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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF MOLDOVA

FOR THE PERIOD FY23-FY27

January 3, 2023

**Eastern Europe Country Unit
Europe and Central Asia Region**

**The International Finance Corporation
Europe and Central Asia Region**

**The Multilateral Investment Guarantee Agency
Economics and Sustainability Group**

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The date of the last Performance and Learning Review was May 19, 2021.

CURRENCY EQUIVALENTS

Exchange Rate Effective December 23, 2022

Currency Unit – Moldovan Leu (MDL)

MDL 1.00 = US\$0.05

SDR 1.00 = US\$1.33

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ABP	Animal By-products	CRW	Crisis Response Window
ACS	Activity Completion Summary	CSO	Civil Society Organization
ADA	Austrian Development Agency	CWSC	Citizen Water and Sanitation Committee
AF	Additional Financing		
AFD	French Development Agency (Agence Française de Développement)	DCFTA	Deep and Comprehensive Free Trade Areas
AGGRI	Agriculture Governance, Growth and Resilience Investment Project	DENA	German Energy Agency (Deutsche Energie-Agentur GmbH)
ASA	Advisory Services and Analytics	DG JUST	European Union’s Directorate-General for Justice and Consumers
CAP	Climate Adaptation Project	DH	District Heating
CAT DDO	Catastrophe Deferred Drawdown Option	DHEIP	District Heating Efficiency Improvement Project
CCDR	Country Climate and Development Report	DHEIP-2	Second District Heating Efficiency Improvement Project
CE	Citizen Engagement	DLI	Disbursement-linked Indicator
CEM	Country Economic Memorandum	DO	Development Objective
CEP-2	Second Competitiveness Enhancement Project	DPF	Development Policy Financing
CGAP	Country Gender Action Plan	DPO	Development Policy Operation
CIS	Commonwealth of Independent States	DP	Development Partner
CIT	Corporate Income Tax	DRM	Disaster Risk Mitigation
CLR	Completion and Learning Review	EBRD	European Bank for Reconstruction and Development
CoDB	Cost of Doing Business Survey	EC	European Commission
COVID-19	Novel Coronavirus (SARS-CoV-2)	ECA	Europe and Central Asia Region of the World Bank
CPI	Consumer Price Index	ECF	IMF Extended Credit Facility
CPS	Country Partnership Strategy	EEC	European Energy Community
CPF	Country Partnership Framework	EFF	IMF Extended Fund Facility
CPSD	Country Private Sector Diagnostic		

EGDPO	Economic Governance Development Policy Operation	GNI	Gross National Income
EIB	European Investment Bank	GP	Global Practice
EMIS	Education Management Information System	GPSA	Global Partnership for Social Accountability
EnCS	Energy Community Secretariat	GRID	Green, Resilient, and Inclusive Development
ENTSO-E	European Network of Transmission System Operators for Electricity	HBS	Household Budget Survey
EPIC	Facility for Eastern Partnership Investment in Connectivity	HCI	Human Capital Index
EQIP	Education Quality Improvement Project	HEMIS	Higher Education Management Information System
ESF	Environmental and Social Framework	HEP	Higher Education Project
ESMAP	Energy Sector Management Assistance Program	HFO	Heavy Fuel Oil
EU	European Union	HH	Household
EVRF	Energy Vulnerability Reduction Fund	HLO	High-level Outcome
FCDO	Foreign, Commonwealth and Development Office of the United Kingdom of Great Britain and Northern Ireland	HU	Highly Unsatisfactory
FCI	Finance, Competitiveness, and Innovation	IBRD	International Bank for Reconstruction and Development
FDI	Foreign Direct Investment	ICRP	International Finance Corporation's Investment Climate Reform Project
FIG	Financial Institutions Group	ICT	Information and Communications Technology
FinSAC	Financial Sector Advisory Center	ICU	Intensive Care Unit
FIRST	Financial Sector Reform and Strengthening Initiative	IDA	International Development Association
FM	Financial Management	IEG	Independent Evaluation Group
FY	Fiscal Year	IFC	International Finance Corporation
GBV	Gender-based Violence	IFI	International Financial Institution
GCC	Middle East Gulf Cooperation Council	IFRS	International Financial Reporting Standards
GCCFF	Global Concessional Financing Facility	ILO	International Labor Organization
GCI	Global Competitiveness Index	IMF	International Monetary Fund
GCRF	Global Crisis Response Framework	INFRA	Infrastructure
GDP	Gross Domestic Product	INSARAG	International Search and Rescue Advisory Group
GGF	Good Governance Fund	IP	Implementation Progress
GHG	Greenhouse Gas	IPF	Investment Project Financing
GIZ	German Agency for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit)	IT	Information Technology
		K-12	Primary and Secondary Education Summed up Together (From Kindergarten Through the 12 th Grade)
		LRIP	Local Roads Improvement Project
		LRPVP	Land Registration and Property Valuation Project
		MACP	Moldova Agriculture Competitiveness Project

MAPS	Methodology for Assessing Procurement Systems	PBC	Performance-based Condition
MAS	Manufacturing, Agribusiness, and Services	PBI	Performance-based Indicator
MDL	Moldovan Leu	PDO	Project Development Objective
MDTF	Multi-Donor Trust Fund	PEF	Pandemic Emergency Financing Facility
ME	Municipal Enterprise	PEFA	Public Expenditure and Financial Accountability Assessment
MERP	Moldova Education Reform Project	PFM	Public Financial Management
MFA	EU Macro-Financial Assistance	PforR	Program-for-results
MFD	Maximizing Finance for Development	PHRD	Japanese Policy and Human Resources Development Fund
MGRES	Moldavskaya GRES power plant located in the Transnistrian region	PISA	Program for International Student Assessment
MGSP	Modernization of Government Services Project	PIU	Project Implementation Unit
MIC	Middle-income Country	PL	Poverty Line
MIGA	Multilateral Investment Guarantee Agency	PLR	Performance and Learning Review
MoECR	Ministry of Education, Culture, and Research	PPE	Personal Protection Equipment
MSIF	Moldova Social Investment Fund	PPG	Public and Publicly Guaranteed (debt)
MSME	Micro, Small, and Medium-Sized Enterprise	PPP	Public-private Partnership
MW	Megawatt	PSDP	Power System Development Project
MWSSP	Moldova Water Security and Sanitation Project	PV	Photovoltaics
NBM	National Bank of Moldova	RBF	Results-based Financing
NBS	National Bureau of Statistics	RIA	Regulatory Impact Assessment
NCFM	National Commission of Financial Market	ROSC	Report on the Observance of Standards and Codes
NCD	Non-communicable Disease	SCD	Systematic Country Diagnostic
NCO	Non-commercial Organization	SDG	Sustainable Development Goal
NDS	National Development Strategy	SDI	Service Delivery Indicator
NFCS	National Framework for Climate Services	SDR	Special Drawing Rights
NFRLD	National Fund for Regional and Local Development	SHS	State Hydrometeorological Service
NIA	National Integrity Agency	SIDA	Swedish International Development Cooperation Agency
NPL	Non-performing Loan	SIMC	Social Impact Monitoring Committee
NSDI	National Spatial Data Infrastructure	SME	Small and Medium-sized Enterprise
OECD	Organization for Economic Co-operation and Development	SOE	State-owned Enterprise
OOP	Out-of-pocket	SORT	Systematic Operations Risk-Rating Tool
OSS	One-stop Shop	SPI	Supplementary Progress Indicator
PA	Prior Action	STAREP	Strengthening Auditing and Reporting in Countries of the Eastern Partnership
PAS	Party of Action and Solidarity	STEM	Science, Technology, Engineering, and Math

STEP	Systematic Tracking of Exchanges in Procurement	UNFCC	United Nations Framework Convention on Climate Change
SUF	Scale-up Facility	UNHCR	United Nations High Commissioner for Refugees
SEA	Sexual Exploitation and Abuse		
SH	Sexual Harassment	USAID	United States Agency for International Development
TA	Technical Assistance		
TAMP	Tax Administration Modernization Project	US\$	United States Dollar
TE	Termoelectrica	VAT	Value-added Tax
TEACH	Teacher Education Assistance for College and Higher Education Classroom Observations Tool	WASH	Water Supply, Sanitation, and Hygiene
TF	Trust Fund	WB	World Bank
U	Unsatisfactory	WBG	World Bank Group
UK	United Kingdom of Great Britain and Northern Ireland	WDI	World Development Indicators
UMIC	Upper Middle-income Country	WHO	World Health Organization
		WSS	Water Supply and Sanitation
		YOY	Year-over-year
		YTD	Year to Date

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FY23-FY27 COUNTRY PARTNERSHIP FRAMEWORK FOR THE REPUBLIC OF MOLDOVA

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FY23-FY27 COUNTRY PARTNERSHIP FRAMEWORK FOR THE REPUBLIC OF MOLDOVA

I. INTRODUCTION

1. Since independence in 1991, Moldova has had an uneven track record to bring economic growth and prosperity to its people, but the recent change in its government and granting of European Union (EU) candidate status provides an opportunity to break from the past.¹ In recent decades, Moldova's prospects have been hampered by frequent political changes and continued governance challenges. Now, with a new, reform-minded government, there is an impetus to rapidly improve institutions to be able to eventually become part of the EU, providing Moldova the opportunity to grow more sustainably and bring greater prosperity to the country.

2. The government has set ambitious directions to tackle both recent and more longstanding development challenges and reform the Moldovan economy. Persistent longer-term challenges, including low levels of economic activity, employment, income generation, stagnating human capital, and recurrent economic shocks and natural disasters, have hampered Moldova's development over many years. In addition, more recent challenges include those stemming from the 2021/2022 energy crisis and the residual effects of the COVID-19 pandemic. Limited institutional capacity across the board has also posed a continuous constraint. The government's reform agenda encompasses a broad range of key measures related to economic, judicial, social, digital, and environmental standards, which are intended to open opportunities to unlock growth potential and bring greater prosperity.

3. However, the spillovers from Russia's invasion of Ukraine are adding significant risks and vulnerabilities to Moldova's development agenda, which will have both short-term and medium- to longer-term implications. The economic and social shockwaves are being felt globally through commodity and financial markets, trade and migration linkages, and investor and consumer confidence.² The immediate effects are seen through the significant flow of refugees into Moldova, rapidly escalating energy and food prices, and trade disruptions. The crisis-related risks and vulnerabilities will also have longer-term repercussions, requiring new paths to rebuild and revamp the foundations of the Moldovan economy.

4. The directions outlined in Moldova's National Development Strategy "European Moldova 2030" (NDS)³ provide a roadmap for the WBG to support the country's both short-term and longer-term development needs. This FY23-FY27 World Bank Group (WBG) Country Partnership Framework (CPF) for Moldova is designed to provide key elements to support the country in its efforts to transition to a new growth model, delivering targeted activities that respond both to the immediate crisis and address Moldova's longer-term development agenda with the goal to advance its path toward EU accession. The CPF will provide a phased approach—identifying activities for the initial period of the CPF and leaving flexibility to program the outer years on the foundation of the initial program.

5. The priorities outlined in the new CPF for FY23-FY27 are based on the analyses of Moldova's overall development challenges and have been discussed during consultations with the government, civil society, private sector, development partners (DPs), and academia.⁴ Moldova's development challenges have been analyzed in detail as outlined in the 2021 Systematic Country Diagnostic (SCD) Update,⁵ the forthcoming Country Private Sector Diagnostic (CPSD), and the NDS. The CPF program for FY23-FY27 takes into account the comparative advantage of the WBG, the role of partners in supporting

¹ Moldova applied for EU membership in March 2022 and was granted EU candidate status in June 2022.

² See World Bank Group (2022), *Navigating Multiple Crises, Staying the Course on Long-term Development: The World Bank Group's Response to the Crises Affecting Developing Countries*.
<https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

³ https://gov.md/sites/default/files/document/attachments/hg_nr.235_13.10.2021-engl.pdf

⁴ Consultations were conducted between May and September 2022.

⁵ Moldova 2021 SCD Update: Building Resilience and Enhancing Competitiveness. (Report No. 169485-MD)

Moldova, and lessons learned from the implementation of the previous CPF covering the period FY18-FY22 (as updated in the 2021 Performance and Learning Review, PLR, which extended the original CPF period by one year).⁶ It will include WBG Advisory Services and Analytics (ASA) and financing, as well as activities coordinated with partners, including tapping mechanisms for additional support such as the Global Concessional Financing Facility (GCFF) and Multi-Donor Trust Funds (MDTFs), given the broad international support for Moldova.

6. The overarching objective of the CPF for FY23-FY27 is to support green, resilient, and inclusive development (GRID) and competitiveness in Moldova. The framework is based on three High-Level Outcomes (HLOs): (i) increased formal employment; (ii) improved human capital; and (iii) increased resilience to climate change and crises. It provides mutually re-enforcing support by addressing short-term shocks to improve prospects for long-term sustainable development while developing long-term resilience to help prepare for future shocks, and is aligned with the WBG's Global Crisis Response Framework (GCRF)⁷. The objectives of the CPF will focus on key areas including enterprise competitiveness, decreased regulatory burden, key aspects of health and education services, increased energy security and efficiency, and green investments, particularly in infrastructure and agriculture. A critical feature of the CPF will be capacity-building and digitalization efforts to strengthen systems and institutions across a broad swath of government and private sector actors at national and local levels. This effort will cut across all three HLOs and will underpin all WBG activities.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Social and Political Context

7. Over the past three decades, following the country's declaration of independence, Moldova has suffered political turbulence and a lack of government effectiveness. Ethnic diversity and the frozen conflict with the unresolved status of the Transnistrian region have been used by politicians for societal polarization, with part of the electorate being pro-EU oriented while the other part was favoring Russia. Today, Moldova is among the European countries with the largest diasporas and the most rapidly shrinking and aging population. Moreover, frequent government changes, that have marked the previous two country engagement cycles, have resulted in fluctuating priorities and extended periods of stalled policy and decision-making. All these factors have had a significant impact on public sector effectiveness, slowing reforms and hampering Moldova's overall development and job creation.

8. Weak governance, rule of law, and control of corruption are challenges that span the national, sectoral, and sub-national levels. Moldova is characterized by serious deficiencies in government effectiveness. The 2021 Prosperity Index⁸ suggests that governance performance has decreased, with Moldova ranking 89th out of 167 countries, seven positions lower than in 2018. In the last decade, gaps in the rule of law, state capture by vested interests, weak institutions, political impasses, and political pressures to protect privileged pensions or public salaries contributed to the challenges to update the country's economic model. The weak capacity of national government is exacerbated by a highly fragmented local administration and a strong lack of trust in government. National government policy directions have been relatively volatile over several decades, hampered by an inability to construct an effective judicial and enforcement system and a weak senior administration and civil service. Moldova's current administrative-territorial structure is suboptimal, given the small size of the country and its

⁶ Moldova Country Partnership Framework FY18-FY21 (Report No. 115716-MD), discussed by the Board on July 27, 2017.

⁷ See World Bank Group (2022), *Navigating Multiple Crises, Staying the Course on Long-term Development: The World Bank Group's Response to the Crises Affecting Developing Countries*. <https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

⁸ This Index measures a country's governance performance based on six dimensions: executive constraints, political accountability, government effectiveness, government integrity, rule of law, and regulatory quality. Legatum Institute, <http://www.prosperity.com/rankings>.

population (estimated at 2.7 million in 2019). This structure, with 35 top-tier local administrative jurisdictions and 896 bottom-tier jurisdictions within its small size, has led to ineffective public service delivery and local governance. Institutional capacity across the board is weak, posing one of the most serious constraints to a well-functioning public sector that can support inclusive and sustainable growth.

9. The latest Presidential and Parliamentary elections provide a significant opportunity for reforms.

After 30 years of modest reforms, the results of the 2020 Presidential elections and 2021 Parliamentary elections reflected the desire of the Moldovan society for change and made possible the formation of a pro-EU parliament majority and government. This outcome provides a significant opportunity for genuine long-reaching reform while addressing immediate challenges. The government's program – which underpins this CPF – includes a broad range of reform efforts aimed at poverty reduction, job creation, increase in domestic and foreign investment, and strengthening both policies and institutional capacity to improve governance and justice systems, and strengthen anti-corruption efforts. This represents a unique opportunity for the WBG to support Moldova on its path to transform the economy and further advance towards EU accession after being granted EU Candidate status in June 2022.

Recent Economic Developments

10. Moldova's economic growth has been strong and relatively resilient to the impacts of the COVID-19 pandemic, but the energy crisis and Russia's invasion of Ukraine pose risks to the country's short-term recovery and long-term prospects.⁹

The Moldovan economy recovered from the COVID-19-induced recession, with economic activity bouncing back by 13.9 percent in 2021 from a decline of 7.4 percent in 2020. While helped by a low-base effect, the economic recovery was driven by strong household (HH) consumption due to wage increases, remittances, and social transfers. However, spillovers from Russia's invasion of Ukraine and high energy and food prices are expected to have an adverse impact on private consumption, investment, and the Moldovan economy overall. On the back of eroding disposable incomes, growth has decelerated significantly, resulting in nil growth in the first half of 2022. Lower remittances, together with high inflation and uncertainties, led to only modest growth in private consumption, despite the substantial increase in social assistance and the increase in minimum pensions. Going forward, reduced HH purchasing power due to higher energy and food prices, together with depressed consumer confidence, given the mounting uncertainties, are expected to severely affect private consumption. The minimum pension and indexation measures taken by the government in 2021 and 2022, together with approved social protection measures, higher minimum wage, and higher projected remittance receipts from the EU, are expected to only partially mitigate the impact on HHs. Investments are also expected to come to a halt as the monetary conditions tighten. As a result, projected gross domestic product (GDP) growth for 2022 is expected to be downgraded by 5.4 percentage points from the earlier forecast (from 3.9 percent to -1.5 percent) and to remain subdued in the medium term, with only a 1.6 percent forecast growth in 2023. Moldova's geographical proximity to Ukraine poses headwinds to private and foreign direct investment (FDI). Increased input costs will weigh on industrial production, while unfavorable weather conditions and rising prices for fertilizers will constrain agricultural production.

11. High inflation is expected to persist and remain above the target of the National Bank of Moldova (NBM) until 2024.

Pushed by high import prices, particularly energy and food, the inflation rate increased to almost 35 percent in October 2022, year-over-year (YOY). Inflationary pressures are expected to persist due to energy procurements on the EU and Romanian markets, high food and commodities prices, disruption of trade routes, and adjustment of excise duties, increase of regulated prices and their second-round effects on other items in the Consumer Price Index (CPI). Average inflation is projected at around 30 percent YOY for 2022, before slowly receding back toward the NBM inflation target of 5 percent (+/- 1.5 percent) in 2024, under the assumption of moderation in commodity prices. The NBM faces policy trade-offs between controlling inflation and supporting economic activity, as well as potential pressure on the domestic currency while maintaining healthy levels of international reserves. The base interest

⁹ For 2019-2026 Key Macroeconomic Indicators see Table 1.

rate already increased to 21.5 percent in 2022 from the record low of 2.65 percent at the beginning of 2021. While the exchange rate remained relatively stable throughout 2021, the Moldovan leu lost around 9 percent of its value against the US dollar since the beginning of Russia's invasion of Ukraine, amid pressures related to the potential spillover effects for Moldova. On the back of a moderate depreciation of the national currency, international reserves in 2022 stayed at comfortable levels of more than 4 months of imports.

12. The fiscal position has been resilient, however a substantial increase in financing needs can be expected. Strong growth helped public and publicly guaranteed (PPG) debt to decrease to around 34 percent of the GDP in 2021. In 2022, the fiscal stance was confronted by increasing social spending to protect the purchasing power of HHs against higher food and energy prices, procure energy resources, support refugees from Ukraine, and bolster investment and the reform program. The additional spending is expected to be partially compensated by the containment of the wage bill, spending reprioritization, and efficiency gains. Moreover, because of strong revenue collection from customs and the corporate income tax (CIT), revenues recorded a double-digit increase (21.3 percent, YOY) in the first nine months of 2022, more than compensating the increase in spending of 19.4 percent. As a result, the fiscal deficit is expected to be around 4 percent of GDP in 2022. In 2023, Moldova's fiscal position can be expected to weaken stemming from a decline in revenues due to lower economic activity, an increase in social spending to mitigate the impact of the price shocks, and higher energy procurement costs. A substantial increase in financing needs is expected, particularly in the first quarter of 2023 when the authorities rely on the cash balance to finance spending and struggle to secure the necessary energy resources for the winter season. Revenues are expected to steadily deteriorate and public debt is expected to increase in the short term because of the anticipated large primary deficit, although it is assessed to remain sustainable.¹⁰ After reaching a peak at about 42 percent of the GDP in 2024, the total public debt is expected to stabilize, when fiscal support stabilizes, and growth dividends are generated from the planned reforms.

13. Russia's invasion of Ukraine creates vulnerabilities and risks for Moldova's economic outlook. The impact on commodity prices, particularly gas and electricity, is further intensifying pre-existing price pressures, which will adversely impact the purchasing power of HHs and reverse previous gains in poverty reduction. In addition to energy supplies, trade in other sectors--such as agricultural products, which have traditionally been exported to Russia--is being disrupted. Further weakening of economic activity and/or a tightening of financial conditions could dampen the growth prospects and impact the willingness of domestic investors to roll over short-term public debt. A massive influx of refugees, reaching 4 percent of the Moldovan population in a few short months (more per capita than any other country), and is likely to result in additional fiscal pressures. The number of Moldovan workers returning from the countries of the Commonwealth of Independent States (CIS) has increased, particularly from the Russian Federation, who traditionally provided a steady stream of remittances but currently will not be able to do so. Substantial fiscal costs can also stem from the potential contingent liabilities over the settlement of the historical commercial debt between Moldovagaz and Gazprom, which was estimated by Gazprom to be around US\$700 million (5 percent of the GDP).

¹⁰ Moldova Joint Debt Sustainability Analysis, World Bank and IMF, June 2022.

Table 1: Key Macroeconomic Indicators, 2019-2026

	2019	2020	2021	2022	2023	2024	2025	2026
Real economy								
Nominal GDP (MDL, billion)	210.4	199.7	241.9	271.8	303.3	332.9	363.9	398.9
Real GDP (percent change)	3.7	-7.4	13.9	-1.5	1.6	4.2	4.1	4.4
Per Capita GNI (US\$, Atlas Method)	4580	4560	5370					
Contributions:								
Consumption (percentage points of GDP)	2.9	-6.3	13.2	0.5	2.9	4.3	4.1	4.0
Gross investment (percentage points of GDP)	1.8	-0.9	5.7	-0.8	0.5	1.2	1.9	2.1
Net exports (percentage points of GDP)	-1.0	-0.1	-5.0	-1.2	-1.9	-1.3	-1.0	-1.7
Exports (percent volume change)	8.2	-9.6	17.5	59.5	4.1	4.1	4.3	
Imports (percent volume change)	6.2	-5.0	19.2	33.8	4.5	3.4	3.3	
Unemployment rate (ILO definition) (percent)	5.1	3.8	3.3					
GDP deflator (percent change)	5.4	5.4	6.3	14.1	9.8	5.1	5.0	5.0
Consumer price index (CPI) (average) (percent change)	4.7	4.1	5.1	28.6	14.1	6.2	4.9	5.0
Fiscal Accounts								
Expenditure (percentage of GDP)	31.4	36.7	33.9	36.4	37.9	36.6	36.5	36.3
Revenues (percentage of GDP)	29.9	31.4	32.0	32.6	31.9	32.2	32.5	32.7
General government balance (percentage of GDP)	-1.4	-5.3	-1.9	-3.8	-6.0	-4.4	-4.0	-3.6
Public and publicly guaranteed debt (eop) (percentage of GDP)	28.1	36.4	33.8	37.7	40.3	42.2	42.0	41.0
Selected Monetary Accounts								
Base money (M1, percentage change)	8.8	29.7	10.0					
Credit to non-government (percentage change)	12.1	10.6	21.6					
Interest (key policy interest rate) (percentage)	5.5	2.7	6.5					
Balance of Payments								
Current account balance (percentage of GDP)	-9.4	-7.7	-12.4	-13.4	-14.5	-10.8	-9.9	-9.5
Imports (percentage of GDP)	56.3	51.3	57.9	72.8	74.3	75.2	76.1	
Exports (percentage of GDP)	31.2	27.9	30.7	49.0	49.8	50.6	51.4	
FDI, liabilities (percentage of GDP)	3.9	1.3	1.7	0.4	1.4	2.5	2.3	
Remittances (percentage of GDP)	15.5	15.7	15.1	14.5	14.5	14.7	14.8	
Gross reserves (US\$, millions) eop	3060	3784	3902					
In months of next year's imports	5.6	7.7	5.9					
Percentage of short-term external debt								
External debt (percentage of GDP)	61.6	70.5	64.1	64.5	65.0	65.6	66.1	66.2
Terms of trade (percentage change)	-4.1	-0.5	14.8	-2.3	-4.7	-0.1	0.2	
Exchange rate (MDL/US\$, average)	17.6	17.3	17.7					
Nominal GDP (US\$, billion)	11.7	11.5	13.7	14.3	14.1	14.5	14.3	15.4

Source: National authorities and World Bank calculations.

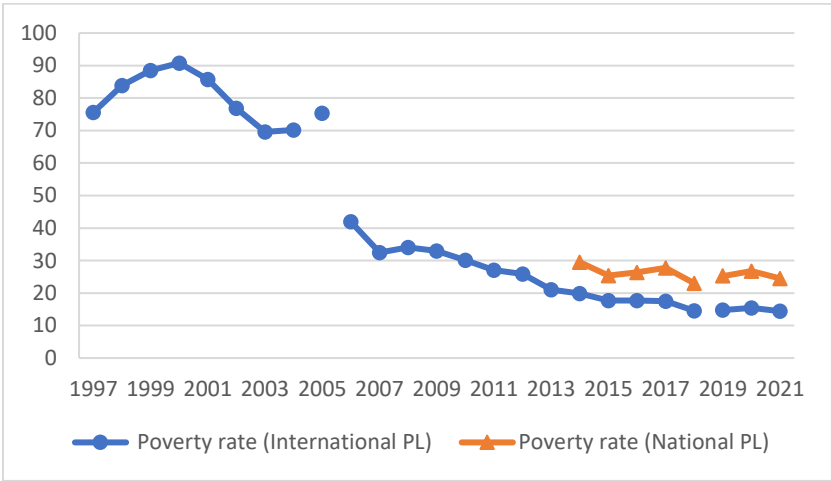
Poverty Profile

14. Despite strong poverty reduction since the late 1990s, Moldova remains one of Europe's poorest countries. Moldova has made great strides in poverty reduction over the past couple of decades. In the late 1990's, poverty, as measured by the upper middle-income poverty line (PL) of \$US6.85 per day in 2017 purchasing power parity (PPP), stood at close to 90 percent. This stands in stark contrast to the poverty rate in 2019 which stood at 14.7 percent. Despite progress in poverty reduction over the decades, the pace of poverty reduction has generally slowed in recent years. Poverty, as measured by the upper middle-income PL of US\$6.85 per day in 2017 PPPs, increased from 14.7 percent to 15.5 percent between 2019 and 2020 as a result of the COVID-19 pandemic before falling to 14.4 percent in line with the general economic recovery. Poverty, as measured by the national PL, has shown similar trends, increasing from

25.2 percent in 2019 to 26.8 percent before falling to 24.5 percent in 2021 (Figure 1). However, the sharp rise in energy and food prices in 2022 is expected to negatively affect the pace of poverty reduction. Simulations using microeconomic HH survey data suggest that poverty (using the national PL) could rise by as much as 30.5 percentage points during the 2022 heating season, as compared with the 2021 heating season. Complementary simulations show that under the Energy Vulnerability Reduction Fund (EVRF), the government’s flagship program to mitigate against rising energy prices, the impact can be lessened to 19.0 percentage points. Moldova also rates relatively low on the human capital index (HCI), at 0.58 in 2020 (up only slightly from 0.55 in 2010), with significant deficits in expected years of schooling and adult survival rate. Based on recent projections, Moldova is expected to continue with only a slow convergence toward the European standards of living.

15. Inequality in Moldova is fairly low and has trended downwards since 2014, stemming from higher consumption growth of the bottom 40 percent. The Gini coefficient of inequality in HH consumption expenditures (0.28 in 2021) is low relative to global benchmarks and lower than most regional peers. HH consumption grew faster for low-income HHs between 2014 and 2018 and held ground during the COVID-19 crisis, while consumption of wealthier HHs contracted during COVID-19. The pace of consumption growth was however sluggish, at less than 1 percent per year (not considering the large COVID-19 shock in 2020), leading to stagnant poverty rates. Income growth for low-income HHs is mainly dependent on public and private transfers, a result of both demographic constraints (more elderly people in low-income HHs) and low labor force participation rates. Gender disparities, such as in employment and asset ownership, represent barriers to better economic opportunities for women.

Figure 1: Poverty reduction has stalled as of 2015
(Share of population below the national and international PLs)



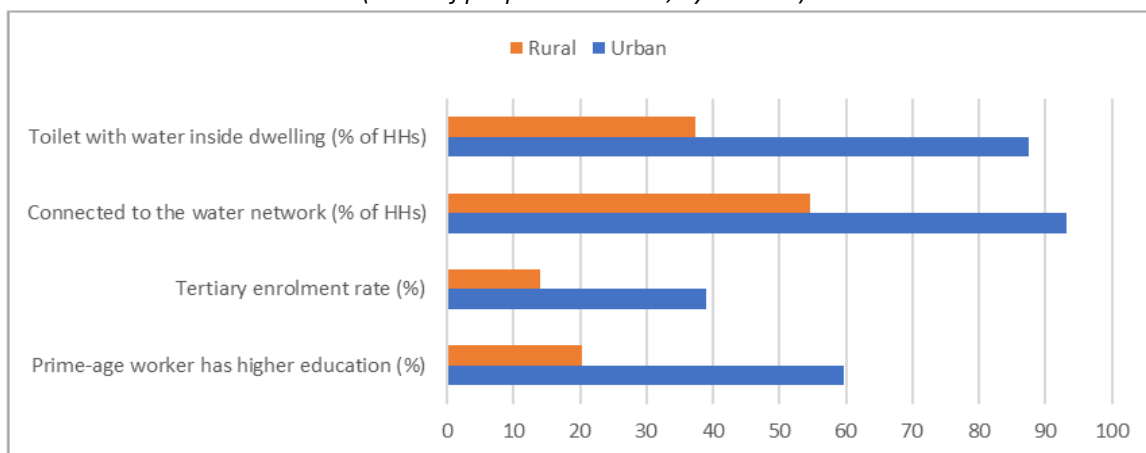
Note: Gaps in the time series represent a break in the comparability between two surveys or data points due to changes in methodology or other factors.

Source: World Bank staff calculations based on the Household Budget Survey (HBS).

16. Poverty in Moldova is predominantly rural and agricultural. Eighty percent of the poor in Moldova live in rural areas (compared to a rural population share of 60 percent), and HHs depending on agriculture as a main source of income have the highest poverty rates. Poverty is highest in the South, among pensioners (though old-age poverty decreased significantly following the large increase in minimum pensions in October 2021), and among large HHs with many children. There are stark geographical disparities in access to public services in Moldova, resulting in high inequality of opportunity depending

on location.¹¹ Rural vs. urban location explains the largest part of the inequity in access to tertiary education and access to water and sanitation services (Figure 2). These large gaps put rural dwellers at a significant disadvantage and keep rural Moldovan children from reaching their full potential.

Figure 2: Stark disparities in access to public services across rural and urban areas
(Share of people with access, by location)



Source: World Bank staff calculations based on the Household Budget Survey (HBS).

Main Development Challenges

17. Despite past growth and poverty reduction, persistent challenges remain, and Russia’s invasion of Ukraine is adding significant risks and vulnerabilities. The growth model that yielded high growth and poverty reduction in the past had begun to show signs of waning in strength and sustainability well before the COVID-19 pandemic. Potential GDP growth has fallen by 1 percentage point over the past decade. Underlying issues include a steep decline in remittances (from 34 percent of GDP in 2008 to around 15 percent in 2021), which was previously an important source of income and consumption for many HHs, a shrinking labor force and rapidly aging population, and significant informal sector employment. While these have been somewhat offset by positive contributions from capital accumulation and a slight increase in the labor participation rate (albeit solely driven by informal self-employment in subsistence agriculture), this growth model is unsustainable. Income growth among the poor has been primarily driven by pensions and social assistance. In addition, there are persistent challenges related to deep-rooted governance issues, weak institutions, and the large state footprint in the economy characterized by dominant and distortionary presence of state-owned enterprises (SOEs).¹² Finally, the significant flow of refugees into Moldova, rapidly escalating energy prices, and trade disruptions require urgent attention and a need to immediately reorient critical foundations of the Moldovan economy.

18. A new model is needed to support the country’s transformation toward more inclusive and sustainable growth. The above-mentioned challenges call for a new growth model that is less reliant on remittance-financed consumption and more reliant on private sector growth and competitive markets, particularly in the tradable sectors. This model is expected to produce business opportunities and jobs, particularly employment in the formal sector, and will need to be coupled with efforts to develop human capital. Reforms are needed to improve the business environment and bolster trade facilitation and harmonization agenda with the EU. Attention is also needed to improve transport and logistics and the

¹¹ According to a regional study by the European Bank of Reconstruction and Development (EBRD), over 40 percent of income inequality in Moldova is due to inequality of opportunity. This share is among the highest in Europe and Central Asia (EBRD, 2016).

