



Brussels, 10.12.2021  
C(2021) 9348 final

**COMMISSION IMPLEMENTING DECISION**

**of 10.12.2021**

**on the financing of the individual measure in favour of the Republic of Moldova for  
2021**

# COMMISSION IMPLEMENTING DECISION

of 10.12.2021

**on the financing of the individual measure in favour of the Republic of Moldova for 2021**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012<sup>1</sup>, and in particular Article 110 thereof,

Having regard to Regulation (EU) 2021/947<sup>2</sup> of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument - Global Europe and amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009, and in particular Article 23(3) thereof,

Whereas:

- (1) In order to ensure the implementation of the Individual measure in favour of the Republic of Moldova for 2021, it is necessary to adopt an annual financing Decision, which constitutes the annual work programme, for 2021. Article 110 of Regulation (EU, Euratom) 2018/1046 establishes detailed rules on financing Decisions.
- (2) The envisaged assistance is to comply with the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU<sup>3</sup>.
- (3) The Commission aims at adopting in the first half of 2022 the Multiannual Indicative Programme for Moldova for the period 2021-2027, which sets out the following priorities under the general heading of resilience: A resilient, sustainable and integrated economy; accountable institutions, the rule of law and security; environment and climate resilience; a resilient digital transformation; resilient, fair and inclusive societies. These priorities are fully aligned with the Joint Communication on Eastern Partnership Policy beyond 2020<sup>4</sup>.
- (4) However, this current measure is urgently needed as Moldova is facing a significant increase of gas prices as a consequence both of very tight global energy markets and of a recently-amended contract with its gas supplier. Ahead of the winter season 2021,

---

<sup>1</sup> OJ L 193, 30.7.2018, p.1.

<sup>2</sup> OJ L 209, 14.6.2021, p.1.

<sup>3</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

<sup>4</sup> JOIN(2020)7 final

Moldova will have to purchase its gas at prices about three or four times higher than in previous years. The rise in gas prices will put significant pressure on Moldova's public finances and on the ability of the most vulnerable citizens to afford gas throughout the winter. This energy crisis is taking place in a context aggravated by the COVID-19 pandemic and its economic and social impact. No other means of financing this measure are available at present. It is therefore justified in the present case to adopt an individual measure pursuant to Article 23(3) of Regulation (EU) No 2021/947.

- (5) The objectives pursued by the measure to be financed under the Neighbourhood geographic programme of the Neighbourhood, Development and International Cooperation Instrument are to provide an effective and urgent response to the aforementioned energy crisis.
- (6) The action entitled "State and Resilience Building Contract in favour of the Republic of Moldova" aims to mitigate the socio-economic impact of the rising gas prices in particular on the vulnerable groups, strengthen the Government's overall capacity to deliver tailor made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.
- (7) It is necessary to allow for the payment of interest due for late payment on the basis of Article 116(5) of Regulation (EU, Euratom) 2018/1046.
- (8) In order to allow for flexibility in the implementation of the measure, it is appropriate to allow changes which should not be considered substantial for the purposes of Article 110(5) of Regulation (EU, Euratom) 2018/1046.
- (9) The measure provided for in this Decision is in accordance with the opinion of the Committee established under Article 45 of Regulation (EU) No 2021/947 of 9 June 2021.

HAS DECIDED AS FOLLOWS:

*Article 1*  
*The measure*

The annual financing Decision, constituting the annual work programme for the implementation of the Individual measure in favour of the Republic of Moldova for 2021, as set out in the Annex, is adopted.

The measure shall include the following action: "State and Resilience Building Contract in favour of the Republic of Moldova".

*Article 2*  
*Union contribution*

The maximum Union contribution for the implementation of the measure for 2021 is set at EUR 60 000 000.00, and shall be financed from the appropriations entered in the following line of the general budget of the Union:

- budget line 14.020111: EUR 60 000 000.00

The appropriations provided for in the first paragraph may also cover interest due for late payment.

*Article 3*  
*Flexibility clause*

Increases<sup>5</sup> or decreases of up to EUR 10 million not exceeding 20% of the contribution set in the first paragraph of Article 2 or cumulated reassignments of funds between actions contained in an action plan not exceeding 20% of that contribution, as well as extensions of the implementation period shall not be considered substantial within the meaning of Article 110(5) of Regulation (EU, Euratom) 2018/1046, where these changes do not significantly affect the nature and objectives of the actions.

The authorising officer responsible may apply the changes referred to in the first paragraph acting in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 10.12.2021

*For the Commission*  
*Olivér VÁRHELYI*  
*Member of the Commission*

---

<sup>5</sup> These changes can come from external assigned revenue made available after the adoption of the financing Decision.



**EN**

**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX**

of the Commission Implementing Decision on the Individual measure in favour of the Republic of Moldova for 2021

**Action Document for State and Resilience Building Contract for the Republic of Moldova**

**INDIVIDUAL MEASURE**

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and measure in the sense of Article 23 (3) of the NDICI-Global Europe Regulation.

**1. SYNOPSIS**

**1.1. Action Summary Table**

<b>1. Title</b> <b>CRIS/OPSYS</b> <b>Basic Act</b>	State and Resilience Building Contract for the Republic of Moldova CRIS number: NDICI-GEO-NEAR/2021/043-646 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
<b>2. Team Europe Initiative</b>	No
<b>3. Zone benefiting from the action</b>	The Action shall be carried out at the following location: The whole territory of the Republic of Moldova
<b>4. Programming document</b>	Multiannual Indicative Programme (MIP) 2021-2027 for the Republic of Moldova <sup>1</sup>
<b>5. Link with relevant MIP(s) objectives/expected results</b>	Priority area 1: Resilient, sustainable and integrated economy Priority area 3: Environment and climate resilience Priority area 5: Resilient, fair and inclusive societies
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	230- Energy, 510- Budget Support, 730- Reconstruction and Rehabilitation
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDGs: - SDG 1 End poverty in all its forms everywhere  Other significant SDGs:

<sup>1</sup> The Multiannual indicative Programme will be adopted in the first half of 2022

	<ul style="list-style-type: none"> <li>- SDG 2 Zero hunger</li> <li>- SDG 5 Achieve gender equality and empower all women and girls</li> <li>- SDG 3 Good health and well-being</li> <li>- SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</li> <li>- SDG 10 Reduced inequalities</li> </ul>			
<b>8 a) DAC code(s)</b>	15110 - Public sector policy and administrative management 15142 - Macroeconomic policy 15170 - Women’s rights organisations and movements, and government institutions 16010 - Social protection			
<b>8 b) Main Delivery Channel</b>	12000 – Recipient government			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <sup>2</sup> <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>2</sup> For the Neighbourhood, activities related to education shall be marked as part of the “Social Inclusion and Human Development” target, in line with the NDICI-GE programming guidelines.

