

# *Social and Economic Impact Assessment of COVID-19 in Republic of Moldova*

*Deliverable 1 – Initial impact  
assessment report*

29 July 2020

Final version



UNFPA



COVID-19  
RESPONSE



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To: Andrea Cuzyova  
United Nations Development Programme – Istanbul Regional Hub  
Merkez Mahallesi, Abide-i Hürriyet Cd  
No:142, 34381 Şişli/İstanbul, Turkey

29th of July 2020

Dear Sir/ Madame,

This report has been prepared by PricewaterhouseCoopers Management Consultant SRL (“PwC”) for United Nations Development Programme (“UNDP”) under the terms of the Task Order number 17 under the Long Term Agreement UNDP-IRH-CS-2018-01 Strategic Consultancy Services (the “Contract”) and its contents are strictly confidential.

This report has been prepared for the purposes of “Social and Economic Impact Assessment of COVID-19 in Republic of Moldova”.

The assignment was carried out from 21.05.2020 to 24.07.2020. Our work included: interviews and meetings with Client’s management and with stakeholders, analysis of documentation, desk research etc.

We draw your attention to important comments regarding the scope of our work, the purpose for which the advice is to be used, our assumptions and limitations in the information on which the advice set out in our report is based. Accordingly, this report may not have identified all matters that might be of concern to you.

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Sincerely yours,

Dinu Bumbacea

Partner Advisory Leader  
Mobile: +40 (723) 179 899  
Email: [dinu.bumbacea@pwc.com](mailto:dinu.bumbacea@pwc.com)  
PricewaterhouseCoopers Management Consultants S.R.L  
Ana Tower, 1A Poligrafiei Blvd, District 1, 013704 Bucharest, Romania

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## List of abbreviations

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<b>COVID-19</b>	The SARS-CoV2 respiratory virus
<b>EIB</b>	European Investment Bank
<b>ERBD</b>	European Bank for Reconstruction and Development
<b>ES</b>	Economic Sectors
<b>FAO</b>	Food and Agriculture Organization
<b>GDP</b>	Gross Domestic Product
<b>IOM</b>	International Organization of Migration
<b>MAI</b>	Ministry of Internal Affairs
<b>MFA</b>	Ministry of External Affairs and European Integration
<b>MOJ</b>	Ministry of Justice
<b>MSMPS</b>	Ministry of Health, Labour and Social Protection
<b>NBM</b>	National Bank of Moldova
<b>NBS</b>	National Bureau of Statistics
<b>NEA</b>	National Employment Agency
<b>ODIMM</b>	Organization for Small and Medium Enterprises Sector Development
<b>OHCHR</b>	Office of the United Nations High Commissioner for Human Rights
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>UNICEF</b>	United Nations International Children's Fund
<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>USAID</b>	United States Agency for International Development
<b>VG</b>	Vulnerable Groups
<b>WB</b>	World Bank
<b>WHO</b>	World Health Organization

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## Executive Summary

The socio-economic impact assessment of COVID-19 in the Republic of Moldova is led by UNDP, conducted with UNFPA, and in close collaboration with the rest of UN System agencies. PwC is the contracted partner, to conduct this study with focus on the most vulnerable groups and most affected business sectors.

As part of the UN’s response to the pandemic, UNDP Moldova is leading a UNDP Task Team on Socio-Economic Impact, which aims to support the Government, donor community and wider audience in assessing the immediate and projecting the medium-term and long-term impact of the COVID-19 outbreak.

### 1 Purpose and scope of the study

This document is the first of two reports agreed to be delivered. The purpose of this report is to provide an **initial impact assessment** of the pandemic on vulnerable people and business sectors, as it has unfolded up to the point of writing. This study covers: overview of baseline vulnerabilities and emerging findings of socio-economic impact, preliminary early anti-COVID-19 measures, and high-level policy guidelines.

The second report, which will be delivered in September, will include **the final impact assessment**, and will feature more in-depth analysis, based on multiple data sources that will become available in the upcoming weeks (including a series of surveys that will be instrumented by PwC, alongside UNDP). The analysis in the second report will also substantiate more specific policy recommendations, forming the basis for an integrated recovery strategy.

