PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 7 October 2026[1]

MOLDOVA

MOLDOVA SUSTAINABLE WATER SUPPLY

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

[1] As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

PUBLIC

PRESIDENT'S RECOMMENDATION

Board approval is sought for the attached Report concerning an operation in favour of the Republic of Moldova (the "Borrower").

The facility will consist of a sovereign loan of up to EUR 102.9 million, structured in two tranches, to finance rehabilitation of priority centralised irrigation systems ("CISs") in Moldova (the "Project"). Tranche 1 of up to EUR 49.8 million will finance two priority CISs along the Nistru River covering approximately 6,900 hectares and is expected to be co-financed, under the Growth Plan for Moldova ("GPM"), by an EU Neighbourhood Investment Platform ("EU NIP") grant of up to EUR 4.8 million and a national contribution of up to EUR 7.2 million. Tranche 2 of up to EUR 53.1 million is expected to finance additional priority CISs, to be confirmed by the Government of Moldova (the "Government"). [REDACTED] Donor support is essential to bridge affordability gap and enable the Project delivery.

The Project is expected to address Moldova's critical need to restore functional irrigation services as a precondition for a more resilient and competitive agricultural sector. It is expected to improve the enabling infrastructure for irrigated agriculture, reduce exposure to climate-related production shocks and support the sector's gradual transition towards more sustainable and higher-value farming.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

DECISION FOR THE BOARD / KEY FACTS SUMMARY

<table>
<tr><td>DTM ID: 55907</td><td>MOLDOVA - Moldova Sustainable Water Supply</td></tr>
<tr><td>Client</td><td>Republic of Moldova as the Borrower, represented by the Ministry of Finance.
The Project Implementing Agency (“PIA”) is the Ministry of Agriculture and Food Industry (“MAFI”), acting through the Project Implementation Unit (“PIU”), established within the National Agency for Land Improvement (“ANIF”) and subordinated to MAFI.</td></tr>
<tr><td>Project</td><td>Board approval is sought for the following transaction:
1. Product: sovereign loan
2. Amount & Currency: up to EUR 102.9 million sovereign loan, comprising
- Tranche 1 of up to EUR 49.8 million [REDACTED]. Tranche 1 is expected to be co-financed by an EU NIP investment grant of up to EUR 4.8 million and a national contribution of up to EUR 7.2 million under the GPM.
- Tranche 2 of up to EUR 53.1 million (uncommitted). [REDACTED]
3. Tenor: 18 years for each tranche. [REDACTED]
4. [REDACTED]
5. Short summary description of use of proceeds: The proceeds of both tranches will finance rehabilitation of public CISs, including water-intake, pumping and distribution infrastructure, as well as Detailed Design and Hydrology, and related environmental and social (“E&S”) studies, Construction Supervision, Project Implementation Support, PIU staffing and Special Account (“SA”) audit costs.</td></tr>
<tr><td>Key Covenanted Conditionality</td><td>[REDACTED]</td></tr>
<tr><td>Donor Support (other than credit risk mitigation)</td><td>
<table>
<tr><th>Donor instrument</th><th>Short description of instrument</th><th>CCY & amount</th><th>Fund and Donor Name(s)</th></tr>
<tr><td>Technical Assistance</td><td>Feasibility Study including extension for Tranche 1 scope (completed)</td><td>EUR 0.3m</td><td>EBRD Shareholder Special Fund (“SSF”)</td></tr>
<tr><td>Technical Assistance</td><td>Feasibility Study for Tranche 2 scope</td><td>[REDACTED]</td><td>TBC</td></tr>
<tr><td>Technical Assistance</td><td>Advance Procurement Support</td><td>EUR 0.1m</td><td>SSF</td></tr>
<tr><td>Technical Assistance</td><td>ISCDP for Tranche 1 scope</td><td>[REDACTED]</td><td>TBC</td></tr>
<tr><td>Technical Assistance</td><td>ISCDP for Tranche 2 scope</td><td>[REDACTED]</td><td>TBC</td></tr>
<tr><td>Financial Assistance: CAPEX/OPEX grant</td><td>Investment grant for the Tranche 1 scope</td><td>EUR 4.8m</td><td>EU NIP</td></tr>
<tr><td>Total</td><td></td><td>[REDACTED]</td><td></td></tr>
<tr><td></td><td colspan="3">The Client will finance the services of PIU staff and SA audit, Project Implementation Support, Detailed Design and Hydrology, and Construction Supervision consultants [REDACTED] from the EBRD loan proceeds.</td></tr>
</table>
</td></tr>
<tr><td>Existing Exposure (before risk transfer)</td><td>Total Sovereign Exposure for Moldova: EUR 944m (Portfolio).
Total number of sovereign sector projects: 15
There is no direct exposure to MAFI or ANIF.</td></tr>
<tr><td>Investment Plan (Uses of Funds)</td><td>[REDACTED]</td></tr>
<tr><td>Financing Plan (Sources of Funds)</td><td>[REDACTED]</td></tr>
</table>

TI qualities:	(i) Green (ii) Competitive	**ETI:**	68
Additionality:	EBRD provides long-term financing unavailable on comparable market terms and adds value through higher E&S standards, strengthened institutional capacity and service delivery, improved management of biodiversity and water-availability risks, and targeted inclusion of women and young farmers.		

INVESTMENT PROPOSAL

1 STRATEGIC FIT AND KEY ISSUES

1.1 RATIONALE FOR BANK'S INVOLVEMENT

Irrigation, once a key driver of agricultural productivity in Moldova, has declined significantly. While around 310,000 hectares were equipped with irrigation in 1996, only around 108,000 hectares remained equipped in 2018, with approximately 7,000 hectares currently irrigated. Much of the remaining irrigation infrastructure is obsolete, non-functional or underutilised. This deterioration has increased farmers' vulnerability to droughts and climate variability and constrained agricultural productivity. The implications extend beyond irrigation itself, given the importance of agriculture to Moldova's economy: the sector contributes nearly 45% of exports and employs more than one-fifth of the workforce, while its contribution to GDP has declined over time to less than 10%, reflecting weak productivity growth and slower development relative to the wider economy, despite persistently high employment. Severe droughts in 2020 and 2021 caused estimated losses of USD 350 million further highlighting these vulnerabilities.

