisions presented in Side Letter and POM.
6. PIU developed internal operational plan (which has to be implemented during the fourth quarter 2011) for creating the PIU management information system (MIS) in order to have appropriate software with accounting and financial reporting system, a comprehensive final beneficiaries database on Credit-Line Component, including statistic information on each final beneficiaries, database for measuring program inputs, outputs, results and impacts in order to monitor and measure the impact of implementing the program on the wine sector;
7. PIU arranged several meetings with its external provider of software development service (Noi TI & Service LLC) for the purpose of starting to implement the MIS developing plan for the fourth quarter 2011;
8. PIU developed a recommended business plan in order to help and assist potential final beneficiaries to fully describe their investment programs and eventually to be eligible for financing through PFI's;
9. PIU developed the draft of the Operational Manual (OM) for the Program M&E System. The M&E System OM includes information on each program component, indicators for measuring program inputs, outputs, results and impacts and the means for verifying and measuring these indicators;
10. PIU prepared the Power Point presentation for Wine Sector Restructuring Program in order to participate at international forum of wine industry hold on October 7, 2011 at Leograd Convention Center, Chisinau, Moldova;
11. PIU started off the first step in creating the database on all Moldovan companies operating in winemaking and vineyards cultivation in order to have full information on its potential clients/beneficiaries;
12. PIU provided consultancy to several potential Beneficiaries on lending conditions, eligible expenditures, procurement aspects etc.

13. PIU wrote an official Letter, which was submitted to State Tax Service and to State Customs Service for clear understanding of VAT incentive program applied on Program's Final Beneficiaries under Credit Line Component;
14. PIU kept the accounting system to date and presented corresponding reports to all local Public Authorities, according to the national legislation (see Annex 2);
15. PIU identified all types of report that it has to present to Local Public Authorities and EIB during the year. According to the national legislation PIU has to present reports to State Tax Service (monthly, quarterly, and annually), National Insurance Authority (quarterly), National Bureau of statistics (quarterly, annually), MoF (monthly, quarterly, annually). (see Annex 3)
16. PIU contracted a publishing house that developed and elaborate promotional materials such as: mobile banners (2 pieces), booklets (3000 pieces), maps, notebooks, pens (500 pieces of each) to be used by PIU at exhibitions, fairs, seminars from the viticulture and winemaking sector that can be attended by potential beneficiaries, equipment suppliers.
17. PIU fulfilled almost all provisions of the Finance Contract relating to the disbursement of the first installment of the loan offered by EIB. Received the decision/confirmation of the MoF to the art. 1.04 A (c) and 1.04 A (i) and the decision/confirmation of the MoAFI to the art 1.04A (e) and 1.04B (vii) and sent the confirmation letters to EIB.
18. PIU organized and participated in planning meetings with CLD, MoF, MoAFI, to identify financing solutions/options, future steps for the implementation of the Program.
19. PIU received the first installment of the grant contribution offered under Memorandum for Contribution agreement between MoAFI and Associazione Culturale & Promozione Italianita (ASC&PI) of the Italian Republic. The amount of EUR 30 thousand was transferred to the PIU account within the State Treasury.
20. PIU elaborated the Program activity report for the 3rd quarter to be presented to the EIB.

C. PLANNED ACTIVITIES FOR THE 4th QUARTER, 2011

In the next quarter, once all the startup arrangements are planned to be fulfilled and the operational procedures are finalized, the PIU plans to start working with the PFIs and Final Beneficiaries, by undertaking the following activities:

1. Organize seminars "training of trainees" with PFIs' representatives in order to inform and familiarize these with the Project working procedures.
2. Support/consult Final Beneficiaries on crediting requirements, business plan elaboration and procurement procedures, etc.
3. Adjust the PIU budget plan for 2011 and elaborate the Annual Work Plan and Budget for 2012.
4. Participate at local forums, fest (Wine Festival) and exhibitions/fairs (MoldAgroTeh, Farmer) as to build up the Program's image and hold discussions with winemakers, share information on

Program, exchange contact information, discuss subjects on prospective procurements of wine-making equipment and viticulture machinery to be leased.