The impact of the COVID-19 outbreak on a small and open economy and a fragile local business community as the one in the Republic of Moldova is expected to be significant. Thus, a comprehensive response that leaves no-one behind must start by considering the most acute vulnerabilities of both the vulnerable population and economy. To this end, we have in scope a list of **7 vulnerable groups and 7 economic sectors** that will be examined in detail in the final report, which are presented in Table 1 below.

Table 1 - In scope entities for COVID-19 impact assessment in Moldova

Vulnerable Groups	Economic Sectors
> Children and youth	> Wholesale, retail trade (non-food)
> Poor households	> Transportation and storage
> Vulnerable women	> HORECA
> NEET youth	> Light industry
> Returning migrants	> Health
> Elderly population	> Education
> Freelancers	> Agriculture

Source: PwC analysis

### 2 Methodology and limitations

In order to arrive at the list in Table 1, an **initial scoping phase** was undertaken. Scoping started with a broad list of potential vulnerable groups and affected sectors and was narrowed down based on emerging themes from our research (vulnerability scorecard and economic impact scale modelling), as well as consultations with an extensive list of

stakeholders (both through interviews and questionnaires). A limitation particular to the vulnerable groups is the **inherent qualitative nature of relative vulnerability (that reflects the social values of a community at a certain point in time)**, which translates into difficulties comparing different groups.

Upon scoping, **analysis frameworks** for assessing socio-economic impact were defined, and the process proceeded to sourcing the data in order to apply the frameworks. For the vulnerable groups, we are drawing on the UN's socio-economic impact assessment (SEIA) toolkit in conceptualizing the incremental impact of the SARS-CoV2 virus from a multi-dimensional perspective. For the economic sectors, a model of impact will consider different scenarios based on evolution of the main macroeconomic and business variables.

The major limitation encountered for the initial impact assessment is the **availability of timely public data (2019 onwards)**. We have relied to a great extent on series from the National Statistics Bureau (NBS) for establishing baseline trends, specifically on the Household Budget Survey (HBS), the Labour Force Survey (LFM), and the economic statistics (including national accounts, trade and industry data). In addition, we have benefited from in-crisis research done by various UN agencies and international institutions (UNDP, UNFPA, UN Women, IOM, WHO, World Bank).

However, given the level of available data and the rapidly changing character of the pandemic, the current initial impact assessment report draws on rapid assessment principles, and thus relies on triangulation and secondary data for trend presentation and interpretation. The baseline vulnerabilities are explored; however, the full mobilization of the analysis frameworks will be reflected in the subsequent report.

In the second report, the analysis will be augmented with insights based on a comprehensive and structured set of indicators, from the following sources:

- The 2020 Q2 HBS results (including the ad-hoc module on COVID-19 influence on the household)
- Primary data based on a survey done for PwC (operated by a market research company) – featuring a module on the vulnerable groups and one on the economic sectors
- Anonymized telecom-based big/thick data of in-crisis behavioral patterns, provided by UNDP
- Micro-narratives, based on qualitative study, provided by UNDP

Based on the availability during the project timeline, other sources of data will be consulted, such as the UNICEF-driven study on impact of remittances on children, the economic impact study performed by the Economic Council of Prime-minister, the survey on COVID19 impact on businesses, run by Amcham Moldova and others.

The WHO has declared the coronavirus outbreak a pandemic on March 11<sup>th</sup>, 2020. Moldova reported the first local case of COVID-19 on March 7<sup>th</sup>, with the government declaring an emergency lockdown period for 60 days on March 17<sup>th</sup>. Containment and social distancing measures were imposed, such as: travel restrictions, suspension of schools, kindergartens, universities, restriction of commercial activities and services. Among the measures targeted at limiting the spread of the virus are: bans on large gatherings, remote working and schooling, prescribing hygiene protocols at home, in hospitals and public places, through the use of masks and protection equipment and cleaning of public spaces.

**Currently, the pandemic is still unfolding<sup>1</sup>.** As of 22<sup>nd</sup> of July, there were 21,798 total confirmed cases, out of which 14,856 recovered, 6,136 active cases and a death toll of 712.

**The infection rate has increased dramatically post-lockdown.** After initial containment progress, Moldova is currently seeing higher infection rates than peer countries (MD: 8,527 cases per million population; RO: 2,089; UA: 1,395), while testing lags behind some neighboring countries in the region.