¹² SOEs account for about one-third of the GDP, 24 percent of the labor force, 50 percent of all fixed assets, and 10 percent of corporate sector assets, and display significantly lower levels of productivity than foreign-owned and domestic private firms.

financial sector, which are two critical enabling sectors to stimulate more private sector growth. Insufficient supply of quality transport and logistic services, stemming from obsolete transport infrastructure and underdeveloped logistics, are critical constraints preventing Moldova from fully reaping the benefits of closer trade integration with the EU. At the same time, low access to finance and the high cost of credit represents major barriers to the development of the private sector, particularly micro, small, and medium-sized enterprises (MSMEs), in Moldova. The financial sector continues to be constrained by its small size, low sophistication, and an unfinished reform agenda, with a need for key reforms such as modernizing credit risk systems and improving collateral registry and aspects of financial sector regulation. Finally, strengthening governance, institutions and systems will be a key part of this agenda.

19. There is also a critical need to build resilience to address Moldova’s inadequate preparedness to withstand and mitigate the consequences of future shocks. Moldova has experienced an increased frequency of economic shocks and natural disasters, now compounded by the impact of spillovers from Russia’s invasion of Ukraine, diverting efforts and resources away from the long-term agenda. Since 2000, Moldova has witnessed an average of one major natural disaster every three years, including flooding and droughts which are disastrous for Moldova’s primarily rain-fed agriculture, and this is being exacerbated by climate change. Cybersecurity threats and incidents also continue to grow in frequency and severity, as more government operations and public services, critical infrastructure, and sensitive data and commercial transactions move online. Moreover, the 2021/2022 energy crises have highlighted the country’s vulnerability to energy price shocks stemming from volatile and undiversified energy sources and reliance on imports from one single supplier. This underscored the urgent need to develop a more self-reliant energy strategy,¹³ with a focus on accelerated development of renewable energy sources and more efficient energy use. The following measures would need to be undertaken in order to increase Moldova’s resiliency: (i) building fiscal resilience, by advancing reforms to create fiscal space, reduce fiscal risks, increase counter-cyclicality, and reduce budgetary rigidities; (ii) boosting productivity and reforming service delivery to build social resilience and cushioning the poor from shocks; and (iii) supporting investments and implementing reforms to strengthen policies and institutions to focus proactively on disaster risk management and enhance climate resilience.

20. The SCD Update lays out five priorities for Moldova to build resilience and enhance competitiveness. The findings of the 2021 SCD Update reflect and reinforce the findings of the 2016 SCD, which called for a new growth model more reliant on private sector growth and less reliant on remittance-financed consumption. The 2016 SCD identified job creation and human capital development as the two pathways toward sustained poverty reduction and shared prosperity. The 2021 SCD Update validates these pathways while also placing higher urgency on institutional strengthening and more emphasis on resilience. The priorities identified in the 2021 SCD Update form a comprehensive set of reforms to reverse the trend of declining potential growth, increased vulnerability, and stagnant standards of living. These reforms include:

- *Strengthening the rule of law and institutional capacity*, including at the sectoral and subnational levels, by: reforming the judiciary; strengthening the asset declaration system; addressing deficiencies in the tax administration capacity, and strengthening the capacity and enhancing the quality of sectoral and sub-national institutions.
- *Strengthening resilience, particularly to climate change*, by: developing a comprehensive “proactive” disaster risk mitigation (DRM) and climate resilience agenda and mainstreaming in sector institutions (with a focus on forestry, water resource management, and green transport); promoting a stronger and more competitive agriculture sector; and enhancing the public and private sector focus on climate change mitigation.
- *Improving the business environment to enhance competitiveness*, by: closing input gaps through greater access to finance and improved education and skills; closing the regulatory gap in the financial sector and

¹³ The country’s vulnerability due to its dependence on a single supplier has led to the emergency-based early synchronization of the Ukrainian and Moldovan power grids with the European system (ENTSO-E).

trade and export standards; and closing the infrastructure gap by improving connectivity, road safety, electricity, water, and digital services.

- *Reorienting public finance to support a new growth model* by: improving the efficiency of spending while ensuring equity and progressivity; improving domestic revenue mobilization and direct and progressive taxation; and strengthening the countercyclical stance.
- *Improving resilience, efficiency, and equity in service delivery* by: reducing inequities in access to education and improving overall educational quality and relevance; better-targeted improvements in health, transport, and water; social safety net and pensions; and creating digital platforms for improved service delivery, workforce, and firm innovation.

21. While these findings remain relevant, Russia’s invasion of Ukraine has underscored the urgency of many of the SCD priorities and the CPSD recommendations. The SCD priorities are well-aligned with the CPSD recommendations. The CPSD focused on two pillars: (i) competition policy and a strategy for SOEs¹⁴; and (ii) accelerating trade policy harmonization and integration with the EU. Moldova needs to increasingly diversify its trade with the EU and other markets as the energy volatility, and particularly the sharp rise in energy prices, risks jeopardizing Moldova’s short-term recovery and long-term prospects, increasing inflation, and negatively affecting the pace of poverty reduction. The need to provide immediate support to HHs will increase and highlight the necessity to accelerate reforms of the social protection system.

22. The reforms identified by the 2021 SCD Update are also congruent with those required for EU integration. The road to EU integration is long and challenging but opens the opportunity to unlock Moldova’s growth potential and to converge to the EU economic, judicial, social, digital, and environmental standards. Seizing the opportunity of integration with the EU by strengthening the rule of law and democratic institutions, reinforcing public administration and institutional capacity, and reforming economic policies and governance would lead to more rapid gains in productivity and competitiveness. The country also has the opportunity to take advantage of the EU green deal, which could increase efficiency and diversification of energy sources including renewables, and in turn strengthen Moldova’s overall competitiveness and resilience. Moldova’s recent EU Candidate country status could be used as a policy anchor for future governments that would give a clear reform path to help improve the institutional and governance environment, strengthen competition, help improve the business environment, stimulate FDI in export-oriented sectors, and invest in human capital to create jobs and reduce labor emigration.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Government Program and Medium-Term Strategy

23. The government’s medium-term NDS “European Moldova 2030” calls for a shift from the current consumption-based growth model toward a growth model based on raising investment, increasing productivity and competitiveness, developing export industries, and promoting a knowledge-based society. An update of the Moldova 2030 strategy prioritizes the following areas: (i) sustainable and inclusive economic development; (ii) long-term human and social capital; (iii) honest and efficient institutions; and (iv) a healthy environment. In the short term, the 2021–22 government program identifies the following four priority areas: (i) health crisis management; (ii) judiciary and anti-corruption reform; (iii) social protection for vulnerable groups; and (iv) the resumption of external financing. A universal theme that cuts across all these areas is the efficiency and quality of services and the public

¹⁴ Pillar One focuses on developing a framework for SOE reform, ensuring a level playing field for private and public operators (particularly competition neutrality between SOEs and private companies), promoting pro-competitive regulation in key sectors, and further strengthening competition enforcement. Pillar Two focuses on by implementing the provisions of the Deep and Comprehensive Free Trade Areas (DCFTA), maximizing the gains of Free Economic Zones, strengthening the National Agency for Food Safety to align local legislation and practices with the EU regulations, and eliminating service trade restrictions and remaining peak tariffs.

sector as a whole, together with increased private sector competitiveness and resilience. Faced with this ambitious yet challenging agenda, the government has moved quickly in some areas, while progress in others has been slower. For example, in the area of fighting poverty and social inequities, concrete measures were introduced, including an increase in the minimum pension, the creation of a social assistance program for the elderly, and an increase in monthly child allowances. At the same time, there are pending issues in the social assistance targeting mechanism. Continued efforts are required to reform the justice sector, which is recognized as a gargantuan, long-term, and effort-consuming endeavor. While the government has launched a medium-term prioritization and sequencing exercise for investment programming purposes, this endeavor was affected by the recent increase in energy prices and the influx of a large number of refugees.

B. Proposed WBG Country Partnership Framework

24. The proposed FY23-FY27 WBG CPF for Moldova supports the government’s efforts to move to a new economic model. The CPF is based on the challenges identified in the 2021 SCD Update; the priorities of the government’s medium-term strategy; lessons learned from the FY18-FY22 CPF Completion and Learning Review (CLR); and selectivity principles based on the WBG’s comparative advantage and areas of emphasis of other DPs’ programs. The WBG program is aligned with the GCRF, and will feature three High-level Outcomes (HLOs) focusing on increasing opportunities for formal employment, improving human capital, and increasing resilience to climate change and crises. HLO 1 supports activities to boost export-competitiveness of the private sector and build systems and capacity for food safety, business development, and information technology (IT)-enabled service industry, while HLO 2 supports activities to enhance health and education services and protect the most vulnerable. Both of these HLOs are aligned with GCRF Pillar 2, which focuses on protecting people and preserving jobs. HLO 3 will support activities to increase security and efficiency in the energy sector and mainstream a climate-resilient agenda, which is aligned with the focus on strengthening resilience under GCRF Pillar 3. Strengthening systems and institutions will be key to achieving all CPF Objectives, in line with Pillar 4 of the GCRF which focuses on Strengthening Policies, Institutions and Investments for Rebuilding Better. Given that digitalization is also a key tool to support the governance agenda, additional entry points for WBG support in this area will be explored at the time of the PLR. The CPF for FY23-FY27 aims to support the dual challenges of the current crises, as well as long-standing and longer-term reform challenges, with a phased approach of activities to support the development agenda and the goal to advance toward EU accession.

Lessons Learned

25. The new CPF will take on board the following key lessons learned from the CLR:

- *Capacity constraints are fundamental.* Institutional weaknesses in both public and private sector entities remain pervasive, requiring careful assessment at the project design stage and the need to embed institutional/ capacity-strengthening components in project design and development objectives. Recognizing these constraints, the forthcoming CPF will include a cross-cutting theme on strengthening systems and institutions—with a focus on digitalization and capacity-building—which will underpin each HLO. The program will also include significant investment advisory services and analytics (ASA) in these areas, as well as require that measures to address capacity and other constraints be integrated into projects’ design and implementation.
- *Leveraging the complementarity of WBG instruments has considerable utility.* Strategic use of analytical work has been critical to establishing entry points for future operations, including for policy-based lending and potential International Finance Corporation (IFC) operations. Development Policy Operations (DPOs) have been underpinned by ASA and followed by Investment Project Financing (IPF) to support the implementation of reforms. Analytics have also been key to maintaining engagement in the absence of an agreed lending program in specific sectors, and a substantial ASA program is planned for the coming CPF period.

- *WBG support in responding to crises has been key.* The World Bank (WB) was able to provide a rapid response to support Moldova in the wake of the COVID-19 crisis, particularly by adjusting and restructuring investment lending to support needs in the health and education sectors. Similarly, a DPO was approved in June 2022 to help quell the emerging crises in Moldova. DPFs have provided a platform for an integrated approach across WBG operations, helping to mobilize financing from development partners, and it is expected that there will be follow-on operations during the CPF period to continue this support.
- *Both careful planning and flexibility are needed.* Flexible CPF design allowed the WBG to adapt to changing government priorities and to reallocate resources promptly to areas with more traction and potential for results – including addressing COVID-19, the energy crisis, and the impact of Russia’s invasion of Ukraine. This flexibility is underpinned by targeted points of engagement, which have allowed prioritization of long-term support and the opportunity to restructure existing operations to respond to crises. The forthcoming CPF period envisages a phased approach allowing for programming flexibility built on the foundations of the initially planned program.
- *IFC’s focus on advisory service allows it to remain engaged.* The lack of scale in the Moldovan private sector coupled with its weak competitive environment has limited IFC’s investment opportunities. However, IFC has been contributing to the WBG efforts to improve the regulatory environment to better support private sector businesses and market creation. This support is scheduled to continue in this CPF period, while IFC seeks to expand its investment portfolio, either directly in Moldova, through regional activities, or through international companies that conduct part of their operations in Moldova.
- *Partnerships have been critical but must be carefully structured.* While much of the WBG program includes financing and other contributions from DPs, these need to be carefully designed to mitigate the risk of changes in partners’ priorities. The ongoing program includes numerous examples of the WBG working together with partners to further the agenda in specific areas. For instance, the WB has worked extensively with the Swiss Development Cooperation on health system financing and governance, including a fiscal space analysis, as well as on health service delivery through comprehensive analytics and policy recommendations. In the transport sector, the WB takes the lead on policy coordination for several partners, coordinating the EU transport panel, setting up the Facility for Eastern Partnership Investment in Connectivity (EPIC) with the European Investment Bank (EIB) to identify technical needs, and coordinating with the French Development Agency (AFD) to identify joint investment projects. The WBG program will continue to rely heavily on partnerships going forward with careful design to mitigate potential risks (Box 1).

Box 1: WBG and EU Collaboration on Financial Management (FM) Issues in Moldova.

The WBG and the EU have collaborated closely in a number of areas to strengthen Moldova’s strategic planning, policy and institutional assessments, and capacity and systems for implementation. The EU and the WB have worked together on the Public Expenditure and Financial Accountability Assessment (PEFA), a critical piece of analytical work requested by the Ministry of Finance. With the financial support, oversight, and peer reviewing provided by the EU Delegation, the WB contributed its technical expertise to produce an assessment of national-level FM systems, with the subsequent phases focusing on public financial management (PFM) practices in four regional-level public authorities. The PEFA findings will inform the PFM reform program of the Government for 2023-2027. The Government and the EU are interested in this collaboration to continue, with follow-on support to strengthen PFM, develop implementation plans and enhance capacity, including in areas related to public investment management, public sector accounting, Parliamentary budget oversight, and follow-up on the public auditors’ recommendations.

Selectivity

26. The government has played an active role in identifying priorities for WBG support to underpin its reform program. The government’s emphasis on sustainable and inclusive economic development, human and social capital, efficient institutions, and a healthy environment dovetails with the five priorities

highlighted in the SCD Update. These priorities underpin the selection of the three HLOs for longer-term WBG support, as well as the CPF Objectives for the coming CPF period. While there is a significant overlap between the government's priorities and those of the SCD Update, there are some areas where the government has been more reluctant to borrow, notably the SOE reform, judicial reform, disaster risk management, and social protection, which are less likely to be a significant part of the WBG program in the near term. The WBG will, however, remain engaged through dialogue and analytics in these and other areas not currently reflected in the CPF Objectives.

27. The WBG program going forward will focus on addressing both short-term crises-related and longer-term structural issues while leaving flexibility to adapt to changing circumstances.

The government program has pointed to key priorities for the short term, which are now receiving increased focus due to the current crisis. The WBG program will build on these priorities for crisis-related support, while also ensuring that projects and ASA support longer-term development goals. For instance, energy sector support will focus on increasing energy security and efficiency: while WBG activities to increase energy security will include activities such as developing local sources of energy, they will also support longer-term climate change efforts through efficiency improvements and greener investments. Due to the uncertainties of the ongoing crisis, the WBG programming outlined in the CPF will focus primarily on the coming two to three years, leaving flexibility to adjust and augment programs for the later part of the CPF period.

28. The priorities of the CPF build on the WBG's comparative advantage and prominently feature the inclusion of corporate priorities.

The CPF program will draw on the WBG's comparative advantage by featuring those areas where the WBG has maintained a positive engagement in the past, building knowledge, experience, and creating a trusted relationship with the client. It will also draw on other elements of its comparative advantage, including practitioner experience, sharing of global best practices, a focus on key economic and sector policy reforms, and multisectoral capabilities to highlight interlinkages across sectors in support of specific CPF Objectives. The forthcoming program will integrate key WBG corporate priorities, with a focus on resilience, climate change, gender, and inclusion, to strongly support the WBG's institutional GRID agenda. The CPF will emphasize resiliency by bolstering Moldova's ability to manage energy disruptions and climate-related shocks. It will also feature green investments across a number of sectors and will include a Country Climate and Development Report (CCDR) early in the program to deepen advice, advocacy, and related public and private sector interventions. Although Moldova performs well in many aspects of gender equality and women's empowerment, it still lags behind in key areas.¹⁵ The WBG will, thus, continue to monitor existing gender gaps as well as the risks of emerging gender issues, especially those related to recent crises (e.g., increases in gender gaps, rising incidence of gender-based violence, and refugee gender issues). Building on the actions outlined in the Moldova Gender and Social Inclusion Platform¹⁶ developed by the WBG, the program will strengthen the gender dimensions of WBG analytics, operations, and policy dialogue in the country to help close the gender gap (see Box 2). Where feasible, the results framework will include indicators to measure both gender and inclusion of the most vulnerable, and additional gender-disaggregated indicators are expected to be included at the PLR stage.

¹⁵ See World Bank. *Moldova Gender Landscape (English)*. Washington, DC: World Bank Group (<https://documents1.worldbank.org/curated/en/099042507012291872/pdf/IDU09e46b11d0641d049940bdee0e36c7078e2db.pdf>).

¹⁶ ASA (P179925) that aims at addressing critical gender gaps and support the inclusion of vulnerable and marginal social groups through identification of sustainable and people-centered approaches to development in Moldova.

Box 2: Support for Gender in the CPF: Addressing Outstanding Challenges.

Relative to global and regional standards, Moldova performs well in areas such as gender parity in school enrollment at all levels, proportion of seats held by women in national parliament (39.6 percent in 2021), and a low total fertility rate of 1.28 births per woman (2020). However, many challenges remain which hamper women's potential and economic empowerment. Despite high educational enrollment, women's participation in science, technology, engineering and mathematics (STEM) fields is low. The female labor force participation rate was 33.9 percent as of 2021, compared to the regional average of 50.3 percent, global average of 46.3 percent, and upper-middle-income country (UMIC) average of 55.5 percent. Only 2.86 percent of Moldovan women age 15+ borrowed to start, operate, or expand a farm or business in 2017, compared to 4.29 percent and 5.26 percent of same-aged women on average in UMICs and globally, respectively. Moldova's relatively high adolescent fertility rate--21.7 births per 1,000 women aged 15-19 compared to the regional average of 15.8 births per 1,000 women—reflects one of several barriers to young women's successful school-to-work transition.

To address existing gaps in women's access to health, education and jobs, and ensure their voice and agency, the WB proposes to continue the two-tracked approach introduced under the previous Country Gender Action Plan (CGAP) 2018-2021 and the CGAP 2022. Main support will include:

- Mainstreaming gender responsiveness into the portfolio: identifying opportunities for deepening gender analysis, ensuring continuous attention to gender responsiveness in project design based on the WBG gender tagging criteria and evidence-based global good practices, support during implementation of activities geared towards gender equality, and consistent monitoring and reporting on the progress made and results accordingly.
- Addressing key country gender equality challenges and policy gaps aligned with the portfolio and national priorities, such as: (a) improving access to healthcare, especially reproductive rights; (b) improving inclusion and retention in education; (c) increasing economic opportunities for women and vulnerable groups; and (d) preventing and addressing gender-based violence (GBV) through capacity-building, data gathering, and strengthened national services and response mechanisms.

The pipeline portfolio has already incorporated specific opportunities to close identified gender gaps, including through support programs in the agriculture sector. As the pipeline further develops, there will be opportunities to close gender gaps, address vulnerabilities, strengthen resilience and access to livelihoods for girls, women and vulnerable groups, and expand educational opportunities to women and vulnerable groups in rural areas and those with limited accessibility.

29. Leveraging partnerships will be a key feature of the WBG's support to Moldova and will contribute to selectivity. The WBG devotes considerable effort to coordinating with other DPs to identify: (i) areas where the WBG and partners are both engaged; (ii) areas where the WBG is the main source of support; and (iii) areas where other partners take the lead. The CPF will feature several CPF Objectives with significant financing needs supported by both the WBG and partners, often in tandem, including promoting private sector growth, improving the business environment, and creating employment, energy diversification and security, and green investments in infrastructure and other sectors. The CPF also features areas where other partners are less involved, such as digitalization and human capital development (particularly health and education). Finally, the WBG will be less involved in areas where other partners take the lead, particularly in supporting broader governance issues such as judicial reform and public administration reform. These are areas where the government is emphasizing reform but will undertake them primarily with grant financing support from donors, while the WBG will provide very targeted and complementary support for selected activities in these areas (see Box 3). The WBG will use the Moldova Support Platform, launched by France, Germany, and Romania, to mobilize broader financial support for Moldova. Given the EU's recent decision to grant Moldova EU Candidate status, it is expected that the EU's support to the country will increase significantly, thus requiring continuous recalibration of elements of the WBG program and, wherever possible, strengthening the absorptive capacity of government institutions.

Box 3: Development Partners' Support for Judiciary and Public Administration Reform.

Significant support for broader public administration and judiciary reform is expected to be provided by the EU and other development partners. Compatibility with EU standards will be a key element of this support, as Moldova begins the process toward EU accession, and EU support is expected to intensify in these and other areas across numerous sectors of the economy. Areas of governance reform where partners currently take the lead include:

Justice reform and anti-corruption: mainly supported by the EU Directorate-General for Justice and Consumers (DG JUST) and the United States Agency for International Development's (USAID) "Model Courts Project".

Public administration reform: mainly supported by the EU Project "Support on implementation of the EU Association Agreement" and the German Agency for International Cooperation's (GIZ) "Support on implementation of the 2030 Agenda".

Decentralization and local public administration: mainly supported by the USAID through the "Comunitatea Mea" ("My Community") Project.

PFM: mainly supported by the EU through various technical assistance (TA) projects for the Ministry of Finance and Court of Accounts.

SOEs and corporate governance: mainly supported by the International Monetary Fund (IMF) and EU, as conditionalities for financial assistance.

The WBG is expected to continue providing targeted support in specific areas of public administration, such as building systems and digital platforms, which the Government views as a priority investment. As an example, the WB is supporting the MPay system--a governmental service that facilitates digital payments to and from the Government--under its ongoing Modernization of Government Services Project (MGSP, P148537). The system has expanded to include the distribution of social benefits from the National Social Insurance House and in the medium term will significantly increase the number of digitized services. Digitalization is a key tool to support the governance agenda, and additional entry points for WBG support in this area may be explored during the CPF period.

30. The program will be supported by the combined WBG expertise to support the development of the private sector and facilitate private investment. The WBG has promoted private sector development in Moldova in recent years and will continue to do so going forward. The CPF program will build on the WB-IFC joint support to the agricultural sector, with IFC providing analytical support and the WB providing financing in key areas such as agriculture inputs reform and food safety systems (See Box 4). WBG cooperation will continue in areas such as MSME development through the ongoing project on MSME competitiveness (P177895) to increase export competitiveness, reduce regulatory burden, and increase access to finance for Moldovan enterprises. Following the cascade approach, IFC could contribute to the financing of projects in infrastructure and other enabling sectors that are crucial for the competitiveness of enterprises, including small and medium-sized enterprises (SMEs). IFC engagement in the energy sector could contribute to energy security through diversification and climate mitigation through investments in solar and other renewables. The Multilateral Investment Guarantee Agency (MIGA) will continue supporting the country's financial sector and will explore new opportunities to use political risk insurance guarantees in promoting cross-border investments in critical and emerging sectors.

Box 4: WBG Collaboration in the Agriculture Sector.

The WB and IFC have worked together to support the competitiveness of the agro-food sector in four main areas:

- *Seeds and fertilizer reform* has been supported by IFC, which has provided assistance in drafting and conducting policy discussions on liberalizing access to EU-registered seeds and fertilizers, and by the WB which has supported reform through a DPO.
- *Food safety information systems* have been supported by the WB to develop original information systems for food safety institutions, the IFC by upgrading and integrating existing systems and adding new modules, and by the WB for financing licenses for the newly integrated information systems.
- *Food safety laboratories* have been supported by the IFC which performed laboratory gap assessments (e.g., of buildings, equipment, prices, and people) as well as provided training and proficiency testing for accrediting some 45 new EU-compliant methods, while the WB invested in laboratory buildings and equipment.
- *Animal by-products (ABP) management* has been supported by IFC that has undertaken a feasibility study for the construction of an ABP processing facility and by the WB that invested in the construction of the facility.

High-Level Outcomes and Objectives Supported by the WBG Program

31. The FY23-FY27 CPF will feature three HLOs, aligned with the priorities identified in the SCD and supported by six CPF Objectives. The CPF program will have a clear strategic focus and selectivity while maintaining flexibility to respond to a changing environment, with the aim to support both short-term crisis-related needs as well as longer-term development goals. The three HLOs—focusing on increasing opportunities for formal employment, improving human capital, and increasing resilience to climate change and crises—are well aligned with priorities identified to promote inclusive and sustainable development. The focus on creating jobs in the formal sector reflects the SCD priority of improving the business environment to enhance competitiveness. This HLO 1 will be supported by targeted interventions aiming to increase the competitiveness of enterprises and decrease the regulatory burden. The focus on improving human capital reflects the SCD priority of improving the resilience, efficiency, and equity in service delivery. This HLO 2 will be supported by targeted interventions aiming to increase the quality and relevance of education services and improve the quality and accessibility of health services. Finally, the focus on increasing green and resilient investments reflects the SCD priority of strengthening resilience, particularly to climate change. This HLO 3 will be supported by targeted interventions to increase energy security and efficiency and promote green and resilient investments in infrastructure and agriculture. These three HLOs focus on longer-term development challenges that span several CPF periods, while the six CPF Objectives focus on interventions and results that are expected to be achieved over the 5-year CPF period (Table 2).

Table 2: High-Level Outcomes and CPF Objectives for FY23-FY27

CPF HLOs	HLO 1: Increased Opportunities for Formal Employment	HLO 2: Improved Human Capital	HLO 3: Increased Resilience to Climate Change and Crises
CPF Objectives	<i>Objective 1.1:</i> Increase the competitiveness of Moldovan enterprises	<i>Objective 2.1:</i> Increase the quality and relevance of education services	<i>Objective 3.1:</i> Increase energy security and efficiency
	<i>Objective 1.2:</i> Decrease the regulatory burden	<i>Objective 2.2:</i> Improve the quality and accessibility of health services	<i>Objective 3.2:</i> Promote green and resilient investments in infrastructure and agriculture
<i>Strengthening systems and institutions, including through digitalization and capacity-building, underpins all CPF Objectives</i>			

32. WBG activities will address the significant issue of demographic inequality, as well as support the provision of services for the refugees from Ukraine. The WBG program will emphasize addressing the disparities in opportunity characterized by a significant urban-rural divide. Activities in many sectors supported by the WBG will pay particular attention to addressing the inequality of opportunity of rural and disadvantaged populations as well as improving service delivery in these areas and to these groups. With an emphasis on upgrading the agricultural sector, employment generation and rising incomes are expected in rural areas. Focusing on increasing educational opportunities in underserved communities and populations—by improving retention in secondary and higher education for ethnic minorities and underserved populations in rural areas and those with limited accessibility—aims to increase the likelihood that rural and disadvantaged children will reach their full potential. Improving access to key services, such as water and sanitation, and roads in rural areas, will improve the livelihoods and connectivity of these populations. At the same time, support for urban areas will continue, especially to improve the efficiency of public service and increase opportunities for employment and growth. The WBG program will also continue support for the refugee community which may remain in Moldova for an extended period. While some services, such as online education, continue to be provided by the Ukrainian

government, Moldova provides access to health services for all refugees. As refugees' Romanian language skills improve, and job creation expands, with support from the WBG, employment opportunities are expected to become available to a larger portion of the refugee community.

33. Strengthening systems and institutions will be key, with the WBG providing support across a spectrum of activities contributing to these HLOs and CPF Objectives. Government capacity is recognized as a major constraint in Moldova, more than in most other middle-income countries (MICs) and Europe and Central Asia (ECA) countries, due to a combination of the small population size, extensive emigration, and frequent changes in government. Strengthening systems and institutions, including through capacity-building and digitalization, is a key priority for the government and critical for the implementation of its reform agenda. In addition, efforts will be needed to build systems and institutions compatible with the EU over the medium term, as well as in the short term to build capacity to absorb the incoming donor financing, as more funding flows in to advance the agenda toward EU accession. WBG-financed activities will include a broad array of support for strengthening systems, economic policies, and institutions across all levels of government, the private sector, and the citizenry of Moldova. A variety of forms of support will be deployed, including technical assistance (TA), training, and particularly introducing and upgrading digitalization in public and private sectors. In some areas where the WBG is not providing direct financing, it remains involved, by working in partnership with and funded by donors. Finally, when support is provided solely by other partners, the WBG will ensure full alignment with their efforts. All of these efforts to strengthen systems and institutions will span the three HLOs and underpinning CPF Objectives:

- *Supporting increased opportunities for formal employment* by boosting export-competitiveness of the private sector, building systems and capacity for food safety, business development, information technology (IT)-enabled service industry, and IFC support for private investment directly to larger firms as well as through banks and private equity in smaller firms.
- *Supporting improved human capital* by building systems and capacity for better targeting and administrative efficiency of social protection, teacher assessments, digital learning and development of digital skills, education management, and data collection for international comparisons (Program for International Student Assessment [PISA]), procurement of healthcare equipment and pharmaceuticals, health payment systems, and health system governance and finance.
- *Supporting increased green and resilient investments* by building systems and capacity for energy audits, water operator performance, sustainable land management practices, climate-related road user charges, biomass management, and road administration. The private sector can play a role in growing green and resilient investment (both domestic and foreign), with improvements to investment policy and mechanisms, for example, relating to public-private partnerships (PPPs).

HLO 1: Increased Opportunities for Formal Employment

34. HLO 1 will support the government to build the foundations for new drivers of economic growth. A concerted effort will be needed to increase the formal employment and create sustainable livelihoods. The large percentage of employees currently in the informal sector would benefit from moving to the formal sector where there are rising incomes. Creating more and better jobs will also be key to reverse the high level of outward migration, which is correlated with the lack of employment opportunities, and to provide opportunities to those refugees who may remain in Moldova for an extended period. A main pillar of reform needed to promote investment and job creation will be to create conditions for an increased role of the private sector, by supporting business development to bring about greater competition and improved access to markets, including export markets, and by reducing the administrative burden on business, property, and other assets. Increasing investments and jobs in the private sector, and particularly in the MSME and agriculture sectors, will require a broad set of measures to increase access to finance, improve the design and implementation of regulations to encourage investment and trade, and pave the way for Moldova to access markets, especially in the EU. There is also a need to invest in education and skills-building programs to better train workers, and to improve infrastructure services to support the development of SMEs and other enterprises that will underpin a

robust economy. A shift toward domestic revenue mobilization, underpinned by a more progressive and less distortive taxation system, is necessary to support investments and job creation. Over time, the government will also need to address the outsized role of state ownership and SOEs in the economy and focus on attracting suitable foreign investment. HLO 1 will be supported by two CPF Objectives: to increase the competitiveness of Moldovan enterprises, and to decrease the regulatory burden.

Objective 1.1: Increase the competitiveness of Moldovan enterprises

35. A significant shift is needed in the size and composition of the private sector to bring about needed growth and job creation. The economy of Moldova is characterized by a large presence of low-productivity micro- and small enterprises and a shrinking share of medium and large firms; an insufficient number of higher-productivity large, export-oriented, and foreign-owned firms; and the pervasive presence of SOEs. Overall, Moldovan firms are smaller and there are fewer exporters than in the rest of ECA; yet, as a small open economy, Moldova's development path is inextricably linked with trade. Progress in trade harmonization and facilitation remains limited, and critical gaps relate to food safety, quality infrastructure and standards, internationally recognized quality certifications, alignment with EU digital standards (including on data protection and privacy), customs administration, and trade logistics.

36. Agriculture and SMEs will be key to job creation and growth in Moldova, enabled by access to better inputs and services needed for business development. For the near term, the government has prioritized job creation through reforms aimed at growing the SME sector and improving its productivity and market access for agricultural products to expand exports. The longer-term objective, however, is to reduce the size of the SOE sector and attract reputable foreign investment. SMEs in Moldova are neither productive nor diversified, their export products lack sophistication, and the export survival rates are low. But SMEs could be an important source of inputs for larger and foreign-owned enterprises' exports, as local and international export-oriented firms currently source more than 65 percent of their inputs from abroad. Efforts are needed to continue to develop the SME sector by increasing its productivity and diversifying and improving the quality of products to stimulate job creation. Agriculture is also vital to Moldova's economy, contributing 11 percent of the GDP, 21 percent of total employment, and 45 percent of total exports, but the sector continues to be plagued by low productivity, which limits incomes and investments. Moldova benefits from its good soil and agroclimatic conditions, proximity to important markets (EU, CIS, and the Middle East), and shows strong promise in producing high-value crops (e.g., specialty fruits and vegetables) and other products (e.g., honey). There have been successful examples of agricultural products entering international markets, and there is a significant opportunity for Moldova's agricultural producers to increase trade. To achieve this, support is needed for the agriculture sector in areas such as education, research, extension services, and trade facilitation. By enhancing compliance with the EU requirements for food safety and quality, estimates suggest that Moldova could more than double its horticulture exports to the EU, CIS, and the Middle East Gulf Cooperation Council (GCC) markets.