	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation Tags: digital connectivity digital governance digital entrepreneurship job creation digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	<u>Connectivity</u> Tags: transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<b>BUDGET INFORMATION</b>			
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14.020111 – Eastern Neighbourhood Total estimated cost: EUR 60 000 000.00 Total amount of EU budget contribution EUR 60 000 000.00 of which EUR 60 000 000.00 for budget support and EUR 0 for complementary support.			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Implementation modalities (type of financing and management mode)</b>	Budget Support <b>Direct management</b> through: Budget Support: State and Resilience Building Contract			

## 1.2. Summary of the Action

The Republic of Moldova<sup>3</sup> is facing a significant increase of gas prices as a consequence both of very tight global energy markets and of a recently-amended contract with its gas supplier. Ahead of the 2021 winter

<sup>3</sup> Hereinafter 'Moldova'

season, Moldova will have to purchase its gas at prices about three or four times higher than in previous years. This is putting significant pressure on Moldova's public finances and on the ability of the most vulnerable citizens to afford gas throughout the winter.

This energy crisis comes in addition to the COVID-19 pandemic, which has had a significant negative impact on Moldova's economy, causing a drop of 7% in Gross Domestic Product (GDP) in 2020. Moldova remains one of the poorest countries in Europe; in November 2021, the Moldovan National Bureau of Statistics reported that 26.8% of the population live in absolute poverty, an increase of 1.6 percentage points compared to 2019 (25.2%). This highlights the significant impact of COVID-19 on the most vulnerable citizens.

The overall objective of this Action is to assist Moldova to mitigate the socio-economic impact of the rising gas prices in particular on vulnerable groups, strengthen the Government's overall capacity to deliver tailor-made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova. The Action will contribute to targeted policy measures aimed at reducing the impact of increasing energy costs on citizens and in particularly energy poverty of the most vulnerable and will contribute to growth-enhancing policies.

The Action therefore directly contributes to SDG 1 on ending poverty and SDG 8 on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. The Action will also contribute to SDG 5 on gender equality, since from a gender and human rights perspective, women and men have different energy needs. The Action contributes to the following programming areas: Public sector policy and administrative management, macroeconomic policy, and social protection.

The Action directly contributes to the priorities of the 2021-2027 Multiannual Indicative Programme relating to resilient, sustainable and integrated economies (Priority #1), environment and climate resilience (Priority #3), and resilient, fair and inclusive societies (Priority #5). The Action further builds on the Economic Recovery Plan for Moldova, the COVID-19 related emergency Macro Financial Assistance (MFA), and budget support already delivered to help mitigate the impact of the COVID-19 pandemic.

## 2. RATIONALE

### 2.1. Context

The EU, its Member States and the Republic of Moldova signed an Association Agreement, including a Deep and Comprehensive Free Trade Area in 2014 and fully applied it after its ratification in 2016. An Association Agenda sets out a list of priorities for joint work on implementing the Association Agreement.

The Association Agenda covering the period 2021-2027 (under adoption) will guide EU-Moldova bilateral relations. Together with the five policy objectives of the March 2020 Joint Communication "Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all"<sup>4</sup>, it will frame financial assistance under the next Multiannual Financial Framework for the programming period 2021-2027. These priorities are reflected in the Joint Staff Working Document (JSWD) setting out the post-2020 Eastern Partnership agenda<sup>5</sup>, published on 2 July 2021, including its Economic Investment Plan and the five flagship initiatives to support socio-economic recovery and strengthen the country's resilience.

In June 2021, the European Commission announced an Economic Recovery Plan for Moldova<sup>6</sup>. The Economic Recovery Plan aims to stimulate long-term socio-economic recovery, foster the green and digital transitions

---

<sup>4</sup> [JOIN\(2020\) 7 final](#).

<sup>5</sup> SWD(2021) 186 final

<sup>6</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_21\\_2712](https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2712)



and unleash the untapped economic potential of Moldova. It aims to leverage structural reforms, particularly on the rule of law, justice reform and anti-corruption, in order to unlock the sustainable economic recovery of the country.

The global increase in gas prices, which is affecting Moldova more acutely than other countries in the region, will result in a significant strain on the budget, and in turn curtail future economic growth and jeopardize the economic recovery from the COVID-19 pandemic. Before the current gas crisis, the economy was gaining momentum on account of increased political stability, resilient remittances, the positive fiscal impulse (higher public wages, increase in pensions and transfers) and the economic recovery of main trading partners. Following the upward revision, the World Bank expects growth to reach 6.8% in 2021 on account of robust increase in private consumption and investments. Nevertheless, the uncertainty surrounding the future evolution of the COVID-19 pandemic remains, particularly given the **low vaccine uptake** (only 25.28% of legally resident population (33.90% of the usually resident population) were fully vaccinated by mid-November 2021).

Furthermore, Moldova is one of the poorest countries in the region. In 2014, the World Bank estimated that 41% of the population lived below the poverty line of USD 5 a day<sup>7</sup>. The same study estimates that about 18% of household income depends on remittances. The Moldovan National Bureau of Statistics reported in **November 2021 that 26.8% of the population live in absolute poverty**, an increase of 1.6 percentage points compared to 2019 (25.2%). **This highlights the significant impact of COVID-19 on the most vulnerable citizens.** Moreover, although gas is accessible mostly throughout the country, a sign of the persistent energy poverty is that a sizeable share of the population use firewood for heating, despite having access to gas<sup>8</sup>. This is in part explained by already higher gas costs in Moldova than in other countries across the Eastern Partnership. A significant proportion of the Moldovan population is therefore **highly vulnerable to the increase in gas prices.**

Against this background, **President Von der Leyen** reiterated the EU's full support for Moldova in a statement on 29 October 2021: *"The European Union stands side-by-side with Moldova in overcoming the challenges it faces notably in the areas of health, energy and economy. With our exceptional EUR 60 million grant support we will help Moldova through this crisis by mitigating the impact of the rise in gas prices on the most vulnerable people. We also strongly support the ambitious reforms agenda of the Moldovan government, in particular to regain public trust in the judiciary and in the public administration system, and improving the country's business and investment climate."*<sup>9</sup>

The EU Economic and Investment Plan<sup>10</sup> already includes initiatives on energy efficiency for the Republic of Moldova. Flagship #3 aims at improving energy efficiency, for example through district heating of residential buildings in Chisinau and Balti. The overall cost of the investment is estimated at up to EUR 300 million. Thermal insulation will be provided to further improve energy performance. This will boost energy efficiency and reduce CO<sub>2</sub> emissions, create jobs, improve the quality of life, and lower electricity bills for citizens. This flagship initiative will build on existing investment in the energy efficiency of public buildings. Finally, the Economic Recovery Plan in its 3<sup>rd</sup> pillar on investing in infrastructure foresees the promotion of energy efficiency in Moldova through the renovation of local public infrastructures across the regions with additional investments to support the use of renewables.

