



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 24-Jan-2025 | Report No: PIDIC00174



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies) Moldova	Operation ID P507576	Operation Name Moldova Supporting Economic Opportunities and Climate Resilience DPO	
Region EUROPE AND CENTRAL ASIA	Estimated Approval Date 27-Mar-2025	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing (DPF)
Borrower(s) Republic of Moldova	Implementing Agency Ministry of Finance		

Proposed Development Objective(s)

This DPO aims to foster economic opportunities by promoting labor force participation and private sector-led development, and enhance climate resilience.

Financing (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Total Financing	90.00
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DETAILS

Total World Bank Group Financing	90.00
World Bank Lending	90.00

Decision



B. Introduction and Context

Country Context

The multiple crises faced in recent years have revealed the weaknesses in Moldova’s growth model, underscoring the urgent need for a fundamental transformation. Despite strong economic performance and poverty reduction over the past two decades, Moldova remains one of Europe's poorest nations. The COVID-19 pandemic and Russia's invasion of Ukraine have revealed vulnerabilities in Moldova’s economic growth model, triggering high inflation and an energy crisis given its near-total energy import dependence, straining household purchasing power and government resources. The recent expiry of the Gazprom gas transit agreement via Ukraine has exacerbated these vulnerabilities, resulting in an energy price shock and potential gas and electricity shortages. Even before the recent crises, the remittances-driven growth model has failed to nurture structural transformation and proven detrimental to productivity, competitiveness, and job creation. Furthermore, the country is highly exposed to climate change due to its strong reliance on drought-prone agriculture, which is already causing significant welfare and distributional effects, exacerbating existing inequalities. Moldova's medium-term outlook hinges on the implementation of structural reforms and progress towards EU accession, with its recent EU candidate status offering a unique opportunity to overcome barriers to accelerated growth.

A proposed standalone Development Policy Operation (DPO) supports the Government of Moldova’s efforts to enhance economic opportunities and strengthen climate resilience while aligning with EU standards. The DPO consists of two pillars: supporting economic opportunities (Pillar 1) and climate resilience (Pillar 2). The operation builds on the reform program supported under the FY22-23 “Moldova Emergency Response, Resilience, and Competitiveness” DPO series (P175640, P179086, P180359), and the FY24 “Supporting Growth and Resilience” DPO (P181479).

Relationship to CPF

The operation is consistent with the WBG CPF FY23–FY27 discussed by the Board on March 14, 2023 (Report No. 177939-MD) as part of the WBG’s broader effort to support the authorities in their response to the immediate impact of the combined energy and refugee crises, and efforts to build resilience against future shocks. The design of the operation reflects the lessons learned in the implementation of previous operations, as reflected in the CPF Completion and Learning Review (CLR). The proposed DPO is complemented by the Bank’s technical assistance and analytical work, including a Country Economic Memorandum, a Public Finance Review, and a Country Climate and Development Report.

C. Proposed Development Objective(s)

This DPO aims to foster economic opportunities by promoting labor force participation and private sector-led development, and enhance climate resilience.

Key Results

Results intended to support economic opportunities aim at: (i) increasing the number of children benefiting from new preschool financing; (ii) integrating more foreigners and displaced persons into the labor market; (iii) expanding dual education for students; (iv) boosting the share of restructuring cases in insolvency filings; and (v) increasing simplified notifications for state aid and mergers.

To support climate resilience, this DPO aims at five key results: (i) increasing the share of electricity from renewable energy sources in overall consumption; (ii) enabling additional renewable energy capacity; (iii) boosting the number of certified solid biomass producers; (iv) increasing the registration of farmers in agricultural chambers; and (v)



enhancing the registration of farmers in the farmers register.

D. Concept Description

The proposed operation aims to achieve its policy objectives through two pillars, the first of which aims to support economic opportunities. The operation supports reforms to promote employment and skills development by expanding access to high-quality preschool education and care services, creating employment opportunities for displaced persons, and introducing dual education in universities. It further seeks to foster private sector development and create a favorable business environment by enhancing the insolvency framework, strengthening the framework for competition and state aid, and ensuring financial stability through the consolidation of the Bank Recovery and Resolution framework. These measures align with the government's medium-term strategy, European Moldova 2030, which highlights the need for long-term human and social capital development and productivity growth to facilitate a smooth transition to EU requirements.

The second pillar of the operation aims to improve climate resilience, in line with the objectives of European Moldova 2030 for a healthy environment. It supports reforms to improve energy security and efficiency, with a focus on the National Energy and Climate Plan (NECP) and promoting the uptake of renewable energy. Further, it promotes climate-smart agriculture by revitalizing essential extension and advisory services, including through the establishment of a Farmer Register Information System.

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

Poverty and Social Impacts

The proposed operation is expected to have overall positive poverty and social impacts. Reforms in early human capital development, job access for displaced workers, and linking higher education with job experience are expected to improve child development, increase labor participation among parents and displaced persons, and enhance job placement for graduates. Reforms aimed at supporting private sector development and creating a favorable business environment are likely to have positive or neutral distributional impacts by reducing markups, promoting innovation, indirectly contributing to job creation, and enhancing the stability of the financial system. Policies under Pillar 2, focused on enhancing energy efficiency and security, as well as improving incentives to invest in renewable energy, are expected to have positive indirect impacts by reducing emissions, enhancing energy affordability, increasing resilience against energy price shocks, and potentially stimulating job creation. Climate-smart agriculture reforms are anticipated to improve agricultural livelihoods and mitigate the impact of natural disasters.

Environmental, Forests, and Other Natural Resource Aspects

The reforms supported through this DPO are expected to have a positive or neutral impact on Moldova's environment, forests, and other natural resources. Reforms under Pillar 1 are expected to be neutral or positive, while those under Pillar 2 are projected to have a positive long-term impact. Efforts to improve energy governance and promote renewable energy are expected to attract new investments in renewable energy generation and reduce GHG emissions. To avoid adverse impacts on land use, investors must carefully consider the locations for these investments.

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