



GOVERNMENT
OF REPUBLIC OF MOLDOVA

Anti-crisis agenda 2022-2023

Introduction

The government is aware of the seriousness of the regional situation and its implications for our country, and especially of the vulnerability of some groups of the population that will be most affected by the crisis. In this context, the Government undertook a series of urgent measures to protect and support the vulnerable population groups. The crises, on the other hand, emphasized the need for rapid steps toward a transition to renewable energy, decreasing dependence on remittances, economic diversification, and increasing resilience in accessing raw materials and food supplies.

This Anti-Crisis Agenda focuses on addressing the social and economic impact of war, as well as building resilient systems and structures that are better prepared for future emergencies. In addition, it aims to reduce the country's vulnerability to the social and economic impact of war, enabling a transparent and efficient mitigation and recovery process.

The agenda includes social safeguards of the most vulnerable groups, offering entrepreneurs access to cheaper financial resources, stimulatory fiscal policies, diversification and energy efficiency, capitalizing on logistics and transport opportunities, innovative measures, with a reforming character,

which are crucial in the current conditions.

The proposed solutions were identified with the support of civil society, the business community and the country's development partners.

The anti-crisis agenda does not replace the Governance Program, the National Development Strategy, the Policy Agenda for European integration, or other public policy documents, but complements them with concrete and specific actions, aimed at achieving the objectives established in the existing strategic framework, taking into account the currently challenging context.

In the process of implementing the Agenda, the Government relies on its own efforts, as well as the support of the country's development partners, but also on the understanding, support and trust of the entire society, the support and participation of which are indispensable in this difficult period for the Republic of Moldova.

Context

During the first half of 2022, the socio-economic situation was negatively influenced by the unprecedented regional context, caused by the war in Ukraine. The data from the first half of 2022 suggests a reduction in the pace of economic growth. Estimates show that the hostilities in Ukraine could cost the Moldovan economy between 2 and 10% of GDP, depending on the duration of the war, its intensity and territorial coverage.

Even in cases where the war has generated relatively positive economic effects, such as the increase in demand for international transport services for Moldovan service providers (road and rail), there are negative impacts such as the burden on services of transport and logistics, as well as on the infrastructure at the border crossing points. On the other hand, the intense border traffic has led to increased costs, especially for Moldovan agricultural and industrial producers and exporters. Furthermore, the rising prices for energy resources and transport services have further eroded the competitiveness of local products and services.

The Republic of Moldova is among the European countries with the highest inflation rates, reaching over 31% in June 2022. In addition, in the second quarter of

2022, the import price index increased by 17.6% compared to last year, while the export price index by only 8%, which puts additional pressure on the trade balance of the Republic of Moldova.

The current account was negative even before the war (it stood at -12% in 2021) and could come under further pressure as a result of declining remittances.

The war and uncertainty also increased the budgetary risks for the Republic of Moldova. While the risks for the fiscal year in 2022 are moderate, the funding gap estimate for 2023 is between EUR 250-300 million under the baseline scenario, without taking into account new programs to cope with current shocks.

The war in Ukraine has also accentuated problems in the energy sector, which was under significant strain even before February 24, mainly due to already rising import prices and uncertainty over gas and electricity supplies. Since June 2021, the purchase cost of natural gas for the Republic of Moldova has increased four times, and import prices in August 2022 have reached 1410 US dollars/1000 m³. In June 2022, compared to a year ago, average electricity prices also increased significantly. Domestic fuel prices

increased by 65% for gasoline and 93% for diesel compared to June 2021.

Energy poverty is much more widespread in the Republic of Moldova than in any other country in Europe. Households in the Republic of Moldova spent 15% of their income on energy bills, even before the increase in the price of natural gas, in the winter of 2021-2022.

In order to mitigate the impact of the increase in residential energy costs which would have been at unsustainable rates (over 30% of household incomes), the Government of the Republic of Moldova compensated half of the price increase in the last cold season (2021-2022) by allocating 2 billion lei in direct compensation to consumers based on consumption thresholds.