---

<sup>7</sup><https://documents1.worldbank.org/curated/en/168451467995808859/pdf/105722-WP-P151472-PUBLIC-Moldova-Poverty-Assessment-2016.pdf>

<sup>8</sup> <https://eap-csf.eu/wp-content/uploads/Energy-Poverty-2019-WEB.pdf>

<sup>9</sup> [EU and Moldova strengthen engagement and cooperation \(europa.eu\)](https://europa.eu/eu-press/press-releases/eu-and-moldova-strengthen-engagement-and-cooperation)

<sup>10</sup> As part of the [Joint Staff Working Document: Recovery, resilience and reform: post 2020 Eastern Partnership priorities, SWD\(2021\) 186 final](#)

The Public Finance Management (PFM) reform outlook in Moldova is generally positive. The Ministry of Finance and other key institutions remain committed to the reforms and some notable improvements have already taken place. These include an improved framework for the preparation of the Medium Term Budget Framework (MTBF) and a better structured MTBF document with improved content and an improved structure in the core tables presenting budgetary data of the State Budget Law. This said, the Moldovan government needs to adhere to the budget calendar. Steps need to be taken to consolidate recent gains in the area of medium-term and annual budget planning. The public procurement (PP) system needs further improvement, especially the e-procurement system. A new PP Strategy must be developed and implemented<sup>11</sup>. Further efforts on Public Internal Financial Control (PIFC) improvement are needed. According to Government Decision No. 9 of 20.01.2021, the current PFM Strategy (initially approved through Government Decision No. 573 of 06.08.2013) has been extended till the end of 2022<sup>12</sup>. The Ministry of Finance (MoF) plans to carry out a comprehensive review of the achievements and shortcomings of the Strategy based also on the Public Expenditure and Financial Accountability (PEFA) assessment which will become available in 2022. This will, alongside other independent analysis and assessment, serve as the basis for the development of the renewed/updated Strategy for the forthcoming period.

The European Union's partnership with Moldova will remain focused on delivering tangible benefits to Moldovan institutions and citizens. The EU remains committed to working with Moldova to support the reform process that is at the core of the Association Agreement, in particular as regards promoting the rule of law, fighting corruption and vested interests, irrespective of political affiliation, ensuring the independence of the judiciary, and de-politicising state institutions. EU economic assistance to Moldova will continue along the principles of conditionality and respect for the rule of law and democratic standards. So far, EU assistance and support for democratic reforms have delivered tangible benefits to Moldovan citizens.

This programme will be implemented in close coordination and synergy with other relevant bilateral and regional assistance for Moldova, including in particular a possible forthcoming Macro-Financial Assistance operation for Moldova and crisis mitigation support under NDICI Global Europe Crisis Response Measure.

## 2.2. Problem Analysis

During the second half of 2021, unusually high prices were registered on global gas and electricity markets. These increases were evident mostly on the short term (spot) markets, characterized by high volatility of prices, but end-user prices in some countries were partly shielded from the increase due to longer term contracts concluded in advance. This general price increase has contributed to a worsening of the structural weaknesses of the Republic of Moldova.

The Republic of Moldova is a net gas importer at almost 100% and has no storage capacity on its territory. The contract between Moldovagaz and Gazprom for gas supply was concluded in 2006 for a validity of five years and extended yearly as from 2011 (except on 2016 when it was extended for three years).

Moldova is facing a significant increase of gas prices as a consequence both of very tight global energy markets and of a recently-amended contract with its gas supplier. Ahead of the winter season 2021, Moldova will have to purchase its gas at prices about three or four times higher than in previous years. As a result, **energy poverty will increase greatly and the number of vulnerable customers will multiply**. In order to mitigate the cost of this increase throughout the population, the government plans to introduce a support scheme to help vulnerable customers (cf. below).

In response to the abovementioned situation, a state of emergency was declared on 22 October 2021 for a duration of 30 days. The state of emergency allows derogation from certain laws and procedures, including quick allocation of funds from the budget to Energocom to buy gas.

---

<sup>11</sup> The last PFM and transparency report can be found at <https://mf.gov.md/sites/default/files/Raport%20SDMFP%202020.pdf>.

<sup>12</sup> [https://www.legis.md/cautare/getResults?doc\\_id=125548&lang=ro](https://www.legis.md/cautare/getResults?doc_id=125548&lang=ro)

The energy crisis followed the acute COVID-19 induced crisis. In order to help support the post COVID-19 socio-economic recovery, the EU delivered EUR 100 million of emergency Macro Financial Assistance, of which the last tranche was disbursed in October 2021. An additional EUR 21.4 million in budget support assistance to support reforms and the fight against COVID-19 in the police sector and EUR 15 million to mitigate the socio-economic impact of the COVID-19 pandemic were also disbursed by the European Commission in September 2021.

The EU already provides assistance in order to improve the long-term energy security and efficiency of Moldova. This includes, for example, the ‘Moldova Energy Efficiency’ programme, the first nation-wide energy efficiency undertaking in Moldova. The project will mainly target public buildings (schools, kindergartens, hospitals, municipal/governmental buildings frequently used by citizens) and modernise them in order to improve their energy efficiency. The total investment is estimated at around EUR 94 million and includes an EU grant of EUR 15 million, co-financing loans from the European Investment Bank and the European Bank of Reconstruction and Development, as well as a contribution from the Government of Moldova. Additional support for energy efficiency is foreseen under the forthcoming Annual Action Programme for 2021.

However, taking into consideration the significant increase in gas prices, the vulnerability of domestic consumers (especially socially vulnerable families) and the fragility of the domestic economy, additional support is needed to ensure sustainable public finances and to prevent a possible emergency arising from a widespread lack of access to affordable heating while keeping the reform and growth momentum. In line with the future 2021-2027 Multiannual Indicative Programme (MIP) for EU support to the Republic of Moldova, the situation calls for a new budget support programme targeting the immediate financial needs of Moldova and supporting the country’s plan to support vulnerable households in the short and mid-term as well as to provide assistance to sustain socio-economic growth and decent living conditions both for women and men.

### **2.3. Additional Areas of Assessment**

#### **2.3.1. Public Policy**

##### Long-term development and economic policy

The country’s main strategic planning document, which serves as a basis for current programming, is the National Development Strategy “Moldova 2030”, approved in its first version by the Government in the beginning of November 2018. The main objectives are embedded in four basic pillars and cover ten national-level sustainable development objectives.<sup>13</sup>

In addition to the National Development Strategy (NDS) “Moldova 2030”, the Economic Council under the auspices of the Prime Minister developed an “Indicative Economic Recovery Plan in the context of COVID-19”<sup>14</sup>. The Plan is subject to regular revision and updates. It also includes a policy matrix with measures in four main areas of intervention, the third area notably being to “provide state aid for the development of private sector affected by the pandemic”. Furthermore, the former Ministry of Economy and Infrastructure (MEI) developed the “Action Plan for the implementation of the 2020-2021 Economic Measures Programme in the context of COVID-19”<sup>15</sup>. The Action Plan envisages a series of concrete measures under three objectives: 1) mitigation of the socio-economic impact of the COVID-19 pandemic; 2) economic recovery of Moldovan companies and 3) transition to a more resilient economy and economic adaptation. The MEI also has plans to develop an overarching Strategy for an Inclusive, Sustainable and Digital Economy by 2030 by the end of 2021, which will ensure the link between the NDS Moldova 2030 and the medium-term programmes to be

---

<sup>13</sup> <https://moldova.un.org/en/15729-national-development-strategy-moldova-2030-approved-government>

<sup>14</sup> <https://consecon.gov.md/wp-content/uploads/2020/10/Studiul-de-impact-al-pandemiei-COVID-19-asupra-sectoarelor-economice-%C8%99i-Matricea-de-politici-1.pdf>

<sup>15</sup> [https://mei.gov.md/sites/default/files/propuneri\\_de\\_masuri\\_economice\\_in\\_contextul\\_covid-19.pdf](https://mei.gov.md/sites/default/files/propuneri_de_masuri_economice_in_contextul_covid-19.pdf)

developed as operational tools. The current 2013-2020 SME support strategy will be replaced by a new SME support programme by the end of 2021. Apart from the existing sectoral SME support programmes, it is envisaged to develop and initiate already in 2021 several new programmes. It is important that such SME support programmes have a specific focus on women, as women are underrepresented among entrepreneurs in Moldova (33.9%). In this, the government can capitalise on its previous Programme “Women in Business” (Government Decision #no.1064, from 16.09.2016)<sup>[1]</sup>.