5. Intends to participate at international exhibitions on wine sector development/equipment in order to get familiarized with the latest trends in wine sector.

For the 2011 last quarter each PIU department has planned its activities as follows:

Planned activities for October 01 - December 31, 2011

Finance / M&E Department

No	ACTIVITY	October	November	December	Responsible parties
1.	<p>a) Adjust the PIU budget plan for 2011 due to the current situation (reallocation between the categories of expenditures within the amount allocated in the state budget)</p> <p>b) Elaborate the PIU budget plan for 2012 by categories of expenditures within the amount allocated in the state budget from Government contribution, EIB loan and Italian grant funds by each components of the Program</p> <p>c) Approve within the PIU Steering Committee the adjusted PIU budget for 2011 and planned PIU budget for 2012</p>	a / b	b / c		<p>a) Finance/Procurement Officers, Accountant</p> <p>b) Finance/Procurement Officers, Accountant</p> <p>c) PIU/MOAFI</p>
2.	Prepare and submit all Reports due to deadline and formats established by National legislation to State Authorities (MoF, Tax Authority, National Statistics, National Insurance Authority)	x	x	x	Finance Officer, Accountant
3.	Participate on preparation of Disbursement request from MoF to EIB for the first tranche installment from the loan allocated, after 10 fiches for the first 10 sub-loans would be presented to EIB.			x	Finance Officer, Credit-lease Officer
4.	Participate in preparation for Wine Festival (prepare all needed promotional materials)	x			M&E Expert, PIU Team
5.	Elaborate the Annual Work Plan for each program component for 2012	x	x		M&E Expert, PIU Team
6.	Contribute and coordinate the Program progress report for the 4th quarter of 2011 and Annual Program progress report for 2011			x	M&E Expert, PIU Team

7.	Finalize the Operational Manual for M&E System	x	x		M&E Expert
8.	Prepare outside stationary banners or light box that will be placed at PIU headquarter and will help clients to find more easily the PIU office	x	x		Administrative Officer, PIU Team

Procurement Department

No	ACTIVITY	October	November	December	Responsible parties
1.	Participate in preparation for Wine Festival (procurement of necessary supplies/PR materials/PR photo-video services)	x			Procurement Officer
2.	Finalize developing procurement chapters of OM. Meet several times and consult with CLD on straight forwarding the procurement chapters of OM	x			Procurement Officer
3.	Provide procurement guiding to prospective Final Beneficiaries under Credit Line Component	x	x	x	Procurement Officer
4.	Organize hiring of the following PIU staff: a) Local credit expert b) Local lease expert c) Local legal expert d) Local Viticulture Expert e) Local Wine making expert f) Administrative Officer g) Program Assistant/Translator	a/b/c/d/ e/f	a/b/c/d/e /f	b/c/f	Procurement Officer / PIU Evaluation Committee.
5.	Tentatively perform a visit to several international trade fairs, to familiarize with wine lab educational equipment, wine producing equipment, made by European companies.		x	x	Proc. Officer/PED
Organize the following procurements of goods/services:					
6.	Sign contract for program office rent	x			Proc. Officer; Program Executive Director; Accountant
7.	Identify needs and procure additional furniture via an amendment with Mobigrup Anturaj SRL	x	x		Procurement Officer / PED
8.	Procure additional ICT and server equipment for Program/MIS development	x	x	x	Proc. Officer / PIU Evaluation Committee.
9.	Procure 2 Air conditioners (for office hall and server room)	x			Proc. Officer / PIU Evaluation Committee.
10.	Procure 4WD vehicle(s) for program		x	x	Proc. Officer / PIU Evaluation Committee.
11.	Procure additional fuel for program car (via amendment)	x			Proc. Officer / PED
12.	Procure office security equipment and security monitoring (video surveillance etc.)	x	x		Proc. Officer / PIU Evaluation Committee.