As a result, farmers have become increasingly dependent on rainfall and shifted towards lower-value, drought-tolerant crops. Rehabilitation of irrigation infrastructure is therefore essential to reverse these productivity constraints, strengthen climate resilience and support diversification, with the benefits of sovereign infrastructure investment accruing primarily to private farmers and agribusinesses.

The Government of Moldova has recognised the strategic importance of irrigation infrastructure and placed its rehabilitation at the core of national agricultural policy. The National Strategy for Agricultural and Rural Development 2023-2030 identifies improved access to irrigation water as a key priority for climate adaptation, food security and rural competitiveness. These efforts are reinforced by Moldova's EU accession ambitions and envisage support under the GPM, a key instrument for accelerating reforms, strengthening resilience and modernising critical sectors, including irrigation and agriculture. The GPM complements Moldova's National Accession Programme 2025-2029 and is underpinned by the EU's EUR 1.9 billion financing facility supporting socio-economic reforms and convergence with the EU acquis. EBRD is expected to be a key implementation partner under the GPM, with additional projects envisaged using similar co-financing structures and implementation modalities, supporting a more consistent and streamlined approach across GPM investments.

IFIs have played an important role in the development of Moldova's irrigation sector. The Millennium Challenge Corporation, a US government development agency, rehabilitated 10 CISs and introduced farmer-led management through Water Users Associations ("WUAs"), while the World Bank continues to support irrigation rehabilitation and institutional strengthening under the AGGRI project. Building on a 2023 sector prioritisation exercise undertaken by MAFI, Agence Française de Développement ("AFD") has advanced its support on two selected irrigation systems, while the Government requested EBRD financing for additional priority CISs identified through the same prioritisation exercise.

The proposed Project therefore complements ongoing IFI interventions, promotes a coordinated approach to irrigation-sector modernisation, and is proposed by the Government under the GPM. It aims to rehabilitate priority CISs, with Tranche 1 covering Puhacenii de Sus and Masivul Causeni CISs located along the Nistru river basin. Tranche 2 is expected to finance additional CISs [REDACTED].

The Project's TI is expected to derive from its Green and Competitive qualities. Under the Green quality, the Project will strengthen climate resilience and water security in Moldova's agricultural sector. Within Tranche 1 investment scope, reliable irrigation services are expected to be restored across approximately 6,900 hectares, compared with a current irrigated area of around 1,914 hectares in the Project area, while improved network efficiency is expected to generate estimated annual water savings [REDACTED].

The Project has been attributed 100% GET finance and, under Tranche 1 investment scope, is expected to deliver climate resilience benefits of approximately EUR 241 million over its economic life, equivalent to a climate resilience outcome ("CRO") ratio of 4.6x.

Under the Competitive quality, the Project will improve the efficiency and productivity of irrigation service delivery through modern pressurised buried-pipe networks, rightsized pumping equipment, variable-speed drives and automated controls. Within Tranche 1 investment scope, water distribution efficiency (defined as the share of abstracted water effectively delivered to crops) is expected to increase from approximately 60% to 80%, reducing water abstraction and pumping requirements by around 25% per unit of useful water delivered. More reliable and efficient irrigation services are expected to support increased agricultural productivity, gradual diversification towards higher-value and more labour-intensive crops, and an estimated increase in annual agricultural output [REDACTED].

The Bank also provides financial and non-financial additionality through (i) long-term sovereign financing unavailable on comparable commercial terms and (ii) through its procurement, environmental and social, integrity and implementation standards. The Bank's loan is expected to be combined for Tranche 1 with EU NIP grant and GPM-funded national co-financing [REDACTED]. Importantly, only an IFI can apply for GPM resources including the EU NIP grant, making the Bank a key enabler to undertake the Project under the GPM.

Lessons learnt from other irrigation programmes demonstrate that long-term irrigation performance depends on credible farmer demand, effective WUA governance, transparent and affordable irrigation service fees, sustainable operation and maintenance ("O&M"). Previous programmes also highlight the importance of strong implementation capacity when rehabilitating deteriorated assets. The Project incorporates these lessons through demand-based system selection, participatory design, a "no-regret" investment approach addressing the most critical rehabilitation needs while preserving flexibility for future extensions.

To support sustainable utilisation of the rehabilitated systems, dedicated technical assistance will strengthen the governance and operational capacity of WUAs, farmers and the Union of WUAs, including asset management, O&M planning, financial management, irrigation service fee setting and service delivery. Implementation support to ANIF, as the envisaged PIU, will complement these measures by strengthening project management, procurement, contract administration and institutional knowledge accumulation and transfer. These measures will strengthen economic governance by improving transparency, accountability, financial sustainability and resource management capacity in the irrigation sector, both at the user and regulatory levels.

The Project is fully aligned with Moldova's key agricultural and EU-integration policy frameworks, the Bank's Infrastructure Sector Strategy 2025-2029, by promoting resource efficiency, climate resilience and sustainable infrastructure, and with the Country Strategy for Moldova 2023-2028, which prioritises support for Moldova's green transition and resilience. It is also aligned with the GET Approach 2026-2030, supporting climate adaptation and resource efficiency, and contributes to Moldova's decarbonisation and climate-resilience objectives under the Paris Agreement. In addition, it supports the Gender Equality and Human Capital Strategy 2026-2030 by integrating gender-responsive measures through capacity building as well as the Economic Governance Strategy by improving operational and financial sustainability and resource management capacity in the irrigation sector, both at the user and regulatory levels. The Project advances multiple UN Sustainable Development Goals ("SDGs"), including SDG 2 (Zero Hunger), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable cities and communities) and SDG 13 (Climate Action).