In addition, the activities taken by the Government address the disproportionate effect of COVID-19 on women in terms of loss of access to income and intensified economic insecurity, increased burden of domestic and care work, and higher incidence of domestic violence because of strict confinement measures.

#### Energy policy and provisions for vulnerable citizens

The social assistance system in Moldova includes social payments and social services. Social services are delivered by local social assistants and are funded from local budgets. One of the key social assistance benefits is material aid (AS-Ajutorul Social). The key purpose of the material aid programme is to ensure a guaranteed minimum monthly income (GMMI) to disadvantaged families. Related to the energy expenses, and according to the Law on Social Assistance (No. 133 of 13.06.2008), while the AS is applied continuously and is meant to provide additional resources to the low income of the family, disadvantaged families are entitled to additional state assistance during the five cold months from November to March. The amount of the social payment is calculated by comparing the overall income of the family and the monthly guaranteed income per member of the family and is approved in accordance with Regulation on Modality of Establishing and Paying Social Assistance (Government Decision No. 1167 of 16.10.2008). Currently the monthly guaranteed income per member of the family is MDL 1 196 (about EUR 60). The amount of the social payment is adjusted periodically, the most recent adjustment being in 2019, and the approved monthly financial support for disadvantaged families (currently still in force) was MDL 500 /month (EUR 25). In addition to the national scheme there are also local measures available to provide subsidies for heating costs in Chisinau and Balti.

Material aid (coupled with the aid provided during the heating season) thus represents a means-targeted social benefit. According to the World Bank (2019), targeted social assistance to poor families is the most efficient type of social assistance in Moldova for fighting poverty and inequality. This type of intervention has also the best targeting results – up to 40% of the programme budget goes to the bottom decile and almost 80 percent goes to the bottom 40% of the distribution, while only 1% goes to the top quintile.

Moldova recorded some progress in reducing the extreme poverty rate, but the rural population is at a much higher risk of poverty than the urban population. The poverty rate in 2019 in rural areas was 34.5% compared to 11.2% in urban areas. The country remains considerably reliant on remittances which help reduce the poverty level in Moldova.

Women, the elderly, adolescents, youth, children and persons with mental and physical disabilities experience the highest degree of social marginalisation. Marginalised people become even more vulnerable in emergencies, such as pandemics or gas crises. Children in Moldova are still disproportionately poor, and rural-urban inequalities are pronounced. The poverty rate for households with three or more children was 23 percent, the national average was 10% and for families with one child the poverty rate was just 8% (Ministry of Economy and Infrastructure, 2017). Poverty is more pronounced in rural, than in urban areas. In 2019, the level of poverty among women was 25.6%, and among men 24.8%<sup>16</sup>.

Based on the Natural Gas Law 108/2016, gas suppliers are responsible for several public services, notably (1) an obligation to supply natural gas to final consumers at established quality parameters, at regulated prices, transparent, non-discriminatory and easy to compare and (2) an obligation of the supplier of last resort.

Other public service obligations could be imposed on gas companies by the Government or by the regulator (ANRE) in order to address issues relating to security of natural gas supply, the parameters and indicators of

---

<sup>16</sup> <https://statistica.gov.md/newsview.php?l=ro&id=6934&idc=168>

quality, environmental protection and increasing energy efficiency, protection of health, life and property, and measures for the protection of final consumers.

### State of Emergency Declaration and the National Energy Crisis Action Plan

Following the developments in the local gas market, on 22 October 2021 the Parliament adopted the decision to introduce a state of emergency in the Republic of Moldova for a duration of 30 days, from 22 October until 20 November 2021. The state of emergency makes it possible for the Government (also via the Commission on Emergency Situations) to make quick decisions on financial allocation and purchase of gas as well as to have greater control over the distribution of gas. During the state of emergency, the Commission on Emergency Situations (CES) will issue decisions in order to ensure implementation of the following measures:

1. To establish a special regime for the purchase of natural gas in urgent regime;
2. To allocate the necessary financial resources to ensure procurement of necessary gas volumes;
3. To adopt necessary decisions for a rapid purchase of gas, including with derogation from certain normative acts;
4. To dispose, if necessary, further measures for gas and other energy resources consumption reduction;
5. To adopt decisions to empower suppliers and distributors to purchase, transport and distribute gas on the entire territory of the country;
6. To coordinate the activity of mass media in view of:
  1. Information of the population about the state of emergency and the measures undertaken;
  2. To familiarise the population with the state of emergency rules;
  3. To introduce special rules for the use of communication means;
7. To establish quick instruments for the collection of payments from final consumers;
8. To establish other measures to prevent, diminish and eliminate the consequences of the gas shortage.

CES decisions are mandatory to central and local authorities, business operators, public institutions and citizens.

To support its citizens and in particular the most vulnerable part of the population the Government of Moldova is currently in the process of putting in place a National Energy Crisis Action Plan (NECAP). The overall objective of the plan will be to mitigate the impact of rising energy prices on the population, to protect especially the most vulnerable groups and to enhance energy security and efficiency in order to structurally prevent similar situations in the future. More specifically, the plan will target the following objectives:

1. Maintain the framework to reduce the impact of rising energy prices on household consumers;
2. Support the population and in particular vulnerable groups to cope with the harsh socio-economic situation;
3. Ensure Moldova's long-term energy security and prevent other energy crises.

According to the government's initial calculation, the total cost of the National Energy Crisis Action Plan is estimated at EUR 252 million, which will represent around 2% of Moldova's GDP in 2022.

In order to partially offset the increase of gas prices for the most vulnerable households and for ensuring continuous support to the population and in particular the most vulnerable groups to cope with the harsh socio-economic situation, the Moldovan authorities envisage the following measures (estimated cost EUR 92 million):

- Support for household bills for gas and heating in winter;
- Extend financial support for the most vulnerable and socially disadvantaged households. The Moldovan authorities intend to both increase the number of vulnerable households covered and to



increase the level of payments. This income-targeted assistance programme will not only help vulnerable households partially offset the rising energy prices, but will also alleviate the effects of higher costs for other basic necessities.

Further measures envisaged by the Government of Moldova include a set of measures to support workers including through short-time work schemes and subsidies for technical unemployment, supporting parents with children in on-line education, increasing the minimum package of social services and a minimum pension increase.

As vulnerable groups are hit exponentially harder by the crises further costs will be incurred to provide broader support for the vulnerable groups and marginalised population to cope with the combined negative effects of energy price rise and the COVID-19 crisis. That will require changes in legislation such as the legislation on gas and electricity defining vulnerable consumers. While the situation is evolving rapidly, it remains clear that the rise in energy prices will have a significant budgetary, macro-fiscal and socio-economic impact in an already difficult economic context. Addressing these challenges will require longer-term steps to support energy transition through in particular increasing energy efficiency.

