



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 20-Jan-2023 | Report No: PIDC35324



**BASIC INFORMATION**

**A. Basic Project Data**

Country Moldova	Project ID P179086	Project Name Moldova Emergency Response, Resilience, and Competitiveness DPO2 (P179086)	Parent Project ID (if any) P175640
Region EUROPE AND CENTRAL ASIA	Estimated Board Date Apr 06, 2023	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Republic of Moldova	Implementing Agency Ministry Of Finance		

**Proposed Development Objective(s)**

The DPO aims to (i) mitigate the impact of the war in Ukraine on refugees and households; and (ii) build resilience and enhance competitiveness to reduce vulnerabilities to future shocks.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	100.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	100.00
World Bank Lending	100.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

**Country Context**

Energy prices have substantially increased since the approval of first DPO in the series (DPO1), reaching levels that are putting severe strain on households and threaten social cohesion. Due to the spillovers of the war in Ukraine, Moldova is facing unprecedented challenges, which are straining its public finances, despite the country’s strong development efforts. With the price of gas reaching a record high in September 2022, the tariff faced by residential households has almost



doubled since the approval of DPO1. Moreover, since electricity and heat generation in Moldova is more than 90 percent based on natural gas, tariffs for residential heating and electricity have also increased.

#### Relationship to CPF

The DPO series is aligned with the priorities of the upcoming FY23-27 Country Partnership Framework (CPF) as part of a broader effort to support the authorities to respond to the immediate impact of the combined energy and refugee crises and to build resilience against future shocks. The DPO is accompanied by a broader program of technical support, including just-in-time technical advice on issues related to energy security and efficiency, as well as social protection. The World Bank is also conducting a poverty assessment with a focus on the impact of the energy crisis on the poor, as well as an assessment of impacts and needs arising from forced displacement in Moldova. The DPO series is complemented by the current Micro, Small, and Medium Enterprises (MSMEs) Competitiveness Project (P177895) and the pipeline Energy Efficiency (P179280) and Education Quality Improvement (P179363) projects.

### C. Proposed Development Objective(s)

The DPO aims to (i) mitigate the impact of the war in Ukraine on refugees and households; and (ii) build resilience and enhance competitiveness to reduce vulnerabilities to future shocks.

#### Key Results

### D. Concept Description

This DPO aimed to help the authorities mitigate the economic impact of the war in Ukraine, while maintaining the momentum on the long-term agenda.

- **Mitigate the impact of the war in Ukraine on refugees and households (Pillar 1):** The long-term management and integration of refugees from Ukraine is important not only from a solidarity standpoint but also for social cohesion in the host communities. In this context, the operation supports the establishment of comprehensive framework for long-term refugee management, including housing, social assistance, schooling and employment. Moreover, the operation supports measures to mitigate the immediate impact of higher energy prices, while improving the design of the main social assistance program (Ajutor Social) for future shocks, especially for family with children.
- **Build resilience and enhance competitiveness to reduce vulnerabilities to future shocks (Pillar 2):** The 2021 SCD Update highlights the urgent need to build resilience, given Moldova's inherent vulnerability associated with a small landlocked economy, its reliance on food and energy imports, and an increasing frequency of natural disasters exacerbated by climate change. In this context, operation supports measures to enhance energy efficiency and the strengthening of households' financial resilience. In view of the connectivity challenges, the operation also supports the unbundling of the railway sector to play an increasing role in successfully integrating firms, consumers, inputs, and goods within the country with regional and global markets in a more sustainable and safer manner. Also strategically supporting Moldova's competitiveness in an era of rapid digitalization, as witnessed during the pandemic, the operation supports the digitalization of public services.



## **E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects**

### Poverty and Social Impacts

**The policy measures supported by the DPO are expected to have neutral or positive social and distributional effects.**

The reforms under the first pillar aim to strengthen temporary protection to provide Ukrainian refugees with employment opportunities and essential services and to enhance social protection to mitigate the impact of rising energy prices during the heating season. These measures are expected to have mostly positive distributional impacts. The reforms under the second pillar aim to strengthen competitiveness, which could indirectly have positive impacts on jobs and household income over the medium term. These measures are not expected to have immediate negative distributional and social impacts.

### Environmental, Forests, and Other Natural Resource Aspects

**The proposed prior actions are expected to be mostly either neutral or beneficial for the environment.** However, some PAs could be associated with potential negative, but manageable effects. Enhancing energy efficiency is essential component to reduce the energy gap in addition to the diversification of energy sources supported in DPO1 and will contribute to further reducing GHG emissions and fulfilling Moldova's obligations under the Paris Agreement. The unbundling of railways will help indirectly make this sector more competitive and attractive for users, gradually shifting the mix of transport both for passengers and freight away from road transport, which will also reduce air pollution. However potential future investments as a result of the reforms supported by this DPO could entail negative environmental impacts, that could be managed through Moldova's existing EIA legislation which requires mandatory Environmental Clearance (EC) for expansion or modernization of any development activities. The digitalization of services for business life cycle will ensure online registration for new businesses, reducing the number of visits to the State Register and as a result reducing pollution generated by car transport. Digitization may however entail the potential generation of electronic waste which could be managed under Moldova's regulations on waste of the electric and electronic equipment (March 7, 2018 No. 212).

## **CONTACT POINT**

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**APPROVAL**

Task Team Leader(s):	Stefano Curto
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**Approved By**

Country Director:	Inguna Dobraja	20-Jan-2023
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