1.2 KEY PARTIES SUMMARY

1.2.1 Borrower

Shareholders/UBO summary	The Republic of Moldova		
Existing client:	Yes	**Category:**	Public
Financial Overview	The sovereign's capacity and willingness to meet its obligations are considered adequate. Sovereign creditworthiness is supported by a moderate and sustainable public debt burden, substantial official and concessional financing, adequate foreign-exchange reserves and a resilient banking system.		
Market presence/position	MAFI is the central government authority responsible for agricultural and irrigation-sector policy in Moldova. It oversees the relevant sector institutions, including ANIF, and coordinates implementation of national agricultural, irrigation and rural-development programmes, including those supported by the EU and international financial institutions. Further details are provided in Annex 5.		

1.2.2 Client relationship overview

EBRD has an established partnership with the Republic of Moldova, since 1992, across a broad portfolio of public-sector and infrastructure operations. The Project represents the Bank's first engagement in the irrigation infrastructure sector and, therefore, with MAFI as the responsible line-ministry. The cooperation with MAFI and ANIF during Project preparation has been constructive, both demonstrating their strong commitment to the rehabilitation of central irrigation infrastructure and related institutional reforms. This is an important new relationship both for the Bank and MAFI, positioning EBRD as a reliable partner, supporting Moldova's EU integration and investment priorities, including in accessing GPM resources.

1.3 MEASURING IMPACT

Transition Impact Monitoring Indicators

Primary Quality: Green

Obj. No.	Monitoring indicator	Details	Base-line	Target	Due date
1.1	Area of land under sustainable land management practices (ha)	Irrigated area increase (ha). The indicator captures the additional cultivated agricultural land made climate-resilient through restored access to reliable irrigation services under the rehabilitated Puhacenii de Sus and Masivul Causeni CISs.	1,914	6,900	[REDACTED]
1.2	Primary energy saved (GJ/year)	Primary energy saved versus the counterfactual baseline (GJ/year). The indicator measures primary energy savings from lower electricity intensity per unit of useful irrigation water delivered comparing the Project scenario with rehabilitated pressurised networks against a baseline/counterfactual scenario using existing-type infrastructure and higher conveyance and distribution losses. Based on the feasibility study consultant's assumptions, improved network efficiency reduces the volume of water that needs to be pumped per unit of useful water delivered by approximately 25%, which is expected to reduce electricity intensity accordingly. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Water saved (m^3/year)	Water saved versus the counterfactual baseline (m^3/year). The indicator measures annual water savings achieved through improved irrigation network efficiency (the share of abstracted water effectively delivered to crops). Savings are calculated against a counterfactual scenario in which the same net crop water requirement over the rehabilitated command area would be met using existing-type irrigation systems with approximately 60% overall efficiency. The Project scenario assumes rehabilitated pressurised buried pipe networks with approximately 80% overall efficiency. [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality: Competitive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Operational performance of the client: productivity	Increase in total yield (tonne/year). The indicator captures the productivity improvement enabled by reliable irrigation access, improved water delivery, reduced climate vulnerability and farmer/WUA capacity building. It measures incremental agricultural output within the command areas of the rehabilitated CISs.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Operational performance	Energy intensity per tonne of crops grown (MWh/tonne). The indicator measures the energy intensity of irrigated agricultural	[REDACTED]	[REDACTED]	[REDACTED]

	of the client: efficiency	production in the Project irrigated command areas, calculated as annual electricity consumption of the rehabilitated irrigation systems divided by total annual crop production supported by the systems. It captures efficiency gains from modernised irrigation infrastructure, improved water delivery, higher distribution efficiency, rightsized pumping equipment, variable speed drives, automated controls and increased crop productivity			

Additional Indicators

Indicator type	Monitoring indicator	Details	Base-line	Target	Due date
Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity practices of the client)	With TA support, the client will implement and further develop the Gender Action Plan ("GAP") prepared during the feasibility study. The GAP will promote women's participation in WUA governance and decision-making, improve access to skills development and training, and support women's participation in the vocational education training ("VET") programme through targeted outreach, equal access measures and mentoring. Gender-sensitive indicators will be incorporated into monitoring and evaluation, and gender considerations will be integrated across all capacity-building, communication and outreach activities.	No	Yes	[REDACTED]
Advisory & Policy Indicators	Number of individuals enhancing their skills as a result of training	The client will implement a VET programme in partnership with a local institution, providing traineeships over two years for [REDACTED] young farmers, technicians and women farmers, with a minimum female participation rate of 50%. The programme will combine practical training in irrigation, agronomy, mechanisation and climate-smart agriculture with business-development skills, including marketing, farm planning, record keeping and access to finance, through placements on innovative farms in Moldova and/or the EU.	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Number of individuals (local population) with improved access to water services (incl. improved irrigation)	The indicator captures farmers gaining improved access to reliable irrigation services as a result of the rehabilitation and modernisation of the CISs.	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	New or updated information system introduced	Existing irrigation management information systems (RegAUAI, RegUMS and SCADA) are introduced, operationalised and integrated into the day-to-day management of rehabilitated irrigation schemes through training, user support, operational procedures, monitoring	No	Yes	[REDACTED]

		tools and strengthened digital reporting practices for WUAs and ANIF. The existing software is a legacy set of products (owned by ANIF), for which WUAs do not have capacity and knowledge to utilise.			

[REDACTED]

The main risks to TI delivery relate to both the central government's oversight and implementation capacity, institutional coordination, overall implementation performance, farmer uptake and long-term operations and maintenance sustainability. [REDACTED] Additional risks relate to achieving the expected efficiency gains and demand uptake; these will be addressed through robust detailed design, procurement specifications, benchmarking of efficiency indicators where feasible, and monitoring of water losses, energy intensity, operating costs and irrigated area served.