**The COVID-19 pandemic has found the Moldovan economy in a vulnerable position.** An economic recession in 2020 seems imminent. The impact comes from two factors: External (decline in exports, remittances and FDI) and Internal (strict containment measures).

The COVID-19 pandemic started as a health crisis but has quickly shown a socio-economic dimension. Tackling COVID-19 is also a humanitarian and development crisis that is threatening to leave deep social, economic and political scars for years to come<sup>2</sup>.

Vulnerability is often understood as susceptibility to harm, that results from an interaction between the resources available to individuals and communities and the life challenges they face<sup>3</sup>. As such, **most pre-existing vulnerabilities have been exacerbated by the COVID-19 pandemic:**

- The inability of children to attend school will likely contribute to a further inequality of educational performance between pupils from socially advantaged pupils and socially disadvantaged ones, observed in PISA tests<sup>4</sup>. Despite government and donor efforts (for example the Studii.MD platform), there is still a baseline disparity in availability of equipment, such as tablet/computer/notebook (59.5% of households in 2019) or internet connection (60.8% of households were connected to the internet 2019, while the figure for rural areas was 51.3%).
- Children also have overlapping vulnerabilities, particularly when being part of a poor household. According to 2018 data from the National Statistics Bureau, households with 3+ children have the highest rate of absolute poverty among any group<sup>5</sup> – 42%, a starting point that, by virtue of low resources, limits their ability to adapt to the pandemic.
- Women have also been directly affected by the pandemic, with the Ministry of Health and Social protection reporting that the number of domestic-violence related calls has increased 30% YoY during and immediately after the lockdown period, a trend also confirmed by UN Women<sup>6</sup>. In addition, the Labor Force Survey has found as early as March that the pandemic has affected women more than men at the workplace<sup>7</sup>.
- The elderly population is at risk for isolation and loneliness during a time of social-distancing policies – a fact especially relevant when considering that 1 in 2 pensioner households is a single-person household. A joint exercise by UNFPA, RCO, OCHR

<sup>1</sup> Live official figures are compiled by Ministry of Health and are available at <http://gismoldova.maps.arcgis.com/apps/opsdashboard/index.html?fbclid=IwAR3z2zFLohMRQrvsDAzwwEADtnVdk7t6m2WmfFg48Wwd-Nl847NdWGzpEleg#/d274da857ed345efa66e1fbc959b021b>

<sup>2</sup> United Nations Development Programme - COVID-19 Integrated Response

<sup>3</sup> Mechanic and Tanner - Vulnerable People, Groups, And Populations: Societal View, Health Affairs Vol. 26, 2007

<sup>4</sup> Programme for International Student Assessment (PISA) – Moldova Country Note 2018

<sup>5</sup> National Statistics Bureau – The Level of Poverty in Moldova 2014-2018

<sup>6</sup> UN Women – COVID-19 and Ending Violence against Women and Girls, 2020

<sup>7</sup> National Statistics Bureau – Labour Force in Moldova: participation and unemployment in Q1 2020

and HelpAge International found that the mobility of the elderly was lower than younger individuals, while their unmet health needs higher<sup>8</sup>.

- NEET youth will have seen their prospects deteriorate as the pandemic effects linger on far beyond the lockdown phase. As the opportunity to migrate is restricted by the economic damage suffered by foreign countries, and remittances will decrease for the same reason, NEET may be constrained to further levels of inactivity. Also, any sustained weakness of the domestic labour market may make it an unattractive option for NEET youth. Thus COVID-19 may likely increase their skill fragmentation and decrease their resources.

In addition to the traditional vulnerable groups studied in the past, **“new vulnerable” have emerged out of the crisis:**