The National Energy Crisis Action Plan, once adopted, should constitute a sufficiently relevant and credible basis for budget support contract objectives to be achieved.

### **2.3.2 Macroeconomic Policy**

The macroeconomic situation is expected to remain broadly stable on account of increased political stability and the expected increase in GDP growth. The economy is expected to gain momentum underpinned by the recovery in disposable income in part driven by resilient remittances and the positive fiscal impulse (higher public wages, increase in pensions and transfers). The International Monetary Fund (IMF, April 2021) and the World Bank (May 2021) initially estimated GDP growth to be between 3.8 and 4.5% in 2021 and 3.7% and 4% in 2022. However, following the upward revision the World Bank now expects the growth to reach 6.8% in 2021 on account of a robust increase in private consumption and investments. The uncertainty surrounding the evolution of the COVID-19 pandemic remains in particular given the low vaccine uptake of 25.28% of legally resident population fully vaccinated by mid-November 2021.

The fiscal measures introduced to mitigate the impact of the pandemic are expected to keep the fiscal deficit at around 4% of GDP in 2021, higher than historical averages, but less than what was planned in the state budget law (7%), on account of increased tax revenue (the overall tax revenue for the period January - July 2021 was 17% higher than before the pandemic) and limited absorption capacity. Going forward the fiscal stance is expected to be negatively affected by the increased energy prices affecting businesses and households. Overall debt to GDP is projected to increase by 6.1 percentage points to 41.3% of GDP in 2021, a steady increase, but still relatively low by international standards. Robust imports, supported by the recovery in domestic demand, will be a drag on growth. Inflation, after a sharp moderation in 2020 due to a decrease in domestic demand, is set to return gradually to the targeted level by the National Bank (5% +/- 1.5 pp). To counter these inflationary pressures, propelled also by the spiking gas prices, monetary policy is expected to become tighter.

The current account deficit is expected to widen in 2021 and 2022 to 7% and 8.1% respectively as trade activity and consumption recover. The government is committed to enhancing domestic revenue mobilisation. Amendments to state budget law for 2021 envisage an increase in state budget revenue by about MDL 3.7 billion and expenditures by MDL 1.2 billion, with a budget deficit decrease by MDL 2.5 billion.

According to the last available joint World Bank-IMF Debt sustainability report (April 2020) which accounted for the impact of the COVID-19 pandemic, the risk of debt distress remains low. As indicated by the IMF Moldova entered the COVID-19 crisis with strong financial, fiscal and external buffers. The economy has a

relatively low reliance on tourism, a reasonable level of public debt, and a stable banking sector. Due to the openness of the economy and strong reliance on remittances the economy remains susceptible to external shocks such as the slowdown in growth in trading partners or disruption in global value chains.

The increase in natural gas prices will have a significant potential negative macro-fiscal impact. While in 2020 Moldova paid an average of 148.9 USD/1000m<sup>3</sup> of gas, in September this year the gas price reached USD 550, and USD 790 in October 2021. In short, a fivefold increase. Despite a reduction in the gas price in November 2021 to 450 USD, it is expected that a significant tariff increase of at least 30% for end consumers will follow.

Significant reliance on external assistance in form of concessional donor funding and commercial borrowing continues. In September 2021, following the global allocation of Special Drawing Rights (SDRs) by the IMF Moldova received SDR 165.3 million, the equivalent of about USD 236 million. The EU COVID-19 Macro-Financial Assistance (MFA) operation final disbursement was in October 2021 with the payment of the last tranche of EUR 50 million. An additional sum of EUR 21.4 million in budget support assistance to support reforms and the fight against COVID-19 in the police sector and EUR 15 million to mitigate the socio-economic impact of COVID-19 pandemic were also disbursed by the European Commission in October 2021. Capacity to mitigate the impact of the recent energy crisis and support economic recovery will critically depend on external financing, particularly a successful negotiation of the new IMF programme and possible EU support.

In October 2021 the IMF staff completed discussions on the 2021 Article IV consultations and reached a staff-level agreement with Moldova on a new economic program. The agreed IMF program is a 40-month USD 564 million economic reform program. The IMF programme now requires approval of IMF senior management and Executive Board. The Board is expected to discuss the program in its December meeting, meaning that the first disbursement could come at the end of the year. In conjunction with the new IMF programme, the Commission is preparing a new 2.5 year MFA package, implementation of which could start in 2022. In conclusion, the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

### **2.3.3 Public Financial Management**

The Government's Public Financial Management (PFM) reform agenda is set out in the 2013-2020 Strategy for PFM Reform Development<sup>17</sup>. The strategy was developed following the 2011 PEFA assessment to address the identified weaknesses and was updated in 2017 taking into consideration the 2015 PEFA assessment. A mid-term review was carried out after four years of implementation. In 2021, the deadline for the implementation of the strategy was extended by two years following delays due to the COVID-19 pandemic that also delayed the Public Expenditure and Financial Accountability (PEFA) assessment. The new PEFA assessment is expected to be finalised in 2022 and together with the already available Public Investment Management Assessment (PIMA) and independent evaluations in Debt Management, Taxation, Procurement and Public Investment Management will serve for the development of the subsequent PFM strategy. The Public Financial Management Transparency Assessment (PFMTA) report covering the period June 2020-May 2021 concluded that the 2013-2020 strategy has been implemented with consistency and many of the core issues have been or are being addressed. In conclusion the extension of the strategy till 2022 is sufficiently relevant and credible.

Overall, the PFM reform outlook in Moldova remains positive. The MoF, its constituent departments and other key institutions remain committed to reform. The country has demonstrated progress in PFM and Domestic Revenue Mobilisation (DRM) through the following key reforms:

1. Expansion and strengthening of fiscal discipline, enhancement of multiannual and annual budgeting;
2. Initiation of development of the national public accounting standards aligned to the international ones;

---

<sup>17</sup> [https://www.legis.md/cautare/getResults?doc\\_id=9438&lang=ro](https://www.legis.md/cautare/getResults?doc_id=9438&lang=ro)

3. Enhancement of debt management and development of domestic securities market;
4. Improvements in public financial control and audit including enhancement of technical capacity in the Central Harmonisation Unit (CHU) and selected line ministries;
5. Revision of the legal framework for the Supreme Audit Institution and enhancement of capacities in financial and compliance audits;
6. Enhancement of the parliamentary oversight of the budget through the establishment of a standing Public Accounts Committee (Committee for control of public finances) and public hearings of the reports of the Court of Accounts;
7. Continuous transparency of budgetary process through citizen's budget and enrolment in Open Budget Index.

While notable reforms have taken place, stronger adherence to the budget calendar is needed. Steps need to be taken to consolidate recent gains in the area of medium-term and annual budget planning. The PP system needs further improvement, especially the e-procurement system. A new PP Strategy must be developed and implemented. Further efforts on PIFC improvement are needed. Reforms are needed in the area of public investment planning in particular related to revising the methodology for appraisal and selection of capital investment projects.