Areas of intervention

The anti-crisis agenda is focused on four intervention areas:

- 1. Ensuring food security**
- 2. Energy diversification and energy efficiency**
- 3. Economic recovery and resilience**
- 4. Ensuring efficient and fair social protection**

The priorities of the Agenda are interdependent, and the depth of the crises requires multisectoral actions: ensuring food and energy security, increasing economic competitiveness and ensuring access to financial resources for businesses, as well as supporting vulnerable people.

ENSURING FOOD SECURITY

The increase in gas prices, followed by that of diesel, fertilizers and seeds, and more recently the hydrological drought, have put enormous pressure on the agricultural sector and especially on micro, small and medium enterprises in the agri-food sector. Some costs of agricultural inputs have increased by several times, which together with the increase in the cost of financing generated by the counter inflationary monetary policy could lead to a financing gap in the sector.

In addition, weather conditions for 2022 indicate yields of at least 30% lower than last year for many crops - a fact that underlines the country's vulnerability and its need to adapt to climate change by implementing modern water management and irrigation systems.

Many farmers have stopped using fertilizers due to the multiple increases in prices, which could further affect yields. This year, in addition to high production costs Moldovan farmers are facing the effects of drought, as well as logistical constraints, given the impact of the disruption of supply chains in Ukraine in the context of the war.

In this context, the agricultural sector needs urgent support, not only to remain viable in the short term but also to increase its competitiveness in the medium and long term, through reforms and investments in production infrastructure.

Response measures:

Immediate actions

Thus, a priority is to build resilience that will allow the country to ensure the essential needs of the internal market and also to become a more reliable contributor to Europe's food security.

1. Establishment of the National Committee for the supervision of the country's food security
2. Defining strategic products for food security
3. Creation of the information system for the collection of data on the stocks of strategic products for food security and the establishment of the reporting mechanism on stocks of food products from the operators of the food chain (producers/processors/wholesalers)
4. The permanent supervision of the sale prices of food products, especially of the main positions in the consumer basket, by applying regulatory instruments from the state (ceiling of the commercial addition/return on production) and other measures under the terms of the competition law^{*1}
5. Revision of the nomenclature, completion and increase of state reserves of agri-food products in order to constitute emergency reserves for food security and for use, if necessary, as depreciation stocks for price stabilization
6. Simplification or elimination of the procedure for approval and introduction of fertilizers in the state register of fertilizers for those registered in one of the EU member countries
7. Negotiation with the EIB in order to offer the possibility of a loan from the "Livada Moldovei" credit line account for the working capital needed in the wine and fruit growing industry
8. Simplifying the conditions for issuing permits for access to water for irrigation purposes from aquatic sources for the high-value agricultural sector, as well as permits for the construction of slaughterhouses
9. Expanding agricultural markets to shorten the supply chain from small farmers to the final consumer by organizing agri-food fairs (Chisinau and Balti). Organizer: MoldExpo
10. Establishment of a program and mechanism for the redistribution of food products discarded by traders in line the law on the prevention of food loss and waste, involving specialized NGOs and the national social assistance system. Including,

¹ For all actions with an * consider that measures / actions initiated or being implemented

the creation of a portal that would ensure the announcement of the availability of batches of food products, with data about the batch and the declaration of the intention to take over the batches made available by authorized operators. *

11. Creation of the special Fund intended for processing companies to compensate the excise tax on fuel oil and diesel fuel used in production processes
12. Modification of the mechanism for calculating the interest rate on credits accessed by agricultural producers, applied to the calculation of subsidies offered from the National Fund for the Development of Agriculture and the Rural Environment.

Short Term Actions (2022-2023)

13. Creation of the agricultural market information system, which will complement the relevant information systems of the NBS for an integrated presentation of progress and risks in the field of food security. The Agricultural Market Information System will be modeled after the international AMIS (Agricultural Market Information System) supported by the G20 group of countries and managed by FAO
14. Expanding the infrastructure of strategic state reserves of agri-food products (warehouses) and supplementing it with strategic food products
15. Application of financial incentives to offset the excise duty on the purchase of diesel for small and medium farmers in 2022 and 2023 *
16. Creation of at least one agri-food center of national interest (hub)
17. Development of small industries in villages through programs dedicated to support producers and those adding value to food products, which includes grants for incentives
18. Development of programs to incentivize the consumption of local products
19. Creating a favorable normative framework for the collection of rainwater for irrigation in agriculture in line with climate change adaptation measures.