- Returning Migrants have been forced to return home or re-evaluate their work prospects, with informal workers having low legal protection and falling outside of the social safety nets. IOM has found that up to 255,00 migrants have a probable intention to return, and circa 79,000 of them manifested an intention to stay in Moldova for a longer period<sup>9</sup>. The same study found that for 118,000 households remittances constitute more than 50% of disposable income, highlighting the broader importance of migrants for the whole of society. Also, while the gross personal transfers reported by the National Bank of Moldova were -4% April YTD YoY, they have rebounded to +11% in May YTD YoY<sup>10</sup> most likely due to the inability to use the informal means of transferring the remittances to the end users, illustrating the complex dynamics, with decreases expected to follow in 2Q20 and onwards.
- Freelancers, while not being considered part of the traditional vulnerable, have found themselves in a difficult position. Craftsmen, small entrepreneurs and micro-enterprises have seen decline in sales, restricted access to raw materials and decline in domestic demands and have serious concerns about declines in liquidity/cashflows<sup>11</sup>. It is to be noted that the average self-employed income is only 53% of the average salary for persons self-employed in agriculture and 82% for self-employed in sectors outside of agriculture<sup>12</sup>, thus many freelancers will not have access to bank financing, which opens a channel of vulnerability towards unmet non-financial needs.

Besides the cluster of measures aimed at limiting the spread of the virus, the government has also enacted measures aimed towards the mitigation of socio-economic impact:

- income increases (for front-line workers)
- unemployment assistance (extended coverage for the ‘Ajutor Social’ programme to include self-employed and some non-contributors; extension of the unemployment assistance fund)
- devices for remote schooling (in assistance with development partners)
- workplace safeguards

**These measures have targeted the vulnerable to some extent, but their sufficiency is yet to be determined in the subsequent deep dive impact assessment.**

On the policy front, preliminary guidelines for the short term would include:

<sup>8</sup> UNFPA – Impact of COVID-19 on older persons: risks and vulnerabilities, 2020

<sup>9</sup> UNFPA – Impact of COVID-19 on older persons: risks and vulnerabilities, 2020

<sup>10</sup> National Bank of Moldova – Personal transfers – Bruto series

<sup>11</sup> Expert Group – Needs Assessment and Evaluation of COVID-19 impact on MSMEs

<sup>12</sup> National Statistics Bureau – Household Budget Survey 2019

- **Direct financial support for poor households**, with special consideration towards poor children, unemployed women, and elderly from poor households.
- **Social measures are vital in a comprehensive package**. Recommendations move beyond direct financial measures towards: subsidies for utilities, food and body hygiene packages, unemployment assistance, state guarantee schemes for bank loans for freelancers, assistance for victims of domestic violence, psychological assistance, encourage flexible working hours and remote working for employed mothers, medical assistance, vouchers, etc.
- **Facilitating access to education** for children and youth, as well as **specialization and vocational trainings** for NEET and vulnerable women.

On the medium and long term, preliminary guidelines would feature:

- **Introduction of fiscal or financial incentives for employers who hire unemployed, returned migrants, NEET youth**, in order to incentivize companies to employ people who have lost their jobs due to the pandemic
- **Financial support and consultancy in setting-up new businesses and professional reintegration support** (career guidance, vocational training, requalification), support in validation and certification of informal skills gained abroad in order to facilitate reintegration in the economy for returning migrants
- **Preparation of the workforce for the future and investment in digitalization**, by offering grants for companies that invest in workspace digitalization and invest in training their employees in order to be able to sustain the shift to online business

In the early stages of the pandemic, the Moldovan Government adopted a set of sound measures meant to protect and stimulate companies from all economic sectors. **Some of the most impacted economic sectors have benefitted from targeted measures**, such as healthcare, HORECA, transportation, agribusiness, and constructions.

**Key development partners, such as UN institutions, World Bank, EU, EBRD, USAID have contributed actively to the anti-COVID19 measures**, providing strong support especially in healthcare, agribusiness and for SMEs. The Organisation for Small and Medium Enterprises Sector Development (ODIMM) implemented a package of initiatives, targeting SMEs, young entrepreneurs, women in business and Moldovan citizens working abroad.

Future governmental measures need to be formulated by **constantly taking into consideration and adapting to the pandemic evolution**. While GDP expanded +0,9% YoY in 1Q20, **the extent of the fallout is expected to be visible in 2Q20**, with the early labor market signals already reflecting the worsening of the situation as early as March. Some preliminary policy recommendations would include:

- **Constant support to the healthcare system is a key-element for the near future**. The already in place mix between development partners' initiatives, providing funding for medical equipment and supplies, and governmental stimulation packages for medical personnel is recommended to continue.
- **Mobility related health protocols and standards need to be drafted by the Moldovan Government and agreed upon with main international trade partners**, as well as with countries where large numbers of Moldovan