There is continuous commitment of the authorities to the increase in domestic revenue mobilisation. The general budget revenue of Moldova as percentage of GDP (30%) remains lower than in its peers, indicating further revenue mobilisation potential. The IMF therefore expects the tax revenue to more than double in nominal terms between 2016 and 2025. The share of indirect taxes in total tax revenue is however expected to remain very high at 66-69%.

Reforms to the tax administration are ongoing. International practices are in place in some areas (for example in taxpayers assistance, electronic services, etc.), while progressing in other areas such as the risk-based compliance management. Identified weaknesses include unreliable tax payers register, limited risk based-focus for the audit, value-added tax (VAT) refund programs, outdated IT systems etc. Frequent changes in tax policy and tax rates are still common. The VAT approximation road map and related recommendations providing for gradual alignment of the VAT regulation with the EU VAT Directive is pending follow up by the Ministry of Finance. While smuggling or non-declaration of goods and undervaluation schemes still exist and affect state revenue as well as competition and fair trade the authorities are taking steps to curb these activities. From May 2021 the consumption stamps for alcoholic and tobacco products imported and intended for consumption in the territory not controlled by the constitutional bodies were applied. In the customs sector important steps were taken with the adoption of the new Customs Code, preparation of the introduction of a single window and New Computerised Transit System (NCTS). In addition, as part of the implementation of the National Action Plan for Trade Facilitation (Article 193 of the Association Agreement) steps have been taken towards the implementation of the Customs Service of the Authorised Economic Operator (AEO) programme.

In conclusion, the public finance management reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

### **2.3.2. Transparency and Oversight of the Budget**

Moldova has sustained a solid level of transparency reflected by the systematic publication of draft and enacted budgets. The budget documentation is published and budgetary information is generally accessible, timely, comprehensive and sound. The only document that is not produced is the Mid-Year Review. External audit and control are also performed and are consistently improved. Moldova ranks relatively high in the last available 2019 Open Budget Survey (OBS) by the International Budget Partnerships, despite a slight deterioration from a score of 58 to 57 in the Open Budget Index between 2017 and 2019 surveys (the score



for public participation in budgetary process was lowered to 4 from 7 out of 100)<sup>18</sup>. Moldova is currently ranked 39<sup>th</sup> among 117 surveyed countries and is placed within the range *Limited Information Available* (scores 41-60)<sup>19</sup>. It is noted that the 2019 OBS methodological framework had been revised and partly explains the one point deterioration compared to the 2017 survey.

The Supreme audit institution presented to the Public Finances Control Committee in the parliament the reports on the compliance audit of the management and use of resources in the field of health to prevent and combat the spread of COVID-19 infections. The findings of the audit stated the need to intensify internal control processes, especially for public procurement, at all stages and for all public entities involved in the process, with the development of a systemic action plan, which would reduce possible risks and non-compliances. The financial audit of the Supplementary Grant to the Project “Emergency Response to COVID-19 in the Republic of Moldova” did not identify significant deviations from the established requirements.

The entry point is considered to be met as the 2021 State Budget Law was adopted on 16 December 2020<sup>20</sup>.

### 3. DESCRIPTION OF THE ACTION

#### 3.1. Objectives and Expected Outputs

The Action consists of a State and Resilience Building Contract to support societal and state resilience in the Republic of Moldova<sup>21</sup>. The budget support contract contributes to the government’s policy to reduce the negative impact of the energy crisis on Moldovan citizens, to ensure the delivery of essential services, particularly to the most vulnerable segments of the population and to support the long-term socio-economic recovery, energy security and energy transition of Moldova. The EU’s approach will be accompanied by a robust policy dialogue. An EU-Moldova High Level Dialogue on Energy (co-chaired by Commissioner Simson and Prime Minister Gavrilița) was launched on 28 October 2021 to discuss long-term issues, such as increasing Moldova’s energy security and efficiency.

In line with the aforementioned National Energy Crisis Action Plan, the **overall objective** (Impact) of this Action is to mitigate the socio-economic impact of the rising gas prices in particular on the vulnerable groups, strengthen the Government’s overall capacity to deliver tailor made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.

The **specific objectives** (Outcomes) of this Action are to:

1. Counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis;
2. Sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of the rise in energy prices and the COVID-19 crisis;
3. Support Moldova’s long-term objective of energy transformation with steps towards increasing energy efficiency.

---

<sup>18</sup> <https://survey.internationalbudget.org/#profile/MD>

<sup>19</sup> <https://www.internationalbudget.org/open-budget-survey/rankings>

<sup>20</sup> <https://www.mf.gov.md/sites/default/files/Bugetul%20cetatenui%20pe%202021%20-%2003.02.21.pdf>

<sup>21</sup> In line with the Joint Communication on A Strategic Approach to Resilience in the EU’s External Action (JOIN(2017) 21 final

The **outputs** to be delivered by this Action contributing to the corresponding specific objectives (Outcomes) are:

Induced outputs:

- 1.1 contributing to Outcome 1 (or Specific Objective 1): Targeted measures to support the socially vulnerable population are put in place.
- 2.1 contributing to Outcome 2 (or Specific Objective 2): Steps taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty.
- 3.1 contributing to Outcome 3 (or Specific Objective 3): Steps to support Moldova's long-term energy security and energy transition are taken.

Direct outputs:

- 1.1 contributing to Outcome 1 (or Specific Objective 1): To alleviate the financial burden on the vulnerable groups.
- 2.1 contributing to Outcome 2 (or Specific Objective 2): Increased predictability of measures for job creation, employability and sustainable economic growth is ensured.
- 3.1 contributing to Outcome 3 (or Specific Objective 3): Activities conducive to reforms in the energy sector are carried out.

### **3.2. Indicative Activities**

Activities related to Output 1.1:

Due to the fact that the increased gas price will lead to a significant growth of tariffs, the Moldovan Government is developing solutions to minimise the impact on final consumers. These solutions will particularly target vulnerable households that are already struggling in an economic context marked by high poverty levels and the impact of the COVID-19 pandemic. An analysis to identify the impact of the high gas prices on final tariffs for different consumers was performed based on the total number of natural gas consumers during the heating season. Different scenarios were taken into consideration using different gas price calculation formulas.

In order to minimise the impact on the most vulnerable consumers, the Moldovan government is in the process of preparing two emergency measures: an income-targeted framework to support socially disadvantaged households and a volume-based compensation of price increases for household bills for gas and heating. The number of households that would receive income-targeted assistance will increase (according to estimations by ca. 88 000), by increasing the threshold of the monthly minimum guaranteed income. Furthermore, the monthly sum socially disadvantaged families will receive increase by 40 percent. The volume-based compensation will be available to about 745 000 households for gas bills and to about 222 000 households for heating bills, staggered on consumption levels. These measures are expected to be put in place by Q1, 2022.

The activities will aim to provide assistance to the Moldovan government and authorities to increase the capacity to deliver such basic services to its population in the fiscal year 2022 and in particular to the vulnerable groups and to extend such actions to cover more vulnerable households and consumers. Overall, these activities will aim to provide immediate assistance to counteract the rising levels of energy poverty.

Activities related to Output 2.1:

The vulnerable groups will be exponentially hit by the combined negative effects of the energy and COVID-19 crisis which will pose acute threats for further increasing the level of poverty. The government intends to ensure continuous support for employability, and support for socio-economic recovery.