1.4 ADDITIONALITY

Identified triggers	**Description**
No triggers identified	*n/a*

Additionality sources	**Description of additionality sources**
Financial additionality	
Financing Structure • EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g. a longer grace period that is rarely available in the market, restricted foreign currency financing etc. Such financing is necessary to structure the project. • EBRD offers a tenor, which is above the market average and is necessary to structure the project. • Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.	• EBRD provides long-term financing unavailable on comparable commercial terms in Moldova and closes the funding gap for public-good irrigation infrastructure without crowding out concessional or national co-financing. • EBRD is a critical enabler of accessing GPM funds, including EU NIP grant, to which only an IFI (not the Government, nor commercial lenders) can apply for a given project. EBRD's knowledge of the sector and support in Project preparation and subsequent mobilisation of GPM funds has been vital.
Non-financial additionality	
Risk Mitigation • EBRD's long-term relationship with a client provides comfort to the client to be willing to take on more risk and/or finance, enabling outcomes such as innovation or expansion into new markets. • EBRD provides comfort to clients and investors, financial or strategic, by mitigating non-financial risks, such as country, regulatory, project, economic cycle, or political risks. • EBRD helps the client to mitigate physical transition risks and take climate action, such as to identify and manage physical climate risks and build resilience to them.	• EBRD mitigates implementation, procurement and E&S risks through Project preparation, PPR-based procurement, implementation oversight [REDACTED]. The Project also strengthens climate resilience through improved irrigation efficiency, hydrological assessment and capacity building for ANIF and WUAs.

• EBRD helps the client to mitigate climate governance risks and take climate action, such as to improve its internal corporate governance for managing climate risks. • EBRD helps the client to mitigate environmental, social and governance ("ESG") risks through identification of risks related to the depletion of natural capital assets, raw materials and water availability, etc., and to manage these risks.	
Policy, sector, institutional, or regulatory change • EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.).	• EBRD supports implementation of Moldova's agricultural strategy and EU integration agenda by embedding sustainable irrigation governance and institutional strengthening into the investment programme. • To support the sustainable utilisation of the rehabilitated systems, dedicated TA will strengthen the governance and operational capacity of WUAs, farmers and the Union of WUAs. As the core user-governance institutions within Moldova's irrigation framework, WUAs are responsible for managing the systems and ensuring accountable and financially sustainable service delivery. The TA will strengthen these functions through support for asset management, O&M planning, financial management, irrigation service fee-setting and service delivery, thereby improving transparency, accountability, financial sustainability and farmers' competitiveness. [REDACTED] The targeted nature of this economic governance component reflects feasibility findings that Moldova's legal and institutional framework for irrigation is broadly functional and does not require major sector reform as a precondition for sustainable operations. Meantime, related reforms involving MAFI and ANIF are already being supported through existing government and development partner programmes, including through the World Bank and AFD programmes. [REDACTED]
Standard Setting: helping projects and clients achieve higher standards • Client seeks/makes use of EBRD expertise on best international procurement standards. • Gender SMART: client seeks/makes use of EBRD expertise for the adoption of gender standards and/or equal opportunities action plans.	• EBRD supports the client in applying international procurement standards to irrigation works and consultancy contracts. • The Project is Gender Additional. In Moldova, women remain under-represented in irrigation governance, agricultural decision-making and access to technical, business and advisory services. Building on recommendations prepared during the feasibility study, dedicated technical assistance under the Institutional Strengthening and Capacity Building Programme will support participating WUAs in refining, adopting and implementing a Gender Action Plan. The technical assistance will also support a vocational education and training programme to be developed in partnership with a local institution for [REDACTED] young farmers and technicians (with a minimum of 50% women).

Knowledge, innovation and capacity building • EBRD provides expertise, innovation, knowledge and/or capabilities that are material to the timely realisation of the project's objectives, including support to strengthen the capacity of the client.	• EBRD provides critical expertise through feasibility, investment planning, implementation support, governance TA, and WUA capacity building in a low-capacity sector.

2 RISK PROFILE ASSESSMENT

Risks	Probability / Effect	Comments
Project specific risks		
Cost overrun risk	[REDACTED]	The Project may face cost overruns due to design refinements, unforeseen site conditions, construction inflation, supply-chain constraints or implementation delays. ***Mitigation****:* The risk is mitigated by feasibility study-based cost estimates prepared by an independent consultant, as well as contingency reserves [REDACTED], and the Government's commitment to provide additional financing for cost overruns, if required.
Implementation risk	[REDACTED]	[REDACTED]
Demand risk	[REDACTED]	There is a risk of lower-than-expected demand for irrigation services. This could affect cost recovery, WUA viability and long-term asset sustainability. ***Mitigation:*** The risk is mitigated by historical irrigation use, stronger and confirmed WUA commitment, participatory design, conservative demand assumptions, and TA to WUAs including support for financial management, tariff setting, efficient water use and transition to higher-value crops.
Environmental and social risk	[REDACTED]	The Project presents E&S risks related to cumulative water abstraction from the Nistru River, potential impacts on biodiversity-sensitive areas, including Ramsar wetlands and Emerald sites, and construction-related impacts. ***Mitigation****:* The Project was assessed against EBRD's Environmental and Social Policy ("ESP") 2019 [REDACTED]. Water-related risks will be managed through water-availability and cumulative-impact assessments, abstraction permits, environmental-flow requirements and alignment with the Nistru River Basin Management Plan. Biodiversity impacts will be addressed through pre-construction surveys, application of the mitigation hierarchy and a Biodiversity Management Plan. Construction, labour and community risks will be managed through contractor plans, Codes of Conduct, supervision, stakeholder engagement and grievance mechanisms.
External risks		
Fiscal/Macro-economic risk	[REDACTED]	The risk arises from Moldova's exposure to fiscal, macroeconomic and external shocks that could weaken the sovereign's debt-service capacity. Key vulnerabilities include increasing public debt, elevated fiscal financing needs, a structurally large current-account deficit, foreign-currency exposure and limited economic diversification. These risks are amplified by geopolitical and energy-security pressures, as well as Moldova's exposure to climate-related shocks affecting agricultural output. ***Mitigation****:* The risk is considered manageable. The latest IMF-World Bank Debt Sustainability Analysis assesses Moldova's public debt as sustainable, with a low risk of external debt distress and a moderate risk of overall public debt distress. Public debt is projected to increase from approximately 36.5% of GDP in 2025 to 39.7% in 2026 as public investment and GPM implementation accelerate but remains moderate. The debt profile benefits from a high share of long-term financing from multilateral and bilateral official creditors, which reduces refinancing and debt-service risks. Moldova's sovereign credit profile has recently strengthened. S&P affirmed its BB-/B ratings with a Stable Outlook on 10 April 2026; Moody's upgraded Moldova to B2 with a Stable Outlook in April 2026; and Fitch affirmed its B+ rating with a Stable Outlook on 21 August 2026. Annual inflation was 6.5% in June 2026, while energy prices, food supply and geopolitical developments continue to create upside risks. These risks are mitigated by the National Bank of Moldova's monetary-policy framework, adequate foreign-exchange buffers and the sovereign's continued access to official external financing.