## 5

### Impact of COVID-19 on economic sectors

citizens are currently living, in order to enable both goods and personnel transportation in the next months

- **Financial stimulation measures should particularly target the most impacted economic sectors**, such as HORECA, manufacturing, transportation, non-food retail, arts and entertainment. Providing credit guarantees not only for SMEs, but also for large companies may provide a resilient tool for the economic recovery.
- **Micro-enterprises, particularly those in the rural area, should be targeted by dedicated governmental grants** meant to support their working capital.
- **Large governmental investments should be reprioritized**, according to the new economic environment, **and accelerated**,
- **Digitization, teleworking and flexible working should be stimulated**, both at state authorities level and in the private sector<sup>13</sup>. **Implementing e-commerce solutions**, both at national and international level, **should be encouraged** by adopting simplified, clear and predictable legislation, as well as by providing training programs, funded by international donors.
- **Governmental aid measures should also target those companies reintegrating employees** previously subject to technical unemployment and **hiring personnel from the vulnerable groups**.

## 6

### Next Steps

PwC is working closely with UNDP on the next phases of the project, which are presented below in table 2. The time span presented is provisional, with the main contingency being the ability to instrument the data collection process.

Table 2 - Next Steps in evaluating the socio-economic impact of COVID-19

Time span	Actions
Late July 2020-Mid August 2020	Data collection – secondary sources
Late July 2020 -Mid August 2020	Data collection – survey Vulnerable Groups/Economic Sectors
Mid August 2020 - Late August 2020	Analysis
Early September 2020	Consultations and reviews
Mid September 2020	Final report

Source: PwC analysis

As soon as the data is collected, the analysis will start, with emphasis on establishing the baseline picture and the incremental impact arising from the surveys. Consultations with stakeholders will present the main findings and seek feedback, before submission of final report is completed.

<sup>13</sup> Amcham Moldova Survey July, 2020

## Introduction

COVID-19 outbreak has affected states and communities all around the globe, in more than 7 months since the first announced cases of infection. The impact of the outbreak on a small and open economy and a fragile local business community as the one in the Republic of Moldova is expected to be significant. The vulnerable groups in Moldova will disproportionately suffer from the crisis and the losses due to the rising income and non-income inequalities will affect the modest, yet positive, achievements of the country and its people when it comes to achieving the localized SDGs. The crisis is expected to transform the business environment with new business models being expected to emerge, once solid supply chains will disappear, and new ones will be established. The local authorities of Moldova prepared a set of specific targeted immediate response measures for the duration of the State of Emergency to support the most vulnerable people and the business community. However, there is no post-COVID 19 recovery strategy yet in place.

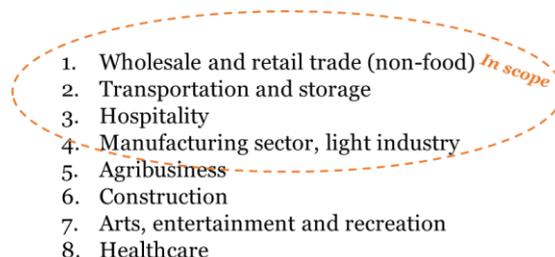
UNDP Moldova, through its Task Team on Socio-Economic Impact, aims to support the Government in assessing the immediate social, economic and environmental impact of the COVID-19 outbreak on the most vulnerable groups of population living in Moldova, as well as on the local business community. Based on the impact assessed, UN will support to the Government in the development of specific policy recommendations for the post-COVID-19 recovery plan, in projecting medium-term and long-term measures.

The purpose of this study is to identify a list of vulnerable groups and economic sectors which have been most exposed to and hit by the effects of the COVID-19 outbreak, identify a short list from each category which will be subject of a deep analysis, present an initial assessment of the impact and define high-level preliminary policy recommendations.