DIVERSIFICATION AND ENERGY EFFICIENCY

The exceptional and sudden increase in energy prices, which started in October 2021, is among the biggest risks facing the Republic of Moldova at the moment. The war in Ukraine has further destabilized energy markets, particularly gas and oil, resulting in greater price volatility. This fact generated the greatest concerns regarding the security of energy supply not only for Moldova, but also for the whole of Europe.

Despite the current situation, the Republic of Moldova has made considerable progress to date towards the principles of governance and market liberalization in the energy sector, implementing a large part of European primary and secondary legislation, and is thus firmly committed to taking accelerated steps in this direction. However, in order to avoid successive crises in the energy sector, the Republic of Moldova will continue to focus on: (1) increasing internal capacity to generate energy, including from renewable sources; (2) increasing energy security, energy efficiency and reducing the consumption of energy resources and (3) protecting vulnerable groups of the population by creating a sustainable mechanism of targeted compensation.

Supporting measures:

Immediate actions

20. Launching negotiations for the inclusion of the Republic of Moldova in the EU Energy Platform to coordinate measures to secure reliable and diversified energy supplies for the EU, including through the voluntary common purchase of pipeline gas, LNG, and hydrogen, allowing Moldova to have access to alternative supply sources of affordable energy
21. Elaboration and implementation of a plan of measures to prevent and mitigate the impact of the energy crisis in the region on prices and the security of the supply of energy resources in preparation for the heating season of 2022-2023, including a contingency plan in case of reduction or cessation of natural gas supply and/or electricity*
22. Dialogue with international partners to request fuel oil donations, but also making efforts to procure at least 100 thousand tons fuel oil for the winter to replace natural gas consumption in the Centralized District Heating in (SACET) Chisinau*
23. Replacing the natural gas with alternative fuels where possible - fuel oil in SACET, pellets, wood and coal for the heating of buildings *
24. Reconnecting public institutions/residential blocks to SACET and increasing the electricity production in the country under the cogeneration regime*
25. Reconnecting public institutions to biomass heating systems, which have already been installed, to reduce the natural gas demand by substituting with solid biofuel produced in the country*
26. Carrying out an analysis regarding the need and consumption of wood, supporting vulnerable groups, establishing strategic reserves*

27. Carrying out energy audits to identify energy losses and generate short-term solutions both in public institutions, residential ones, as well as in commercial and industrial buildings
28. Launch of information campaigns for the implementation of energy efficiency measures in public and private buildings*
29. Agreement with the Romanian Gas Transport System Operator, Transgaz, for the transportation of natural gas from the Republic of Moldova into the natural gas networks of the national system in Romania through the balancing account (OBA) and their use in energy emergency situations. Further ensuring the registration of the maximum positive value of the OBA limit for each interconnection point of the adjacent transmission system operators in Ukraine and the Republic of Moldova, and Romania and the Republic of Moldova, established in the Interconnection Agreements between the respective adjacent transmission system operators*
30. Accessing a loan of 300 million euros from the European Bank for Reconstruction and Development (EBRD) for the purchase and storage of natural gas, which will increase the country's resilience in the event of possible limitations or interruptions in the supply of natural gas*
31. The development of local capacities to produce alternative energy sources (solar, wind, biogas, biomass) both at the usual market mechanism, but also at the fixed rate for which the capacity quotas have already been increased, which sums up all the requests submitted to ANRE, but also the organization of tenders for larger capacity projects by the end of 2022*
32. Simplifying the installation procedures installation procedures to install small production units at the building of domestic consumers *