37. The WBG will continue to work together, and with partners, to support the Moldovan business sector to enable it to grow and gain better access to markets. This CPF Objective will be supported by WBG activities focusing on the export competitiveness of enterprises, enabling better access to agricultural export markets, and providing improved infrastructure services to enterprises serving to develop new and reorient existing trade flows. The WBG will also support developing a labor force through improved relevance of education and skills building and explore ways to improve access to childcare facilities to enable those parents who would like to come back to work to do so.¹⁷ Activities supported by the WBG include providing credit lines and grants to exporters and partial credit guarantees for exporters

¹⁷ Such activities include, for instance, the MDTF-funded Early Learning Partnership grant, currently under discussion as part of Education Quality Improvement Project (EQIP, P179363), to increase access to preschool education for Moldovan and Ukrainian refugee children.

and MSMEs¹⁸. This financing will provide business support services, help improve food safety systems to become EU compatible and provide agriculture infrastructure investments such as storage and sorting/packing facilities. IFC will assess opportunities to engage with select companies to support the strengthening of efficiency, productivity standards, export competitiveness, and the development of value chains. IFC will also expand its support to the financial sector through financing and advisory work. Efforts will also include promoting the economic empowerment of women and supporting underserved communities through targeted lending products. Through its capital optimization guarantee, MIGA will support the financial sector to increase access to credit for SMEs. The WB will also support efforts to increase the quality of the labor force, enhance transport connectivity, and facilitate access of businesses to markets. Finally, the WBG stands ready to support SOE reform, if the government chooses to accelerate this process, including through its participation in the recently formed SOE Task Force, which was created to develop an SOE reform policy and legal framework and to support a more level playing field for the private sector. The WB works in tandem with other partners to promote the development of private sector: with the EU on food safety and SME matching grants, with GIZ on an investment database, with the United Kingdom of Great Britain and Northern Ireland (UK) on SOE reform, and with the IMF and EU on the financial and insurance sectors. The IFC advisory investment climate team collaborates closely with the Swedish International Development Cooperation Agency (SIDA) on investment climate and agribusiness sector development.

38. Capacity-building is a critical element to build businesses and create competitive markets.

The WBG will continue to provide considerable support to develop systems, institutions, and capacity across numerous sectors. In the agriculture sector, the WB and IFC will jointly continue to support food safety agencies, labs, and businesses to improve quality standards through inspections and certification, enhance compliance with sanitary and phytosanitary standards of premium food export markets, and support regulatory and institutional development related to food products traceability. Support will also be provided to agriculture enterprises and farmers to improve their knowledge of production, processing, and marketing areas to increase productivity, sales, and revenues, as well as to promote business development services for emerging producer groups in the high-value agricultural space. The WB will also continue to provide capacity-building services to the education sector, help ensure broader use of digital technology in education, for instance, by supporting the development of an e-admissions platform for higher education, support the Investment Agency, help build capacity in the financial sector, and support the insurance sector, in order to improve risk assessments and develop a legal basis for the sector. In parallel, the WB is providing TA on bank resolution to the NBM and to the Moldovan Banking System Deposit Guarantee Fund to ensure that bank deposit guarantee schemes are EU-aligned. IFC will continue its support to the building and implementation of the digital Public Depository of Financial Statements. The WBG is also supporting the government's process to develop an SOE legal framework.

Objective 1.2: Decrease the regulatory burden

39. Excessive business regulation and lack of property rights pose key constraints to business development and job creation. The business environment in Moldova has improved significantly over recent years, with compliance costs reduced considerably, but progress remains uneven. Improvements have been made in business registration, permits and licenses reform, inspections, and administrative simplification across business operations. Yet, Moldova scores worse than its regional peers on the Global Competitiveness Index (GCI—86th out of 141)¹⁹, with an outdated and heavy bureaucracy that has hindered business development and, thus, job creation. Further efforts are needed in areas where

¹⁸ This support replicates and scales up the grant scheme offered to exporters and their value chain firms under the previous CEP-II Project. There is considerable evidence of the cost-effectiveness of these schemes based on intermediary and final impact assessments of the grant tool on a statistically representative sample of firms, demonstrating that US\$1 in matching grant helped generate US\$16 in new export sales and net jobs creation in beneficiary firms.

¹⁹ <https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth/>

Moldova still lags behind, such as insolvency procedures and the complex procedure for procuring construction permits and electricity connections, both of which are closely linked to new investments. In addition to business regulation, the weak development of property rights continues to be a constraint to asset ownership and transfer, with further progress needed to implement land and property valuation and registration.

40. The WBG will continue to support reforms to improve the regulatory environment, including through digitalization, systems development, and capacity-building, - all essential for advancing the EU accession process. Building on the WBG's earlier efforts to strengthen tax administration, the CPF program will support the digitalization of government-to-business services and the further development of property rights, to reduce the regulatory burden and promote a business enabling environment. The WBG is actively supporting the development of service delivery systems and digitalization, which is a continuing priority for the government in its efforts to streamline bureaucracy, increase transparency, and reduce the regulatory burden. This includes creating digital platforms to cluster service provision, such as government-to-business interface and other services. The WBG will deepen this support over the CPF period, with financial support and TA to develop inventories of services and build platforms for services such as business registration. Capacity-building efforts will focus on public sector agencies—notably the Public Service Agency through a functional analysis—as well as private digital service providers. The WBG continues to support property registration and valuation to develop property rights and property markets, complemented by capacity-building to develop a national geoportal for spatial data and support to the adoption of internationally compatible standards for property valuation.

HLO 2: Improved Human Capital

41. HLO 2 focuses on improving the overall well-being and capabilities of Moldovan citizens by enhancing health and education services and protecting its most vulnerable. Moldova needs to continue its efforts to build its human capital, reduce inequality in opportunities, and improve living standards. This will require raising the relatively low HCI in Moldova and, specifically, reducing the significant inequality of opportunity between rural and urban populations. Supporting the government to reduce inequalities in access to education and health services and improve the quality of these services and the social safety net, will enhance economic opportunity, and help protect the most vulnerable. This will need to be coupled with improving the efficiency of social spending to achieve both social objectives and value for money within a tighter fiscal budget. In addition, providing access to education and health services for the sizeable population of refugees from Ukraine will continue to be a priority. Over the past decade, Moldova has made progress in improving the efficiency of its primary and secondary school systems. But continued reform is needed to improve access and inclusion, as well as quality of education. Facilitating access (including digital access) in rural areas to increase enrollment, deepening remedial education services (including to ameliorate the negative impact on learning outcomes due to the pandemic), and improving the quality of teaching and learning will be key areas of emphasis. Priorities for healthcare improvements include improving primary care, rationalizing the hospital system, improving the coordination between primary and secondary levels (e.g., in rehabilitation), overhauling healthcare finance, and developing a healthcare contracting system. Improvements in social assistance policies and service delivery need to continue to reduce fragmentation and better target social assistance benefits as well as increase benefits, which has become more critical with rapidly rising prices. In addition, the public pension system needs to be rebalanced to maintain fiscal and social sustainability. The reforms to improve the overall efficiency of the social protection system and strengthen targeting and adequacy of social assistance, while reinforcing the incentives to work, are being supported by ongoing and planned DPFs, policy dialogue and ASA. HLO 2 will be supported by two CPF Objectives: to increase the quality and relevance of education services. and to improve the quality and accessibility of health services.

Objective 2.1: Increase the quality and relevance of education services

42. There continue to be pressing challenges in the education sector related to equity, access, inclusion, quality, and relevance of education. Moldova enjoys relatively wide access to education. Educational enrollment is nearly universal at the primary level, and enrollment in secondary education is above the averages for the EU and ECA. Yet, Moldova measured only 0.58 on the HCI in 2020, indicating that the future earnings of a child born in 2020 will be 58 percent of what they could have been with full health (defined as no stunting and survival up to at least age 60) and complete education (defined as 14 years of high-quality school by age 18). Overall, students in Moldova perform less well than their peers in other countries at a similar income level. Challenges in the provision of education services have only been deepened by the COVID-19 pandemic, and these challenges are especially daunting for children from disadvantaged backgrounds.

43. Measures are needed to improve educational achievement for all students in Moldova and better prepare them for future employment opportunities. Student performance displays a significant learning gap between actual learning versus years in school, with low teacher quality, poorly implemented curricula, and educational inequities being major contributing factors to primary and secondary education challenges²⁰. In many cases, teachers lack appropriate credentials, receive too little support and training, and have inadequate access to technology to facilitate learning. There is also a mismatch between school curricula and labor market needs, representing a major obstacle for both employers and graduates and contributing to unemployment. The government has developed a new competency-based curriculum with a focus on science, technology, engineering, and math (STEM) education, but its roll-out has been slow and continues to be a low priority. Measures focused on improving educational quality and relevance, while decreasing inequities, will be key to improving educational outcomes. Improving the quality of education will require a significant investment in systems to better manage overall school administration, including through improved technology and analytics, as well as systems to monitor and assess teaching quality. Increasing the relevance of educational content and teaching tools will require building a digital education ecosystem, improving higher education, and making curricula more relevant to today's workplace, including expanding engagement with the private sector and industry to help improve the higher education curriculum geared toward future employment.

44. The WBG program during the CPF period is designed to address the challenges of quality and relevance of education services, focusing mainly on secondary and higher education, with support through financing, ASA, and capacity-building. Previous WB financing for immediate needs of the education sector, stemming from the COVID-19 pandemic, supported strengthening digitalization, capability to deliver services online and purchase of equipment to enable digital access and remote learning. The WBG support was undertaken in conjunction with that of UNICEF and USAID, with a focus on general education content, delivery, and digital skills. Building on this, current support is being provided to reduce the system's inefficiencies (e.g., by increasing allocative and spending efficiency and improving student-to-teacher ratios), improve quality (including through teacher quality assessments and enhance management in higher education (by rolling out the Education Management Information System (EMIS) in higher education institutions). WB engagement is also focused on decreasing inequities by promoting gender equality (e.g., aiming at gender parity in STEM enrollments) as well as by supporting underserved populations. In parallel, WB support is being provided to improve the relevance of education and enhance student job preparedness through activities to increase enrollment in Bachelor's and Master's programs in select priority areas, augmented by support from USAID and the EU for higher education equipment and exchange programs. The WB is also providing significant analytical work, including through the Digital Education Readiness Assessment²¹ and the comprehensive Human

²⁰ *Human Development Assessment for Moldova: A Background Paper on Education*, World Bank (P177587).

²¹ (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099120006252220689/p17773104ea6f2040a88e02bdf9bbd04f6>);

Development Assessments for Moldova²² which will lay the ground for future reform, investment, and WBG engagement. Capacity-building is ongoing to support Moldova to collect data and provide a country brief on PISA, and to better track progress on key reforms to improve learning outcomes. A newly approved grant from the Early Learning Partnership aims to harness the potential for the private sector to expand access and quality of preschool education with an emphasis on disadvantaged students, including refugee children from Ukraine. Given significant learning gaps between poor and wealthier students, the large urban-rural divide in student performance and learning losses caused by the pandemic, the efforts will be focused on quality education service delivery for the most vulnerable students. Support is also expected in areas such as provision of assessments of teacher digital knowledge and standards, and rapid assessments for learning outcomes.

Objective 2.2: Improve the quality and accessibility of health services

45. Moldova needs to prioritize a more efficient use of spending on, and increased quality and accessibility of, health services. Although the level of Moldova’s spending on public health compares reasonably well with that of other countries of similar income levels, its service delivery is lagging, and health outcomes are not on par with the size of its expenditures. With the population aging, the incidence of non-communicable diseases (NCDs) on the rise, the advent of new technologies, and Moldova’s dilapidated hospital infrastructure, the cost of healthcare is likely to grow if preventive and low-cost technologies are not expanded. The Global Health Security Index published in 2019 highlights key constraints, especially in the areas of rapid response, health system capacity, and detection and reporting, placing Moldova at 78th out of 195 countries. Out-of-pocket (OOP) expenditures on health are high, disproportionately affecting low-income HHs. The hospital segment needs to be rationalized from its current state of oversupply to increase efficiency and ensure higher value for money, while primary healthcare services need to be prioritized to reduce the burden of diseases and support a broader set of patient needs. Efforts such as upgrading intensive care units (ICUs), rationalizing emergency services, and expanding primary care to more vulnerable populations will help better target health resources to those who need them most.

46. Going forward, WB support will focus on strengthening the public health system, particularly the shift from the hospital- to primary-based care. Following a reallocation of WB health financing to support the COVID-19 effort, the WB is now focusing on enhanced quality and efficiency in the hospital sector, including by refurbishing ICUs, while also shifting resources to primary care to enhance the efficiency of the sector. Support is also being provided for critical government priorities such as the procurement of breast cancer diagnostic equipment to prevent one of the major NCDs for women. Significant support has been provided through ASA and capacity-building, including to improve healthcare procurement for pharmaceuticals and equipment, conduct a health technology assessment and a pharmaceutical policy assessment, and strengthen health payment systems. Future health sector support will focus on increased accessibility, quality and efficiency of health care. Given that Moldova’s disease burden is dominated by NCDs and recognizing the specific human capital losses that can occur in aging populations, support will focus on ensuring that the health system is better positioned to prevent and manage NCDs and strengthen integrated rehabilitation services. This will include support to strengthen all levels of the health system, as well as health financing measures to incentivize quality and improve financial risk protection and health status. Support will build on the ongoing TA and advisory services supported by the Swiss Development Cooperation²³, which focuses on assessing the health system’s governance and finance—including public

²² P177587 includes background papers on health: (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099940006202235948/p1775870ba4d6f0f0ac6106a0921fcea6e>); social protection: (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099940106202231852/p17758702ff61b0a091660806a4796d8fa>); and education: (<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/09994010620222966/p17758707321840b09fee070ec6f88843a>).

²³ Towards Universal Health Coverage Trust Fund (TF0B1249, P171130)

finance, fiscal policy, and the budgetary impact of the health system—as well as a comprehensive assessment of service delivery for primary healthcare.

HLO 3: Increased Resilience to Climate Change and Crises

47. HLO 3 will support a pivot to a more green and resilient economy by increasing security and efficiency in the energy sector and mainstreaming a climate-resilient agenda across a number of sectors. Moldova has an urgent need to build resilience throughout the economy to protect the livelihood of its citizens and address crisis situations, particularly from sharp increases in energy prices and the high uncertainty of energy supplies, as well as from climate change. Weather-related events due to climate change are increasingly wreaking havoc in the agriculture sector, and climate change will test the resilience of existing infrastructure. Climate mitigation measures are needed to reduce the country's carbon footprint, primarily in the infrastructure and agriculture sectors. Equally urgent measures are needed to diversify energy sources to mitigate energy supply disruptions and energy price shocks as well as to increase the country's energy security. A more countercyclical fiscal stance, including through institutional arrangements such as a fiscal rule, is key to favoring a more stable and growth-friendly environment and ensuring prudent fiscal management in an economy vulnerable to natural disasters. Although Moldova has taken initial steps to enhance its disaster and climate resilience institutional frameworks and develop legislation compatible with EU directives and regulations, its current focus on reactive disaster response rather than proactive risk reduction leaves the country significantly underprepared for natural disasters. Key measures needed include improving risk identification, investing in better risk reduction, enhancing disaster preparedness, providing stronger financial protection mechanisms, and upgrading resilient recovery and reconstruction policies. HLO 3 will be supported by two CPF Objectives: increase energy security and efficiency and promote green and resilient investments in infrastructure and agriculture.

Objective 3.1: Increase energy security and efficiency

48. Energy security and efficiency continue to be a central concern due to the country's high dependence on energy imports, energy price increases, lack of diversification of gas supply sources, low diversification of power supply, and aging technologies and equipment. Over the past 20 years, Moldova has undertaken significant reforms in the energy sector through cost-reflective pricing, independent regulation, the promotion of efficient operations and investments in new infrastructure, energy efficiency measures, and renewable energy sources. However, diversification of energy supply sources has emerged as an urgent need, underscored by the energy crisis of 2021/2022, unprecedented regional instability, and the continuous increases in energy prices. Much more will need to be done to develop a more self-reliant energy sector with accelerated renewable energy development, and an urgent, nationwide focus on efficient energy use.

49. To build a more resilient energy sector, Moldova needs to diversify its power-generation mix and expand supply and transport options for both gas and electricity. Key efforts are needed to strengthen links with the European Network of Transmission System Operators for Electricity (ENTSO-E), upgrade and increase local power generation capacities, further implement comprehensive reforms in the area of sustainable heating and promote the development of renewable energy markets and energy-efficient practices. These measures would minimize the risk of supply disruptions, allow the country to access competitively priced electricity and gas and develop local energy markets, promote more rational and efficient use of energy within all of Moldova, and move toward closer integration with regional and EU energy markets.

50. The WBG will continue to support Moldova in its efforts to increase energy security and efficiency over the CPF period. The WBG's energy sector engagement supports rules-based and competitive electricity purchasing, reinforcement of the domestic power transmission grid, supporting energy efficiency improvements in district heating (DH), and development of new sources of power generation. WB support has focused on the domestic transmission grid by constructing a new high-voltage transmission line between Vulcanesti and Chisinau, which will enhance the security of energy supply in

the country. This is part of joint efforts with the EBRD, EIB, and EU to support Moldova's integration into the regional electricity market and domestic transmission network reinforcement. Support over many years – both past and future – to the DH sector in Chisinau is expected to increase fuel efficiency and production outputs, including through the procurement of new gas engines. The WB DH support is being complemented by an energy efficiency program supported by GIZ, the German Energy Agency (DENA), and the Swedish and German Embassies, which will likely include sustainable heating. Future lending focused on energy efficiency is expected to reduce the demand for imported natural gas and electricity and increase Moldova's energy security, including through energy improvements in residential (focusing on low-income HHs) and public sector buildings, and infrastructure improvements for liquid fuels. Investments in additional renewable energy capacity will also be explored. Capacity-building will continue to be a major focus of WBG efforts, supporting a range of actors at the local and national levels, including central and local government authorities, utilities, regulatory agencies, and other stakeholders. Future capacity-building efforts are expected to focus on specific issues, such as conducting energy audits and assessing residential and public buildings for energy efficiency investments.

Objective 3.2: Promote green and resilient investments in infrastructure and agriculture

51. Moldova is facing major challenges stemming from the increasing frequency and impact of climate change. Climate change is expected to further intensify the severity and impact of hydrometeorological hazards, with significant impact across multiple sectors in Moldova. As an example, in 2020, Moldova was hit by one of the most severe droughts experienced over the past two decades, causing a decline in agricultural production of almost 30 percent, with significant spillover effects throughout the economy. Significant reform is needed to build resilience and reduce the carbon footprint, especially in agriculture, transport, water, and energy. Management of natural resources is also critical—especially of land and water—to preserve the assets that are crucial to Moldova's economic and physical well-being. Investments to change user behavior and increase efficiency will need to go hand-in-hand with increasing access to critical services, particularly in the water and sanitation sector in rural areas where services are extremely low relative to other European countries.

52. Moldova needs a comprehensive program to protect its natural assets and transform its infrastructure to build resiliency and reduce its carbon footprint. Reforms and investments to build a greener economy are only just beginning, and the agenda ahead is significant. In the agriculture sector, farmers need to adopt improved technologies that contribute to reduced greenhouse gas (GHG) emissions and enhance resilience to climate change, including through conservation agriculture and training. In the water sector, urgent measures are needed to improve water resource management and accelerate investments to enhance the efficient and equitable use of water and sanitation services, including through the modernization of water supply and sanitation systems and strengthening the regulation of operators. Efforts to reduce vehicle pollution and upgrade roads to be more climate resilient are also needed, particularly given that transport is the second largest GHG-contributing sector. Finally, in the energy sector, there is a need for significant investment in renewables, such as wind, solar, biogas, and biomass, to add green sources of energy, as well as tackling inefficiencies in energy usage across sectors, ranging from transport to public and residential buildings.

53. The WBG is providing a broad range of support to invest in improved infrastructure and build capacity to underpin a greener economy. Support for the water sector includes improvements in service delivery contracts and in the resilience of communities through climate-resilient designs of water supply and wastewater infrastructure, addressing the risk of floods and droughts, thus helping the government achieve its water security objectives, safely manage water, and better respond to climate emergencies. Improvements in sanitation technology will also be supported through the Water Supply, Sanitation, and Hygiene (WASH) initiative and a grant from the Austrian government, with the Austrian Development Agency (ADA) financing a pilot scheme for on-site HH sanitation. The WB will continue to support important services linked to climate change in the agriculture sector by increasing the use of sustainable land management practices, and through water-efficient irrigation upgrades and water-saving measures for farmers—including a focus on geographically lagging regions and communities—as well as climate-

smart livestock and strengthening agricultural public institutions. The focus on energy sector support will continue with the DH sector, by expanding DH improvements to increase efficiencies. The WBG is also expected to support efforts to promote and enhance insulation in residential and public buildings, the use of renewables such as solar panels, and the sustainable use of biomass as a source of energy. Transport support will include developing road user charges linked with emissions-related criteria as well as road design standards for enhanced climate resilience. The WB will also continue supporting climate resiliency through ASA, including a CCDR, assessments to help to improve emergency and response preparedness mechanisms, and developing a national water supply and sanitation plan for climate adaptation and climate-resilient planning (together with ADA). Capacity-building support is being provided to a range of actors, including water operators, local water authorities, farmers, agriculture agencies, road administration, and environmental agencies. These efforts will provide support in diverse areas such as to local government to run biomass units, building the institutional capacity of water operators and the lead water supply and sanitation (WSS) agency, introducing performance-based contracts for private sector transport construction contractors, and supporting road administration reform and road network management under the auspices of broader strategic planning for the transport sector in coordination with the European Commission (EC) which also focuses on green transport and green financing. MIGA capital optimization guarantee will support increased lending to climate finance activities.

C. Implementing the FY23-FY27 Moldova CPF

Financial Envelope

54. The proposed World Bank (IBRD) financing under the CPF would be up to US\$550 million. The actual lending amount will depend on a number of factors, including country demand and performance, global macroeconomic and financial developments, demand from other borrowers, and IBRD's financial and risk-absorbing capacity. The financing envelope is expected to be complemented by considerable support through ASA (both WBG and donor-funded) paving the way for future lending. Funding to address crisis needs has been raised through other key sources, such as the MDTF for co-financing of the DPO series and GCF²⁴, and it is expected that grant mobilization will continue to be needed during the CPF period²⁵. The WB will continue to rely on investment lending and DPFs, retaining the flexibility to consider options within these financing instruments, such as the Catastrophe Deferred Drawdown Option (CAT DDO) DPF. WB financing will leverage support from IFC and MIGA in specific sectors, including agriculture, SMEs, SOEs, and analytics. Additional Trust Fund (TF) resources will be sought to complement the WBG's lending and analytical work.

55. The Moldovan program has a relatively small but well-focused portfolio and pipeline. The current portfolio consists of 14 operations totaling US\$844.2 million (2 DPFs and 12 IPFs, of which two IPFs scheduled to close in the next three months²⁶). Despite the challenging operational environment exacerbated by capacity constraints, slow decision-making on the part of the government, and project implementation delays driven by rapidly evolving country circumstances, the FY22 actual lending included two new IPFs and a new DPO totaling US\$250 million, with a Supplemental DPF in grant financing totaling US\$43.8 million²⁷ delivered in FY23. The only problem project was restructured. More proactivity actions will need to take place to improve the disbursement ratio which currently stands at 3.68 percent. The FY23 pipeline includes the second DPO in a series (P179086), and two IPFs – Agriculture Governance, Growth and Resilience Investment project (AGGRI, P170035) and Education Quality Improvement Project (EQIP, P179363). In FY24, there are plans to expand infrastructure engagements through the Energy

²⁴ US\$9.24 million GCF contribution to Moldova Emergency Response, Resilience and Competitiveness DPO (P175640).

²⁵ The Moldova MDTF has mobilized US\$43.8 million in grants from the US and Norway, and additional pledges are expected from Ireland and Sweden.

²⁶ Moldova Education Reform Project (P127388) closing on December 31, 2022, and the Local Roads Improvement Project (P150357) closing on March 31, 2023.

²⁷ Actual contributions from the US (US\$30 million) and Norway (US\$13.8 million).

Efficiency program (P179280), the Road Safety and Transport Sector Financial Sustainability project (P180153), and the Modernization and Improvement of Rehabilitation Services project (P180306), while DPFs are planned for the entire period of the CPF.

56. The IFC will continue its ongoing advisory services and combine them with financing investment opportunities, working closely with MIGA to identify areas for collaboration. IFC advisory services will remain focused on addressing regulatory issues, building on its prior work to increase Moldova's private sector market competitiveness and agriculture exports by improving the environment for private sector business growth, and on its recent reengagement with the banking sector. In addition, IFC has an ambition to extend its program and will seek to identify opportunities to expand access to finance for MSMEs by engaging commercial banks. In addition, IFC seeks investments that will support Moldova's increased competitiveness, including in agribusiness, information and communications technology (ICT), manufacturing, retail, and infrastructure (including renewable energy) as part of investments in companies or funds with a regional footprint.

57. MIGA will continue supporting Moldova's financial sector through its guarantees and will explore new opportunities to facilitate cross-border investments in other sectors. While continuing to work on the financial sector, MIGA, in collaboration with the WB and IFC, will work to provide political risk insurance to facilitate cross-border investments in strategic sectors identified under the CPF, such as energy efficiency, renewable energy, and the agricultural sector. In addition, MIGA will explore opportunities to support trade finance in the country.

Implementation, Country Systems, and Partnerships

58. The approach to program implementation will build on solid ongoing engagement, lessons learned identified in the CLR, and portfolio performance. The program will initially include activities that maintain the momentum of current reforms and investments, with activities in the outer years relying on the findings of recently delivered and planned key ASAs, such as the CPSD, Country Economic Memorandum (CEM), Poverty Assessment, expenditure reviews, sectoral analytics, CGAP, and the forthcoming CCDR, to help identify priority activities. Most importantly, it will rely on strong government reform-minded counterparts to ensure ownership and focus on building the capacity needed to deliver reforms by incorporating significant institutional strengthening elements in all WBG supported activities.

59. Regular portfolio reviews will be implemented to ensure that implementation issues are addressed early on, and portfolio performance remains strong. The most significant challenges from a fiduciary perspective are the delays in the procurement cycle and increasing prices in construction. Russia's invasion of Ukraine is affecting supply chains, resulting in a decreased availability of materials and service providers, longer delivery times, and an increase in the cost of materials for civil works contracts and may also limit the availability of vendors willing to bid on Moldovan contracts under the new CPF. Delays are gradually being addressed through the ongoing support to Project Implementation Units (PIUs) and business outreach events with the private sector to bolster their capacity. The WB also supports the participation of PIU Procurement Specialists in various learning events organized in the region or virtually. The issues of increasing prices in construction are addressed through close monitoring of contract implementation and adjustment of prices, where justified. Procurement reviews are conducted semi-annually, and post-reviews are conducted annually or more frequently if needed.

60. Over the past years, the PFM system in Moldova has been gradually strengthened, although further reforms are still needed. According to the recent PEFA report²⁸, significant reforms have been implemented based on the government's PFM Strategy. Progress has been demonstrated in ensuring budget transparency, expanding and strengthening fiscal discipline, as well as in enhancement of annual and multiannual budgeting process and budget classification. Despite these achievements, further reforms are needed, including strengthening public investment management (e.g., rigorous economic analysis and life cycle costing of public investments), shoring up asset management, improving monitoring

²⁸ <https://www.pefa.org/node/4990>

of SOEs, and accelerating the introduction of public sector accounting standards. Addressing these reforms will be critical for the country's path toward EU accession.

61. FM arrangements for operations are overall robust, and the overall fiduciary risk to the CPF is moderate. Most IPFs rely on some elements of the country's PFM systems, such as budgeting and internal controls, accounting, and financial reporting. All projects are fully integrated with the state budget and administered through the treasury system. A few specific operations, such as the Program-for-results (PforR) and Results-based Financing (RBF) integrated into IPFs, use more elements of the country systems, including external auditing. The FM arrangements for individual operations are suitably designed to mitigate FM risks should they arise during implementation. Any weaknesses in FM capacity are addressed through regular on-the-job training, consultations, and formal training activities.

62. While there have been some improvements in the national procurement system, challenges remain. Moldova's legal framework for public procurement has been brought close to EU standards but will require further amendments to make it fully compliant. The 2022 PEFA Report and the Methodology for Assessing Procurement Systems (MAPS) completed in 2021²⁹ concluded that the procurement process is generally well-functioning; however, there remains a lack of effective access to complete and accurate data for describing and analyzing the actual practices and outcomes in the public procurement system. The incomplete and ambiguous legal framework regulating small-value procurement, lack of reliable, easily accessible data regarding public procurement practices and the actual performance of the public procurement system, limited functionalities of the MTender (a digital public procurement system) and generation of public procurement data in ways that are not fully conducive to the easy collection, compilation and analysis limit the evidence-based policy making. Enhancement of e-procurement (supported by the EU Delegation) would be one of the major means to bolster the system, which should be done in parallel with measures to raise transparency and improve integrity in public procurement. Overall, the government's commitment to enhancing the public procurement framework includes: (i) improving the public procurement system by implementing e-procurement; (ii) improving the capacities of personnel handling public procurement; (iii) developing and implementing a certification program for specialists in the field of public procurement; (iv) developing and approving the National Program for the development of the public procurement system; and (v) simplifying the use of the e-procurement system by digitizing procedures and related forms. Following the MAPS assessment recommendations, the Bank is assisting the government in preparation of an action plan to strengthen its procurement system and mitigate procurement risks. The Bank will also consider including capacity building in public procurement in the design of Bank-funded projects. Periodic assessment of the performance of this system will be conducted to determine readiness for use under relevant projects. At this point, the government procurement systems and legal framework do not affect the implementation of Bank-financed projects, as country systems are currently not used in procurement.

63. The WBG program will continue to build and rely on partnerships to maximize development impact and ensure efficient use of resources. The WBG has an excellent track record of cooperation with multilateral and bilateral donors to develop programs and activities which respond to the government priorities and specific sector conditions in line with donor preferences. WBG sector teams engage in regular exchanges of information with relevant partners to prevent duplication and facilitate a division of labor across partners. More intensive collaboration will also continue in a number of areas, with informal or formal strategic donor alliances providing critical analytical work as well as institution and system strengthening, often paving the way for future joint commitments (see Annex 4). The WBG will remain flexible over the CPF period to integrate co-funding and pooled funding with partners into its program to continue to support analytics, institution and systems strengthening, and physical investments. Effective donor collaboration will be increasingly important, given Moldova's recently acquired EU Candidate country status, with an anticipated increase in EU and donor funding to support Moldova's path toward the EU accession. The WBG is well-positioned to support the development and delivery of programs with

²⁹ <https://www.mapsinitiative.org/assessments/MAPS-Moldova-assessment.pdf>

and for partners, as well as Moldova’s capacity to absorb the expected increase in donor funding going forward. The WBG also regularly consults with various stakeholders. For instance, the Country Opinion Survey was carried out in 2019 with 204 stakeholders who provided their input on priorities for Moldova and for WBG support. In 2022, a series of consultations were conducted that helped develop and finalize this CPF (see Box 5).

Box 5: The consultation process for the FY23-FY27 CPF.

Hybrid CPF consultations were carried out during August–September 2022. The consultations were originally scheduled for FY22 but were delayed due to the uncertain pandemic situation. Stakeholders from different regions were consulted face-to-face and online, including representatives of civil society organizations, the private sector, DPs, students, academics, and the general public. Participants received a letter summarizing their consultation meeting’s conclusions. A CPF consultations web page in English and Romanian was created, with links to the SCD dedicated page (created separately in two languages), an infographic, the Performance and Learning Review (PLR), and the Country Opinion Survey report. A dedicated e-mail address was used for feedback collection. The WBG Country Office’s Facebook page was used to attract the general public’s opinion via links to SurveyMonkey questionnaires. The page also provided regular updates to the public on CPF consultations. The Country Manager’s article in three languages and in a video dedicated to the 30th anniversary of the WBG partnership with Moldova helped raise awareness of the process and attracted additional involvement from different stakeholders. It reached over 7,500 readers via Facebook and was picked up by several news websites.

IV. MANAGING RISKS

64. The overall residual risk to achieving the proposed program objectives is assessed as Substantial. Using the WBG Systematic Operations Risk-Rating Tool (SORT), four risk categories warrant a Substantial rating (Table 3). The overall risk rating for the forthcoming CPF period is Substantial, due to the underlying weaknesses in institutional capacity, the potential volatility of the political and macroeconomic situation, and most importantly the uncertainty of ongoing and future repercussions of the current crises stemming from Russia’s invasion of Ukraine.

Table 3: Risks to the Moldova CPF FY23-FY27 Program

Risk Category	Rating
Political and Governance	S
Macroeconomic	S
Sector Strategies and Policies	M
Technical Design of Program	M
Institutional Capacity for Implementation and Sustainability	S
Fiduciary	M
Environment and Social	M
Stakeholders	M
Other: Risk Stemming from Russia’s invasion of Ukraine	S
Overall	S

65. The following risks have been identified as substantial:

- **Political and governance.** Notable risks to the CPF program include increased social pressure from food and fuel prices and strong polarization of the electorate, which, if materialized, would mostly derail progress under HLO 2 as they could shift attention away from medium- to long-term reforms for improving human capital. These will be mitigated by financing and reforms supported by IPFs, DPFs, and ASAs during the CPF period, particularly in social protection, and the government’s commitment to protecting the most vulnerable by embedding fiscal buffers in the amended budget. Moreover, the government holds a solid majority in the parliament and is likely to last until the next parliamentary elections. It is also implementing a targeted approach to sequencing key reforms, helping contain the political risks.