Regulatory risk	[REDACTED]	The Project depends on a stable legislative framework on irrigation governance, WUA, tariff-setting, water abstraction and environmental permitting. Potential risks relate to requirements arising from Moldova's EU alignment process. ***Mitigation**:* The risk is mitigated by the existing cost-recovery tariff framework under Law 171/2010, ANIF's supervisory role, and the Project's alignment with EBRD, EU environmental and Do No Significant Harm requirements.
FX risk	[REDACTED]	The Project is exposed to FX risk because EBRD financing and part of procurement costs are expected to be denominated in EUR, while Moldova's fiscal revenues are primarily in local currency. Depreciation of the Moldovan leu could increase the local-currency cost of debt service. ***Mitigation**:* The risk is mitigated by Moldova's relatively stable currency, material foreign exchange reserves, continued external financing support and the sovereign nature of the loan.

2.1 FINANCIAL ASSESSMENT SUMMARY

2.1.1 Summary of Economic Risk Assessment

As the Project finances public infrastructure, it does not envisage recovery of the investment costs from end users (farmers, WUAs) and does not rely on end-user revenues for debt service. Its viability is assessed on an economic basis, with the principal measures being the Economic Internal Rate of Return ("EIRR") and Economic Net Present Value ("ENPV"). [REDACTED] *Direct benefits* arise from expanded irrigated production, higher crop yields and margins, more reliable water supply, and reduced exposure to drought and climate variability. The main *quantified externalities* comprise employment generation and the benefits of improved agricultural practices, including more efficient use of water and inputs and enhanced environmental performance.

Sensitivity analysis was undertaken to assess the resilience of the Project's economic viability to adverse changes in the principal financial and operational assumptions. For each variable, the analysis identifies the adverse change required to reduce the Project's ENPV, including the quantified externalities, to zero.

[READACTED]

2.1.2 Projected profitability for the Bank

[REDACTED]

3 OTHER KEY CONSIDERATIONS

3.1 ENVIRONMENT & SOCIAL ISSUES

Categorised B (ESP, 2019). The Project involves the rehabilitation and modernisation of existing public CISs, including water-intake, pumping and distribution infrastructure, preparation of Detailed Design and Hydrology, further E&S studies, Construction Supervision and Project Implementation Support. The Project is part of the GPM and is aimed at improving water security, climate resilience, and agricultural productivity for rural communities.

The Project is structured in two tranches. Tranche 1 [REDACTED] finances the rehabilitation of two irrigation systems, Puhacenii de Sus in central Moldova and Masivul Causeni in southern Moldova, both situated within the Nistru River Basin. [REDACTED]

An independent consultant carried out an external Environmental and Social Due Diligence ("ESDD") as part of the feasibility study. The assessment reviewed the proposed project locations, implementation arrangements, stakeholder engagement activities with interested WUAs, identified Project needs and supported scope finalisation. ESDD evaluated environmental and social risks and impacts associated with the implementation of irrigation infrastructure in Moldova, considering Project-specific and site-specific sensitivities, and proposed appropriate mitigation measures. The two selected CIS sites are located within existing agricultural areas characterised by a modified environment. However, broader areas around the proposed Puhacenii de Sus and Masivul Causeni CISs include environmentally sensitive receptors such as the Lower Nistru wetland complex comprising a Ramsar Site, Emerald Network sites and associated critical habitats, which have been taken into consideration during the E&S assessment.

At Puhacenii de Sus, works include upgrades to pumping stations S-1, S-2 and S-3, rehabilitation of canals and reservoirs, replacement of priority pipeline sections, installation of additional pumps, development of secondary distribution networks, and construction of a new pumping station to serve the Delacau area. At Masivul Causeni, the Project includes rehabilitation of the water intake, pumping stations and reservoir, replacement of the main discharge pipeline and priority branch pipelines, and installation of secondary distribution networks. Detailed technical specifications, including the final alignment, length, diameter, and installation method (underground or above-ground) of new pipelines, will be confirmed during the detailed design phase.

The main environmental risks are associated with the increased water abstraction from the Nistru River, potential impacts on the Lower Nistru Ramsar and Emerald Network sites, disturbance of sensitive habitats and species during construction, and operational risks to water quality, biodiversity and aquatic ecosystems from intensified irrigated agriculture. These risks are expected to be manageable through further pre-construction biodiversity assessment, water resource studies including ongoing preparation of Nistru River Basin Management Plan ("RBMP") with OSCE and UNDP involvement, and implementation of targeted mitigation measures during design finalisation, implementation of the ESAP already discussed and agreed with the Government and through further requirements under the future National Environmental Impact Assessment ("EIA") process and permitting where an E-Flow assessment will be completed. Information to inform an appropriate assessment, i.e. Emerald site impact assessments and mitigation will be included within the national EIA. A high-level critical habitat screening conducted during feasibility study ESDD identified the likely occurrence of critical habitats associated with the surrounding protected areas in the area. During the detailed design development and EIA, the impacts on the environment and biodiversity will be further verified through detailed field surveys and finalisation of the Critical Habitat Assessment. Biodiversity impacts are expected to be readily mitigated through standard measures such as seasonal restrictions to avoid disturbance of breeding birds. Development and implementation of a Biodiversity Management Plan, construction and operations phase Environmental and Social Management Plans, sustainable water abstraction controls to maintain ecological flows, pollution prevention measures, soil and water monitoring, integrated pest management, and ongoing environmental monitoring of sensitive habitats and river ecosystems throughout construction and operation will ensure impacts are minimised, temporary and fully reversible. Overall, the Project objective is to improve the irrigation management and its efficiency rather than simply increase the water abstraction by the farmers and no material impacts to natural habitats, protected areas or other sensitive features are anticipated, with most of the impact footprint being in working agricultural land. Nevertheless, the agreed ESAP includes a commitment to assess Project-related water abstraction and potential downstream impacts, ensuring compliance with the extractable water volumes, environmental flow requirements, and abstraction limits applicable at the time and as part of the detailed design approval. The Project water balance will be confirmed against the sanitary/ecological flow requirement ("debit salubru") for the Nistru River in accordance with national legislation, Nistru RBMP and the framework agreed between the Republic of Moldova and Ukraine.