Short Term Actions 2022-2023

33. Creation of the Energy Efficiency Fund for supporting energy efficiency in the residential sector and implementing energy efficiency projects for public institutions and the private sector*
34. Granting financial support to condominium co-owner associations and households in order to improve the energy efficiency of homes
35. Development and implementation of the "Casa verde" Program*
36. Modernization of SACET Chisinau and Balti due to the investments made in energy production sources and in horizontal distribution systems in combination with individual thermal points, for each block, which allow the regulation of thermal comfort in each home

37. Rehabilitation of Termoelectrica with a new source of electricity and thermal energy production in Chisinau based on gas turbine cogeneration technology that aims to increase the security of electricity and thermal energy supply and improve the balancing capacity of the national energy system
38. Consolidation of electrical interconnections with Romania and Ukraine in the most efficient way. More precisely, the prioritization and acceleration of technical processes in order to identify funding sources to advance the start of the construction of the 400 kV Suceava - Bălți LEA to earlier than originally planned.*

ECONOMIC RECOVERY AND RESILIENCE

The COVID-19 pandemic caused an 8.3% contraction in GDP in 2020, which rebounded in 2021 leading to a 13.9% increase in GDP also supported by favorable weather conditions and good agricultural production. The war in Ukraine has disrupted the country's trade with Ukraine, Russia and Belarus, but also with countries in Asia, by disrupting supply chains. The impact of these disruptions is likely to lead to GDP falling by 2-3 percentage points. Inflation and declining remittances from Russia also risk reducing the purchasing power of the population, which will have implications for private sector sales oriented to the local market.

In addition, trade relations with Russia, Ukraine and Belarus have been compromised in terms of the trade partner's ability to honor contractual obligations in convertible currency affecting the financial sustainability of companies in the Republic of Moldova.

Transport costs have more than doubled due to rising fuel prices, longer distances to destination countries and high insurance costs. Shipping via Constanța to Romania is facing capacity challenges as the Ukrainian ports of Odesa and Mykolayv are closed. Given that many Moldovan companies were exporting logistics services to Russia (via Ukraine), the economic impact of infrastructure damage in Ukraine on the transport sector in the Republic of Moldova is likely to be substantial.

The disruption of the regional supply chain hit the economy of the Republic of Moldova by decreasing foreign direct investment, especially in the automotive and textile sectors. The automotive sector, which represents 25% of Moldovan exports and has 20.000 employees, could contribute to the increase in unemployment (including in adjacent sectors).

The fast-growing construction sector has faced supply chain disruptions, particularly with regard to the import of metal materials originating in Ukraine and other construction materials from Russia. Import substitution will generate higher prices and could increase costs for the construction of strategic infrastructure and affect local budgets.

The IT sector is one of the most dynamic (~5.5% of GDP), but faces multiple challenges related to increasing cyber security and personal data protection requirements, as well as a human resources crisis as a result of the departure of IT specialists amid the crisis in the region.

As measures are implemented to reduce high inflation, loans from commercial banks are becoming more expensive (already at least twice as expensive as in the EU), negatively affecting the accessibility of finance, especially for micro and small enterprises, but also those affected by trade disruption (on logistics or financial aspects).

Moldovan companies had to quickly adjust trade flows, while the country also had to cope with an increase in the transit of Ukrainian goods, especially given the impossibility of using the ports to export crops. This has led to a dramatic increase in pressure on the transport infrastructure in the Republic of Moldova. The Customs Service reported an 88% increase in vehicle crossings during the period March-June compared to the same period last year. Queues for trucks exceeded 20 km for the first time at the border crossing point with Romania, with waiting times of several days (5-7 days) until recently. The next burden of transportation will begin immediately after the summer harvest of grain and other agricultural products. Ukraine aims to export about 80 million tons of grain, which will put even more pressure on all means of transport in Moldova. Immediate intervention is needed regarding (1) the improvement of the capacity of the railway sector, (2) the development and modernization of the Giurgiulești port, (3) the efficiency of road traffic.