- **Macroeconomic risks.** Notable risks to the CPF program include vulnerabilities and spillovers from disruptions in trade and remittances, dependence on energy supplies and vulnerabilities from energy price fluctuations, and a period of high prices – particularly for food and commodities – on international markets. Additionally, higher interest rates may pose roll-over risks of short-term public debt. Other chronic vulnerabilities stem from extreme weather conditions, structural deficiencies of the macro-fiscal construction, and overall sensitivity to external shocks. The emergency nature of these risks could further divert attention from, and funding for, needed longer-term structural reforms and financing, with repercussions for all proposed HLOs and CPF Objectives. The WB will help address these challenges by promoting critical reforms under DPOs and ASAs to ensure sound and prudent macroeconomic policies. The IMF program will serve as a macro-fiscal anchor complementing and underpinning the DPF-supported reforms. The WBG will closely monitor the evolving macroeconomic situation in close coordination with the IMF and EU. An important mitigating factor is also that most of the government’s forthcoming financing is expected to be provided by bilateral donors and international financial institutions (IFIs) on concessional terms that will leave more resources on the domestic market. On the upside, Moldova’s recently acquired EU candidate status may result in higher grant funding and/or expanded access of Moldovan workers to the EU labor market, which will accelerate the shift and compensate for the potential loss of access to the Russian labor market. In the medium term, reforms to meet EU accession criteria could strengthen competition, help improve the business environment and stimulate FDI in export-oriented sectors, creating jobs and reducing labor emigration.
- **Institutional capacity for implementation and sustainability.** Notable risks during the CPF period include weak implementation capacity across the government, the diversion of attention from the implementation of critical reforms due to the need to address urgent issues stemming from emerging crises, and the increasingly complex and multi-sectoral nature of projects. Focusing on implementation capacity and de-risking of the operating environment is a priority, which will be partially mitigated by TA provided by the WBG and other DPs to strengthen the capacity of the government agencies. DPFs and IPF capacity-building components, together with advisory services, are also expected to mitigate the risks.
- **Other: Risks stemming from Russia’s invasion of Ukraine.** This is the most significant risk to the program. If it were to materialize, it would significantly impact the content of the CPF and the nature of the WB presence and engagement and could warrant an overhaul of the CPF. To mitigate this, the CPF program has built in considerable flexibility to pivot to address crises needs should they occur, likely in the form of shifting from longer-term development priorities and opportunities to financing current budget needs in a fashion similar to the WBG’s evolving engagement in Ukraine.

ANNEXES

Annex 1: Moldova CPF Results Matrix

HIGH-LEVEL OUTCOME 1 (HLO 1) – INCREASED OPPORTUNITIES FOR FORMAL EMPLOYMENT		
<p><i>This HLO deepens the support from the previous CPF Focus Area on Economic Governance to increase opportunities for formal employment and the quality of jobs by increasing the competitiveness of Moldovan enterprises; facilitating their access to finance; and further reducing the regulatory burden and promoting a business-enabling environment.</i></p>		
HLO Indicators	Data Source	Current Value
<ol style="list-style-type: none"> 1. % labor force in the private formal sector 2. Number of workers covered by social security 	<ol style="list-style-type: none"> 1. NBS 2. National Social Insurance House/Tax Service 	<ol style="list-style-type: none"> 1. 46.9% (2021) 2. 874,789 (2020) (48% female, 52% male)
<p>HLO 1 description</p> <p>Rationale. The primary focus in Moldova in the coming years will be to reorient its growth model. HLO 1 focuses on supporting the government to build the foundations for new drivers of the economy leading to growth and employment in the formal private sector to create sustainable livelihoods for Moldovans, as well as providing opportunities to those Ukrainian refugees who may remain in Moldova for an extended period. Despite past reforms designed to increase the role of the private sector, a significant percentage of the economy remains in the informal and state-owned sectors. A larger role for the private formal sector needs to be supported through a broad set of measures to improve the business environment, enhance competitiveness, create a less distortive tax system, and pave the way for Moldova to access markets, especially in the EU, with the ultimate outcome of sustainable job creation.</p> <p>WBG Engagement. Over the course of several CPF periods, the WBG has been a trusted partner of the government in its attempts to create conditions for accelerated private sector-led growth. The focus has been and will continue to be on improving the business environment to enhance competitiveness and stimulate job creation. Specific measures include efforts to increase access to finance for firms, better train workers, improve regulation for the financial and enterprise sectors, increase access to markets (both domestic and exports), promote SOE reform, and modernize infrastructure services. Digitalization of government-to-business services has also been a key component of WBG support. Given that digitalization is also a key tool to support the governance agenda, additional entry points for WBG support in this area may be explored during the CPF period. The WBG also stands ready to support the SOE reform if the government chooses to accelerate this process, including the SOE reform policy, legal framework, and reform implementation. These measures are expected to support the growth of the formal private sector, stimulate investment, sales and trade, and create a sustainable employment base in the Moldovan economy. The WBG will support local government systems for citizen engagement (CE), multi-stakeholder partnerships, training, and identification of experienced local personnel to represent community needs and concerns and inform design decisions and service priorities.</p> <p>Knowledge Gaps. There is a need across multiple sectors to better inform businesses on the demand and quality standards in potential major export markets, particularly the EU, and to provide support to businesses to improve standards and marketing expertise. Other sectors supporting business development, ranging from insurance and banking to real estate, will require information to facilitate the introduction of market-based practices. There are also widespread needs to upgrade knowledge to meet the needs of the digital economy, including in the education sector (both teachers and students), public administration, finance, agriculture, and the SME sector. The WBG is working with DPs and the government to identify gaps and provide needed knowledge and TA.</p> <p>Sustainable Development Goals (SDGs) Associated. SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, and SDG 10: Reduced Inequalities.</p>		

CPF Objective 1.1: Increase the competitiveness of Moldovan enterprises

CPF Objective 1.1 continues and deepens the WBG support under the previous CPF Objective 1A Enhanced quality and implementation of investment climate regulation and CPF Objective 1C Enhanced financial sector governance and transparency.

Rationale. Increasing the role of competitive domestic enterprises continues to be the main pathway to creating more and better jobs and will help to reverse the large outward migration, which is correlated with the lack of employment opportunities in Moldova. Firms face multiple obstacles, and continued actions are needed to facilitate access to inputs (including finance and a better-equipped labor force) as well as access to markets (both domestic and export markets). Developing the MSME sector, particularly as a source of inputs for large and foreign-owned enterprises' exports, is key to building a new segment of private business in Moldova and counterbalancing the dominance of SOEs as a source of employment. Upgrading the standards for, and quality of, exports is also critical to accelerating exports to the EU, particularly food exports. There is a significant opportunity for Moldova's agricultural producers to increase trade, with estimates suggesting that Moldova could more than double horticulture exports to the EU, CIS, and GCC markets. Finally, despite considerable progress in improving transport infrastructure, connectivity is still poor and affects the competitiveness of the economy, particularly for agriculture and industry. Providing access to modernized infrastructure in key sectors such as transport is needed for successful business operations.

Lessons Learned and New Knowledge at the Program Level. The transformation of the Moldovan economy requires a multi-pronged approach, involving the business, agriculture, financial, education, and infrastructure sectors. With little political will to tackle the state-owned sector in Moldova over the past decades, the key to private sector employment growth has been and continues to be MSMEs, combined with a focus on agriculture to increase exports. Support for these enterprises requires long-term TA to improve product standards, gain access to finance, and develop markets. In parallel, additional support and TA are required in the financial sector to develop more market-based institutions, in government agencies to develop better product quality and safety standards, in the transport sector to enhance sector spending efficiency and strategic planning of priority investments, and in the education sector to provide a labor force better equipped for future jobs in close collaboration with the private sector. In agriculture, advisory and extension services for emerging producer groups have in the past significantly facilitated the competitiveness outlook and the "producer group" business model supported under the Moldova Agriculture Competitiveness Project (MACP) could be mainstreamed into existing and future public support and donor-funded programs. Scarce capacity at both central and local (contractor) levels has been a key constraint for the implementation of transport sector reforms, and capacity-building embedded in project design has proved imperative and helped advance implementation. Joint coordination of key policy recommendations with other DPs in transport has positively impacted the adoption of reforms.

WBG Ongoing and Planned Support. WBG activities will support business development and competitiveness by enabling export competitiveness of MSMEs--including through credit lines and grants to exporters which have proved cost-effective in past operations--and supporting better access to agricultural export markets, serving to develop new and reorient existing trade flows. It will also support developing a labor force through improved relevance of education and skill building and providing improved infrastructure services to enterprises. The MSME Competitiveness Project will increase access to finance and export competitiveness of enterprises, and credit-guaranteed loan portfolios are expected to promote the economic empowerment of women by targeting lending products tailored to the risk appetite and needs of women-led businesses and small businesses from underserved communities. The WBG will also continue to work with participating financial institutions to promote gender and socially-inclusive private sector leadership and further environmental and social management systems for MSME financing. The MACP will continue to focus on support related to food safety systems and investment infrastructure, such as storage and sorting/packing facilities. IFC will assess opportunities to engage with select companies to support strengthening efficiency, productivity standards, export competitiveness, and the development of value chains. IFC will also expand its support to the financial sector through future IFC Banking Sector Advisory support. The Higher Education Project (HEP) serves to increase the number of Moldovan students receiving Bachelor's and Master's degrees in areas meeting qualification standards and aligned with labor market demands in an effort to increase the quality of the labor force. In addition, the WB will explore ways--such as through the Early Learning Partnership grant--to increase access to pre-school education for Moldovan and Ukrainian refugee children to allow parents

to work. The Local Roads Improvement Project (LRIP) aims to enhance road connectivity, including for business access to markets. Finally, the WBG is actively involved in the recently formed SOE Task Force, working with the government and other donors to support a more level playing field for the private sector. Capacity-building support is being provided to a range of actors, including the Investment Agency, the insurance and banking sectors, SMEs and agriculture exporters, and education agencies. MIGA capital optimization guarantee will support improved access to finance for SMEs.

Key Risks and Mitigation. There continues to be considerable resistance to reform in key sectors. For instance, the banking and financial sectors remain conservative and have failed to develop innovative products that adequately serve the private sector. The large SOE sector remains largely unreformed and protected by price controls, which impede private sector growth. The WBG is seizing the opportunity of the current reform-minded government, working with key public agencies and DPs to develop policies and technical support, and deliver appropriate information and capacity-building in an attempt to overcome this resistance.

CPF Objective Indicators	Supplementary Progress Indicators (SPIs)	WBG Program
<p>Indicator 1: <i>Value of exports generated by project-assisted MSMEs</i> Baseline (FY23): 0 Target (FY27): US\$175 million (30% from female-owned companies) Data source: Ministry of Economy, Investment Agency, Organization for Business Development, MSME Competitiveness Project</p> <p>Indicator 2: <i>Increased sales (domestic and/or exports) by targeted individual or clustered agricultural producers (percentage, nominal US\$ million)</i> Baseline (FY23): 0 (FY23) Target (FY27): 25 (20% of the increase from females) Data source: Ministry of Agriculture and Food Industry</p> <p>Indicator 3: <i>Bachelor’s and Master’s programs updated in accordance with new qualification standards (percentage of programs)</i> Baseline (FY23): 0 Target (FY27): 30 Data source: Ministry of Education and Research</p>		<p>Ongoing Financing: MSME Competitiveness Project (P177895) MACP & Additional Financings (AFs) (P118518) HEP (P167790) LRIP (P150357) Moldova Emergency Response, Resilience, and Competitiveness Supplemental DPO (P180359) MIGA ProCredit Capital Optimization Guarantee</p> <p>Financing Pipeline: FY23 Emergency Response, Resilience & Competitiveness DPO2 (P179086) FY24 DPO FY23 AGGRI Project (P170035) FY24 Road Safety and Transport Financing Sustainability Project (P180153)</p> <p>Ongoing ASA: Financial and Private Sector Monitoring (P170841) Public Finance Review (P175214) TA on Bank Resolution (FinSAC) IFC Investment Climate Reform (ICR) Advisory (600467) IFC CPSD (605784) SOE Task Force IFC Financial Sector TA</p> <p>ASA Pipeline: CEM 2.0 (P179866)</p>

<p>Indicator 4: Number of local businesses benefiting from enhanced road connectivity to markets</p> <p>Baseline (FY23): 0</p> <p>Target (FY27): 180</p> <p>Data source: State Road Administration</p>		<p>IFC Opening Markets in Agri-food Advisory TA</p> <p>IFC/WB SOE Governance</p> <p>IFC Banking Sector Advisory</p> <p>IFC PPP Legislation Advisory</p> <p>UK's Foreign, Commonwealth & Development Office (FCDO) funded TA to continue SOE reform dialogue and reform implementation</p>
<p>CPF Objective 1.2: Decrease the regulatory burden</p>		
<p><i>CPF Objective 1.2 continues and deepens the WBG support under the previous CPF Objective 1A Enhanced quality and implementation of investment climate regulation.</i></p>		
<p>Rationale. Moldova bears the legacy of an outdated and heavy bureaucracy, which has hindered business entry and development and, thus, job creation. While the government has made progress in improving the regulatory framework, continued focus on reform to facilitate business and market establishment and ease transactions will be key. In addition to business regulation, the development of property rights continues to be a constraint to asset ownership, and transfer (with further progress) is needed to implement land and property registration. The development of systems for, and digitalization of, government-to-business services is critical and a continuing priority for the government to streamline bureaucracy, increase transparency, and reduce the regulatory burden.</p> <p>Lessons Learned and New Knowledge at the Program Level. Experience suggests that licensing, permit, and inspection reforms are complex and long-term processes, facing initial resistance, thus requiring top-level championship and proactive implementation support. A key ingredient of success has been a mapping of regulatory reforms in consultation with the private sector, as well as having a lead agency to champion and advance the implementation of reforms. Land and property administration, while slowed by weak public sector capacity, has benefited from actively engaging with the private sector at the planning stage, and mechanisms need to be put in place to ensure continued close coordination during the implementation stage. Flexibility during implementation will also be needed, including by shifting from large-scale contracts to small ones, flexible terms of payments for services, recruitment of land administration professionals on an individual basis, and adjustments to the regulatory framework to facilitate speedy implementation. The ongoing priority of the government to digitalize services is also facilitating WBG support in this area. To complement TA to support these efforts, some of the critical and politically sensitive reforms have been successfully supported through DPFs to incentivize legislative changes. On the WBG side, cross-Global Practice (GP) collaboration together with continuous engagement and supervision by WB and IFC staff increases the likelihood of success considerably.</p> <p>WBG Ongoing and Planned Support. Building on earlier efforts to support tax administration, the WBG program will support business development by reducing regulatory burden, re-engineering and digitalizing public services – including government-to-business services to reduce compliance costs – and supporting the further development of property rights. The MSME Competitiveness Project will continue efforts to reduce the regulatory burden and promote a business-enabling environment. This IPF support will be complemented by ongoing TA and DPFs that will continue to support deregulation. IFC will continue to advise on regulatory simplification under the ICR Project. The Land Registration and Property Valuation Project (LRPVP) will continue support to further the development of property rights, complemented by capacity-building efforts to develop a national geoportal for spatial data. Capacity-building support is also being provided to a range of actors, including the Public Service Agency, digital service providers, inspection agencies, and safety labs.</p> <p>Key Risks and Mitigation. In the past, frequent political change and instability at the policy level and in government institutions have resulted in shifting policy priorities and changes in the leadership of key institutions. The WBG will mitigate the risk by engaging with different levels of government counterparts in key agencies on a technical level and institutionalizing reforms into systems to enhance the continuity of reform.</p>		

CPF Objective Indicators	SPIs	WBG Program
<p>Indicator 5: Digitalization of government-to-business services (#) Baseline (FY23): 78 Target (FY27): 105 Data source: e-Governance Agency</p> <p>Indicator 6: Increase in the online application rate by a business for getting permissive documents through the electronic OSS (percentage, share of total applicants in a given year) Baseline (FY23): 50 Target (FY27): 65 Data source: e-Governance Agency</p> <p>Indicator 7: Reduction in compliance costs for businesses in meeting regulatory requirements (cumulative) Baseline (FY23): 0 Target (FY27): US\$8 million Data source: Ministry of Economy</p> <p>Indicator 8: # of new properties recorded in real estate cadaster Baseline (FY23): 7,000 Target (FY27): 350,000 (15,000 urban and 335,000 rural) Data source: Cadaster Department of the Public Services Agency</p>	<p>SPI 1: Development of National Geoportal for Spatial Data Information (yes/no) (FY25) Data source: National Spatial Data Infrastructure (NSDI) Geoportal (National Geospatial Data Fund)</p> <p>SPI 2: Adoption of national property valuation standards in line with international standards (yes/no) (FY25) Data source: Agency for Land Relations and Cadaster</p> <p>SPI 3: Adoption of the State Tax Service Digital Strategy with a Roadmap (yes/no) (FY25) Data source: State Tax Service</p>	<p>Ongoing Financing: Emergency Response, Resilience & Competitiveness DPO (P175640) MSME Competitiveness Project (P177895) LRPVP (P161238) MGSP (P148537) Moldova Emergency Response, Resilience, and Competitiveness Supplemental DPO (P180359) Tax Administration Modernization Project (TAMP, P127734)</p> <p>Financing Pipeline: FY23 Moldova Emergency Response, Resilience & Competitiveness DPO2 (P179086) FY24 DPO</p> <p>Ongoing ASA: Financial and Private Sector Monitoring (P170841) IFC ICR Advisory (600467) IFC CPSD (605784) Gender and Social Inclusion PASA (P179925) TA for Digitalization</p> <p>ASA Pipeline: CEM 2.0 (P179866)</p>
HIGH-LEVEL OUTCOME 2 (HLO 2) – IMPROVED HUMAN CAPITAL		
This HLO builds on the previous Focus Areas on Service Governance and Human Capital Development which focused on health and education services and access to services.		
HLO Indicators	Data Source	Current Value
1. HCI	1. WB	1. HCI Overall: 0.58 (2020) HCI Female: 0.61 (2020) HCI Male: 0.56 HCI Ratio (richest/poorest 20%)
2. Universal Healthcare service coverage index, %	2. World Health Organization (WHO)	2. 67% (2019)
3. PISA: 15-year-olds' ability to use their reading, mathematics, and science	3. The Organization for	3. PISA 2022 forthcoming

<i>knowledge and skills to meet real-life challenges</i>	Economic Co-operation and Development (OECD)	<u>Latest available baseline</u> PISA 2018 rural/urban: Reading: Urban – 454, Rural - 390 Math: Urban – 446, Rural – 391 Science: Urban – 455, Rural – 399 PISA by gender: Reading: Girls – 445, Boys - 404 Math: Girls – 422, Boys – 420 Science: Girls – 434, Boys – 423
<p>HLO 2 Description</p> <p>Rationale. Moldova has a continued need to build human capital to reduce inequality in opportunities, improve living standards, and contribute to poverty reduction. HLO 2 focuses on improving the overall well-being and capabilities of Moldovan citizens by enhancing health and education services and protecting the most vulnerable. This effort will focus on raising the relatively low HCI in Moldova and the significant inequality of opportunity between rural and urban populations, including by increasing the efficiency of social spending. Reforms in the education sector need to focus on increasing access to general education in rural areas to bolster enrollment, improving teacher training, improving the quality and relevance of general secondary and higher education services, and deepening remedial education services – especially for vulnerable groups – including to ameliorate the negative impact on learning outcomes due to the pandemic. Needed reforms for healthcare improvements include improving primary care, rationalizing the hospital system, improving the efficiency of health service delivery, and developing a healthcare contracting system. With the influx of refugees, there will also be a focus on access to education and health services for this sizeable population with significant needs. Reforms are also needed to better protect vulnerable populations, particularly by improving targeting and increasing the coverage of social safety nets—which has become critical with the onset of rising prices, - and rebalancing the finances of the pension system.</p> <p>WBG Engagement. For more than two decades, the WB has supported the government in implementing key reforms that provide important access, quality, and efficiency gains in the health and education sectors. The WB has also supported selected interventions in the social protection area, mainly through ASA. The WBG will build on this engagement going forward by focusing on improving the quality and relevance of general secondary and higher education services and the alignment of skills to labor market demands. It will support priorities for health enhancements, including improving primary care, rationalizing the hospital system, and overhauling healthcare financing. Advisory work, policy dialogue and TA will continue to improve the efficiency of the social protection system, including through the Regional ASA on Social Safety Nets, and continued measures to improve social protection programs by improving the targeting and adequacy of benefits that are being supported by ongoing and planned DPFs. TF resources will be mobilized to support ongoing and future IPFs and ASA in areas where the WBG is deeply involved (e.g., health and education) and also areas where other DPs are contributing or are taking the lead (e.g., social protection). The WBG will support local government systems for CE, multi-stakeholder partnerships for process legitimacy (to reduce localized corruption, elite capture and conflict), and training and identification of experienced local personnel to represent community needs and concerns and inform design decisions and service priorities.</p> <p>Knowledge Gaps. There is a continued need to reorient taxes and revenue and rebalance government spending to better support improved social services. Fiscal assessments are being undertaken in the health sector, but more is needed to build a knowledge base to effectively shift expenditures across sectors and within sectors, including health and education. In social protection, there is a continued need to assess and ensure the fiscal sustainability of pension payments, as well as provide services to best support the needs of the most vulnerable, particularly in rural areas and in the refugee community. In addition to national fiscal policy, there is a need to map the functions of local governments with a view to possible consolidation. While the IMF is taking the lead in many of these areas, the WBG is working with DPs and the government to identify gaps and provide needed knowledge and TA.</p>		

SDGs Associated. SDG 3: Good Health and Well-being, SDG 4: Quality Education, SDG 5: Gender Equality, and SDG 10: Reduced Inequalities.

CPF Objective 2.1: Increase the quality and relevance of education services

This Objective follows directly from the previous CPF Focus Area 2, Objective 2B Increased inclusive access to selected public services, and Focus Area 3, Objective 3A Improved quality and relevance of education.

Rationale. There is a pressing need to improve educational achievement for all students in Moldova and better prepare them for future employment opportunities. A key priority to increase educational outcomes is to decrease the learning gap (actual learning versus years in school) through improved quality and relevance of education services, as well as improving access and inclusion. Low teacher quality and poorly implemented curricula stem from a lack of appropriate teacher credentials, lack of teacher support and training, and inadequate access to technology to facilitate teaching and learning. Improving the quality of education will also require a significant investment in systems to better manage overall school administration, including through improved technology and analytics, as well as systems to monitor and assess teaching quality. Increasing the relevance of educational content and improving teaching tools will require building a digital education ecosystem, improving higher education, and making curricula more relevant to today's workplace, including by expanding engagement with the private sector and industry. These reforms will also support HLO 1.

Lessons Learned and New Knowledge at the Program Level. While focusing on the longer-term systemic issues in the education sector, WBG interventions have benefited from flexibility in the design to respond to emerging crises and exogenous shocks. Expedited WB fiduciary procedures applied during COVID-19 facilitated advancing the broader reform while responding to the country's immediate needs and reconfirmed the suitability of IPF instruments. The restructuring of ongoing operations to respond to COVID-19 helped build resilience in the secondary education system by strengthening digitalization and the capability to deliver services online, and additional equipment increased access for poorer and vulnerable HHs. The COVID-19 pandemic also highlighted the lack of an overall assessment of the state of digital skills and infrastructure in education. In addition, cooperation with the Ukrainian education authorities helped ensure access for refugee children to the online education services provided by Ukrainian authorities. At the higher education level, the engagement of stakeholders and wider society in changing the system's governance and financing has been a critical factor of success, leading to a better understanding of the reasons for needed reforms and maximizing buy-in and ownership. Greater engagement with the private sector and industry can also help to improve the overall quality and relevance of the education curriculum to ensure that future workers are equipped with the skills required by firms.

WBG Ongoing and Planned Support to this CPF Objective. The WBG program will focus on increasing the quality and relevance of general secondary and higher education services. The Moldova Education Reform Project (MERP) and HEP IPFs were designed to address these challenges, while also focusing on the system's current inefficiencies (e.g., increasing allocative and spending efficiency and improving student-to-teacher ratios). In the face of the COVID-19 pandemic, part of the MERP IPF financing was repurposed to address immediate needs for equipment with a focus on enabling digital access, and remote learning and teaching for students and teachers. The MERP also supports teacher quality assessment by deploying the TEACH classroom observations tool. At the higher education level, the HEP will introduce innovative IT solutions, including extending the EMIS – which has been successfully rolled out in K-12 – to higher education institutions, developing an e-admissions portal, and launching a Graduate Tracer study. The HEP also aims to increase enrollment in Bachelor's and Master's programs in selected priority areas aligning these programs to labor market needs. The WB engagement will support increasing educational equity by promoting gender equality (including aiming at gender parity in STEM enrollments) and will aim to improve retention in secondary and higher education for ethnic minorities and underserved populations in rural areas and those with limited accessibility. The newly approved grant from Early Learning Partnership aims to expand access and quality of preschool education with an emphasis on disadvantaged students including refugee children from Ukraine. Given significant learning gaps between poor and wealthier students, the large urban-rural divide in student performance and learning losses caused by the pandemic, the efforts will be focused on quality education service delivery for the most vulnerable students. Finally, recent analytical work through the Digital Education Readiness Assessment and the comprehensive Human Development and Resilience assessments will lay the ground for future reform, investment, and WBG

<p>engagement, notably the FY23 EQIP. Capacity-building support is being provided to a range of actors at the local and national levels including K-12 schools, higher education institutions, and education agencies.</p> <p>Key Risks and Mitigation. The institutional capacity for implementation of education reform is limited. While the Moldovan education authorities have a good track record of implementing donor-supported interventions to date, their capacity has been affected by staff turnover and cuts from the most recent organizational restructuring. Additionally, there is a risk that some institutions will still resist the proposed reforms. These risks will be mitigated with project support for capacity-strengthening activities embedded in ongoing operations, an ongoing awareness and communication campaign, and intensive implementation supervision support.</p>		
CPF Objective Indicators	SPIs	WBG Program
<p>Indicator 9: Rollout of teaching quality assessment using TEACH classroom observations tool (percentage of teachers in grades 1-12) Baseline (FY23): 0 Target (FY27): 20 Data source: Ministry of Education and Research</p> <p>Indicator 10: Share of students in selected higher education institutions enrolled in Bachelor’s and Master’s programs in government’s priority areas (percentage) Baseline (FY23): 0 Target (FY27): 15 Data source: Ministry of Education and Research</p> <p>Indicator 11: Positive perception of employers about the labor market orientation of selected higher education institutions’ programs (percentage, custom) Baseline (FY23): 0 Target (FY25): 25</p>	<p>SPI 4: Development and provision of the country brief on PISA results in 2024 (no/yes) (FY25) Data source: Ministry of Education and Research</p> <p>SPI 5: Pilot for a rapid assessment of learning outcomes conducted (no/yes) (FY25) Data source: Ministry of Education and Research</p> <p>SPI 6: Higher Education Management Information System (HEMIS) is operational with data used for planning and decision-making (yes/no) (FY25) Data source: Ministry of Education and Research</p>	<p>Ongoing Financing: MERP (P127388) HEP (P167790)</p> <p>Financing Pipeline: FY23 EQIP (P179363)</p> <p>Ongoing ASA: Gender and Social Inclusion PASA (P179925) Human Development Resilience Assessment (P173530)</p> <p>ASA Pipeline: Poverty Assessment (P179842) Digital Skills Assessment (P177731) Improving Preschool and Adult Learning in Moldova (P179363) Analysis of Moldova Performance in PISA 2022</p>
<p>CPF Objective 2.2: Improve the quality and accessibility of health services</p>		
<p><i>This Objective follows directly from the previous CPF Focus Area 2, Objective 2A Increased quality and efficiency of selected public services, emphasizing health service efficiency.</i></p>		
<p>Rationale. Public funding for health in Moldova is on a par with countries at a similar stage of development, yet service delivery is lagging, suggesting that Moldova needs to prioritize a more efficient use of resources and bring about improved quality and accessibility of health services. The Global Health Security Index published in 2019 highlights key constraints, especially in the areas of rapid response, health system capacity, and detection and reporting, placing Moldova at 78th out of 195 countries. OOP expenditures on health are high, disproportionately affecting low-income HHs. Further rationalization of hospital services and prioritization of primary healthcare can increase efficiency and ensure higher value for money. Public health measures to control risk factors and</p>		

treatments of NCDs and aging, including rehabilitation after acute events, can reduce the burden of disease and support a broader set of patient needs. Upgrading ICUs and expanding primary care to more vulnerable populations will help better target health resources to those who need them most.

Lessons Learned and New Knowledge at the Program Level. Reforming the hospital sector has been the main thrust of WB support; however, these reforms proved to be very challenging. While technical solutions have been identified, hospital reform is inherently a more political process. Such politically sensitive matters need to be approached in a measured fashion, emphasizing patient consensus building at central and local levels. Raion (regional) hospitals, which are accountable to local public authorities, have seen slower optimization progress, and communication with the regional authorities holds the key to the successful enhancement of the quality, relevance, efficiency, and resilience of the hospital network at the district level which services the poorer segments of the society. Experience suggests that the choice of instruments is key, and the program has benefited from deploying an IPF using the WB’s fiduciary safeguards while also building systems and institutions through dedicated support; this has been coupled with additional leverage for key policy reforms through DPFs or results-based components. ASAs, carried out jointly with other DPs to understand the sources of inefficiencies, provide the foundation for more specific reform actions. The WB has also focused its support on an efficient and fast pandemic response, which relied on ensuring ownership by the government, working very closely with the Ministry of Health and the National Health Insurance Fund, and other development partners at every stage of implementation to build strong buy-in.

WBG Ongoing and Planned Support to this CPF Objective. Recent WB activities to support the health sector include an Emergency COVID-19 Response Project and related AFs with the objectives of preventing, detecting, and responding to pandemic threats and strengthening the public health system. Previous work under the Health Transformation PforR incentivized a shift from the hospital- to primary-based care and will contribute to enhanced quality and efficiency in the hospital sector, including by refurbishing ICUs. In tandem, part of the funding will support critical government priorities such as the procurement of breast cancer diagnostic equipment to prevent one of the major NCDs for women. The WB will support accessibility for vulnerable groups and implementation of a systematic feedback response system for grievances and comments to identify needs and improve services, as well as increase services to reproductive rights and programs to prevent and address intimate partner and gender-based violence (GBV) risks. Capacity-building support is being provided to a range of actors at the local and national levels, including healthcare procurement agencies (for pharmaceuticals and equipment), health technology agencies, health payment systems, and central ministry support. The FY24 health sector IPF will focus on increased efficiency, equity, and quality improvement dimensions in the health sector, with a focus on care for patients with NCDs and strengthening integrated rehabilitation services. It will build on the current TA and advisory services under the Towards Universal Health Coverage TF supported by the Swiss Development Cooperation.

Key risks and mitigation. Hospital reform efforts at the regional level will continue to suffer from slower implementation due to the nature of local politics while capacity constraints at the central level may disrupt the reform continuity and the ability to provide guidance and champion the reforms forward. These risks will be mitigated by more intense dialogue and communication at the local level to understand the sources of resistance, but also to showcase successful examples. Capacity constraints will be addressed through IPFs and TA while continuous dialogue with non-political technical staff will mitigate the political instability risk.

CPF Objective Indicators	SPIs	WBG Program
<p>Indicator 12: # of ICUs and rehabilitation departments refurbished Baseline (FY23): 0 Target (FY27): 12 Data source: Ministry of Health</p> <p>Indicator 13: Improved accessibility of primary care facilities for people with disabilities (percentage) Baseline (FY23): 2% of primary care facilities have all attributes for accessibility</p>	<p>SPI 7: Execution of managed entry agreements for pharmaceutical products Baseline (FY23): 0 Target (FY25): 3 Data source: National Health Insurance House</p>	<p>Ongoing Financing: Emergency Covid-19 Response Project & AFs (P173776)</p> <p>Financing Pipeline: FY24 Modernization of Integrated Rehabilitation Services Project (P180306)</p>

<p>(ramp, lift, tactile floor, assistive technologies, and accessible toilet) Target (FY27): 40% Data source: Service Delivery Indicators (SDI) Survey</p>		<p>Ongoing ASA: Toward Universal Health Coverage (P171130) Gender and Social Inclusion PASA (P179925) Human Development Assessment (P177587)</p> <p>ASA Pipeline: Poverty Assessment (P179842)</p>
HIGH-LEVEL OUTCOME 3 (HLO 3) – INCREASED RESILIENCE TO CLIMATE CHANGE AND CRISES		
<p><i>This HLO further develops the support from the previous CPF Focus Areas on Economic and Service Governance, focusing on sustainability and resilience of investments.</i></p>		
HLO Indicators	Data Source	Current Value
<ol style="list-style-type: none"> 1. GHG Emissions 2. % of Dwellings with Access to Piped Water 3. % of Dwellings with Access to Piped Sewage 4. % Share of Renewables in Electricity Generation 	<ol style="list-style-type: none"> 1. The United Nations Framework Convention on Climate Change (UNFCC) 2. NBS 3. NBS 4. Ministry of Infrastructure and Regional Development 	<ol style="list-style-type: none"> 1. 14.6 million tons 2. 62.4% (2021) 3. 60.8% (2021) 4. 4.0% (2021)
<p>HLO 3 Description</p> <p>Rationale. The country needs a path that will protect the livelihood of its citizens by increasing resilience to climate change and other external shocks to ensure that the benefits of growth are sustainable and inclusive for all its citizens. Climate change is exacerbating weather-related events in Moldova, such as flooding and droughts, which are increasingly wreaking havoc in the agriculture sector. Climate change will have a broad impact across many other sectors and will test the resilience of existing infrastructure. HLO 3 focuses on better preparing for, and managing the risks of climate change by increasing green and resilient investments in a number of sectors, and at the same time will help build resilience to address ongoing crises, particularly the sharp rise in energy prices and high uncertainty of energy supplies. There is a critical need to develop a climate resilience agenda, including mainstreaming measures across key productive sectors, primarily agriculture, and key infrastructure sectors, ranging from energy to water, to transport. Ensuring prudent fiscal management will be key to reducing vulnerabilities related to climate change and needs to be accompanied by dedicated investments to reorient sectors to implement more climate-friendly practices and to change user behavior to facilitate better resource management. Moldova also remains significantly underprepared for natural disasters, with little capability for disaster risk management, and a current focus on reactive disaster response rather than proactive risk reduction. There is an urgent need to develop a comprehensive “proactive” DRM and management to improve capabilities for risk identification and reduction and enhance preparedness.</p> <p>WBG Engagement. The WB has had a long-standing engagement in the energy and agriculture sectors. While much of this support has been dedicated to developing competitive markets and improving efficiencies, there has been and will be an increased focus on climate-change-related issues, such as renewables,</p>		

land management, and greener practices in both energy and agriculture. In addition, in the energy sector, the WBG has and will continue to focus on energy diversification, which has become an urgent need due to Russia’s invasion of Ukraine. In the water and transport sectors, there is a diversity of needs related to, e.g., transport modalities and more equitable and efficient use of water and sewage services. The WBG will focus increasingly on enhancing green investments in these sectors to support Moldova on its path to greater resilience and a reduced carbon footprint. The WBG will continue to emphasize sustainability, disaster risk management and resilience through advisory services and TA, including a CCDD, and will explore additional support for disaster risk management given a recent increase in interest for increased WB support in this area. The WBG will support local government systems for CE, multi-stakeholder partnerships for process legitimacy (to reduce localized corruption, elite capture, and conflict), training, and identification of experienced local personnel to represent community needs and concerns and inform design decisions and service priorities.