On the social impacts side, the Project is expected to generate significant benefits through increased agricultural productivity, capacity building for participating WUAs, higher rural incomes, job creation and improved climate resilience.

Key social risks relate to land acquisition required for the expansion of the irrigation network within existing agricultural lands and the associated livelihood impacts. Such impacts will be avoided to the extent possible during design finalisation and, where unavoidable, will be managed in compliance with EBRD requirements and the developed Resettlement Framework.

Potential conflicts over compensation and water allocation will be managed through ongoing consultation process, stakeholder engagement and grievance mechanism included into the Project Stakeholder Engagement Plan ("SEP") and through EBRD's TA on ISCDP for WUAs, farmers, and the Union of WUAs during implementation. Selection of two CISs was informed by consulted interest expressed by the farmers. The occupational and community health and safety risks during construction will be managed through relevant health and safety management plans, including contractor and labour management, traffic and pollution prevention, waste management and other targeted measures as recommended by independent assessment.

The Project is expected to be implemented by the MAFI and ANIF through a dedicated PIU, comprised of external experts and with the support of Construction Supervision consultants. Operation and maintenance of the rehabilitated irrigation systems will involve WUAs which have been engaged throughout Project preparation and who confirmed their interest to be involved in the Project.

Project-specific SEP and non-technical summary in English and Romanian have been disclosed on the Client and Bank websites. The Client will continue to report annually on E&S compliance and ESAP progress. This will be supplemented by external monitoring, as required.

3.2 INTEGRITY

In conjunction with the Office of the Chief Compliance Officer, Integrity Due Diligence ("IDD") was undertaken on the relevant senior officials of MAFI, as well as the senior management of ANIF.

[REDACTED]

3.3 OTHER ISSUES

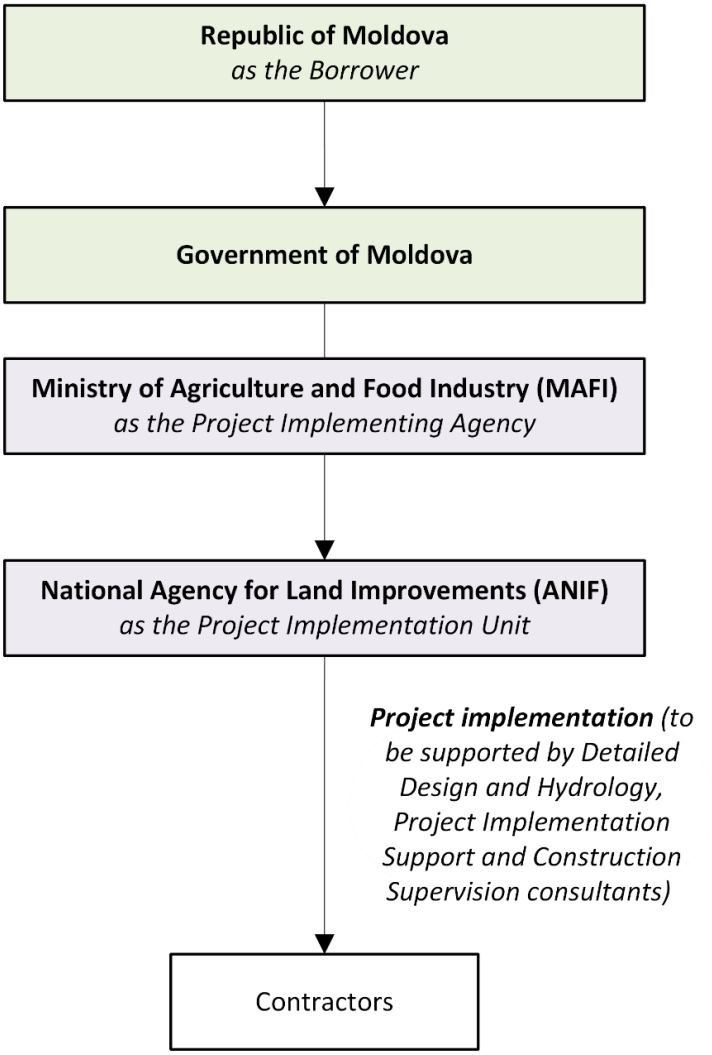
3.3.1 CONCESSIONAL FINANCE

The use of concessional finance, provided through the EU NIP investment grant, is justified by the public-good nature of irrigation infrastructure, Moldova's fiscal constraints and the limited scope for cost recovery from end users, as tariffs charged to farmers by the WUAs are intended to cover only O&M costs rather than the capital cost of infrastructure rehabilitation or its wider economic benefits. The EU NIP grant reduces pressure on sovereign borrowing and enables the Project to be implemented at the required scale without compromising end-user affordability. It also supports transition-enhancing investments, including modernised irrigation networks and energy-efficient pumping equipment, which are expected to reduce operating costs and contribute to more stable tariffs over time. The overall level of concessionality [REDACTED] is considered targeted and proportionate, with the EU NIP grant representing a limited share of total Project costs and complementing rather than displacing long-term IFI and public-sector financing. Notably, the Project is expected to catalyse downstream private investment by farmers and agribusinesses, including investments in irrigation equipment, farm modernisation, crop diversification, storage, processing, and working capital.