Supporting measures:

Immediate actions

39. Elaboration of the draft law for the amendment of some legislative acts (e-commerce stimulus package)
40. Implementation of normative and administrative solutions to offer foreign citizens the possibility to work as employees and entrepreneurs with and without physical presence in the Republic of Moldova

41. Identifying temporary solutions for suppliers in the public procurement system and introducing appropriate rules in public procurement procedures for cases of force majeure or extraordinary price increases, which would allow the termination or revision of contracts*
42. Elaboration and approval of amendments to Law no. 77/2016 regarding information technology parks in order to extend the stimulation/support mechanisms of the IT sector
43. Developing a methodology for ascertaining the non-competitive nature of the market and identifying interventions to stimulate competition
44. Negotiation with EU institutions on increasing the period of stay in the EU for drivers from 180 days to 240 days*
45. Adjustment based on the general consumer price index of the amount deductible for tax purposes of the nominal value of the meal ticket.*

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46. Development, capitalization and implementation of the Support Program for local suppliers*
47. Creation and capitalization of the Entrepreneurship Development Fund to make low-cost financial resources available to domestic companies to help sectors and companies affected by the disruption of supply chains and logistics networks*
48. Supporting companies to digitize and invest in green technologies to reduce operating costs, increase efficiency, access new markets, improve social and environmental sustainability*
49. Implementation of measures to attract IT developers moving from Ukraine, Belarus or Russia. Ukrainian professionals from other sectors can also help fill the labor gap if their skills and qualifications are easily recognised.
50. Implementation of the inter-institutional single window at the border crossing point in the customs clearance process*
51. Improving the regulatory framework in the field of state control over entrepreneurial activity
52. Strengthening rail freight transport through launching rehabilitation work on segments of the railway line with FAULTS majority and limitation of mass / speed, as well as lines with stations closed for next segments: (1) Ungheni - Balti - Valcinet (Ocnița), (2) Giurgiulești - Cahul - Basarabeasca, (3) Chisinau - Ungheni, (4) Chisinau - Căinari and the purchase of maneuvering locomotives *

53. Streamlining road traffic through the organization of common Moldova-Romania border crossing points, as well as increasing the pace of construction and the number of rehabilitations/constructions of permanent or floating bridges over the Prut and Dniester rivers.

ENSURING EFFICIENT AND SOCIAL PROTECTION

In the new context, the need to strengthen social resilience is more important than ever. Inflation in June 2022 reached over 31%, further eroding the purchasing power of the population and deepening the level of poverty of the most vulnerable. A quarter of the families in the Republic of Moldova spend over 25% of their income on energy bills alone. For some of these families, in the winter, energy bills can exceed more than half of their income. This is not only a social challenge but also a threat to our democracy and security.

Thus, it is imperative that we rapidly build stronger social resilience capacity with major programs targeting the most vulnerable groups.

Supporting measures:

Immediate actions

54. Salary increase in the budget sector*
55. Single payment (budget workers and pensioners) as anti-inflation compensation *
56. Development and implementation of the Energy Vulnerability Reduction Program. The program will provide compensation directly on the bill to domestic consumers of natural gas, thermal energy and/or electricity, depending on the dynamics of energy prices *
57. Attracting the resources for the minimum service package, which provides targeted assistance to the most vulnerable groups of the population*
58. Carrying out strict control regarding compliance by economic operators with the established commercial surcharge when selling socially important goods.*

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59. Development of the "Silver Fund", a program to support the integration of elderly people into society and to promote measures of active aging
60. Increase allowances for raising a child up to the age of 2*
61. The launch and implementation of the Subsidy Program for the implementation of the "blank – (trecerea pe alb)" salary initiative

62. Extending the list of drugs compensated for by the mandatory healthcare insurance funds.

Implementation, monitoring and evaluation

The 2022-2023 anti-crisis agenda is a flexible and dynamic document, which contains a set of guiding actions. It is regularly modified, supplemented and updated in line with developments in the areas of intervention, the realization of assumed commitments and the identification of new policy interventions, capable to contribute to overcoming crises.