Support can include measure assisting MSMEs to cope with economic shocks in order to prevent unemployment and related poverty. Further measures can take into account social, economic and health aspects, the need to mitigate the loss of income especially in sectors particularly hit by the crisis. This support will be rolled out throughout 2022.

In general, addressing the volatile impact of the harsh socio-economic situation on vulnerable groups including the marginalised groups will require significant efforts to design and put in place adequate, tailored actions addressing the key needs. Activities related to output 2.1 could therefore include support to legislative changes, technical assistance, exchange of good practice to design adequate response actions, capacity building actions, awareness-raising and information measures as well as measures directly supporting Moldovan MSMEs and vulnerable groups including actions increasing employability, supporting economic activity and socio-economic recovery.

#### Activities related to Output 3.1:

In order to increase energy security, initiate the energy transition and increase the resilience of the Moldovan energy system to gas supply crises, legislative changes will be needed such as changes to legislation on gas and electricity defining vulnerable consumers.

Stepping up energy efficiency initiatives and in particular energy efficiency in public and private buildings, can be a key component of lowering the overall energy demand and energy costs. Such key actions for Moldova's longer term energy transition should be implemented in conjunction with the measures undertaken by International Financial Institutions (IFIs), under the EU Economic and Investment Plan and further assistance. The focus can include sectors where energy efficiency gains can be most effectively realised and the most cost effective ways to reduce the levels of energy consumed.

In general, achieving this objective will require immense analytical effort to develop evidence-based and efficient policy actions of short, medium and long-term duration. Activities can therefore include among others analysis and feasibility studies, exchanges of best practice, technical assistance targeting design and implementation of efficient measures, capacity building measures and support to legislative actions. Support to awareness-raising and information actions can be also part of such measures.

The recently launched EU-Moldova High Level Energy Dialogue will provide a platform for the necessary discussion and forum assisting in identifying adequate steps and actions.

### **3.3. Mainstreaming**

#### **Environmental Protection, Climate Change and Biodiversity**

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions).

The SEA screening concluded that no further action was required.

Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project).

The EIA screening classified the Action as Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

The CRA screening concluded that this Action is no or low risk (no need for further assessment).

### **Gender equality and empowerment of women and girls**

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that the principles of gender equality and women empowerment are significant objectives to this Action.

The principles of gender equality and women empowerment are significant objectives to this Action. The principle of gender equality will be embedded in the activities related to targeted social support provided to women and men in the framework of the Anti-Crisis Economic Plan and any support offered to businesses (owned by women and men) receiving funding secured by credit-guarantee schemes. Based on the activities to be conducted in the framework of the Action, vulnerable women and men shall be provided with social support to cope with the negative effects of the rising energy prices. The project will hence have a direct impact on women and men as final beneficiaries of the Action. During the implementation stage and through policy dialogue, a focus on gender-specific issues will be taken into account.

### **Human Rights**

Actions under this programme will apply the human rights based approach and be based on the principles of good governance, equality and the inclusion of socially or economically deprived or vulnerable groups.

### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D1. This implies that the inclusion of persons with disabilities is an important objective of the Action. The Action envisages to provide targeted social support to women and men, girls and boys with disabilities, to cope with the negative effects of the rising energy prices. According to the Moldovan National Bureau for Statistics “the estimated number of people with disabilities in the Republic of Moldova is 182,000, including 11,700 children aged 0-17 years. Persons with disabilities represent 5,1% of total population of the country, and children with disabilities constitute approximately 1,7% of all children from Moldova”.

### **Democracy**

Actions under this programme will support steps taken by the Moldovan government to address the principles of public administration developed by the European Commission in close cooperation with the OECD/SIGMA.

### **Conflict sensitivity, peace and resilience**

The contract is intended to increase the overall resilience of economy and society to external shocks.

### **Disaster Risk Reduction**

N/A

## **3.4. Risks and Lessons Learned**

Category <sup>22</sup>	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
2,3	The operational capacity of the government to implement the resilience contract	M	H	Government’s capacity to deliver on broader society’s socio/economic expectations in a strategic and efficient manner in the context of growing gas prices.

<sup>22</sup> The risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information.

	and reach to the most vulnerable groups of society/business in the most efficient and timely manner.			
1, 2, 3	Maintenance of stability-oriented macroeconomic policy and progress in the implementation of public finance management reforms.	M	M	IMF programme is approved and remains on track.
2, 3	Lack of capacity of the government to define and implement efficiently short and medium term response measures to address the needed reform in the energy sector.	M	M	Pursue the policy dialogue and technical support to the relevant public authorities, ensure close co-ordination with international partners, business community and civil society organisations.

### **3.5 The Intervention logic**

The underlying intervention logic for this Action is that targeted measures to support the socially vulnerable population are put in place, and steps are taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty in line with the Moldovan National Energy Crisis Action Plan. This will help alleviate the financial burden on the vulnerable groups and ensure increased predictability of measures for job creation, employability and sustainable socio-economic growth. In addition, Moldova will be supported in achieving the long-term objective of energy transformation with steps towards increasing energy efficiency. In order to achieve the abovementioned outputs, continuous policy dialogue and technical support to the relevant public authorities will take place. In addition, close co-ordination with international partners, business community and civil society organisations will be of the highest importance. If the abovementioned outputs are delivered and are combined with the government's capacity to deliver on broader society's socio-economic expectations in a strategic and efficient manner and with the ability to maintain a stability oriented macroeconomic policy, the Action will help counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis. Furthermore, it will contribute to sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of the rise in energy prices and the COVID-19 crisis. Lastly, it will help support Moldova's long-term objective of energy transformation with steps towards increasing energy efficiency. The EU-Moldova High Level Dialogue on Energy will be an important element in achieving this goal.

### **3.6 Indicative Logical Framework Matrix**

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
<b>Indicative Impact of the policy (Overall objective)</b>	To mitigate the socio-economic impact of the rising gas prices in particular on vulnerable groups, strengthen the Government's overall capacity to deliver tailor made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.	<i>The National Energy Crisis Action Plan of the Government of the Republic of Moldova is adopted.</i>	N/A	<i>Government adopted National Energy Crisis Action Plan</i>	<i>Government report on adopted measures related to National Energy Crisis Action Plan.</i>



<p><b>Expected Outcomes of the policy (Specific objectives)</b></p>	<p>1. Counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis.</p> <p>2. Sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of the rise in energy prices and the COVID-19 crisis.</p> <p>3. Support Moldova's long-term objective of energy transformation with steps towards increasing energy efficiency.</p>	<p><i>1.1 The number of households receiving 'financial support for winter period'</i></p> <p><i>1.2 Financial support for all households receiving social support</i></p> <p><i>1.3 Support for household bills for gas and heating for the period January to March 2022.</i></p> <p><i>2.1 The government takes steps to ensure continuous support for employability and support for socio-economic recovery.</i></p> <p><i>3.1 Steps taken to introduce relevant legislative changes</i></p>	<p><i>1.1 Approximately 212,000 households receiving financial support (September 2021)</i></p> <p><i>1.2 Approximately MDL 500 (social support in September 2021)</i></p> <p><i>1.3 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported with heating bills in November 2021.</i></p> <p><i>N/A</i></p>	<p><i>1.1 Increase in number of households receiving financial support (January to March 2022)</i></p> <p><i>1.2 Social support maintained (January to March 2022).</i></p> <p><i>1.3 Vulnerable households supported by volume-based compensation scheme.</i></p> <p><i>2.1 Steps are announced/taken to ensure continuous support for employability and support for socio-economic recovery.</i></p> <p><i>3.1 Steps taken to introduce relevant legislative changes.</i></p>	<p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>IMF, OECD, IFIs.</i></p>
---	---	---	--	---	---