Knowledge Gaps. The knowledge base to move the Moldovan economy to greater climate resilience is seriously lacking. There is a need across multiple sectors to invest in learning about new technologies and adapt them to Moldovan circumstances. In the energy sector, this includes how renewables and sustainable biomass use could be best implemented to support electricity and heating needs in residences, offices, agriculture, and manufacturing. The energy sector will also require technical expertise in areas as diverse as energy auditing and EU standards. More study is needed on both traditional and cutting-edge techniques for land and forestry management, as well as water resource management. Transportation modes need to be shifted to rely more on rail transport, requiring significant investment in knowledge and physical assets. Finally, Moldova needs to invest in better knowledge to underpin improvements to its emergency and response preparedness mechanism. The WBG is working with DPs and the government to identify gaps and provide needed knowledge and TA in these areas.

SDGs associated. SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, SDG 10: Reduced Inequalities, SDG 13: Climate Action, and SDG 15: Life on Land.

CPF Objective 3.1: Increase energy security and efficiency

This is a new Objective; however, it builds on the previous CPF Focus Areas of Economic and Service Governance, namely Objective 1B Strengthened accountability in the management of public sector assets and Objective 2A Increased quality and efficiency of selected public services.

Rationale. Despite recent progress in the energy sector, reliance on a single import source, governance challenges, and slow reform implementation combine to impede energy security. The energy crisis of 2021/2022 and the recent spike in energy prices have underscored the urgent need to diversify supply sources to sever dependence on a single supplier and volatile supply. Reform efforts to increase energy security and efficiency rest on three main prongs: increased options for energy supplies, improved energy efficiency, and enabling the deployment of domestic renewables. There has been some progress to diversify Moldovan energy supply sources, e.g., through interconnection with the Romanian power systems. Recent progress in the synchronization of the Ukrainian and Moldovan power transmission systems with ENTSO-E provides new opportunities for further diversification of energy supply. But much more will need to be done to develop a more self-reliant energy strategy with accelerated renewable energy development, and an urgent, nationwide focus on efficient energy use. In addition to strengthening links with the European power and gas networks, Moldova should upgrade and increase its local power generation capacities, further implement comprehensive reforms in the area of sustainable heating, and promote the development of renewable energy sources and energy-efficient practices. These efforts may lead to employment creation, thus also contributing to HLO 1.

Lessons Learned and New Knowledge at the Program Level. New developments, such as the dramatic increase in gas prices across Europe over 2021-2022, coupled with the increased likelihood of gas supply disruptions, have highlighted the critical importance of the three prongs needed to increase energy security and efficiency. Continued ASA will be critically important to better understand the effort and investments required to both diversify energy supplies and enable the deployment of domestic sources to decrease dependence on fossil fuels. Knowledge, consensus, and capacity-building are also needed as the population shifts to different sources of supply for electricity and heating and as demands increase for changes in user behavior to encourage efficiency.

WBG Ongoing and Planned Support to this CPF Objective. WBG energy sector engagement builds on two IPFs – the Second District Heating Efficiency Improvement Project (DHEIP-2) and Power System Development Project (PSDP) – aiming to enhance the country’s energy security. This is complemented by extensive ASAs, including analytics supported by USAID. A new planned energy efficiency program will also target this issue. Together with DPF engagement, these IPFs support rules-based and competitive electricity purchasing, reinforce the domestic power transmission grid, support energy efficiency improvements in DH, and develop a new source of electricity generation. The ongoing PSDP – provided together with EBRD and EIB – has focused on the reinforcement of the domestic power transmission grid and interconnection with ENTSO-E to diversify its electricity supply, improve system stability, and increase the security of energy supply. The DHEIP-2 is expected to increase fuel efficiency and production outputs, including through the procurement of new gas engines. The future energy efficiency program is expected to reduce the demand for imported natural gas and electricity and increase Moldova’s energy security, including through energy improvements in residential and public sector buildings and infrastructure improvements for liquid fuels, and will be supported by DPF financing that includes a focus on energy efficiency. Capacity-building support is being provided to a range of actors at the local and national levels, including local governments, utilities, property owners, regulatory agencies, and central government authorities. The WB engagement will foster participation in decision-making for access to heating and energy affordability for underserved, female-headed HHs, or poor rural and urban dwellers, as well as identify the ability to pay fees and upfront investment challenges.

Key Risks and Mitigation. The energy sector in Moldova has taken a huge hit from the sharp increase in energy prices, placing a significant burden on the economy and making heating and energy services unaffordable to an increasing number of HHs, which will be compounded by supply issues. Combined, these jeopardize the sustainability of the sector. The challenge of finding alternative energy supplies is compounded by the lack of direct access to liquified gas supplies and inadequate or non-existent infrastructure for the storage and delivery of heavy fuel oil (HFO). The shift to renewables will be time-consuming and may not cover all the energy needs. The WBG is coordinating with key multilateral and bilateral donors to put alternative short, medium, and longer-term plans in place while working to increase affordability for vulnerable groups by adjusting the heating compensation scheme and identifying subsidy mechanisms for investments in DH improvements in residential buildings.

CPF Objective Indicators	SPIs	WBG Program
<p>Indicator 14: <i>Increased power interconnection capacity between Moldova and Romania</i> Baseline (FY23): 414 megawatts (MW) Target (FY27): 718 MW Data source: Ministry of Infrastructure and Regional Development</p> <p>Indicator 15: <i>Liquid fuel backup capacity (storage capacity in cubic meters)</i> Baseline (FY23): 51,000 Target (FY27): 72,000 Data source: Termoelectrica</p> <p>Indicator 16: <i>Building/home energy efficiency improvements (#)</i> Baseline (FY23): 0 residential buildings / 0 public buildings</p>	<p>SPI 8: <i>Initiate a program to conduct digitalized energy audits in public buildings (yes/no) (FY25)</i> Data source: Agency for Energy Efficiency</p>	<p>Ongoing Financing: PSDP (P160829) DHEIP-2 (P172668)</p> <p>Financing Pipeline: FY23 Moldova Emergency Response, Resilience & Competitiveness DPO2 (P179086) FY23 Moldova Emergency Response, Resilience & Competitiveness Supplemental DPO (P180359) FY24 DPO FY24 Energy Efficiency and Sustainability Program (P179280)</p> <p>Ongoing ASA: Poverty Assessment (P179842) Eastern Europe Poverty and Equity Program (P179387) Moldova ENTSO-E Interconnection Option Analysis (TF0B8602)</p>

<p>Target (FY27): 10 residential multi-family buildings / 50 public buildings</p> <p>Data source: Termoelectrica</p>		
<p>CPF Objective 3.2: Promote green and resilient investments in infrastructure and agriculture</p>		
<p><i>This is a new Objective; however, it builds on the previous CPF Focus Areas of Economic and Service Governance, namely Objective 1B Strengthened accountability in the management of public sector assets, Objective 2A Increased quality and efficiency of selected public services, and Objective 2C Improved climate services and adaptation.</i></p>		
<p>Rationale. Given the challenges stemming from the increasing frequency and impact of climate change, Moldova needs a comprehensive program to protect its natural assets – particularly land and water – and transform its infrastructure to build resilience and reduce its carbon footprint. In the agriculture sector, farmers need to adopt improved technologies that contribute to reduced GHG emissions and enhance resilience to climate change. In the water sector, urgent measures are needed to improve water resource management, change patterns of water use to enhance security, move from informal to formal providers, and accelerate investments to improve water and sanitation infrastructure, especially in rural areas. Challenges in transport and energy include efforts to reduce vehicle pollution stemming from road usage, building climate-resilient roads, significant investment in renewables and biomass to add green sources of energy, and tackling inefficiencies in energy usage across sectors, ranging from transport to housing to public buildings. These efforts may lead to employment creation, thus also contributing to HLO 1.</p> <p>Lessons Learned and New Knowledge at the Program Level. Initial work to promote green and resilient investments in infrastructure and agriculture suggests that work is needed across a broad spectrum of actors, including government agencies, private contractors and construction, the banking sector, and end-users. Many sectors will be impacted by the recent restructuring of Ministries related to environment, agriculture, infrastructure, and regional development, and a concerted effort is needed to clarify institutional roles and build capacity at different levels of government. This will also involve supporting the ecosystem of other government institutions, such as the Agency for Energy Efficiency, SOEs like Termoelectrica, and also private contracting firms undertaking building construction and renovation to adopt new technologies. The banking sector will also require new institutional capacity and knowledge to assess, finance, and mainstream green investments, and innovations in financing such as PPPs and blended finance will be needed. Finally, strong outreach to the public and specific user groups such as farmers will be needed to promote energy conservation and generate demand for investments in energy efficiency improvements and renewables. In the WSS sector, important steps have been taken to develop the economic management framework for the sector, but considerable efforts will be needed to complete the regionalization of services, regulatory reform, and a licensing system. Based on initial experience to set up three large WSS operators across the country, it is now clear that a more gradual approach is evolving which fosters voluntary intercommunal cooperation, initially at the district level. Investments will also need to incorporate lessons on water usage behavior to shift water use patterns, and local governments need to be better equipped to move away from a reliance on informal water provision. In the transport sector, the climate-friendly enhancement will affect the entire value chain – location, design, and services – and the revision of design and construction standards will be especially key for supporting the transition to low-carbon, resilient transport networks and services. In the agriculture sector, past and ongoing efforts to increase sector resilience have largely been piecemeal; going forward, programs and actions that address climate resilience will require complex approaches with access to irrigation at the forefront.</p> <p>WBG Ongoing and Planned Support to this CPF Objective. The Moldova Water Security and Sanitation Project (MWSSP) will support improvements in service delivery contracts as well as the resilience of communities through climate-resilient designs of water supply and wastewater infrastructure, addressing the risk of floods and droughts to help the government achieve its water security objectives, safely manage water, and better respond to climate emergencies. The work to improve sanitation technology will also be supported through the WASH initiative and a grant from the Austrian government. The WB will continue to support important services linked to climate change with MACP to increase the use of sustainable land management practices and will provide a series of ASAs helping to improve emergency and response preparedness mechanisms. The new AGGRI Project will support the climate resilience of Moldova's agriculture</p>		

sector, including through irrigation upgrades and water-saving measures for farmers, climate-smart livestock and strengthening agricultural public institutions, while providing access to information and promoting direct participation and decision-making for women-led businesses and cooperatives in underserved areas. Grant financing for agricultural cooperatives and agro-processing can target geographically lagging regions and communities to ensure that opportunities are well distributed. The FY24 Energy Efficiency Program is expected to expand DH improvements to increase efficiencies, enhance insulation in residential and public buildings, and promote renewables such as solar panels and biomass as possible areas for planned support. This will be complemented by DPF support that includes a focus on renewables. LRIP will develop road user charges linked with emissions-related criteria, as well as road design standards for enhanced climate resilience. The WB will also continue to support climate services through ASA, including a CCDR, which could include analyzing carbon pricing and mechanisms to access international carbon markets. Capacity-building support is being provided to a range of actors at the local and national levels including water operators, local water authorities, farmers, agriculture agencies, road administration, and environmental agencies, and investments will aim to take into consideration the voices of informal and underserved communities. MIGA capital optimization guarantee will support increased lending to climate finance activities.

Key Risks and Mitigation. The lack of a coherent framework for identifying priority and cost-effective investments, as well as the lack of financial mechanisms or financial schemes to support the use of green technologies, can be one of the main barriers to the successful deployment of green investments. The WBG will support the government in developing an investment framework, as well as financial schemes to incentivize green investments by the private sector.

CPF Objective Indicators	SPIs	WBG Program
<p>Indicator 17: WB investments in DH improvements (US\$) Baseline (FY23): 0 Target (FY27): US\$91.8 million Data source: Ministry of Infrastructure and Regional Development</p> <p>Indicator 18: Area under improved land management resulting from restoration and application of sustainable land management practices (hectares) Baseline (FY22): 122,000 Target (FY27): 222,000 Data source: Ministry of Agriculture and Food Industry</p> <p>Indicator 19: People provided with access to safely managed sanitation services in selected rural areas and towns Baseline (FY23): 0 Target (FY27): 36,500 (50% female)</p>	<p>SPI 9: Program for roof-top solar photovoltaics (PV) installation commenced (yes/no) (FY25) Data source: Ministry of Infrastructure and Regional Development</p> <p>SPI 10: Shift to biofuel use enabled (yes/no) (FY25) Data source: Ministry of Infrastructure and Regional Development</p> <p>SPI 11: People provided with access to safely-managed water supply services in selected rural areas and towns Baseline (FY23): 0 Target (FY25): 11,500 (50% female) Data source: Ministry of Infrastructure and Regional</p>	<p>Ongoing Financing: LRIP (P150357) PSDP (P160829) DHEIP-2 (P172668) MWSSP (P173076) MACP and 3rd and 4th AFs (P118518) Moldova Emergency Response, Resilience & Competitiveness DPO (P175640) MIGA ProCredit Capital Optimization Guarantee</p> <p>Financing Pipeline: FY23 Moldova Emergency Response, Resilience & Competitiveness DPO2 (P179086) FY23 Moldova Emergency Response, Resilience & Competitiveness Supplemental DPO (P180359) FY24 DPO FY24 Energy Efficiency and Sustainability Program (P179280) FY23 AGGRI Project (P170035) FY24 Road Safety and Transport Sector Financial Sustainability Project (P180153)</p> <p>Ongoing ASA: Policy Dialogue on DRM and Disaster Risk Financing and Insurance (P17519)</p>

<p>Data source: Ministry of Infrastructure and Regional Development</p> <p><i>Indicator 20: Additional road user charges linked with emissions-related criteria implemented</i></p> <p>Baseline (FY23): No</p> <p>Target (FY27): Yes</p> <p>Data source: State Road Administration</p>	<p>Development</p> <p><i>SPI 12: Road design standards adapted for enhanced climate resilience (yes/no) (FY25)</i></p> <p>Data source: Ministry of Infrastructure and Regional Development</p>	<p>Public Buildings Energy Efficiency Study (P169217)</p> <p>DRM and Financing TA and Advisory (P172728)</p> <p>Gender and Social Inclusion PASA (P179925)</p> <p>Moldova ENTSO-E Interconnection Option Analysis (TF0B8602)</p> <p>ASA Pipeline:</p> <p>CCDR</p> <p>Quality Water Security Infrastructure TF (TF0B9959)</p> <p>IFC Opening Markets in Agri-food Advisory TA</p>
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Annex 2: Moldova CPF FY18-FY22 Completion and Learning Review

MOLDOVA FY18-FY22 COMPLETION AND LEARNING REVIEW

Date of the Country Partnership Framework for the Republic of Moldova for the period FY18-FY21: July 27, 2017 (Report No. 115716-MD).

Date of the Performance and Learning Review of the Country Partnership Framework for the Republic of Moldova for the period FY18-FY21: May 19, 2021 (Report No. 144635-MD).

Period Covered by the Completion and Learning Review of the Country Partnership Framework for the Republic of Moldova: from July 1, 2017 to June 30, 2022.

I. INTRODUCTION

1. This Completion and Learning Review (CLR) assesses the implementation of the World Bank Group (WBG) Country Partnership Framework (CPF) for Moldova, originally covering FY18-FY21, and extended by one year to FY22 (July 2021-June 2022) through the Performance and Learning Review (PLR) in FY21. The CLR: (i) assesses the achievement of CPF objectives; (ii) assesses the performance of the WBG in designing and implementing the CPF program; (iii) reviews the CPF alignment with the WBG's twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner; and (iv) presents lessons learned from the implementation of CPF during FY18-FY22 to inform the next CPF.

2. The FY18-FY22 CPF was characterized by frequent government changes resulting in fluctuating priorities and extended periods of stalled policy and decision-making. The CPF started in an environment of relative stability; however, the February 2019 parliamentary elections produced an unstable political alignment that resulted in a protracted stalemate and constitutional crisis, with no government formed until June 2019. Once formed, the government lasted less than six months. Political reshuffling in the parliament resulted in a new government in November 2019, which served until early parliamentary elections in July 2021. In November 2022, the presidential elections took place, in which the new reform-oriented President was elected. The subsequent government resignation led to snap parliamentary elections in July 2021, and the new majority was formed. While the new Government was formed in August 2021, the settling-in period inevitably slowed down decision-making related to the WBG program implementation and definition of new priorities. The refugee crisis unexpectedly sped up Moldova's European Union (EU) accession prospects – in June 2022, Moldova was granted the EU candidate country status, which will shape the country's future roadmap and aspirations.

3. At the same time, Moldova has been beset by multiple shocks in recent years, from the COVID-19 pandemic to a severe drought that reduced the agricultural production by 34 percent in 2020, and the European gas crisis that pushed gas prices up by around 400 percent in the second half of 2021. Just as Moldova was emerging from this series of severe shocks, the social and economic spillovers from Russia's invasion of Ukraine have put at risk its short-term economic recovery and long-term economic prospects, including efforts to reduce poverty. This came at a time when the Government was beginning to lay the foundations for a more sustainable and inclusive growth built on an ambitious reform program.

4. The overall CPF program performance is rated as Satisfactory, and the WBG performance in designing and implementing the CPF is rated as Good. The overall CPF program performance rating reflects the achievement of most of the CPF objectives: of the seven CPF objectives, three objectives were *achieved*, two objectives were *mostly achieved* and two objectives were *partially achieved* (Annexes 1 and 2). In terms of design, the mix of program activities was founded on strong analytics and supported the development priorities laid out first in the National Development Strategy (NDS) "Moldova 2020" and later in the updated "Moldova 2030" strategy. The CPF adequately evaluated the risks, incorporated lessons from the previous Country Partnership Strategy (CPS) for FY14-FY17 (Report No. 79701-MD, discussed by the Board of Executive Directors on August 9, 2013) and integrated CE mechanisms and

gender considerations in the design of all Investment Project Financing (IPF) operations. Frequent government changes and emerging crises exacerbated capacity constraints and resulted in shifting priorities, lack of policy continuity and slow program implementation, which, in turn, adversely impacted the CPF ambition, as reflected in the PLR adjustments of objectives and targets. Nonetheless, the WBG engaged strongly with each government to advance the program through necessary adjustments, including in relation to COVID-19, the socio-economic challenges posed by the energy crisis, and the significant refugee influx.

II. PROGRESS TOWARD CPF DEVELOPMENT OUTCOMES

5. The overall progress toward achieving the CPF objectives is rated as *Satisfactory* based on achieving most of the PLR-revised objectives; however, with many experiencing delays due to COVID-19, political volatility, capacity constraints, and geopolitical tensions. All focus areas remained the same throughout the CPF implementation, with the exception of Focus Area 2, into which the previously cross-cutting objective of *Greater Adaptation, Resilience, and Response to Climate Change* was integrated at the PLR stage. The PLR extended the original FY18-FY21 CPF timeline by one year, revised the ambition and scope of some CPF objectives, and made additions to all focus areas to reflect the response to COVID-19. The revised results framework was re-focused on 19 indicators, down from the original 20 (dropping 5 and adding 4 new ones reflecting COVID-19 response and recovery). The revisions to indicators involved fine-tuning targets to reflect implementation delays and extensions, refining indicator definitions, better capturing the nature of interventions, reflecting crisis response and recovery, as well as data availability.

Focus Area 1. ECONOMIC GOVERNANCE – Strengthening Rule of Law & Accountability in Economic Institutions – *Satisfactory*

6. Focus Area 1 indicators and targets were revised due to programming challenges, governance concerns and the resulting shift in strategy related to the provision of budget support, and immediate support to Small and Medium-sized Enterprises (SMEs) because of COVID-19. Most objectives were achieved, with progress largely due to investment climate regulation work continuing from the previous CPS, including the recently completed Competitiveness Enhancement II IPF (FY14 CEP-2, P144103) and the ongoing IFC's Investment Climate Reform project (ICRP, project #600467), but also due to timely and adequate repurposing of funds to sustain employment and business survival as the pandemic hit. Most analytical and technical assistance (TA) work has progressed well, with some extended into the next CPF.

CPF Objective 1A: Enhanced quality and implementation of investment climate regulation – *Achieved*

7. The WBG successfully supported interventions and overachieved targets related to improving the quality and implementation of the regulatory framework for businesses. Significant reforms have been implemented, e.g., regulatory simplification, reduction in the number of business permits, and creation of a digital One-stop Shop (OSS). There is evidence of cost savings and strong interest in expanding the number of permits processed through the OSS, which will be advanced under the new Micro, Small, and Medium-Sized Enterprise (MSME) Competitiveness IPF (P177895) approved by the Board of Executive Directors on June 27, 2022. Over the CPF period, the total number of required permits was reduced from over 416 to 152 documents, with 135 types of permits already configured in the online system and the most burdensome 78 business permits fully digitized. The Government's 2020 Cost of Doing Business survey³⁰ showed a significant positive impact of OSS – the time to obtain permits has been reduced to 7 days, unofficial payments related to obtaining permits dropped, and the costs of obtaining permits was reduced. The OSS service delivery has gained more prominence with the pandemic and the refugee crisis.

8. In response to COVID-19 and to preserve jobs, the Bank repurposed funds under the ongoing Tax Administration Modernization IPF (TAMP, P127734) to maintain employment and support businesses

³⁰ <http://uipac.md/eng/cost-of-doing-business>

through the temporary tax relief. The business continuity and employment among program beneficiaries exceeded the targets, with business continuity for beneficiaries of the payroll subsidy program sustained at 96 percent and for beneficiaries of the Value-added Tax (VAT) refund program at 87 percent in December 2020. Employment was maintained at nearly 100 percent for beneficiaries of the payroll subsidy program and at 92 percent for beneficiaries of the VAT program.

9. Following the completion of Phase I, the IFC's ICRP Phase II has focused on a number of regulatory reforms in the agribusiness sector. The project supported intensive public-private dialogue with the aim of identifying critical regulatory issues and helping set up reforms to enable the development of digital interactions between the government and businesses. Such reforms include streamlining of the personal data protection regime, recognizing EU digital signatures, enabling remote employment contract signing, and allowing remote access to some government data, among other.

10. IFC's ICRP Phase II targeted opening new markets for Moldovan agribusiness products and upgrading the capabilities of the public and private sectors to prove compliance with the food safety standards set by the EU. The ICRP Phase II has focused on upgrading critical elements of the food safety system and capacity building for producers in the horticulture and poultry sectors. On the public side, the IFC has supported the implementation of new testing methods by government laboratories, launch of monitoring programs in the dairy sector, and enhancement of digital traceability tools. IFC investments helped clients expand operations, making their exports competitive and more sustainable through upgrade of product quality, raising environmental and safety standards, and improving energy efficiency. IFC's equity support enabled its client Purcari to successfully place its shares on the Bucharest Stock Exchange in 2018, making it the first company in Moldova that went public on a foreign stock exchange.

CPF Objective 1B: Strengthened accountability in the management of public sector assets – Partially Achieved

11. Energy sector regulation work reflects the latest tariff regulation practices that have considerably improved since 2017. This is the case for electricity distribution and supply, as electricity tariffs have been revised in 2022 according to applicable methodologies. The District Heating (DH) tariff regulation has also improved, allowing Termoelectrica (TE) to become profitable since 2017. However, tariff methodologies remain unstable and are implemented erratically. To sustain the TE's recovery under the District Heating Efficiency Improvement Project (DHEIP) (P132443), the Bank, in close cooperation with the International Monetary Fund (IMF) and other partners, will continue policy dialogue and work with the energy regulator and other sector entities to continue improve the regulatory framework towards increased efficiency.

12. Under the Economic Governance Development Policy Operation (EGDPO, P156963), the WBG supported the mandatory auditing of annual financial statements of medium and large companies and companies of public interest (more than 50 percent state-owned) to increase the financial transparency of Moldova's large State-owned Enterprise (SOE) sector. Under the previous law, economically significant SOEs were not classified as public interest entities and were subject to National Accounting Standards, which require less disclosure than International Standards, and municipal enterprises were exempted from any auditing. After the legal changes, 38 entities commissioned audits of their annual statements. The commitment that 50 percent of these 38 entities be audited was met: 19 annual reports have been audited, and the audit reports were published on the Public Property Agency's website³¹. Going forward, continued support and engagement are needed to enforce legal financial disclosure requirements.

CPF Objective 1C: Enhanced financial sector governance and transparency – Mostly Achieved

13. The EGDPO made important advancements on financial sector governance and transparency, but progress was compromised by backtrackings or incomplete implementation of some reforms. The progress was made in banking sector supervision and bank governance, business environment, and

³¹ <https://app.gov.md/intreprinderi-de-stat-3-378>

conflict of interest. The WBG continued to strengthen the capacity of the National Bank of Moldova (NBM) by supporting the development and adoption of a new bank governance framework, which included the Law on Bank Activity and the Regulation on Internal Governance and Risk Management in Banks. The Law and the Regulation significantly improved banks' governance. As of December 2019, all Moldovan banks were compliant with this new law and regulation. The important milestone of a strengthened legal, regulatory, and supervisory framework for the insurance sector was achieved under the recent Emergency Response, Resilience and Competitiveness Development Policy Operation (DPO) (FY22, P175640).

14. Toward the end of the CPF, IFC engaged in strengthening the recovery and resilience of the banking sector. Using insights from the IFC's Europe and Central Asia COVID-19 Response Diagnostic Program (#605852), IFC started providing support to a key client (a commercial bank) in strengthening its risk management capacity. The advisory project encompasses the critical areas of credit and financial risk to overcome gaps in the capital allocation framework and profitability considerations. It will support the client to effectively manage the potential increase in non-performing loans (NPLs) and to contribute to strengthening the Moldova's financial sector.

15. While the pension reform improved the pension benefit adequacy, its fiscal sustainability was weakened by the 2018 tax and capital amnesty package, reduction of retirement age in December 2020, and adoption of the double indexation law in March 2021. Despite the volatile political environment, the Bank, in partnership with the IMF and other partners, reached an agreement with the authorities to adopt some corrective measures, e.g., reinstatement of the retirement age envisaged by the reform introduced as part of the IMF program in 2021 and elimination of double indexation supported by the EGDPO to prevent the erosion of the pension fund financial balance. While many EGDPO indicators are on track, the Government needs to fully implement several important EGDPO-related policies while confronting COVID-19 and refugee-induced emergency needs. The risks of the capital amnesty were neutralized with the amendments to the 2018 tax and amnesty package, and the agricultural input reform was endorsed through primary legislation, but the alignment of secondary legislation is yet to happen.

16. The EGDPO supported a new model for the declaration of assets and interests through amendments to the laws on asset declaration and the National Integrity Agency (NIA), adoption of verification methodology regulations, and launch of the electronic asset declaration and verification system. The goal was to create an effective online system for declaring and verifying declarations by public officials and their family members, not only in their name but also as beneficial owners, and to broaden the coverage of asset declarations to include critical high-level public servants. For NBM and the National Commission of Financial Market (NCFM), the coverage was extended to include all high-level public officials and employees. Given financial sector risks and the high costs of the 2014 bank fraud, the reform extended application to other key positions, such as banking supervisors. A new verification methodology was adopted to ensure that scarce NIA resources are used to target high-risk declarations while complying with the requirement to focus minimum 40 percent of verifications on "public dignitaries."

Focus Area 2. SERVICE GOVERNANCE – Improving Efficiency, Quality & Inclusive Access to Public Services – Satisfactory

17. In contrast to Focus Area 1, this area did not experience programming challenges, but the pace of implementation was slow, marked by protracted decision-making and capacity constraints, operational delays, and impact of COVID-19, which resulted in project restructurings, extensions, and scope adjustments. While several IPFs experienced implementation challenges and many of the original outcomes and targets are projected to be achieved in the next FY23-FY27 CPF cycle, the intensive supervision, implementation support and, above all, flexibility demonstrated by the Bank to respond and adjust to emerging crises helped most IPFs stay on track to bring the intended benefits to the Moldovan citizens. Climate adaptation – formerly a cross-cutting theme anchored in the canceled Climate Adaptation IPF (P163720) – was mainstreamed under this area.

CPF Objective 2A: Increased quality and efficiency of selected public services – Partially Achieved

18. Progress has been mixed under this objective, as operations intended to deliver quality and efficiency results faced delays due to the uncertain environment affected by political volatility and the pandemic. Health interventions have not yet achieved the intended improvements with respect to a shift from hospital to primary care. Under the Health Transformation Program-for-Results (PforR) (P144892), advancements were made toward enhanced quality and efficiency in the hospital sector through a reduction in the number of annual acute care hospital admissions and acute care hospital beds. However, the high demand for hospital beds associated with COVID-19 has refocused the discussions regarding the role of hospitals and the previously planned national strategy for hospital consolidation. In this context, the PforR restructuring reallocated resources from indicators that were no longer relevant or achievable toward the country's response to COVID-19, having kept the quality considerations intact. The efficiency and equity considerations were addressed by reallocating resources to strengthen Moldova's intensive care network and its response capacity and by efforts to contain spillover effects on the poor. This CPF objective can be fully achieved after the PforR restructuring and extension, also supported by ongoing universal health coverage analytical and TA work, but beyond the CPF period of FY18-FY22.

19. Faced with the need to strengthen the hospital surge capacity, given an expected increase in hospitalization rates due to the pandemic, the Bank helped build the surge capacity by equipping intensive care units (ICUs) in the Moldovan hospital network under the Emergency COVID-19 Response IPF (P173776). This IPF, along with the past and ongoing lending and advisory engagements in health, allowed the Bank to mobilize a robust emergency response and equip the health system's response to the outbreak, all in record time. The Bank's Pandemic Emergency Financing Facility (PEFF) insurance window made available a grant of US\$3.79 million to Moldova to increase its testing capacity and support procurement and distribution of personal protective equipment. Of the planned 19 ICUs, 14 ICUs were fully operational as of May 2022 and the remaining 5 ICUs will be ready by end of calendar year 2022.

20. The Bank, through the EGDP (P156963) and the Power System Development IPF (PSDP, P160829), supported rules-based and competitive electricity trading. Romania was introduced as a new source of electricity supply and private sector participation in electricity distribution was supported, while DHEIP-2 (P172668) is expected to increase fuel efficiency and production outputs. However, DHEIP-2 (P172668) and PSDP (P160829) will start generating results only during the new CPF FY23-F27 period.

CPF Objective 2B: Increased inclusive access to selected public services – Mostly Achieved

21. This objective was affected by implementation lags and capacity constraints but was close to meeting all targets. Important achievements were made, delivering in record time an Emergency COVID-19 Response IPF (P175816) Additional Financing (AF, P175816) for vaccine procurement and deployment. The vaccination of target groups was slower than anticipated, partially due to strong vaccine hesitancy. The Bank may have also underestimated the time required to comply with national effectiveness procedures, resulting in a delayed project start. Moldova has received generous vaccine donations from several EU countries and did not face a shortage of vaccines. The authorities requested partial repurposing of AF funds toward strengthening the health system capacity and preparedness for crises.

22. The Emergency COVID-19 Response IPF (P173776) has contributed to increased access to government services, specifically through the Social Assistance component providing cash transfers to the most vulnerable and a permanent benefit increase for families with children. The Bank supported through Advisory Services and Analytics (ASAs) a comprehensive review of the *Ajutor Social (Social Aid)* program design and delivery to improve the poor's uptake of the program. This work, including both reform and emergency measures, helped address the needs of the vulnerable during the pandemic.

23. After a slow start, the progress towards the key outcome, namely safe and sustainable local road accessibility to education, health and market facilities along selected corridors in Moldova, has

accelerated. While the full benefits will be realized in the next CPF FY23-FY27 cycle, the Local Roads Improvement IPF (P150357) rehabilitated 90 km of roads out of the planned 150 km and exceeded the CPF targets for schools and health facilities.