ANNEXES

Annex
1. Shareholding Structure
2. Green Assessment Summary
3. Transition Impact Scoring Chart
4. Procurement Implementation Summary
5. Market Context

ANNEX 1. SHAREHOLDING STRUCTURE



ANNEX 2. GREEN ASSESSMENT SUMMARY

SUMMARY

- The financing will support the rehabilitation of key CISs to improve reliability, efficiency and coverage of irrigation networks.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 100% **Green finance.**
- Climate-related financial risks have been assessed [REDACTED].

PARIS ALIGNMENT ASSESSMENT

Alignment with the mitigation goals of Paris Agreement - General screening
The Project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance. Tranche 1 comprises two major CISs: Puhacenii de Sus and Masivul Causeni. [REDACTED]

- Overall, the Project significantly increases energy consumption from the grid, given that schemes are currently non-operational or obsolete. [REDACTED]
- Expansion will be realised through energy efficiency investments such as rehabilitation and rightsizing of pumping equipment, installation of variable speed drives and automated controls, conversion to pressurised buried pipe networks, hydraulic optimisation of irrigation layouts, on demand pressure regulated irrigation delivery, and digital monitoring systems. These measures reduce electricity consumption per cubic metre of water delivered compared to baseline by approximately ~25% compared to the baseline system, based on reduced water loss rate.
- The Project rehabilitates existing irrigation systems and restores irrigation on land that is already cultivated, rather than converting natural areas into new farmland. Because no expansion into forests, wetlands, or other high carbon stock or high biodiversity areas is required, the Project avoids land-use change impacts and does not interfere with ecologically sensitive habitats.
- The Project is aligned with Moldova's key national and sectoral adaptation frameworks, including Moldova's Updated NDC (2020), which prioritizes climate-resilient agriculture and irrigation.
- There are no activities included in the 'non-aligned list'.

Alignment with the adaptation goals of Paris Agreement
The Project is assessed as aligned with the adaptation goals of the Paris Agreement (BB2 aligned), as it satisfies all three steps of the assessment. All material physical climate risks - including drought and water stress, extreme heat, extreme rainfall, and flooding - have been addressed through the Project design and/or through the ESAP and detailed design requirements. The hydrological assessment further confirmed that the Project's potential impacts on the wider system are limited.

GREEN FINANCE ATTRIBUTION

A GET share of 100% is attributed to this Project as a result of the enabling impact of the Project, in accordance with EBRD's adaptation finance approach, consistent with j-MDB methodology. A summary of the adaptation GET rationale is provided below.

Step 1. Context of climate change vulnerability relevant to the Project
Moldova's agricultural sector is highly vulnerable to climate change due to declining irrigation infrastructure and increasing climate extremes. As of the late 2010s-early 2020s, fewer than 20,000 hectares remain irrigated, compared to more than 300,000 hectares equipped during the Soviet-era peak, leaving most agricultural production dependent on increasingly unreliable rainfall. Severe droughts in 2020 and 2021 exposed the sector's limited adaptive capacity, resulting in significant yield losses and economic impacts. Heat extremes are expected to become more frequent and prolonged, with days above 35°C increasingly common during the growing season. These trends will shorten vegetation periods, degrade soils, and reduce crop yields and quality, reinforcing the need for reliable irrigation and climate-resilient water management systems.

Step 2: Statement of intent of the Bank to address climate resilience through the Project:
The Bank seeks to strengthen climate resilience in Moldova's agricultural sector through the rehabilitation and modernisation of priority CISs, where water availability has been robustly assessed and confirmed to be sufficient to accommodate increased abstraction without material downstream impacts. Tranche 1 of the Project improves the reliability of irrigation services for [REDACTED] farmers, enhances livelihood resilience to climate variability, and supports an increase in agricultural production [REDACTED] through expanded and more reliable irrigation. With similar impacts expected for Tranche 2 [REDACTED]. It integrates water efficiency investments, including canal rehabilitation, while strengthening the adaptive capacity of the farmers and WUAs to ensure sustainable operation, maintenance, and long-term system resilience.