<p><b>Induced Outputs</b></p>	<p>1.1 Targeted measures to support the socially vulnerable population are put in place.</p>	<p><i>1.1.1 The number of households receiving financial support in the period January to March 2022 has increased.</i></p>	<p><i>1.1.1 Approximately 212,000 households receiving financial support (September 2021)</i></p>	<p><i>1.1.1 Increase in number of households receiving financial support (January to March 2022)</i></p>	<p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p>
	<p>2.1 Steps taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty.</p>	<p><i>1.1.2 Financial support for all households receiving social support in January to March 2022 has increased.</i></p>	<p><i>1.1.2 Approximately MDL 500 (social support in September 2021)</i></p>	<p><i>1.1.2 Social support maintained (January to March 2022).</i></p>	<p><i>IMF, OECD, IFIs reports.</i></p>
	<p>3.1 Steps to support Moldova's long-term energy security and green transition are taken.</p>	<p><i>1.1.3 Support for household bills for gas and heating for the period January to March 2022.</i></p>	<p><i>1.1.3 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported with heating bills in November 2021.</i></p>	<p><i>1.1.3 Vulnerable households supported by volume-based compensation scheme.</i></p>	<p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p>
<p>3.1 Steps to support Moldova's long-term energy security and green transition are taken.</p>	<p><i>3.1.1 Steps taken to introduce relevant legislative changes</i></p>	<p><i>N/A</i></p>	<p><i>2.1.1 Steps taken to ensure continuous support for employability and support for socio-economic recovery.</i></p>	<p><i>IMF, OECD, IFIs.</i></p>	
			<p><i>3.1.1 Steps to introduce relevant legislative changes.</i></p>	<p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>IMF, OECD, IFIs.</i></p>	

<p><b>Direct Outputs</b></p>	<p>1.1 To alleviate the financial burden on the vulnerable groups.</p> <p>2.1 Increased predictability of measures for job creation, employability and sustainable economic growth is ensured.</p> <p>3.1 Activities conducive to reforms in the energy sector are carried out.</p>	<p><i>1.1.1 Support provided to vulnerable households</i></p> <p><i>2.1.1 The government measures for employability and support for socio-economic recovery have been announced.</i></p> <p><i>3.1.1 EU-Moldova High Level Dialogue on Energy takes place</i></p>	<p><i>1.1.1 Approximately 212 000 households receiving financial support (September 2021)</i></p> <p><i>1.1.1 Approximately MDL 500 (social support in September 2021)</i></p> <p><i>1.1.1 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported for heating bills in November 2021.</i></p>	<p><i>1.1.1 Increase in households receiving financial support (January to March 2022)</i></p> <p><i>1.1.1 Social support maintained (January to March 2022).</i></p> <p><i>1.1.1 Vulnerable households supported by volume-based compensation scheme.</i></p> <p><i>2.1.1 The government has announced measures for employability and support for socio-economic recovery.</i></p> <p><i>3.1.1. EU-Moldova High Level Dialogue on Energy continues in 2022.</i></p>	<p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>Government report on adopted measures related to the National Energy Crisis Action Plan.</i></p> <p><i>IMF, OECD, IFIs.</i></p> <p><i>Continued discussions in the framework of EU-Moldova High Level Dialogue on Energy</i></p>
------------------------------	---	---	---	--	---

## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1. Financing Agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

### **4.2. Indicative Implementation Period**

The indicative operational implementation period of this action, during which the activities described in section 3.1 will be carried out and the corresponding contracts and agreements implemented, is 12 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this financing Decision and the relevant contracts and agreements.

### **4.3. Implementation of the Budget Support Component**

#### **4.3.1. Rationale for the Amounts Allocated to Budget Support**

The amount allocated for the budget support component is EUR 60 000 000.00.

This amount is based on the commitment of the partner country to allocate national budget resources (including EU budget support) to mitigate the socio-economic impact of the crises and on the forecast of the macro-fiscal impact of the increase in gas prices carried out by Moldova.

#### **4.3.2. Criteria for Disbursement of Budget Support**

##### a) Conditions

The general conditions for disbursement are as follows:

- There is a credible and relevant National Energy Crisis Action Plan that supports the overall objective of mitigating the socio-economic impact of the rising gas prices, strengthen the Government's overall capacity to deliver tailor made services to vulnerable groups and in particular basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.
- There is a credible and relevant programme to maintain macroeconomic stability.
- There is a credible and relevant programme to improve public financial management.
- Timely, comprehensive, and sound budgetary information is publicly available and accessible.

##### b) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

#### **4.3.3. Budget Support Details**

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Moldovan Lei will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The budget support component consists of a fixed tranche to be disbursed indicatively upon the achievement of the required results by the end of the last quarter of 2021 (EUR 60 000 000 fixed tranche), when conditions allow.

#### 4.4. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
<b>Budget support</b> - cf. section 4.3	60 000 000.00	N.A
<b>Total</b>	60 000 000.00	N.A.

#### 4.5. Organisational Set-up and Responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action. The indicative Moldovan authorities involved in the implementation of the Action will include: the Office of Prime Minister, the Ministry of Labour and Social Protection, the Ministry of Infrastructure and Regional Development, National Agency for Energy Regulation of the Republic of Moldova, Energy Efficiency Agency, Ministry of Finance.

### 5. PERFORMANCE MEASUREMENT

#### 5.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the indicative logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The government will coordinate and monitor the development of the above-mentioned actions and policies, including possible necessary reviews. The responsible agency for each objective and measure will be in charge of developing sectoral performance based action plans with further specified outcomes, outputs, Key Performance Indicators (KPIs) and budgets based on the evidence-based policy and the budgeting principles of the government of Moldova. Close monitoring of the situation will be performed in coordination with the IMF and other partners such as the EBRD, the EIB and the World Bank.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the Action.

The assessment of performance indicators may require carrying out external reviews or data verification exercises to contribute to strengthening the policy monitoring framework and national statistical systems.

## **5.2. Evaluation**

The evaluation of this Action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.

The Commission shall inform the implementing partner at least 60 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

## **5.3. Audit and Verifications**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## **6. COMMUNICATION AND VISIBILITY**

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the [Communication and Visibility Requirements of 2018](#) (or any successor document), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the Action. For the purpose of enhancing the visibility of the EU and its contribution to this Action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.

Effectiveness of communication activities on awareness about the Action and its objectives as well as on EU funding of the Action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts.

Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall Action to the relevant monitoring committees.

Actions related to communication and visibility will be coordinated with the Strategic communications project of the EU Delegation, to ensure coherence of narrative and message, as well as horizontal strategic communications.