24. Several services were re-engineered, an increasing number are being digitized, the share of people accessing e-services has grown, and increasing coverage proved to be an even bigger priority in the pandemic context. The Bank has been helping Moldova to take full advantage of its developed GovTech infrastructure and to achieve 123 percent mobile penetration rate to facilitate CE with government services through digital channels. 17 digital points for assisted service delivery are being piloted, with the upcoming rollout of another 63, to support the rural service delivery for vulnerable and disadvantaged.

CPF Objective 2C: Improved climate services and adaptation – Achieved

25. This objective was added through the PLR to reflect and mainstream the climate-related work. Despite cancellation of the Climate Adaptation IPF (CAP) (P163720), the Bank has supported a more efficient use of sustainable land management practices and a series of ASAs helping the country improve its emergency and response preparedness. Under the Moldova Agriculture Competitiveness IPF (MACP) (P118518), the Bank provided funding for mainstreaming sustainable land management practices and technologies, and rehabilitation of anti-erosion shelterbelts on 57,000 ha of land. The Bank has supported the introduction of International Search and Rescue Advisory Group (INSARAG) compatible urban rescue standards for the General Inspectorate for Emergency Situations by training a team to operate according to these standards, developing the national INSARAG-compatible standards, curriculum and training methodology. Additionally, another ASA (Reinforcing Weather and Climate Services [P161912]) helped develop the Climate Services Framework for Moldova that provides a roadmap for improving the operations of the State Hydrometeorological Service. IFC's work through the ICRP Phase II focused on engagements with select companies to strengthen efficiency, productivity standards and development of sustainable agribusiness value chains, thus reducing commercial vulnerability to climate events.

Focus Area 3. HUMAN CAPITAL DEVELOPMENT – Investing in People to Build Human Capital – Satisfactory

26. Under this area, the Bank aimed at enhancing the quality and relevance of education at the secondary and higher education levels by focusing on the existing inefficiencies, but also addressing education-job mismatches by aligning the supply of skills with the demands of the labor market. While the Higher Education IPF (HEP) was prepared with a delay to replace the canceled Skills for Jobs project, and it is in its first year of implementation, the section describes successful achievements under the Education Reform IPF (MERP) and the associated AF, including in response to COVID-19.

CPF Objective 3A: Improved quality and relevance of education – Achieved

27. Despite original implementation delays, programming challenges and a shift in government priorities, this objective was fully achieved. The Skills for Jobs IPF (P164478) did not materialize and instead the government shifted its focus to the HEP (P167790), but the bulk of its results will be achieved in the next CPF for FY23-FY27. In terms of relevance, HEP (P167790) has supported development of 55 qualification standards (QS) in 4 fields of study (administrative sciences, economic sciences, law, and manufacturing and processing technologies) with QS in 14 additional fields being developed in close collaboration with private sector companies to reflect labor market needs. Several ASAs have continued to build a solid analytical foundation, which reinvigorated the policy debate on skills development, garnered support from a wide range of stakeholders, and enabled HEP's labor market component. The Bank supported the switch to a nationwide per-student financing system and school consolidation to ensure alignment of school classes with commonly accepted international standards. The target was met, with system-wide savings reallocated to improvements in teaching methodology, teacher training and remuneration. In addition, the Bank has repurposed part of funds under MERP (P127388) to address

immediate COVID-19-related needs to enable digital access for students, including vulnerable children, through (IT) equipment required for online classes. The Bank has been working with the Government to provide support for Ukrainian refugee children in facilitating their studies online.

Response to the Impact of Russia's invasion of Ukraine: Emergency, Resilience, and Competitiveness

28. To help Moldova mitigate this impact, while also keeping momentum on the longer-term development reform agenda of resilience and competitiveness, the Bank provided budget support through the Emergency Response, Resilience and Competitiveness DPO (P175640) – the first operation in a series of two – in the closing months of the CPF period. This DPO cuts across all the three focus areas of the CPF and serves as a bridge into the new FY23-FY27 CPF. The DPO is structured around two pillars: (i) *Mitigate the impact on refugees and HHs*; and (ii) *Build resilience and enhance competitiveness to reduce vulnerabilities to future shocks*. The DPO was supported by an IBRD loan, an IDA credit, including exceptional financing from the IDA Crisis Response Window (CRW), as well as grant co-financing from the GCFF to support the authorities' efforts at addressing the refugee crisis.³² This DPO builds on strong policy dialogue and ASAs across the policy areas identified as binding constraints by the recently completed SCD Update (March 11, 2022) and ongoing joint IFC-World Bank Country Private Sector Diagnostic (CPSD).

III. WORLD BANK GROUP PERFORMANCE

The WBG's overall performance in designing and implementing the CPF is rated as *Good*.

Design

29. CPF objectives were relevant and aligned with Moldova's stated development goals and needs throughout the extended CPF timeframe. The CPF identified three priority areas: (a) strengthening the rule of law and accountability in economic institutions; (b) improving inclusive access to and the efficiency and quality of public services; and (c) enhancing the quality and relevance of education and training for job-relevant skills. The objectives were grounded in solid SCD analytics, which identified ensuring sound macroeconomic and fiscal management; improving the business regulatory environment; and reforming the social protection system, particularly pensions, as pathways to a more sustainable growth model. These were further prioritized based on the WBG's comparative advantage and government priorities. The focus areas were well aligned with the NDS at the time and were reconfirmed following the Strategy's extended update – "Moldova 2030." Finally, the design of the results matrix provided sufficient flexibility to incorporate implementation experience at the PLR stage and respond to emerging issues, such as COVID-19, without affecting the priority focus areas and serving as a bridge to the new FY23-FY27 CPF.

30. The CPF objectives and indicators were focused on implementation, action-oriented and anchored in clear WBG commitments and partnerships. The original CPF identified 7 objectives and 42 indicators (including 22 SPIs). At the time of the PLR, the number of indicators was reduced down to 19 indicators (dropping 5 indicators and adding 4 new ones reflecting COVID-19 response and recovery). The PLR mostly kept the same focus areas to reflect implementation progress and introduced adjustments to some objectives to reflect changing priorities. Indicators in different sectors were inter-linked by an overarching integrating theme of inclusiveness. For example, the Local Roads Improvement IPF (LRIP) (P150357) addressed spatial disparities through improved access to rural health and education facilities and regional markets, while the Modernization of Government Services IPF (MGSP) (P148537) aimed at helping the government take advantage of its developed ICT infrastructure and mobile phone penetration

³² The DPO financing included IBRD financing consisting of (i) a loan of US\$43 million equivalent and (ii) a concessional contribution on a non-reimbursable basis under the Global Concessional Financing Facility (GCFF) in the amount of US\$9.24 million, and an IDA credit of US\$107 million equivalent, including US\$100 million equivalent from the exceptional IDA CRW.

to facilitate access to government services. These themes were further supported and fully integrated under the Emergency Response, Resilience, and Competitiveness DPO (P175640).

31. The CPF design was aimed at realizing synergies across the WBG and with other partners. Most notably, the WBG interventions were closely coordinated to support the de-risking of private sector investment through improved economic governance. IFC's ICRP was expected to provide support for regulatory reform under the first objective and complement the ongoing IBRD/IDA IPFs, such as CEP-2 (P144103) and MACP (P118518) to boost private sector capacity to export to the EU, improve trade logistics and attract foreign investment. In public sector governance, the WBG lined up support, although later cancelled, under the UK Good Governance Fund (GGF) and the EU Economic Rule of Law, expected to provide advisory and technical assistance on SOE governance, state asset management, and regulatory transparency. Finally, the WBG coordinated its policy operations closely with the development partners (DPs). The Emergency Response, Resilience, and Competitiveness DPO (P175640) prepared in response to the ongoing socio-economic emergency is part of a package of coordinated budget support financing from international partners, including the IMF, the EU, and Agence Française de Développement (AFD).

32. The CPF prioritized improving the quality of the CE process and advancing gender considerations. The CPF approach to CE was informed by the findings of the portfolio review, which reported high compliance but aimed at improving the quality of engagement while maintaining the previous high levels of compliance and implementation. The improvement had to be driven by continued compliance, standards, Project Implementation Unit (PIU) capacity, and monitoring. The Country Gender Action Plan (CGAP) prioritized gender issues and identified entry points for the FY18-FY22 CPF to be more gender-responsive and contribute to advancing gender equality goals. However, the CGAP also noted that not all projects can advance gender equality outcomes, and the process of achieving a truly transformational impact will be gradual.

33. The main risks to program implementation were adequately identified at the start of the CPF with the right mitigation strategies identified upfront and applied during implementation and at PLR. Political and governance risks materialized fully. Weak institutions, governance, and political turbulence delayed crucial reforms in the public sector governance area. The WBG was prepared to manage these risks by shifting the focus to politically non-controversial IPFs in the services area while trying to find an opening with each subsequent government through policy dialogue. The institutional capacity and fiduciary risks were managed by strong supervision, capacity building and portfolio reviews; however, continued shocks have further exacerbated the capacity risks and diverted attention from critical reforms. Although the combined economic impact of the drought and COVID-19 worsened the fiscal stance and increased the macroeconomic risk, given the re-scaling of the results matrix at the PLR, the overall risk to the program in the remaining year of CPF was downgraded to moderate.

34. Four lessons learnt from the previous FY14-FY17 CPS were closely linked to the CPF risk ratings and informed the selection of mitigation measures. First, the WBG had previously underestimated the capacity of political instability to slow the pace of reform and affect performance, and that the next CPF should rely on DPF and ASAs to advance challenging and sensitive reforms, reducing the risk of delayed and postponed IPFs. Second, coordination among DPs providing budget support is critical to influence policy reforms, especially in governance. Third, for maximum impact, electronic governance projects should be based on an agreed institutional reform agenda. Lastly, the Bank's procurement procedures remain a critical safeguard against potential non-compliance and the client's preference for continued use of Bank fiduciary controls should be accommodated. The lessons learned were embedded into mitigation measures to address high and substantial risks. For example, given the expected parliamentary elections at the start of the CPF, the political risk was mitigated by programming activities only for the first two years of the CPF (FY18 and FY19), with no DPFs envisaged by mid-2019, and instead focusing on IPFs. The PLR also introduced adjustments to help mitigate the potential changes in policies and priorities.

Program Implementation

35. Political volatility significantly affected the progress of CPF implementation. The CPF started in an environment of relative stability, with an expected commitment to the agreed pipeline and structural reforms and was programmed only by the time of parliamentary elections in anticipation of a post-electoral adjustment. However, the initial assumptions were challenged as the technocratic government backtracked on the earlier agreed CAP (P163720) and Skills for Jobs (P164478) IPFs, citing changed emphasis on borrowing priorities. The second year of the CPF witnessed a decline in performance and delays as the governance environment deteriorated, and the authorities adopted a set of policies that weakened some EGDPO-supported reforms. The operating environment worsened due to low absorption and institutional capacity and halted foreign financing, including further budget support by the Bank. The third year started with a reformist coalition government embarking on an ambitious de-oligarchization and reform agenda and re-engaging on all the CPF focus areas but this lasted less than six months, with a caretaker cabinet in place until a majority-supported new government was formed in August 2021. The Bank engaged with this government to advance the outstanding policy and operational issues in the remaining year of the CPF and to gauge an understanding of priorities for the next CPF for FY23-FY27, all amidst the continued shocks posed by the pandemic, gas crisis and spillovers of Russia's invasion of Ukraine.

36. Political changes specifically impacted the WBG program in the economic governance area. At the time of CPF drafting, the Bank saw systemic governance issues as binding constraints to Moldova's development. A more fundamental change in the political landscape was needed, especially to address the issue of state capture. The Bank focused its efforts on policies and measures to promote integrity and stolen asset recovery, reduce governance risks and promote transparency. However, the only real opportunity to advance the agenda appeared in the summer of 2019, when the government proposed an ambitious program of integrity vetting for members of the judiciary – an essential part of governance reforms. That cabinet lasted for less than six months, and a new real opening emerged only in August 2021 when the new parliamentary majority vowed to fight corruption and improve governance.

37. The WBG was flexible and responded and adapted adequately to the challenging circumstances throughout the CPF, including through emergency support for COVID-19 and the refugee crisis. The PLR acknowledged that the ambitious outcomes under the Economic Governance area were unlikely to be achieved due to persisting political uncertainty and a weak governance environment, although significant progress was made under the private sector sub-section. These were reflected in the cancellation of the EU and UK GGF support for the public governance work, while the WBG did not proceed with the follow-up DPO as the changing governments did not indicate sufficient commitment. In the Service Governance area, the WBG changed and re-focused some CPF indicators to reflect IPF delays and restructurings. Similarly, in the Skills for Jobs area, the WBG acknowledged the delays and scope adjustments along with the cancellation of the Skills for Jobs IPF (P164478) and refocused on higher education. CAP (P163720) was canceled but important contributions under the former cross-cutting climate adaptation theme were mainstreamed under the Services Governance area. The PLR made changes to capture COVID-19 relief measures through the Emergency COVID-19 Response IPF (P173776) focusing on health system response and resilience, and social and financial support to the most vulnerable – later expanded with two AFs³³. The Bank re-adjusted some IPFs to provide tax relief and business continuity, as well as IT equipment for the most vulnerable students during the COVID-19 lockdown and, further, during the Ukraine refugee crisis. The PLR extended the CPF through FY22 to reflect the work responding to COVID-19 challenges, build a pipeline of investments for resilient, inclusive, and sustainable growth, provide new ASA support in all areas, and formulate a forward-looking engagement for the new FY23-FY27 CPF.

³³ Pandemic Emergency Financing grant for COVID-19 (P174761), Emergency COVID-19 Response AF (P175816).

38. Despite the challenging authorizing environment and continuing suite of crises, the Bank committed record new lending during the CPF period. In FY18-FY22, 11 new IDA/IBRD IPFs and two DPFs were delivered (Table 1) for a total amount of US\$657.3 million. This comprised US\$490.7 million from IDA, including US\$15 million from the IDA18 Scale-up Facility (SUF) and US\$237.8 million from the IDA CRW (US\$226.4 million exceptional CRW), and US\$166.6 million from IBRD. Several projects were canceled or not pursued during the first half of the CPF.³⁴ A partial cancellation and reduction of scope were processed for the Land Registration and Property Valuation IPF (LRPVP, P161238). Other IPFs³⁵ had a late start, with results expected to materialize in the new FY23-FY27 CPF period. The end-FY22 portfolio comprised 14 projects totaling US\$831.2 million (12 IPFs, one PforR operation, and the FY22 DPO).

Table 1: New Lending, FY18-FY22

FY	Project #	Operation	Funding, US\$ million		
			IDA	IBRD	Other
Economic Governance					
FY18	P156963	Economic Governance DPO (EGDPO)	30.0	-	-
FY22	P177895	MSME Competitiveness Project	31.4 ³⁶	18.6	-
FY22	P175640	Moldova Emergency Response, Resilience, and Competitiveness DPO	107.0 ³⁷	43.0	9.24 ³⁸
Service Governance					
FY18	P148537	Modernization of Government Services (MGSP)	15.0	5.0	-
FY18	P161238	Land Registration and Property Valuation (LRPVP)	35.0	-	-
FY19	P160829	Power System Development (PSDP)	70.0 ³⁹	-	-
FY20	P172668	Second District Heating Efficiency Improvement Project (DHEIP-2)	-	100.0	-
FY20	P173776	Moldova Emergency COVID-19 Response Project	57.9 ⁴⁰	-	-
FY21	P175816	Moldova Emergency COVID-19 Response 2 nd AF	30.0 ⁴¹	-	-
FY21	P171284	MACP 3 rd AF	15.0 ⁴²	-	-
FY21	P170853	MACP 4 th AF	-	-	3.11 ⁴³
FY21	P174761	Moldova Emergency COVID-19 Response AF	-	-	3.48 ⁴⁴
FY22	P173076	Water Security and Sanitation Project (MWSSP)	50.0 ⁴⁵	-	-
Skills Development					
FY18	P156657	Moldova Education Reform Project (MERP) AF	10.0	-	-
FY20	P167790	Higher Education Project (HEP) ⁴⁶	39.4	-	-
Climate Adaptation					
FY18	P163720	Climate Adaptation Project (CAP) ⁴⁷ – canceled in FY18	12.8	12.4	-
TOTAL			490.7	166.6	15.83

39. A solid ASA program was delivered for a total of 51 activities in FY18–FY22. ASAs were strategically shaped around the findings of the 2016 SCD, responded to government priorities, and focused on the identified knowledge gaps, such as sustainability of remittances, constraints to labor force participation and employment, gas sector analysis, and energy security and renewables studies, among others. Flagship ASAs include the Country Economic Memorandum on Growth Drivers, Policy Notes for governments (FY19

³⁴ Skills for Jobs IPF (P164478) (later replaced by HEP, P167790) and CAP (P163720).

³⁵ DHEIP-2 (P172668), PSDP (P160829), LRPVP (P161238), Emergency COVID-19 Response AF (P175816).

³⁶ Exceptional IDA CRW.

³⁷ Of which exceptional IDA CRW: US\$100.0 million.

³⁸ GCF concessional contribution.

³⁹ Of which IDA18 SUF: US\$15.0 million.

⁴⁰ Of which IDA CRW: US\$11.4 million.

⁴¹ Exceptional IDA CRW.

⁴² Exceptional IDA CRW.

⁴³ GEF grant.

⁴⁴ PEF grant.

⁴⁵ Exceptional IDA CRW.

⁴⁶ Replacing the Skills for Jobs project.

⁴⁷ Now mainstreamed across the program.

and FY21), public expenditure/finance reviews, extensive energy sector work, railway market study, poverty, and social assistance/protection work, to name a few (see Annex 6). ASAs have helped maintain the policy dialogue and informed decision-making at sector level, even in the absence of lending engagements, advocated for important structural reforms and paved the way for the lending pipeline.

40. Quality of supervision was good and ensured continuity in an ever-changing environment.

Continued engagement with counterparts, good cooperation at technical level, and project restructurings have helped improve performance and achieve important objectives despite the difficult environment. With hindsight, the Bank could have better considered capacity constraints, which were exacerbated by the pandemic and created additional delays. In FY18, one third of IPFs were at risk, but exited problem status after restructuring in FY19 and early FY20. However, FY20 ended with yet another five projects in moderately unsatisfactory status, as project implementation continued to be affected by shifting commitment to reform, slow decision-making, and impact of COVID-19. FY22 had only one project in problem status; however, close to a third of IPFs were rated as moderately satisfactory and further implementation delays may be expected. The disbursement ratio reached its lowest mark in FY18–FY20, at slightly above 10 percent on average, but significantly rebounded to 26 percent in FY21 due to proactive actions and fast-disbursing new and repurposed funding. However, the disbursement ratio has plummeted again in FY22 to roughly 10 percent due to continued delays caused by emerging shocks and capacity constraints.

41. In FY20-FY22, the WB lending has been shaped to respond to, and recover from, the impact of COVID-19, and to also address the emerging pressures following Russia’s invasion of Ukraine, while keeping momentum on longer-term development challenges and priorities.

The program adjustments were made in FY20-FY21 in close collaboration with the Government and other DPs, and in line with the WBG’s Approach Paper *“Saving Lives, Scaling-up Impact and Getting Back on Track”*. The Emergency COVID-19 Response IPF (P173776) absorbed Moldova’s remaining IDA18 allocation and also used the contingency exceptional CRW allocation to strengthen the national health system response and provide medical relief and social support to the most vulnerable. Subsequently, a US\$3.48 million grant was made available from the PEFF (Insurance Window) as an AF (P174761) to further enhance the health system’s response to the pandemic. Moldova graduated from IDA in June 2020 but was granted exceptional access to IDA CRW funding in FY21 and FY22 each, to assist the country in its response to COVID-19. Moldova fully committed these exceptional CRW resources in FY22.⁴⁸ To help the Government address the socio-economic constraints posed by the Ukraine refugee crisis, the Bank accelerated the preparation and significantly increased the scope of the Emergency Response, Resilience, and Competitiveness DPO (P175640) at end-FY22.

42. IFC’s committed portfolio in Moldova stands at US\$1.6 million after several large prepayments, as compared to US\$56 million at the start of the CPF.

IFC’s investments have spanned agribusiness, manufacturing and infrastructure (municipal and telecom). The latest IFC investment project in Moldova was committed in FY15, during the previous FY14-FY17 CPS. During the FY18-FY22 CPF, IFC was assessing opportunities in key sectors, including manufacturing, retail, infrastructure, agribusiness, and tourism. In the last months of the CPF, IFC re-engaged with FinComBank to increase access to finance for MSMEs hit by the economic repercussions of Russia’s invasion of Ukraine. Due to the small size of the Moldovan economy and its private sector base, unresolved banking sector issues, persistent governance gaps, and political turmoil, IFC has focused on enabling regulatory reforms through the implementation of its ICRP, which has been instrumental in improving the business enabling environment since 2016. The project has

⁴⁸ Moldova Emergency Response, Resilience, and Competitiveness DPO (P175640), MSME Competitiveness IPF (P177895), Water Security and Sanitation IPF (P173076), Emergency COVID-19 Response IPF (P173776) and AF (P175816), MACP 3rd AF (P171284).

delivered well on its objectives, achieving visible investment climate reforms that contributed significantly to the Economic Governance area. It was restructured in FY18 to streamline its scope and complete activities delayed by political developments. In FY20, it was followed by Phase II with the same objectives.

43. The Multilateral Investment Guarantee Agency's (MIGA) portfolio stood at US\$19.8 million as of end-June 2022 in support of one project in the financial sector. MIGA provided political risk insurance to ProCredit Holding, a banking group with commercial bank operations in 12 countries, including Moldova. MIGA's guarantee is helping to support continued lending to the underserved SME loan market, specifically for climate finance activities. The MIGA guarantee provides regulatory capital relief to the holding company, thereby freeing up this capital to support continued lending in Moldova, which was especially timely given the shock caused by the COVID-19 pandemic.

44. The WBG engaged strongly with DPs to maximize the impact. The WBG has done joint advocacy with the IMF, EU, the United States and other DPs on critical issues, worked closely with the IMF on the macro, fiscal and social dimensions, and with the United Nations and WHO on the mobilization of emergency health and social support. The Swiss-funded TA amplified the health sector modernization efforts. The WBG, alongside the EU, European Bank for Reconstruction and Development, and the European Investment Bank, financed Moldova's power system interconnection with that of Romania, while Sweden-funded advice on DH optimization and gas supply options underpinned the Bank's DH engagements. The European Commission and the Bank jointly supported road safety and connectivity. Other examples include the UK GGF-supported work on SOE governance and governance reform scorecard, financial sector advice and TA, ICT, Japanese Policy and Human Resources Development Fund grant for inclusive education, and Swiss support to social protection and skills.

45. Fiduciary compliance was adequate. Procurement capacity was strong, and procurements were managed well. Delays were noted in several projects due to cumbersome internal approval processes or lack of political decision to proceed with procurements. The pandemic had triggered cancellation or partial cancellation of some contracts and amendments to contracts' scope to reflect emerging needs. All implementing agencies used the Systematic Tracking of Exchanges in Procurement (STEP), and filing was generally complete. Financial management (FM) was adequate, and compliance with financial reporting and auditing requirements was satisfactory. FM capacity was generally strong, and the interim financial reports for most projects were submitted on time. The pandemic affected the annual audit process in the last two years of the CPF, and in some instances the audit reports were submitted with delays. Audit opinions were unmodified with few exceptions. There were no significant issues, except for one case of ineligible expenditures – amount-wise immaterial – refunded to the Bank.

46. Environmental and social performance was satisfactory. Most PIUs had adequate staffing and experience in applying environmental and social safeguards but the transition toward the Environmental and Social Framework (ESF) posed challenges to their capacity to manage a broader range of social risks and address the new requirements for stakeholder engagement, labor management, GBV prevention, and management systems for financial intermediation. Under the DHEIP-2 (P172668), ESF application had resulted in good-practice stakeholder engagement during preparation in the pandemic context. Under the PSDP (P160829), the GBV service provider mapping exercise was conducted and utilized for new operations, e.g., the MSME Competitiveness IPF (P177895). The *Bank's ESF in Practice Webinar Training* for government staff and consultants (January 2022) resulted in increased awareness of the new framework and launch of a local ESF community of learning.

IV. ALIGNMENT WITH CORPORATE GOALS

47. The CPF was well aligned with the IDA18 (FY18-FY20) and IDA19 (FY21-FY22) priorities and translated them into monitorable commitments. Focus Areas 1 and 2 were aligned with IDA's special themes on *Governance and Institutions*, and *Jobs and Economic Transformation*. The *Jobs and Economic*

Transformation theme was also supported through the CPF's Human Capital Development focus. The IDA Gender special theme was reflected in the CGAP, which included a comprehensive assessment and activities to tackle gender inequalities in the job market, GBV, and non-communicable disease incidence. The CGAP featured several IPFs with specific actions aimed at reducing gender disparities. Other projects incorporated gender-related disaggregation and monitoring, where feasible, and included gender gap assessments. Noteworthy examples include the LRIP (P150357), which undertook an analysis of gender differences in mobility patterns and reflected it in the project design, and the PSDP (P160829), which developed a strategy to promote gender equality at Moldelectrica SOE (project beneficiary). Finally, a comprehensive Gender Assessment was completed in FY22 to inform the new CPF for FY23-FY27.

48. The CPF was grounded in the SCD findings and aligned with the WBG's twin goals of ending extreme poverty and boosting shared prosperity. Activities under Focus Area 1 were designed to improve the governance environment, both in the private and public sector, with a view to boosting private sector growth and job creation. Activities under Focus Area 2 aimed at addressing spatial inequalities in selected public services and enhancing their efficient provision, including addressing the needs of the most vulnerable during COVID-19 through social assistance and education support. Under Focus Area 3, the CPF continued to build on the earlier work of increasing the efficiency of general secondary education, while addressing the misalignment between higher education and the skills required in the job market.

49. Climate Change Adaptation. While the Moldovan authorities shifted their priorities away from the climate change concerns and canceled the CAP (P163720), a series of ASAs has produced the preparatory work that could prove impactful on Moldova's preparedness to address climate change. The ASA on Reinforcing Weather and Climate Services (P161912) introduced the INSARAG-compatible urban rescue standards and developed a framework for climate services in Moldova. Several projects under the CPF had climate adaptation activities integrated into their design, contributing to the adaptation priorities, such as energy efficiency, forestation and sustainable management practices, with indicators that captured CO2 emission reductions, and targets for which were exceeded under the CPF.

50. Despite prevailing uncertainties, the WBG has attempted to embed the Maximizing Finance for Development (MFD) approach both in IPFs and policy dialogue. On the investment front, the LRPVP (P161238) included MFD-enabling elements, such as valuation and state property management. Up-to-date property valuations are important for real estate market transparency and availability of information to commercial banks on mortgage pricing. Better information on state and municipal assets can improve the allocative efficiency of real estate assets in the economy. The PSDP (P160829) will enhance the power market competition and transparency, creating a favorable environment for private producers, suppliers and traders to participate in the Moldovan market. On the policy front, the WBG produced the SOE diagnostic (Support to the Reform of SOEs in the Republic of Moldova, P158220), which the 2019 short-lived government intended to use as a starting point for an ambitious privatization and SOE reform program. The interest in these reforms will be verified with the current government going forward.

51. Citizen Engagement. During FY18-FY22, all 11 IPF projects approved by the Board of Executive Directors were fully compliant with CE requirements and are now reporting credible CE progress. The rolling review by ECA CE team against the ECA CE Quality Index indicated that 8 out of 11 IPF projects approved since FY18 developed citizen-oriented designs that met the criteria for depth, frequency, openness to a range of feedback, and provision of multiple channels for feedback. The Emergency COVID-19 Response IPF (P173776) and its AF (P175816) were exempted from CE requirements when approved, but an additional CE indicator was added in the implementation status and results reports. Finally, a good progress was made on the implementation of the CPF's CE Country Roadmap.

V. KEY LESSONS LEARNED

52. DPOs can be a powerful tool to advance reforms even in a complex governance and uncertain political environment prone to policy reversals and exogenous shocks. The EGDPO (P156963) helped advance key structural and anti-corruption efforts in a complex political and governance environment. However, the backlash from vested interests against reforms can be significant, as demonstrated by the reversal of some EGDPO-supported reforms. The Bank has actively engaged in policy dialogue and advocacy, partially remediating the reversals, averting new reversal attempts, and mitigating the governance risks of some initiatives. This was possible only because the work was anchored in the actual EGDPO agreements, accompanying analytics and TA that continued even in the absence of new DPFs. Without the EGDPO anchor, it would have neither been possible to achieve and consolidate any results, nor to resume DPFs, which materialized at the end of FY22 on the back of strong government commitment to reforms under the Emergency Response, Resilience, and Competitiveness DPO (P175640). The need to ensure complementarity between DPOs and other financial instruments has been an important lesson learned, too. The upcoming FY23-FY27 CPF will continue engaging with the Government through an adequate mix of ASAs, policy advice, DPFs, and IPFs to advance the country's economic transformation.

53. Future DPOs need to recognize the importance of minimizing ex-ante the risk of policy reversals or partial implementation of reforms. In the case of EGDPO (P156963), the reversal of the pension reform and incomplete implementation of the agricultural reform suggested the need to consider additional measures to minimize ex-ante these risks, including strengthening accountability mechanisms, building stronger reform coalitions to ensure sustainability across governments, and designing prior actions to encompass the whole expected reform (e.g., secondary legislation for agricultural inputs). This lesson was subsequently reflected in the design of the Emergency Response, Resilience, and Competitiveness DPO (P175640) as a series in FY22.

54. Strategic use of programmatic analytical work is critical to maintaining engagement and as an entry point for future operations. During the CPF implementation, the approach to ASAs has evolved from task-based to strategic and programmatic selection and delivery, with priority interventions discussed with the client and agreed upon annually. Consequently, the vast array of energy sector analytics built the foundation for the new PSDP (P160829) in FY19 and DHEIP-2 (P172668) in FY20. Deepening the energy sector dialogue and continuing analytics in the new CPF might pave the way for new IPFs in energy efficiency or renewable energy areas. The strategic use of ASAs is a low-risk strategy for maintaining engagement, so that lending opportunities can be explored once political conditions and the government's appetite for lending allow.

55. Leaving the outer years of CPF unprogrammed provides much-appreciated flexibility to respond to changing needs, but it can also create uncertainties, unless there are robust ongoing lending and analytics that can be deployed to accommodate to changes. Because of the political cycle and lack of clarity on government commitment to reforms, the CPF was programmed for the first two years only. This flexible design allowed the WBG to adapt to changing priorities and reallocate resources promptly to areas with more traction. Yet, this would not be possible if not for the existing lending and ASAs. The Bank was able to design and deliver the Emergency COVID-19 Response IPF (P173776) and two AFs⁴⁹ in record time only because it built on the existing health projects and social protection analytics, which also allowed a significant change to the design of the government's social assistance program, although this reform did not have traction for a long time. Similarly, the Bank used IPFs in energy and other sectors to sustain long-term engagement and provide just-in-time advice in critical times. The Emergency Response, Resilience, and Competitiveness DPO (P175640) was delivered in record time, building on the ongoing IPFs and ASAs to provide much-needed immediate budget support. The new CPF will capitalize on the

⁴⁹ Pandemic Emergency Financing for COVID-19 (P174761) and Emergency COVID-19 Response Project AF (P175816)

same approach and will be programmed for the first 2-3 years, to be reconfirmed/adjusted through the PLR.

56. The IFC's flexible and focused program allowed IFC to deliver in a difficult environment and adapt to changing government priorities. The ICRP Phase I that started in 2016 focused on reforms that were feasible in a landscape dominated by unresolved banking sector issues, persistent governance challenges, a dominant public sector and political turmoil. In this context, the landmark reforms for the Moldovan business environment included: reform of permits and licenses, inspection system reform, reform of work and residence permits system for foreign investors and foreign workers, and liberalization of access to high-quality agricultural inputs. The results and lessons learned from these reforms have a strong demonstration effect and potential replicability in similar environments, while also exemplifying how the IFC can use windows of political opportunity to promote impactful interventions in unstable contexts. Following the political changes and unwillingness of Moldovan politicians to further tackle the SOE dominance and related governance reforms, the Phase II of the ICRP started in 2019. At that time, the project switched from economy-wide reforms toward sector development and market creation, focusing on the agribusiness sector with high growth potential, as agreed by the IFC and the authorities. The IFC's ability to respond to changing circumstances and structure an agile program was instrumental in pursuing and achieving visible and relevant results in investment climate and sector outcomes.

57. Flexible use of joint WBG products facilitated prioritization of IFC engagement in a resource constrained situation. During the last year of the CPF, the authorities' interest in a deeper engagement with the EU and other market economies increased demand for IFC advisory services. Because the demand exceeded IFC's available resources, the IFC leveraged the joint IFC-Bank Moldova CPSD analysis completed in FY22 to prioritize the tasks. The IFC's engagements in the next CPF period for FY23-FY27 will be guided by the findings of CPSD, too. The CPSD focuses on critical market creation enabling activities, unfinished trade harmonization agenda, and tradable areas that will enable harnessing private investments in Moldova in the near to medium term, in particular in: (i) renewable energy; (ii) high-value added agribusiness; and (iii) ICT services and business process outsourcing.