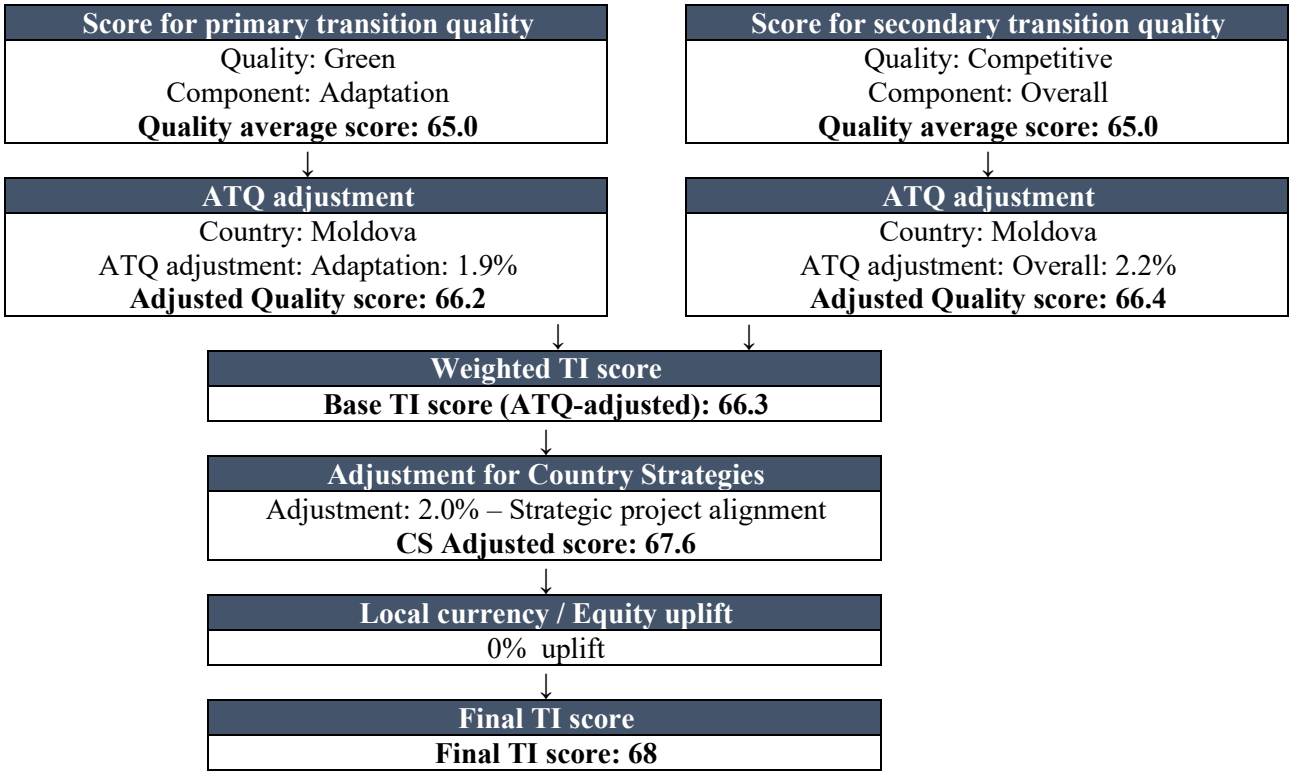
Step 3: Direct link between climate vulnerability context and Project activities
Rehabilitation and modernisation of irrigation infrastructure reduce dependence on variable rainfall and provide reliable water supply during prolonged dry and high-temperature periods. On-demand irrigation services allow farmers to respond flexibly to increasing evapotranspiration and heat extremes, stabilising yields under climate stress. Capacity building activities linked to the Project target farmer practices such as crop diversification, while strengthening capacity of WUAs, improve long-term system sustainability during periods of scarcity and adaptation to changing growing conditions.

Conclusion: The Project is attributed 100% GET given that the primary objective of the Project is to strengthen climate resilience to enable food and water security in Moldova.

CRO calculation: The programme achieves substantial water intensity savings as well as increasing crop productivity. Applying a shadow water price of 0.5 EUR/m^3 for Moldova (under a conservative scenario of medium water stress) to [REDACTED] water saving vs. the baseline water efficiencies and summing with the economic value of increased crop productivity [REDACTED] the CRO for the Project over its economic lifespan of 25 years is equivalent to 241 mEUR.

[REDACTED]

ANNEX 3. TRANSITION IMPACT SCORING CHART



ANNEX 4. PROCUREMENT IMPLEMENTATION SUMMARY

Procurement classification – *Public*, *sovereign*

Project risk assessment:
Overall risk rating - **High**
based on:

[REDACTED]

The Client's capacity assessment related risk - **High**

The implementing agency will be MAFI, with ANIF, subordinated to MAFI, acting as the PIU.

[REDACTED]

The above PIU team headed by ANIF's project manager will be further strengthened by a standard Project Implementation Support consultant who will provide international expertise and more targeted expertise supporting the PIU in daily Project implementation tasks, such as review of the detailed design prepared by external consultants, procurement, management of construction supervision consultants, financial management, reporting requirements derived from the loan agreement and EBRD E&S standards, etc. The Project Implementation Support consultant will be further tasked with supporting ANIF by analysing the PIU's capacity constraints and providing relevant capacity building support in the form of classroom and on-the-job training sessions.

Contract risk assessment - **Medium**

[REDACTED]

Procurement arrangements: The Project is classified as a public sector operation for procurement purposes. Goods, works and services financed from the Bank's loan will be procured using open tendering procedures in accordance with Section 3 of the Procurement Policies and Rules for the Public Sector and will use the Bank's latest Standard Procurement Documents.

[REDACTED]

All loan-financed contracts will be subject to prior review by the Bank.

[REDACTED]

ANNEX 5. MARKET CONTEXT

Moldova's irrigation sector is centred on CISs serving agricultural land primarily along the Prut and Nistru river basins. Due to the high fixed costs and network characteristics of water intake, pumping and distribution infrastructure, CISs operate as natural monopolies within their respective service areas.

The irrigation market has contracted sharply since the 1990s, with only around 7,000 ha currently irrigated despite approximately 108,000 ha remaining equipped in 2018.

Irrigation services are generally delivered through WUAs, which operate systems transferred to them under long-term "comodat" ("loan-for-use") agreements, while the State retains ownership of the principal assets. Irrigation tariffs are approved by WUA members and are structured to recover O&M costs, including electricity for pumping.

The legal and institutional framework is broadly aligned with EU water-management and participatory-governance principles. Irrigation is regulated under the Water Law, while the Law on WUAs governs WUA operations, tariff setting and asset transfers. Following sector reforms in 2023, irrigation assets and functions were transferred from Apele Moldovei to ANIF, which now manages CIS assets, supports WUAs and serves as the key sector implementation institution under the supervision of MAFI.

Institutional capacity remains a key sector constraint. [REDACTED] These constraints are being addressed through ongoing support from international financial institutions and development partners.

Demand for irrigation is influenced by agricultural production patterns, energy costs, irrigation tariffs and access to finance. In the Project areas, farmers have expressed interest in expanding irrigated production and diversifying towards higher-value crops, including vegetables and orchards, subject to reliable water supply and adequate support services. However, broader agricultural value-chain constraints, including limited storage, processing and market-access infrastructure, may affect the pace of this transition.

The Project is expected to increase the reliability and utilisation of existing irrigation infrastructure rather than alter market structure. By rehabilitating priority CISs and strengthening WUA capacity, it is expected to improve service delivery, support greater participation in irrigated agriculture, enhance operation and maintenance sustainability and stimulate increased private activity across agricultural input, equipment, advisory, storage and processing value chains.