The central administrative authorities responsible for the areas covered by the intervention areas will ensure the implementation of the Anti-Crisis Agenda 2022-2023, including carrying out, in cooperation with representatives of the business community and civil society, the necessary adjustments and revisions, depending on developments during the implementation period.

In order to ensure proper monitoring and evaluation of the Anti-Crisis Agenda 2022-2023, the State Chancellery will develop a monthly monitoring tool, in accordance with the national monitoring and evaluation mechanisms. Thus, the set of impact indicators, identified for the final results (annex no. 1), will guide the monitoring of the Agenda, as well as the final evaluation at the end of the implementation period

The monitoring tool will be placed on the website of the State Chancellery, thus ensuring transparency and public access to information on the implementation of the planned actions, the modification and completion of the set of actions, the challenges and risks of implementation.

Annex 1:

Monitoring indicators

	Results	Indicator
<i>General impact</i>	Reducing the social and economic impact of crises on the population and the business environment of the Republic of Moldova	GDP evolution, 2022/2023, % Poverty rate evolution, 2022/2023, %;
<i>Area of intervention 1: Ensuring food security</i>		
<i>Result 1.1</i>	Food safety management mechanisms have been improved The state reserves are fully replenished with strategic food products	Informational system for collecting data on stocks of strategic products for food security is functional in 2023 The number of new agri-food warehouses
<i>Result 1.2</i>	SMEs in the agri-food sector are developed and have wider access to finance and services	Number of SMEs in the agri-food sector supported through state incentives offered in 2022/2023 The value of budgetary resources and incentives provided annually for companies in the agri-food sector through programs and support measures, million lei
<i>Area of intervention 2: Energy diversification and energy efficiency</i>		
<i>Result 2.1</i>	The population and companies have equitable access to energy resources	The volume of insured gas stocks, in 2022/2023, million m3 The volume of insured fuel stocks, in 2022/2023, million m3 Evolution of the amount of electricity produced in the country in cogeneration, 2022/2023, %

		Number of households, including vulnerable/poor households supported by the state to ensure their fair access to energy sources (gas, wood, central heating, etc.) in the cold season 2022/2023
<i>Result 2.2</i>	Increasing energy efficiency and the share of renewable energy from local sources in the energy mix	Share of energy from renewable sources in gross final energy consumption, 2022/2023, % The number of public institutions connected to renewable energy sources in 2022/2023 The number of homes (apartment blocks, households) that benefited from energy efficiency projects in 2022/2023 The amount of financial resources allocated annually to finance energy efficiency programs in the residential sector, million lei
<i>Intervention area 3: Economic recovery and resilience</i>		
<i>Result 3.1</i>	Transport infrastructure and logistics networks in the road, rail sectors have been improved and developed so as to meet the needs of transporters	The volume of goods transported by rail/road in 2022/2023, million tons; The volume of investments aimed at the development of strategic railway/river/road infrastructure projects, million lei Evolution of waiting times at the state border crossing in 2022/2023, hours
<i>Result 3.2</i>	Companies have benefited from support to overcome crisis situations	Survival rate of start-ups, in 2022 and 2023, % The number of e-commerce platforms and the number of banking operations on e-

		commerce platforms (mil.), in 2022/2023 The number of companies implementing green technologies in 2022 and 2023 The number of companies receiving funding through support programs in 2022/2023 The number of jobs maintained/created by the companies supported through the support programs, in 2022/2023 The amount of budget expenditures allocated for the financing of programs and financial support measures granted to companies, million lei
<i>Area of intervention 4: Ensuring effective and fair social protection</i>		
<i>Result 4.1</i>	Individuals, including from vulnerable groups, and households have become more resilient to shocks from the energy crisis and rising prices	The number of persons/households receiving direct compensation on the energy bill and the total value of the support granted, million lei, in 2022/2023 The number of families with children up to 2 years of age receiving increased allowances and the total value of the support granted, million lei, in 2022/2023 The number of beneficiaries of targeted assistance (Minimum service package) and the total value of the support granted, million lei, in 2022/2023 Evolution of the average salary in the public sector, in 2022/2023, %