58. The WBG should not rely exclusively on DPs' funding to achieve CPF results, but rather use it as a complementary resource. While partnerships with DPs are critical for leveraging financing and enhancing the policy dialogue and advocacy, the achievement of CPF results should not depend exclusively on donor funding. Some results under the Economic Governance area were built around the TA planned under the EU TF, which did not materialize. This prevented the WBG from completing activities that were critical for achieving these results and triggered respective adjustments under the PLR. The next CPF for FY23-FY27, while continuing to rely on the synergies and complementarities with DPs for maximum impact, will build the foundation of its results framework on its own program of analytics and lending.

59. Local market capacity should be considered carefully to minimize the risk of implementation delays. While the promotion of local industry capacity is a worthy cause, a more thorough analysis of local market capability should be conducted to avoid implementation delays due to the lack of either interest or capacity to meet the Bank's bidding requirements. For example, the national local roads program, which had less rigorous requirements than those of the Bank, attracted most of the local companies and thus led to failure to identify contractors under the LRIP (P150357). Yet in another example, under the LRPVP (P161238), the financial capacity constraints of local contractors led to significant implementation delays, which will likely result in project scope reduction and, hence, in a lower development impact. Going forward, a more balanced packaging to allow international contractor participation will be pursued.

60. Capacity constraints should be realistically assessed and institutional/capacity strengthening activities embedded in project designs. The WBG program implementation in Moldova has been significantly affected by capacity constraints throughout several CPF cycles. Continuous capacity building should be viewed as an investment to ensure successful project implementation and, more importantly,

strengthened institutions at country level. For example, the LRIP (P150357) and the new MWSSP (P173076) have included capacity building outcomes in their PDOs. Going forward, the CPF will prioritize institutional and capacity building in the design of all operations.

Attachment 1: Status of Moldova FY18-FY22 CPF Results Matrix (Summary table)

Description	Status at CLR	Overall rating
FOCUS AREA 1: ECONOMIC GOVERNANCE – STRENGTHENING THE RULE OF LAW & ACCOUNTABILITY IN ECONOMIC INSTITUTIONS		Mostly Achieved
CPF OBJECTIVE 1A: Enhanced quality and implementation of investment climate regulation		
Indicator 1: Cost savings from reduced regulatory burden on businesses (annual measurement using compliance cost saving methodology of Trade and Competitiveness GP)	<i>Achieved</i>	Achieved
Indicator 2: Percentage of management time spent dealing with regulatory authorities kept below 8%	<i>Achieved</i>	
Indicator 3: Maintained employment and business survival in the context of the COVID-19 pandemic through temporary tax relief	<i>Achieved</i>	
CPF OBJECTIVE 1B: Strengthened accountability in the management of public sector assets		
Indicator 4: Effective and independent energy sector regulation	<i>Partially Achieved</i>	Partially Achieved
Indicator 5: Government: (i) mandates the auditing of annual financial statements of state/municipal enterprises which are part of the medium, large, or public interest category; (ii) classifies large SOEs as public interest entities and obligates them to prepare financial statements under International Financial Reporting Standards (IFRS); and (iii) establishes improved institutional and funding arrangements for an audit oversight system.	<i>Achieved</i>	
CPF OBJECTIVE 1C: Enhanced financial sector governance and transparency		
Indicator 6: Enhanced supervision regime	<i>Achieved</i>	Mostly Achieved
Indicator 7: Strengthened legal, regulatory, and supervisory framework for the insurance sector	<i>Mostly Achieved</i>	
Indicator 8: Digital registry of asset declarations online and receiving asset declarations	<i>Achieved</i>	
FOCUS AREA 2: SERVICE GOVERNANCE – IMPROVING EFFICIENCY, QUALITY & INCLUSIVE ACCESS TO PUBLIC SERVICES		Mostly Achieved
CPF OBJECTIVE 2A: Increased quality and efficiency of selected public services		
Indicator 9: Enhanced quality and efficiency of the hospital sector, as measured by the reduced average length of stay for acute beds (days)	<i>Partially Achieved</i>	Partially Achieved
Indicator 10: Number of designated hospitals with fully equipped and functional intensive care units (ICUs)	<i>Mostly Achieved</i>	
CPF OBJECTIVE 2B: Increased inclusive access to selected public services		
Indicator 11: Percentage of population vaccinated against COVID-19, which are included in the priority population targeted, defined in the national plan, of which (a) male, and (b) female	<i>Partially Achieved</i>	Mostly Achieved
Indicator 12: Increased share of people accessing e-services in the past 12 months, while maintaining parity between men and women	<i>Achieved</i>	
Indicator 13: Increased physical access to rural education and health services, as measured by: - Number of schools connected by rehabilitated/upgraded local roads - Number of health facilities connected by rehabilitated/ upgraded local roads	<i>Achieved</i>	
Indicator 14: Number of Ajutor Social recipients during the emergency period	<i>Achieved</i>	
CPF OBJECTIVE 2C: Improved climate services and adaptation		
Indicator 15: Increased on-farm area benefitting from sustainable land management practices supported by the project	<i>Achieved</i>	Achieved
Indicator 16: Urban rescue standards and methodology adopted by the General Inspectorate for Emergency Situations	<i>Achieved</i>	
FOCUS AREA 3: HUMAN CAPITAL DEVELOPMENT – INVESTING IN PEOPLE TO BUILD HUMAN CAPITAL		Achieved
CPF OBJECTIVE 3A: Improved quality and relevance of education		
Indicator 17: At least 10,000 students attending schools meeting minimum quality standards (<i>including, inter alia, with respect to school organization, teaching and learning, school infrastructure and equipment, curriculum and evaluation, and school governance</i>), also being accessible to people with disabilities	<i>Achieved</i>	Achieved
Indicator 18: Student-teacher ratio for Grades 1-12 of primary and general secondary education	<i>Achieved</i>	
Indicator 19: Strengthened Ministry of Education, Culture and Research ⁵⁰ capacity to respond to the pandemic and increased system resilience for possible future disasters – number of IT equipment provided for online learning	<i>Achieved</i>	

⁵⁰ Now the Ministry of Education and Research.

Attachment 2: Moldova FY18–FY22 CPF Results Matrix Evaluation

Objective	Overall Rating	Indicator	Baseline/Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
CPF OBJECTIVE 1A: Enhanced quality and implementation of investment climate regulation	Achieved	Indicator 1: Cost savings from reduced regulatory burden on businesses (annual measurement using compliance cost-saving methodology of Trade and Competitiveness GP)	<p><u>Baseline:</u> 0 (FY17)</p> <p><u>Target:</u> US\$9,000,000 (FY20)</p>	<p>Achieved</p> <p><i>Target surpassed:</i> US\$24,270,500 (FY21)</p>	<p>Permit and inspection reforms are always complex and long-term processes. The WBG can face a lot of resistance from government agencies when it comes to changing existing processes and reducing the number of inspections. Top-level political will can support the reforms and enforce them upon opposing institutions. The WBG, with its vast experience managing similar projects, can help the Government to implement these reforms, as per best practices: mapping of regulation/ permits/ processes and inspections; consultations with the private sector; recommendations for simplification or reengineering or elimination of permits and inspections; advocacy for adoption; and following through with implementation once adopted.</p> <p>Key ingredients to implement the reform: strong PIU and client buy-in (it was critical that the lead agency was the Ministry of Economy, with the Prime Minister’s support, and not another technical or sectoral agency since only a strong lead agency at the core of government can pull these reforms, as per experiences in other countries), constant field presence of Finance, Competitiveness, and Innovation (FCI) GP and IFC staff with strong knowledge of the topic, the inclusion of global experts in this field and continuous supervision by the project team. The entire process can take about 5 years, which is comparable to similar projects for the complete cycle from mapping to digitalization. The WBG will replicate this in the new MSME IPF (P177895) to continue digitalization and to include local-level permits in OSS, as well as to digitize inspections.</p>	<p>FY14 CEP-2 (P144103)</p> <p>FY14 IFC ICR Advisory Project (600467)</p> <p>FY17 Moldova Country Economic Memorandum (CEM) on Growth Drivers (P164595)</p> <p>FY17 Moldova Systematic Country Diagnostic (P156847)</p> <p>FY18 Study on Firm Competitiveness in Moldova (P167666)</p> <p>FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness</p> <p>FY22 Moldova CPSD (P605784)</p>
		Indicator 2: Percentage of management time spent dealing with regulatory authorities kept below 8% (CoDB survey under CEP-2), i.e., maintaining a reduction from 10.7 percent in 2013.	<p><u>Baseline:</u> 10.7 percent</p> <p><u>Target:</u> 8 percent</p>	<p>Achieved</p> <p><i>Target surpassed:</i> Actual value is 6.2 percent (FY21)</p>		

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		Indicator 3: Maintained employment and business survival in the context of the COVID-19 pandemic through temporary tax relief	<u>Baseline:</u> No government programs to support business continuity and sustain employment in the context of COVID-19 pandemic (2020) <u>Target:</u> 50% of beneficiary companies that received subsidies under the payroll and expanded VAT refund mechanisms continued operation and maintained employment at 60% level compared to April 2020	Achieved <i>Target surpassed:</i> 96 percent of beneficiary firms (or 399 firms) maintained employment at 99.8 percent as of December 2020 compared to April 2020. As a result of the VAT refund program implementation ⁵¹ , 86.7 percent of firms (405 firms) that received subsidies during October-November 2020 continued to operate in December 2020, maintaining the employment level at 91.8 percent compared to April 2020.	Bank-management support and effective cross-GP collaboration were vital in arranging for a quick response to the government’s most critical and urgent needs. The extensive consultations held by the project team with counterparts helped identify strong and verifiable outcomes (PBCs) to support the government’s conditional subsidy programs. The extensive length of restructuring procedures on both the Bank and government sides can negatively affect the Borrower’s expectations on the timeline for urgent requests and must be properly accounted for. At the same time, the flexibility to repurpose the funding and timely turnaround on the part of the Bank is highly appreciated by clients and helps to establish and maintain strong trust between the Bank and governments. Requirements for transparency, communications campaigns, and clear grievance redress mechanisms, if included in project PBCs, can support the successful implementation of government programs.	FY16 TAMP/Performance-based Condition (PBC) Component 5, “Maintained employment and business survival in the context of COVID-19 pandemic” (P127734) FY17 Moldova Systematic Country Diagnostic (P156847) FY20 Assessment of COVID-19 Impact on the Economy and Policy Responses FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness
<p>Additional evidence/resources/links: Enhanced performance-based indicators (PBIs) for authorities with business regulatory functions were adopted to transition from activity-based reporting to impact-based reporting, and a minimum of one measurement was conducted. In addition, 135 permits were incorporated in the OSS, and on top of that 78 were fully digitized. FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT Assessment of COVID-19 Impact on the Economy and Policy Responses: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/294071642408616983/moldova-assessment-of-covid-19-impact-on-economy?cid=EXT_WBEmailShare_EXT Upcoming ICRP report for CEP-2</p>						

⁵¹ The MoF is still to share the final data on the overall VAT Refund program implementation during May – December 2020.

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CPF OBJECTIVE 1B: Strengthened accountability in the management of public sector assets	Partially Achieved	Indicator 4: Effective and independent energy sector regulation	<p><u>Baseline:</u> Ad-hoc tariff setting for the DH and power networks (2013-17)</p> <p><u>Target:</u> End-user tariffs for TE and Gas Natural Fenosa (now Premier Energy) customers set on time and in accordance with methodology through the calendar year 2021)</p>	<p>Partially Achieved</p> <p>Tariff-setting practices have significantly improved since 2017. This is the case for electricity distribution and supply – tariffs have been revised according to the methodology, and financial deviations accumulated prior to 2017 have been recovered according to the agreed schedule. For DH, the situation has also improved, contributing to TE achieving positive financial results. However, the DH tariff methodology remains unstable and is applied somewhat erratically by ANRE, with a lack of synchronization between the adjustment of natural gas tariffs and DH tariffs.</p>	<p>Despite important improvements in tariff setting practices, the new tariff setting methodologies approved by ANRE in 2020 and 2021 failed to exclude the previous deficiencies regarding main cost elements such as regulated asset base, profitability, weighted cost of capital, and losses. Also, ANRE has somewhat erratically reacted to the 2021 severe energy crisis and failed to adequately synchronize the adjustment of natural gas tariffs and DH tariffs, which could severely affect the financial sustainability of the sector in general and of energy companies in particular. Stronger policy dialogue with the government and ANRE is needed to ensure effective, transparent, and predictable regulation.</p>	<p>FY14 Electric Power Market Options Study (P146401)</p> <p>FY15 DHEIP (P132443)</p> <p>FY16 Energy Efficiency Transformation in DH (P157735)</p> <p>FY16 Power System Interconnection Study (ESMAP, P159050)</p> <p>FY17 Just-in-time Support to Streamlining DH Regulatory Methodologies and Processes (Energy Sector Management Assistance Program [ESMAP], P162892)</p> <p>FY17 Moldova Systematic Country Diagnostic (P156847)</p> <p>FY18 Promoting Competition in Moldovan Electric Power Market through Regional Integration (P166195)</p> <p>FY18 Support to Moldova DH Sector Financial Restructuring (P162992)</p> <p>FY18 Moldova Public Procurement Assessment using MAPS-2 (P166607)</p> <p>FY19 PSDP (P160829)</p> <p>FY19 EGDPO (P156963)</p>

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						<p>FY19 Public Building Energy Efficiency Financing Options Study (P169217)</p> <p>FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p> <p>FY20 DHEIP-2 (P172668)</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness</p> <p>FY22 Moldova Emergency Response, Resilience and Competitiveness DPO (P175640)</p> <p>FY22 Moldova CPSD (P605784)</p>
		<p>Indicator 5: Government: (i) mandates the auditing of the annual financial statements of state/municipal enterprises which are part of the medium, large, or public interest category (FY19); (ii) classifies large SOEs as public interest entities and obligates them to prepare financial statements under International Financial Reporting</p>	<p><u>Baseline:</u> N/A</p> <p><u>Target:</u> FY19 for (i), (ii), and (iii)</p>	<p>Achieved</p>	<p>Overreliance on financing from other development partners whose programming decisions negatively affected progress towards achievement the CPF objective 1B (by virtue of canceling trust-funded activities supporting this objective, as part of DPs' programming decisions). Therefore, a more cautious approach should be adopted in the future, and any partner-funded projects should be included in the CPF results framework only if there is a firm agreement in place. More generally, while these trust-funded activities should be reflected as partnerships that build synergies and momentum, the CPF objectives should not rely exclusively on partner funding but rather use it as a complementary resource.</p>	<p>FY13 Strengthening Auditing and Reporting in Countries of the Eastern Partnership (STAREP) (P133467)</p> <p>FY16 Governance Reform Scorecard (UK TF, P158221)</p> <p>FY16 Support to the Reform of SOEs in Moldova (UK TF, P158220)</p> <p>FY17 CEM on Growth Drivers (P164595)</p> <p>FY17 CEM on Growth Drivers (P164595)</p> <p>FY18 Public Expenditure Review in Health (P165679)</p>

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		Standards (IFRS) [FY19]; and (iii) establishes improved institutional and funding arrangements for an audit oversight system (FY19).				FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY19 EGDPO (P156963)
<p>Additional evidence/resources/links: 50 percent of medium and large municipal enterprises and medium and large SOEs have submitted audit reports in 2019 to the competent national authority (an increase from 38 percent in 2017). The Law introducing basic governance arrangements for municipal enterprises was adopted and became effective in December 2019, leading to improved accountability of Municipal Enterprises' through the introduction of basic governance arrangements in line with SOEs. Moldova now implements Power Market guidelines consistent with European Energy Community (EEC) 3rd Energy Package. The 2019 tender for the purchase of electricity from the Transnistrian region (MGRES) and Ukraine (foreign sources) followed the EnCS through tenders consistent with EEC obligations throughout 2018-19. Law on state and municipal enterprise https://www.legis.md/cautare/getResults?doc_id=125185&lang=ro# Law on accounting and financial reporting: https://www.legis.md/cautare/getResults?doc_id=125231&lang=ro# Law on audit of financial statements: https://www.legis.md/cautare/getResults?doc_id=110387&lang=ro#</p>						
CPF OBJECTIVE 1C: Enhanced financial sector governance and transparency	Mostly Achieved	Indicator 6: Enhanced supervision regime	<p><u>Baseline:</u> N/A</p> <p><u>Target:</u> Any undercapitalized banks implementing time-bound recapitalization and/or restructuring plans, or are in process of resolution (FY18 and FY20)</p>	Achieved All Moldovan banks have prepared recovery plans, which have been reviewed by the NBM with the support of the FinSAC team. The NBM has prepared resolution plans for all Moldovan banks, and these are expected to be enhanced following support under FinSAC TA. The support also covered some regulations on resolution and continued in 2022.		FY14 Financial Sector Advisory Center (FinSAC) project (P143745) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY19 EGDPO (P156963) FY19 Programmatic Financial Sector Bank TA (P170841) FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness FY22 IFC Fincom RM Preparation (P606706)

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				The NBM has introduced a new resolution fund and is in the process of introducing Minimum Requirements for Own Funds and Eligible Liabilities, according to the Bank Recovery and Resolution Law.		
		Indicator 7: Strengthened legal, regulatory, and supervisory framework for the insurance sector	<u>Baseline:</u> N/A <u>Target:</u> New insurance law adopted by Parliament (by December 2020), updated regulations issued (by December 2020), and Motor Third Party Liability (MTPL) Law adopted by Parliament (December 2020)	Partially Achieved Insurance law was not adopted in 2018. Its adoption was initially delayed to 2020. There were further delays subsequently. The law was eventually adopted in April 2022 as a PA under the Emergency Response, Resilience and Competitiveness DPO (P179086). Because of the delay in adoption of the Insurance law, the process of updating the regulations has not yet started. It was not completed by the end of the CPF cycle. MTPL Law was adopted in December 2020.	As detailed further, policy reform is a lengthy process that requires patience and flexibility. Despite the stated intent and what can be perceived as a window of opportunity, reform expectations need to be carefully calibrated against existing realities, namely institutional changes, loss of institutional memory, and lengthy processes, among others. Some of these reforms supported through legislative changes may be best supported through DPF rather than TA, as evidenced by indicator 7. This indicator was achieved as a PA under the FY22 Emergency Response, Resilience, and Competitiveness DPO (FY179086).	FY14 FinSAC project (P143745) FY17 Financial Sector Reform and Strengthening Initiative (FIRST) TFs on insolvency, secured transactions, and insurance (P162913) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY19 Programmatic Financial Sector Bank TA (P170841) FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness FY22 Emergency Response, Resilience and Competitiveness DPO (P175640)

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		Indicator 8: Digital registry of asset declarations online and receiving asset declarations (December 2018)	<u>Baseline:</u> N/A <u>Target:</u> December 2018	Achieved (December 2018)	EGDPO's (P156963) PA was an effective instrument for mobilizing all stakeholders to ensure that the digital registry of asset declarations was launched in a timely manner. This is an example of a PA that was not a law or regulation, but which can be transformative. The timeline of the DPO allowed the stakeholders involved in the approval and launch of the digital registry to take all necessary steps for its full-fledged implementation. Due to this digital solution, starting on January 1 st , 2019, all declarants are able to submit their declarations online and all the declarations are publicly accessible.	FY19 Support to Asset Declaration System and Monitoring of Anti-corruption Reforms (P169182) FY19 EGDPO (P156963) FY23 Stolen Asset Recovery Initiative Phase II (P177451) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness
Additional evidence/resources/links: The NBM introduced the Regulation on Internal Governance and Risk Management in Banks in July 2017. On-site inspections of banks' board committees were conducted in 2018. Amendments to the insolvency law were approved by Parliament in December 2019 and training was conducted for judges to enhance enforcement capability. Overall, the foundations for a modern Insolvency and Creditor Rights system were established to address corporate vulnerabilities that may arise as a result of the COVID-19 pandemic. The following laws were adopted by Parliament: <ul style="list-style-type: none"> o Law on Agency for Recovery of Criminal Proceeds o Law on Amending and Completing Legislative Acts o Amendments to Law on NIA o Amendments to Law on Declaration of Assets and Interests FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT EGDPO ICR report: https://projects.worldbank.org/en/projects-operations/document-detail/P156963?type=projects Moldova CPSD (P605784) Emergency Response, Resilience and Competitiveness DPO (P179086): https://operationsportal.worldbank.org/secure/P179086/home?tab=dashboard						
CPF OBJECTIVE 2A: Increased quality and efficiency of selected public services	Partially Achieved	Indicator 9: Enhanced quality and efficiency of the hospital sector, as measured by reduced average length of stay for acute beds (days)	<u>Baseline:</u> 7.6 (2014) <u>Target:</u> 6.6 (2021)	Partially Achieved Current value: 6.9 (2021)	Enhancing quality and efficiency in the hospital sector is strongly driven by the hospital sector reform process. Reforming hospitals, with a strong political dimension attached to it, especially at the national level, proved to be very challenging. The team learned that politically sensible matters, hospital reform/optimization as such, should be approached with caution and with consensus at political, governmental (central), and local levels. Raion (regional) hospitals, being owned by local	FY14 Health Transformation Operation (P144892) FY17 CEM on Growth Drivers (P164595) FY18 Public Expenditure Review in Health (P165679)

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					<p>public authorities, have seen slower optimization progress. This process was likely driven by independent (local level) decision-making.</p>	<p>FY19 Towards Universal Health Coverage in Moldova project (P171130)</p> <p>FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p> <p>FY20 Human Development Assessment in Eastern Neighborhood Countries (P173530)</p> <p>FY22 Human Development Assessment – Eastern Europe (P177587)</p>
		<p>Indicator 10: Number of designated hospitals with fully equipped and functional intensive care units (ICUs)</p>	<p><u>Baseline:</u> 0 (2020)</p> <p><u>Target:</u> 19 (2021)</p>	<p>Mostly Achieved</p> <p>14 ICUs were set up to date (and 19 expected to be achieved by end of calendar year 2022)</p>	<p>The Moldova Emergency COVID-19 Response Project (P173776) offered a great opportunity to address the most urgent needs of the health system to cope with the COVID-19 pandemic challenge and strengthen the Ministry of Health’s capacity to build a more resilient system.</p> <p>Ensuring ownership by the government is crucial to fast pandemic response. Working very closely with the Ministry of Health and the National Health Insurance Fund at every stage of implementation of ongoing projects and communicating openly have been crucial for strong buy-in on the government side. Besides the government, coordinating efforts with other partners and stakeholders is another important lesson to highlight. Throughout the implementation of ongoing projects, as well as preparation of the emergency COVID-19 intervention, the team has been coordinating with all, national and international, stakeholders to ensure complementarity of activities and avoid duplication.</p> <p>At the same time, better account should be taken of lengthy processing times and stretched capacity of the government, which can cause delays to the</p>	<p>FY20 Moldova Emergency COVID-19 Response Project (P173776)</p> <p>FY20 Assessment of COVID-19 Impact on the Economy and Policy Responses</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness</p>

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					original implementation schedule. Additional consideration could be given to beefing up the capacity of the implementing entity, which is under strain with this paramount challenge and work.	
		<p>Additional evidence/resources/links: Enhanced efficiency of the hospital sector, as measured by a reduced number of acute care beds in public hospitals in Chisinau, has improved to under acute care beds 10,000 beds - 6,870 beds (2021). 80 percent of designated hospitals were equipped with personal protection equipment (PPE) and infection control products and supplies. FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT Assessment of COVID-19 Impact on the Economy and Policy Responses: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/294071642408616983/moldova-assessment-of-covid-19-impact-on-economy?cid=EXT_WBEmailShare_EXT EGDPO ICR report: https://projects.worldbank.org/en/projects-operations/document-detail/P156963?type=projects</p>				
CPF OBJECTIVE 2B: Increased inclusive access to selected public services	Mostly Achieved	<p>Indicator 11: Percentage of population vaccinated against COVID-19, which are included in the priority population targeted, defined in the national plan, of which (a) male, and (b) female</p>	<p><u>Baseline:</u> (a) 0, (b) 0 (2020) <u>Target:</u> (a) 25, (b) 45 (2021)</p>	<p>Partially achieved</p> <p>Current value: (a) 29.8, (b) 32.3 (2022)</p>	<p>The vaccination process of the target groups was moving at a slower pace than anticipated. Vaccine hesitancy is a rather strong phenomenon in Moldovan society, which might be the reason for the partial achievement of the target. Further work on increasing vaccine acceptance, in coordination with WHO, should be envisaged.</p> <p>Also, the long processing times on the government's side, due to political volatility, were underestimated, resulting in a much later effectiveness and uptake of the vaccines AF, with the government indicating lately that they would like to repurpose the AF from vaccine purchase and deployment toward strengthening the health system's capacity and preparedness.</p>	<p>FY17 Moldova Systematic Country Diagnostic (P156847)</p> <p>FY20 Moldova Emergency COVID-19 Response Project (P173776)</p> <p>FY20 Assessment of COVID-19 Impact on the Economy and Policy Responses</p> <p>FY21 Moldova Emergency COVID-19 Response Project 2nd AF (P175816)</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness</p>
		<p>Indicator 12: Increased share of people accessing e-services in the past 12 months, while maintaining parity between men and women</p>	<p><u>Baseline:</u> 24% (2017), of which 49.5% women and 6% – bottom 40% <u>Target:</u> 50% (2021), of which at least 49.5% women and 10% – bottom 40%</p>	<p>Achieved (2021)</p> <p><i>Target surpassed:</i> Access to e-services increased by 49.6%, out of which 53% of females (against the target of 49.5%), and out of which 37.4% of the bottom 40%.</p>	<p>On the one hand, the COVID-19 pandemic slowed down the process of services' modernization as the government was focusing on responding to the most urgent needs. On the other hand, it has increased the demand for digital services. Moreover, with the new government establishing a new deputy prime ministerial position in charge of digitalization, this has become a cross-cutting priority for the whole government.</p>	<p>FY17 Moldova Systematic Country Diagnostic (P156847)</p> <p>FY18 MGSP (P148537)</p> <p>FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p>

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					The uptake of digital services is directly linked to public awareness; therefore, the e-Governance Agency should start as soon as possible the deployment of a comprehensive public awareness campaign.	FY21 GovTech Support (P176220) FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness FY22 Emergency Response, Resilience and Competitiveness DPO (P175640)
		Indicator 13: Increased physical access to rural education and health services, as measured by: - Number of schools connected by rehabilitated/ upgraded local roads - Number of health facilities connected by rehabilitated/ upgraded local roads	Schools: <u>Baseline:</u> 0 (2018) <u>Target:</u> 47 (2021) Health facilities: <u>Baseline:</u> 0 (2018) <u>Target:</u> 22 (2021)	Achieved <i>Target surpassed:</i> Schools: 50 (2021); Health facilities: 23 (2021)	Complex infrastructure projects may start showcasing results only at later stages of project implementation. One key measure that could ensure smoother implementation of infrastructure projects is diligent project preparation, especially of good quality technical designs. Due to the limited capacity of the local Implementing Agency to prepare good technical designs in a timely manner, the LRIP was facing delays, which resulted in adjusted designs that ultimately translated into additional project costs. As such, capacity building for implementing agencies in such projects should be embedded in the project design.	FY16 LRIP (P150357) FY17 Moldova Systematic Country Diagnostic (P156847) FY18 Strengthening Road Safety Management (P166126) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness
		Indicator 14: Number of Ajustor Social recipients during the emergency period	<u>Baseline:</u> 47,659 (FY19) <u>Target:</u> 65,000 (FY20)	Achieved The number of beneficiary HHs reached 71,802 HHs in April 2020 and went down to 64,859 HHs in May 2020 when the emergency period ended	Crisis response is best complemented with steps on addressing the long-standing issues. Crisis can affect both the delivery and recipient sides (e.g., when the country was in effective lockdown, social assistants were also not present at their workplaces, which slowed down the take-up). Options for remote applications need to be further developed to improve delivery in both the crisis and the “business as usual” mode.	FY17 Moldova Systematic Country Diagnostic (P156847) FY17 CGAP (FY18-22 CPF Annex) (P160373) FY18 Moldova Labor Market Gender Inequality (P165675) FY18 Improving Efficiency of Moldova’s Main Anti-poverty Program (P164672)

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						<p>FY20 Moldova Emergency COVID-19 Response Project (P173776)</p> <p>FY20 Migration in an Aging Society (P172076)</p> <p>FY20 Strengthening Social Assistance in Moldova (P172598)</p> <p>FY20 Human Development Assessment in Eastern Neighborhood Countries (P173530)</p> <p>FY20 Assessment of COVID-19 Impact on the Economy and Policy Responses FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p> <p>FY21 Commitment to Equity and Poverty Monitoring (P172046)</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness</p> <p>FY22 Human Development Assessment – Eastern Europe (P177587)</p> <p>FY22 Moldova Gender Platform (P178021)</p> <p>FY22 Emergency Response, Resilience and Competitiveness DPO (P175640)</p>

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		<p>Additional evidence/resources/links: Implementation of the public services reengineering framework was adopted through the Order of the Secretary General of the Government (no: 598-A from August 10, 2020). Reengineering is a complex and effort demanding exercise, and the project invested a lot in capacity building, coordination, and facilitation of the re-engineering, which was essential. All projects approved by the Board during the CPF cycle were 100% gender tagged. FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT Assessment of COVID-19 Impact on the Economy and Policy Responses: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/294071642408616983/moldova-assessment-of-covid-19-impact-on-economy?cid=EXT_WBEmailShare_EXT CGAP Assessment of the CLR Emergency Response, Resilience and Competitiveness DPO (P179086): https://operationsportal.worldbank.org/secure/P179086/home?tab=dashboard</p>				
CPF OBJECTIVE 2C: Improved climate services and adaptation	Achieved	<p>Indicator 15: Increased on-farm area benefitting from sustainable land management practices supported by the project</p>	<p><u>Baseline:</u> 46,736 ha (FY17) <u>Target:</u> 57,000 ha (FY21)</p>	<p>Achieved Actual value: 57,000 ha (FY21)</p>	<p>1. Quality of the contractor staff can matter more than the length of the company's existence on the market: The firm, which was contracted under the Enhancing Technical Rescue Capacities grant (P165948), had a relatively brief existence on the market, but it brought a team of experienced professionals which had an extensive technical background and experience working as rescuers and providers of TA services for other donor-funded projects in other countries. That helped establish a relationship of trust with the beneficiary organization from the very beginning. As a result, the implementation of the grant activities proceeded smoothly and efficiently as the recipient had confidence in the quality of the advice provided.</p> <p>2. Taking advantage of emerging opportunities can enhance the development impact of project interventions: It's important to maintain an open mind toward emerging opportunities that could maximize the project development impact. For example, the Enhancing Technical Rescue Capacities (P165948) project team, in consultation with the contractor and client, incorporated the participation of the Moldovan team in two INSARAG drills in Armenia (change of contract) and Bulgaria (travel synergies) which emerged during the project implementation, and which had not been planned in advance. The formal training sessions, coupled with the</p>	<p>FY12 MACP (P118518) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521)</p>
		<p>Indicator 16: Urban rescue standards and methodology adopted by the General Inspectorate for Emergency Situations</p>	<p><u>Baseline:</u> No (FY17) <u>Target:</u> Yes (FY21)</p>	<p>Achieved Adopted by Orders nos. 61 and 62 of the Ministry of Interior's General Inspectorate for Emergency Situations on April 10, 2020</p>		<p>FY17 Moldova Systematic Country Diagnostic (P156847) FY17 Reinforcing Weather and Climate Services (P161912) FY18 Enhancing Technical Rescue Capacities in Moldova (P165948) FY19 Policy Notes: Sustaining Stability and Reviving Growth (P169521) FY19 Moldova DRM Background Study – the basis for policy dialogue on a Catastrophe Deferred Drawdown Option (CAT DDO) or related financial protection instruments (P170388)</p>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
					<p>participation in the practical INSARAG drills, maximized the training impact of the grant.</p> <p>3. Importance of regular follow-ups during project implementation: Local presence and regular follow-ups are very important even if there is a buy-in from the beneficiary organization and a quality contractor is present. The beneficiary organizations have many other responsibilities and often lack resources to meet all of them in a developing country context. Regular follow-up on the tasks to be completed and keeping the ultimate project objective on everyone's radar screen helped keep the Enhancing Technical Rescue Capacities (P165948) project implementation on track and identify and address slippages or risks on time.</p>	<p>FY20 Strengthening Disaster and Climate Resilience in Moldova (P172728)</p> <p>FY21 Policy Notes: Strengthening Institutions, Building Resilience, and Enhancing Competitiveness</p>
<p>Additional evidence/resources/links: A work plan developed for implementing the National Framework for Climate Services (NFCS). While the development of the NFCS required pressure from the WB to open the space for discussion beyond just the SHS, there now appears to be understanding for the need for broader engagement between all active providers and users of climate services. FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT MACP interim Implementation Completion and Results report in progress Moldova CPSD (P605784)</p>						
CPF OBJECTIVE 3A: Improved quality and relevance of education	Achieved	Indicator 17: At least 10,000 students attending schools meeting minimum quality standards (<i>including, inter alia, with respect to school organization, teaching and learning, school infrastructure and equipment, curriculum and evaluation, and school governance</i>), also being accessible	<p><u>Baseline:</u> 0 (FY17)</p> <p><u>Target:</u> 10,000 (FY21)</p>	<p>Achieved</p> <p><i>Target surpassed:</i> Actual value: 15,047 (FY22)</p>	<p>The initial estimate for the number of schools to be rehabilitated was overoptimistic (98 hub schools), so the Bank scaled it down to 17 schools, allocating resources for critically needed works to bring the schools to meet the minimum required standards, thus calling for the need for more realistic estimates at the project design stage.</p> <p>The original MERP design incorporated infrastructure rehabilitation into the Results-based Financing (RBF) component relying on national capacity. Rehabilitations were taking a long time and were challenging, as the Ministry of Education did not have the experience and capacity to handle them. Going forward, infrastructure rehabilitations should not rely on Moldova's weak national procedures and capacity, but rather on the Bank's</p>	<p>FY13 MERP (127388)</p> <p>FY13 PHRD Grant on Integration of Children with Disabilities into Mainstream Schools (P144618)</p> <p>FY17 Education Public Expenditure Review (P161676)</p> <p>FY17 Moldova preschool and general education: transitioning to a decentralized service delivery model (P161676)</p> <p>FY17 Training Assessment Project (P161517)</p>