Credit & Lease Department

No	ACTIVITY	October	November	December	Responsible parties
1.	Participate at Moldovan Wine Festival which will be held in Chisinau on October 8-9, 2011	x			Credit/Lease Officer Credit Specialist PED
2.	Participate at Second Moldo-German Forum on SME Finance which will be held in Chisinau on October 25 th 2011	x			Credit/Lease Officer
3.	Participate at Rural Business Forum SME Finance which will be held in Chisinau on November 11, 2011		x		Credit/Lease Officer
4.	Develop PIU database of all Moldovan companies specialized in winemaking and vineyards cultivation in order to have full information on our potential clients/ beneficiaries	x	x		Credit/Lease Officer
5.	Develop PIU management information system (MIS) in order to have appropriate software and powerful accounting and financial reporting system, and a comprehensive final beneficiaries' database.	x	x	x	Credit/Lease Officer PIU team
6.	Starting to elaborate Operational Manual and PIU Lease Policy for Leasing Component of the Program		x	x	Credit/Lease Officer, Leasing Specialist
7.	Provide consultancy to potential Beneficiaries of lending conditions, eligible expenditures, procurement aspects etc.	x	x	x	Credit/Lease Officer, Credit Specialist
8.	Arrange several meeting with PIU external provider of software development service (Noi TI & Service LLC) for the purpose of realize PIU MIS developing plan for the fourth quarter 2011	x	x	x	Credit/Lease Officer
9.	Organize several meetings with CLD and PFI's in order to inform and explain all provisions and lending conditions based on Finance Contract, POM, Side Letter and Sub-Financing Agreement	x	x		Credit/Lease Officer PIU team
10.	Organize together with CLD several meetings with potential Final Beneficiaries in order to inform and explain all provisions and lending conditions based on Finance Contract, POM, Side Letter and Sub-Financing Agreement	x	x	x	Credit/Lease Officer PIU team CLD

Annex 1. Reports presented by PIU to LPAs during the 3rd quarter, 2011

No.	Title	Periodicity	Beneficiary	Responsible persons
1	<i>Report on use of external loan and grant funds for programs financed from external funds</i>	monthly	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
2	<i>Salary income tax report</i>	monthly	State Tax Service	Rusu Liuba / Brumarel Iurie
3	<i>Statistic report</i>	quartely	National Bureau of Statistics	Rusu Liuba / Brumarel Iurie
4	<i>Social tax report</i>	quartely	National Insurance Authority	Rusu Liuba / Brumarel Iurie

Annex 2. List of reports that have to be elaborated by PIU

No	Periodicity	Title	Submitted to	Responsible persons
1	monthly	Report on use of external loan and grant funds for programs financed from external funds	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
2	monthly	Disbursement report	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
3	quartely	Information on execution of PIU operational annual plan	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
4	quartely	Summary budget control report on all sources	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
5	quartely	Budget control expenditures report	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
6	annually	Fixed assets report	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
7	annually	Current assets report	MoF	Agapii Natalia /Rusu Liuba / Brumarel Iurie
8	monthly	Salary detailed income tax report	State tax service	Rusu Liuba / Brumarel Iurie

9	annually	Summary Salary income tax report	State tax service	Rusu Liuba / Brumarel Iurie
10	quarterly	Health insurance tax report	State tax service	Rusu Liuba / Brumarel Iurie
11	quarterly	Statistic report (Form 5-CON)	National bureau of statistics	Rusu Liuba / Brumarel Iurie
12	quarterly	Social tax report	National insurance authority	Rusu Liuba / Brumarel Iurie
13	annually	Audit report	EIB / ASC&PI / MoF	Audit Company / PIU
14	quarterly	Program Progress Report	EIB / ASC&PI / MoF	PIU staff / Brumarel Iurie
15	<u>3/31/2016</u>	Program Completion report	EIB / ASC&PI / MoF	PIU staff / Brumarel Iurie