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		to people with disabilities			fiduciary safeguards provided by IPFs and implementing agencies with extensive experience with construction works and Bank procedures.	FY17 Skills Scoping Study (P161676)
		Indicator 18: Student-teacher ratio for Grades 1-12 of primary and general secondary education	<u>Baseline:</u> 11.89:1 (FY17) <u>Target:</u> 11.9:1 (FY21)	Achieved <i>Target surpassed:</i> Actual value: 12.4:1 (FY22)	For projects implemented over a long period of time, such as MERP, demographic indicators may require adjustment. It is important to keep track of a changing context and adjust the indicators accordingly.	FY17 CEM on Growth Drivers (P164595)
		Indicator 19: Strengthened MoECR capacity to respond to the pandemic and increased system resilience for possible future disasters – number of IT equipment provided for online learning	<u>Baseline:</u> 0 (FY20) <u>Target:</u> 10,000 (FY21)	Achieved Actual value: 10,000 (FY22) To strengthen MoECR capacity to respond to the pandemic, 10,000 laptops have been delivered to disadvantaged students and teachers as of May 2021, reaching the established target.	Project restructuring offered a great opportunity to address the COVID-19 pandemic challenge and strengthen the MoECR capacity in building a more resilient system. The flexibility to repurpose project funds to address immediate needs was much appreciated and will be pursued as well in the new CPF period, as needed, along with CERC components.	FY14 Increasing participatory decision-making on education (Global Partnership for Social Accountability [GPSA], P147607) FY17 Moldova Systematic Country Diagnostic (P156847) FY18 MERP AF (P156657) FY20 Assessment of COVID-19 Impact on the Economy and Policy Responses FY20 Human Development Assessment in Eastern Neighborhood Countries (P173530) FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness FY22 Moldova Digital Readiness Assessment (P177731) FY22 Emergency Response, Resilience and Competitiveness DPO (P175640) FY22 Human Development Assessment – Eastern Europe (P177587)

Objective	Overall Rating	Indicator	Baseline/ Target	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program Instruments
		<p>Additional evidence/resources/links: By November 2018, 100 Bank-supported schools were completing the implementation of social accountability tools, contributing to participatory decision-making and enhanced quality of public debate. In terms of relevance, HEP (P167790) has supported development of 55 qualification standards (QS) in 4 fields of study (administrative sciences, economic sciences, law, and manufacturing and processing technologies) with QS in 14 additional fields being developed in close collaboration with private sector companies to reflect labor market needs. A number of ASAs have continued to build a solid analytical foundation, which reinvigorated the skills development policy debate, garnered support from a wide range of stakeholders, and enabled to develop a labor market component under HEP. Assessment of COVID-19 Impact on the Economy and Policy Responses: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/294071642408616983/moldova-assessment-of-covid-19-impact-on-economy?cid=EXT_WBEmailShare_EXT FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/829671642004890645/moldova-policy-notes-2021-sectoral-recommendations?cid=EXT_WBEmailShare_EXT GPSA Implementation Completion and Results report: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/574721560858431303/implementation-completion-and-results-report-icr-document-empowered-citizens-enhancing-accountability-of-edu-reform-and-quality-p147607?cid=EXT_WBEmailShare_EXT Emergency Response, Resilience and Competitiveness DPO (P179086): https://operationsportal.worldbank.org/secure/P179086/home?tab=dashboard</p>				

	FOCUS AREA 1: Economic Governance – Strengthening Rule of Law & Accountability in Economic Institutions (8 indicators)	FOCUS AREA 2: Service Governance – Improving Efficiency, Quality & Inclusive Access to Public Services (8 indicators)	FOCUS AREA 3: Human Capital Development – Investing in People to Build Human Capital (3 indicators)	Total across all pillars (%) (19 indicators)
Achieved	6 (75%)	5 (63%)	3 (100%)	14 (73.7%)
Mostly Achieved		1 (12.5%)		1 (5.2%)
Partially Achieved	2 (25%)	2 (25%)		4 (21.1%)
Not Achieved				
Development Outcome Rating/ Pillar	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Overall Development Outcome Rating	Satisfactory			

Attachment 3: Citizen Engagement in Moldova (FY18-FY22)

During the CPF period, the civil society enabling environment has seen progress in some areas and regression in others. The Government is increasingly integrating and embedding citizen participation and engagement in both legislation and actual delivery of services and programs at the local level.⁵² Political instability in 2019 was followed by more positive engagement between the government and civil society. Article 2 of the Law on Regional Development 438-XVI clearly outlines the principle of partnership with local public authorities and civil society in the design and development of regional programs and services, as well as the principle of transparency in terms of clear processes for allocation, distribution, and use of resources. The Government Strategy for Civil Society Development (2018-2020)⁵³ and its Action Plan included concrete deadlines to implement specific measures aimed at increasing civil society participation and financial viability.⁵⁴ However, COVID-19 and political factors have limited the progress, with the exception of the financing of charities from income tax.⁵⁵ Replacing laws from the 1990s, the adoption of the Law on Non-Commercial Organizations (NCOs) simplifies registration procedures, eliminates registration fees, removes association restrictions for certain categories and introduces more flexibility for NCOs to decide on their organization structure, including management.⁵⁶ COVID-19 led to a state of emergency in Moldova with measures taken by the authorities, as elsewhere, which restricted freedom of assembly and movement in the country. The pandemic has further negatively affected public confidence in the Government, bringing it from the highest in recent years of 27.8 percent recorded in December 2019, down to 20.3 percent in June 2022.⁵⁷ At the same time, accelerated use of virtual communication and forums has helped the civil society to increase its outreach, resulting in greater digital connectedness.

Moldova is a member of the Open Government Partnership and its action plan for an open government for 2019-2020 reaffirmed the government's commitment to promoting transparency, access to information, dialogue with civil society, and development of new technologies to eradicate corruption. Two of six key commitments were to: strengthen the platforms and mechanisms of collaboration with civil society and to develop citizen-centered public services by optimizing and streamlining public service to the local level.

Since FY18, the compliance with the CE corporate requirements has been maintained. During FY18-FY22, all 11 IPFs projects approved by the Board of Executive Directors were fully compliant with both CE requirements (having a citizen-oriented design and at least one beneficiary feedback indicator). The Emergency COVID-19 Response IPF (P173776) was exempt from CE requirements when approved but an additional indicator has been added for update in implementation status reports. The Additional Financing to this IPF (P175816) further strengthened the quality of the CE design and depth of engagement by moving beyond consultations and grievance redress and adding participatory planning activities. Moldova has done well on its CE reporting during implementation of all the projects (FY15-FY18

⁵² World Governance Indicators, 2017-2020, Moldova Country Report, World Bank, available at info.worldbank.org/governance/wgi/

⁵³ ECNL, Commitment to Strengthen Civil Society: Moldova adopts New Strategy for 2018–2020 available at <http://ecnl.org/civil-society-strategy-moldova-2018-2020>

⁵⁴ Republic of Moldova, Law no. 51 23 March 2018, Civil Society Development Strategy for the period 2018–2020, available at <http://lex.justice.md>

⁵⁵ A mechanism for citizens to redirect up to two percent of their income tax to charities. Ibid.

⁵⁶ Ibid.

⁵⁷ Public Opinion Barometer / 2020, available at: <http://bop.ipp.md/en/>

approved), now reporting credible CE progress as required.

Moldova ranks third in the ECA region on the quality of CE included in project design. The FY22 review of CE quality in IPFs against the ECA CE Quality Index indicates that all but one of the eleven projects approved since FY18 developed citizen-oriented designs that met the criteria for depth, frequency, openness to a range of feedback, and provision of multiple channels.⁵⁸

Despite the impacts of the pandemic, CE activity has largely continued and brought about innovative action. The lockdown-associated limitations on implementing agencies conducting face-to-face meetings and events have seen projects adopt alternative approaches – such as telephone consultation and email surveys in the PSDP (P160829). CE digital platforms, a customizable tool to help the implementing agencies better manage CE activities, were included for MWSSP (P173076) and the Emergency COVID-19 Response IPF (P173776). The latter also focuses on engagement with CSOs to support outreach and community engagement to enhance transparency and accountability.

Good progress has been made on the implementation of the CE Country Roadmap included in the CPF. Annex 2 of the CPF sets out a 5-Step strategy to support CE in sector reforms and IPFs. Despite the challenges of implementation: (1) all IPFs in the Moldova portfolio are compliant with corporate requirements; (2) the citizen-oriented design has far exceeded minimum standards; and (3) task teams are working effectively with implementing agencies to ensure that the quality of CE included at approval establishes promising platforms for CE during implementation. The CE Roadmap also planned for the intensification of CE in priority CPF focus areas. Under the Service Governance Focus Area, which aims at enhanced efficiency and equity of services, two projects⁵⁹ have enhanced linkages between civil society actors and government actions, built the capacity of citizens and government actors, and ensured inclusion of vulnerable groups. In the Skills Focus Area, to develop the quality, relevance, and equity of education and training systems, efforts have engaged younger citizens and parents and included other members of the community, as planned in the two education sector IPFs.⁶⁰ Lastly, the MWSSP (P173076) provides an exemplary model for CE aimed at ensuring that users are a primary part of government efforts to increase access to safely managed water supply and sanitation services and strengthen national and local institutional capacity for water supply and sanitation service delivery. The project includes an innovative mix of interpersonal, social media and digital solutions to address issues such as operator performance tariffs, connection plans, and support monitoring.

Looking forward, the focus will be on ensuring that promising CE designs are taken forward through solid implementation, including any necessary adaptation to COVID-19. Further actions required under the CE Country Roadmap include:

- Follow-up capacity building with PIUs to strengthen the understanding of CE commitments and help address blockages faced during implementation. (All PIUs offered clinics to look at COVID-19 related challenges, innovation, and outreach solutions);
- Adjustment and adaptation of selected CE approaches to COVID-19 context, as needed;
- Further support to boost the CE planned under the LRPVP;
- Continued support for monitoring and reporting on CE to ensure the tracking of credible progress during implementation, with a specific focus on inclusion; and
- Ensuring CE monitoring in annual portfolio reviews.

⁵⁸ The ECA CE Quality Index measures four attributes of CE in the IPFs' citizen-oriented design: (i) openness; (ii) depth; (iii) opportunity; and (iv) frequency of engagement.

⁵⁹ MGSP (P148537) and LRIP (P150357). The LRPVP (P161238) will be prioritized in the next stage of support.

⁶⁰ MERP AF (P156657) and HEP (P172076).

Attachment 4: Gender Assessment

The full Moldova CGAP can be obtained at: [Moldova: Country Gender Action Plan](#).

Context

The Moldova Country Gender Action Plan (CGAP) FY18-FY21 committed to mainstreaming attention to gender in the portfolio, identifying opportunities for deepening gender analysis, actions, and/or targets in projects and to selectively pursuing key targets in the CPF period connected to country gender equality outcomes. Since then, the gender context in Moldova has changed. Although the country remains relatively high on gender equality outcomes compared to others, with the highest Gender Development Index (1.014) in the ECA region, gender gaps persist across several key areas, and—particularly in the realm of women’s employment and GBV—have become worse since COVID-19. The pandemic had a near-immediate effect on women’s employment: the share of women who continued to go to work during the pandemic was 15 p.p. lower than the men’s share.

Gender gaps in Moldova risk being exacerbated further by Russia’s invasion of Ukraine. Since the Russian invasion of Ukraine on February 24, 2022, almost half a million people have crossed into Moldova from Ukraine, out of whom over 85,000 individual refugees have been recorded.⁶¹ An estimated 90 percent of refugees from Ukraine are women and children.⁶² Forced displacement significantly increases the likelihood of being multidimensionally poor: gender has an important impact on individual deprivations within HHs, especially when family structures are disrupted; displaced women face more disadvantages in accessing opportunities. The highly gendered nature of this crisis, and high levels of family disruption, exacerbates these dynamics. The large flow of refugee arrivals also puts pressure on health and education services and on competition for economic opportunities.

Assessment

Attention to gender in the Moldova portfolio is significant. Almost all operations are either gender tagged, or gender informed, and all operations approved since FY19 are gender tagged as well. The portfolio continues to build on the commitments to address gender gaps in health, education, jobs, CE, and access to assets. However, attention to gender gaps was sidetracked in COVID-19 response measures in operations that received AFs or were restructured to address the COVID-19 crisis.

A preliminary review of three operations tagged as COVID-19 response operations suggests that the analysis of the direct impacts of COVID-19 on women and girls in these operations could be strengthened. These analyses could inform necessary key response measures to respond to the significant impacts of COVID-19 on women and girls, such as gender-based violence and inclusive service provision. For example, only one (Moldova Emergency COVID-19 Response IPF, P173776) out of three operations tagged for COVID-19 response has adequate analysis, actions, and monitoring measures to respond to the pandemic impacts on women as beneficiaries and service providers. The two other operations could close gender gaps further by building on the previous activities already in place in the project design. For example, the Moldova Education Reform Project (P127388) response has taken significant steps toward mainstreaming gender into teacher training, practices, and leadership and exclusion awareness programs in the initial

⁶¹ 498,896 people have crossed the border into Moldova. 85,947 individual refugees have been recorded. The discrepancy reflects the onwards movement intention of some of the refugees intending to move to other countries, as well as returns to Ukraine. Data from <https://data.unhcr.org/en/situations/ukraine>

⁶² <https://reporting.unhcr.org/ukraine-situation#:~:text=An%20estimated%2090%25%20of%20the,other%20countries%20in%20the%20region>

first series of Additional Financing. As the project was restructured, it could have built on these activities and used platforms to increase awareness of GBV, including domestic violence and cyber harassment.

Delivery on gender tagging in operations amid the current COVID-19 crisis has been strong but there is room to strengthen attention to gender gaps further. There is a clear need for strategic engagement and hands-on support to ensure gender gaps are addressed through operations and at the policy level beyond gender tag, especially through the crisis response measures. Gender gaps, including gender-based violence, need to be addressed upstream through adequate data, analysis, needs-based actions, and monitoring tools.

The portfolio will also need to address gendered needs in the context of the refugee crisis. As refugees keep crossing the border and the humanitarian response remains a priority, long-term solutions are required for refugees staying in the country and host communities. Reliance on international aid should be gradually replaced with sustainable livelihood opportunities to achieve durable solutions. Given levels of poverty and exclusion of vulnerable groups in Moldova, the host communities and vulnerable groups should be included in any planning or intervention. Gendered displacement gaps point to the need for targeted support, specifically for safety and equal economic opportunities.⁶³ Refugee inflows could put pressure on the environment and contribute to the depletion of food, energy and water sources and increase the amount of solid waste and untreated sewage in waterways, especially if local systems cannot meet the increased capacity. Issues associated with this influx may include a general deterioration in health and safety, an increase in the prevalence of GBV, and conflict over the use of resources and services in regions that were already poor and underserved.

The FY22 Emergency Response, Resilience and Competitiveness DPO (P175640) represents one of the initial responses to the refugee crisis in Moldova. The DPO also includes two indicators responding to the gaps identified in employment and social assistance for the Ukrainian women in Moldova. These indicators will measure the (a) share of Ukrainian women in employment through national employment services; and (b) social assistance coverage of female headed families, including Ukrainian female headed families.

⁶³ The Gendered Dimensions of Forced Displacements. World Bank.
<https://documents1.worldbank.org/curated/en/895601643214591612/pdf/The-Gender-Dimensions-of-Forced-Displacement-A-Synthesis-of-New-Research.pdf>

Attachment 5: World Bank Portfolio Indicators over the CPF Period

(Data as of August 03, 2022)

PORTFOLIO AND DISBURSEMENTS (FY18-FY22)

Fiscal year	FY18	FY19	FY20	FY21	FY22
# of Projects	9	11	12	12	14
Commitments at Risk (IP/DO Problem)	125.2	20.0	185.8	65.8	28.1
Total Undisbursed Balance (US\$ million)	218.2	245.1	419.2	392.9	562.2
Total Disbursements (US\$ million)	128.5	176.3	140.5	247.8	251.5
Disbursements in FY (US\$ million)	28.7	47.8	28.1	107.3	45.6
Disbursement Ratio (%)	13.4	11.4	11.7	26.2	9.7
IBRD Net Commitment Amount (US\$ million)	100.5	88.1	147.6	147.6	179.2
IBRD Disbursements in FY (US\$ million)	15.8	5.5	5.0	12.6	3.0
IDA Net Commitment Amount (US\$ million)	251.0	373.2	440.5	485.5	652.0
IDA Disbursements in FY (US\$ million)	12.9	42.4	23.1	94.7	42.6
Total Net Commitment Amount (IBRD+IDA) (US\$ million)	351.5	461.3	588.1	633.1	831.2
Flag: Slow Disbursements	0	0	0	0	0

PORTFOLIO RISKINESS (FY18-FY22)

Fiscal year	FY18	FY19	FY20	FY21	FY22
% of Projects At Risk	33	9	42	17	7
# of Problem Projects	3	1	5	2	1
# of Projects At Risk	3	1	5	2	1
Commitments At Risk (US\$ million)	125.2	20.0	185.8	65.8	28.1
% Commitments at Risk	35.6	4.3	31.6	10.4	3.4
# of Projects with Proactivity Actions	1	3	1	5	2
% of Problem Projects	33	9	42	17	7

IEG RATINGS (FY18-FY22)

Exit FY	FY18	FY20
# of Projects	2	2
Outcome % Satisfactory	50.0	100.0
Bank Performance at Entry % Satisfactory	50.0	100.0
Bank Performance at Supervision % Satisfactory	50.0	100.0
ICR Quality % Satisfactory	50.0	100.0
Net Disconnect	50.0	0.0
Borrower Overall Performance % Satisfactory	0.0	
% Substantial or Better M&E Quality	50.0	0.0

Attachment 6: ASAs Completed in FY18-FY22

ID	Task Name	Global Themes	Completion FY
P165679	Moldova Public Expenditure Review	Health, Nutrition & Population	2018
P160401	Moldova Programmatic FS Monitoring TA	Finance, Competitiveness & Innovation	2018
P162892	JIT Support to streamlining DH regulatory method. & processes	Energy & Extractives	2018
P166126	Moldova - Strengthening Road Safety Management	Transport	2018
P165403	Pension Reform Dialogue	Social Protection & Jobs	2018
P161676	Moldova Skills Scoping Study	Education	2018
P158228	Tax Legislation Revision	Governance	2018
P161172	Nordic Trust Fund Social and Economic Security of the Elderly	Poverty & Equity	2018
P162740	Pension Reform Technical Assistance	Social Protection & Jobs	2018
P169045	Moldova Hospital Reform	Health, Nutrition & Population	2019
P158221	Governance Reform Scorecard for the Republic of Moldova	Governance	2019
P164595	Moldova Country Economic Memorandum on Growth Drivers	Macroeconomics, Trade & Investment	2019
P169521	Moldova Policy Notes: Sustaining Stability and Reviving Growth	Macroeconomics, Trade & Investment	2019
P170388	Moldova DRM Background Study - Basis for Policy Dialogue on CAT DDO or related financial protection instruments	Urban, Resilience & Land	2019
P164597	Moldova Macro Fiscal Just In Time Technical Assistance	Macroeconomics, Trade & Investment	2019
P168875	Skills & LM Constraints and Opportunities for More & Better Jobs	Social Protection & Jobs	2019
P167373	CMC: DeMPA Moldova - Global Advocacy- DMF TF	Macroeconomics, Trade & Investment	2019
P164402	MD: Moldova Digital Jobs	Digital Development	2019
P165675	Moldova Labor Market Gender Inequality	Social Protection & Jobs	2019
P158220	Support to Reform of State-Owned Enterprises (SOEs) in Moldova	Governance	2019
P158938	Moldova: Measuring and Monitoring Justice Sector Performance	Governance	2019
P168230	Moldova Water Security Diagnostic and Outlook	Water	2020
P164672	RSR 12: Improving Efficiency of MD's Main Anti-Poverty Program	Social Protection & Jobs	2020
P165948	Enhancing Technical Rescue Capacities in Moldova	Urban, Resilience & Land	2020
P167930	R14 RSR: Strengthening Delivery of Public Employment Services	Social Protection & Jobs	2020
P164776	Moldova #E014 Insurance Market Reform Project	Finance, Competitiveness & Innovation	2020
P162913	#D003 Insolvency & Creditor/Debtor Regime & Secured Transact.	Finance, Competitiveness & Innovation	2020
P166195	Promoting Competition in Moldovan Electric Power Market through Regional Integration	Energy & Extractives	2020
P161912	Reinforcing Weather and Climate Services in Moldova	Urban, Resilience & Land	2020
P169987	Moldova Socioemotional Skills Assessment	Education	2020
P166163	Moldova Labor Market Analytics Swiss EFO	Social Protection & Jobs	2020
P167666	Firm Competitiveness in Moldova	Finance, Competitiveness & Innovation	2020
P169182	Support to Asset Decl. Syst. & Monit. of Anti-corruption Reforms	Governance	2020
P172283	Support to Anti-corruption Reforms and Strengthening Asset Declaration System	Governance	2021
P172375	JIT Macro Fiscal TA	Macroeconomics, Trade & Investment	2021
P171287	Growth Opportunities in Moldova's Agri-Food Sector	Agriculture & Food	2021
P172598	Strengthening social assistance in Moldova	Social Protection & Jobs	2021
P172076	Moldova - Migration in an aging society	Poverty & Equity	2021
P171625	Moldova Railway Market Study	Transport	2021
P166607	Moldova Public Procurement Assessment Using MAPS 2	Governance	2021
P167676	Optimization of Chisinau DH System and Fuel Supply Options	Energy & Extractives	2021
P172271	Moldova Hospital Sector Reform	Health, Nutrition & Population	2021
P172728	Strengthening Disaster and Climate Resilience in Moldova	Urban, Resilience & Land	2021
Not assigned	FY21 Policy Notes: Strengthening Institutions, Building Resilience and Enhancing Competitiveness	Macroeconomics, Trade and Investment	2021
P178021	Moldova: Gender Platform	Social Sustainability & Inclusion	2022
P176220	Moldova: GovTech Support	Governance	2022
P169217	Public Buildings Energy Efficiency Options Study	Energy & Extractives	2022
P177731	Moldova Digital Education Readiness Assessment	Education	2022
P175214	Public Finance Review	Macroeconomics, Trade & Investment	2022
P176894	SCD Update	Macroeconomics, Trade & Investment	2022
Not assigned	Country Private Sector Diagnostic (CPSD)	IFC	2022

Attachment 7: IFC's Committed and Outstanding Portfolio over the CPF Period

IFC's committed portfolio in Moldova stands at US\$1.6 million after several large recent prepayments. IFC's investments have spanned agribusiness, manufacturing, and infrastructure (municipal and telecom). During the CPF for FY18-FY22, IFC was assessing opportunities in key sectors, including manufacturing, retail, infrastructure, agribusiness, and tourism. Due to the small size of the economy and private sector base, unresolved banking sector issues, persistent governance gaps, and political turmoil, IFC has focused on the implementation of its ICR Project with the goal to increase Moldova's private sector market competitiveness and agriculture exports by improving the business enabling environment and taking full advantage of the Association Agreement / Free Trade Agreement with the EU.

Recently, IFC reengaged with the banking sector, signing an advisory agreement with one of Moldova's leading commercial banks, FinComBank, to improve its risk practices and promote digital transformation.

IFC Total and Committed Portfolio (US\$ million) as of June 3, 2022⁶⁴

Commitment Fiscal Year	Institution Short Name	LN Cmtd – IFC	LN Repayment – IFC	ET Cmtd – IFC	QL + QE Cmtd – IFC	GT Cmtd – IFC	RM Cmtd – IFC	ALL Cmtd – IFC	ALL Cmtd – Part	LN Out – IFC	ET Out – IFC	QL + QE Out – IFC	GT Out – IFC	RM Out – IFC	ALL Out – IFC	ALL Out – Part
1999/2001/2000	Orange Moldova	0	4.53	0	1.62	0	0	1.62	0	0	0	1.62	0	0	1.62	0
Grand Total:		0	4.53	0	1.62	0	0	1.62	0	0	0	1.62	0	0	1.62	0

⁶⁴ **LN:** Loan; **ET:** Equity; **QL:** Quasi-Loan; **QE:** Quasi-Equity; **GT:** Guarantee; **RM:** Risk Management; **Cmtd:** Committed; **Out:** Outstanding; **Part:** Participant (Finance partner that enters into a Participation Agreement or an Administered Facility Participation Agreement (AFPA) or an Administration Agreement or an Unfunded Risk Participation Agreement or a Facility Unfunded Risk Participation Agreement with IFC regarding a Financial Product. In some cases, could also include a Facility Credit Insurer. Related to Syndications.)

Attachment 8: MIGA Exposure over the CPF Period

MIGA's Portfolio as of June 30, 2022

Project name	Effective date	Expiration date	Investor	Sector	Gross Exposure (US\$ million)
ProCredit Mandatory Reserves	12/22/2020	12/21/2025	ProCredit Holding AG & Co. KGaA	Financial	19.8
Total					19.8

Annex 3: Selected Indicators of Bank Portfolio Performance and Management

<i>As of 12/19/2022</i>				
Indicator	FY20	FY21	FY22	FY23
				Year to Date (YTD)
Portfolio Assessment				
Number of Projects Under Implementation ^a	12	12	14	14
Average Implementation Period (years) ^b	3.6	4.6	4.3	5.3
Percent of Problem Projects by Number ^{a, c}	41.7	16.7	7.1	7.7
Percent of Problem Projects by Amount ^{a, c}	31.6	10.4	3.4	3.5
Percent of Projects at Risk by Number ^{a, d}	41.7	16.7	7.1	7.7
Percent of Projects at Risk by Amount ^{a, d}	31.6	10.4	3.4	3.5
Disbursement Ratio (%) ^e	14.0	26.2	9.9	3.7
Memorandum Item		Since FY80		FY18-FY22
Project Evaluations by the Independent Evaluation Group (IEG) by Number		49		2
Project Evaluations by IEG by Amount (US\$ millions)		972.0		69.4
% of IEG Projects Rated Unsatisfactory (U) or Highly Unsatisfactory (HU) by Number		20.8		0.0
% of IEG Projects Rated U or HU by Amount		20.8		0.0
<p>a. As shown in the Annual Report on Portfolio Performance (except for current FY).</p> <p>b. Average age of projects in the Bank's country portfolio.</p> <p>c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).</p> <p>d. As defined under the Portfolio Improvement Program.</p> <p>e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.</p> <p>* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.</p>				

Annex 4: Operations Portfolio (IBRD/IDA and Grants)

Table 1. Moldova: Projects under Implementation (as of 12/21/2022)

Project ID	Project Name	Bank Approval Date	Revised Closing Date	Age (Months)	Lending Inst. Type	Net Commitments (US\$M)				Undisb. Bal. (US\$M)
						Total	IBRD	IDA	Others	
P118518	Moldova Agriculture Competitiveness Project	01-May-2012	31-Dec-2024	127.7	IPF	55.0	0.0	55.0	0.0	13.6
P127388	Moldova Education Reform Project	24-Jan-2013	31-Dec-2022	118.9	IPF	50.0	0.0	50.0	0.0	2.7
P127734	Tax Administration Modernization Project	06-Jun-2016	30-Nov-2023	78.5	IPF	20.0	12.6	7.4	0.0	0.1
P148537	Modernization of Government Services in the Republic of Moldova	22-Aug-2017	30-Jun-2023	63.9	IPF	20.0	5.0	15.0	0.0	11.7
P150357	Local Roads Improvement Project	30-Oct-2015	31-Mar-2023	85.7	IPF	80.0	0.0	80.0	0.0	15.8
P160829	Moldova Power System Development Project	08-May-2019	31-Aug-2024	43.4	IPF	70.0	0.0	70.0	0.0	58.7
P161238	Land Registration and Property Valuation Project	30-Aug-2018	30-Jun-2024	51.7	IPF	28.1	0.0	28.1	0.0	21.2
P167790	Higher Education Project	05-Mar-2020	31-Dec-2025	33.5	IPF	39.4	0.0	39.4	0.0	36.1
P172668	Second District Heating Efficiency Improvement Project	18-Jun-2020	31-Dec-2025	30.0	IPF	100.0	100.0	0.0	0.0	99.7
P173076	Moldova Water Security and Sanitation Project	31-Jan-2022	31-Jan-2027	10.6	IPF	50.0	0.0	50.0	0.0	42.8
P173776	Moldova Emergency COVID-19 Response Project	24-Apr-2020	30-Apr-2023	31.8	IPF	87.9	0.0	87.9	0.0	31.8
P175640	Moldova Emergency Response, Resilience, and Competitiveness DPO	02-Jun-2022	31-May-2023	6.6	DPF	150.0	43.0	107.0	0.0	0.0
P177895	MSME Competitiveness Project	27-Jun-2022	02-Aug-2027	5.7	IPF	50.0	18.6	31.4	0.0	49.5
P180359	Moldova Emergency Response, Resilience, and Competitiveness Supplemental DPO	02-Dec-2022	01-Dec-2023	0.5	DPF	43.8	0.0	0.0	43.8 ⁶⁵	43.8
Total						844.2	179.2	621.2	43.8	427.5

⁶⁵ U.S. and Norway

Table 2. Moldova: Indicative IBRD Lending Program

Project ID	Project Name	FY	Len. Inst. Type	Total Comm. (US\$M)
P170035	Agriculture Governance, Growth and Resilience Investment Project	2023	IPF	55.0
P179086	Moldova Emergency Response, Resilience, and Competitiveness DPO2	2023	DPF	100.0
P179363	Education Quality Improvement Project	2023	IPF	40.0
P179280	Energy Efficiency and Sustainability Program	2024	IPF	100.0
P175199	Strengthening Moldova's Disaster Risk Management and Climate Resilience	2024	IPF	30.0
P180153	Road Safety and Transport Financing Sustainability Project	2024	IPF	80.0
P180306	Modernization and Improvement of Rehabilitation Services Project	2024	IPF	40.0
	Development Policy Operation ⁶⁶	2024	DPF	40.0
Total				485.0

Table 3. Moldova: Ongoing and Planned Advisory Services and Analytics (ASA) (as of 12/21/2022)

Task ID	Task Name	Lead GP/Global Themes	ACS Completion Date
P179921	Moldova Climate Change and Resilience Review	Environment, Natural Resources & the Blue Economy	26-May-2023
P179924	Assessment of Impacts and Needs Arising from Forced Displacement in Moldova	Social Sustainability and Inclusion	31-May-2023
P179866	Moldova CEM	Macroeconomics, Trade and Investment	15-Jun-2023
P179842	Moldova Poverty Assessment	Poverty and Equity	23-Jun-2023
P170841	Moldova Financial & Private Sector Monitoring / TA	Finance, Competitiveness and Innovation	30-Jun-2023
P171130	Towards Universal Health Coverage in Moldova	Health, Nutrition & Population	31-Dec-2023
P179925	Gender and Social Inclusion PASA	Social Sustainability and Inclusion	30-May-2025
	Country Climate and Development Report ⁶⁷	Environment, Natural Resources & the Blue Economy	

⁶⁶ P code to be created by end-FY23.⁶⁷ P code to be created by end-FY23.

Annex 5: Statement of IFC's Held and Disbursed Portfolio

IFC's Committed & Outstanding Investment Portfolio/Program – December 2022 (Values in US\$M)										
Industry	Institution	Project ID	Loan	Equity	Quasiloan/ Equity	Guarantees and Risk Mgmt	Total Committed	Total Outstanding (IFC's Own Account)	Core Mobilization*	Total Program (Committed + Mobilizations)
Financial Institutions Group (FIG)			0	0	0	0	0	0	0	0
TOTAL FIG			0	0	0	0	0	0	0	0
Infrastructure (INFRA)	Orange Moldova	51968	0	0	1.6	0	1.6	1.6	0	1.6
TOTAL INFRA			0	0	1.6	0	1.6	1.6	0	1.6
Manufacturing, Agribusiness, and Services (MAS)			0	0	0	0	0	0	0	0
TOTAL MAS			0	0	0	0	0	0	0	0
TOTAL PORTFOLIO			0	0	1.6	0	1.6	1.6	0	1.6

**Core Mobilization contains four categories: Traditional, IFC Initiatives, Asset Management Company mobilization, and Public-Private Partnership Mobilization.*

Annex 6: MIGA's Guarantee Portfolio

(As of December 23, 2022)

Project name	Effective Date	Expiration Date	Investor	Sector	Gross Exposure (US\$M)
ProCredit Mandatory Reserves	12/22/2020	12/21/2025	ProCredit Holding AG & Co. KGaA	Financial	19.7
Total					19.7