Figure 1 Vulnerable groups list

- 
1. Children & youth
  2. Poor households
  3. Vulnerable women
  4. NEET youth
  5. Returning migrants
  6. Elderly
  7. Freelancers/ small entrepreneurs
  8. Minorities
  9. People with disabilities
  10. Unemployed
  11. Healthcare workers
  12. Mental illness

Figure 2 Economic sectors list

- 
1. Wholesale and retail trade (non-food)
  2. Transportation and storage
  3. Hospitality
  4. Manufacturing sector, light industry
  5. Agribusiness
  6. Construction
  7. Arts, entertainment and recreation
  8. Healthcare

Source: PwC analysis

Note: For economic sectors: Agriculture, Education and Healthcare will be included in the in-depth analysis

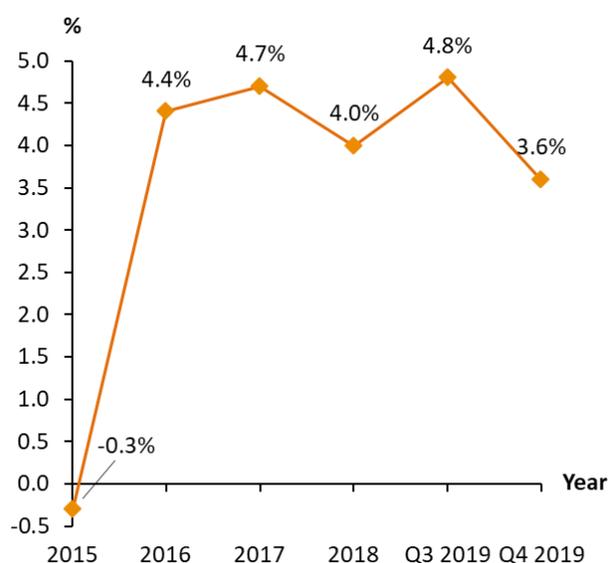
# 1. COVID-19 pandemic impact in Moldova – General landscape

## Pre COVID-19 situation

The economy of the Republic of Moldova has managed to recover significantly after the financial crisis led by the banking sector in 2014. The year-to-year growth was over 4% in each of the four years to 2018. In the first three quarters of 2019, the GDP has registered an increase of 4.8%, driven mainly by investments in the construction sector and private consumption, however the political turmoil in last quarter of 2019 had caused the economy to shrink sharply, ending at 3.6%.

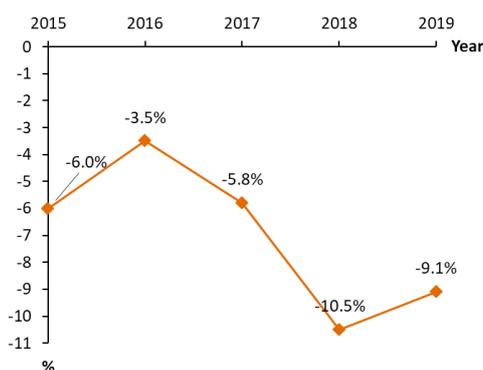
Private consumption was supported by robust remittances from working migrants of USD 1.81 bn during 2019<sup>14</sup>, as well as by benefits during the election cycle: higher wages and social benefits. The Moldovan economy is dependent on agricultural exports; however, these were not able to offset the imports growth, therefore the current account deficit has widened as the economy increased. The remittances inflows were also not strong enough to soften the deficit. There is a growing inflationary pressure, reaching 4.9% in 2019 despite a comeback of 3.1% in 2018.

Figure 3: GDP Y/Y growth, 2015-2019 [%]



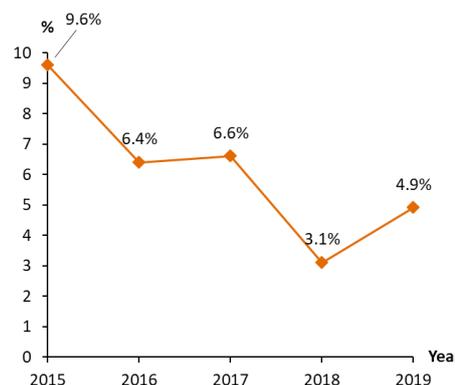
Source: Eurostat

Figure 4: Current account balance, 2015-2019 [% of GDP]



Source: European Commission

Figure 5: Inflation rate, 2015-2019 [%]



The population of Moldova is on a decreasing trend for the past years, triggered by large-scale migration of people seeking jobs and higher income, as well as by decreasing fertility rates. Meanwhile, the life expectancy is slowly increasing, to 66.8 years in 2019 (from 65 years in 2014) for men and to 75.1 years in 2019 (from 74 years in 2014) for women<sup>15</sup>. Despite lagging behind the European Union, where life expectancy is 75 years for men

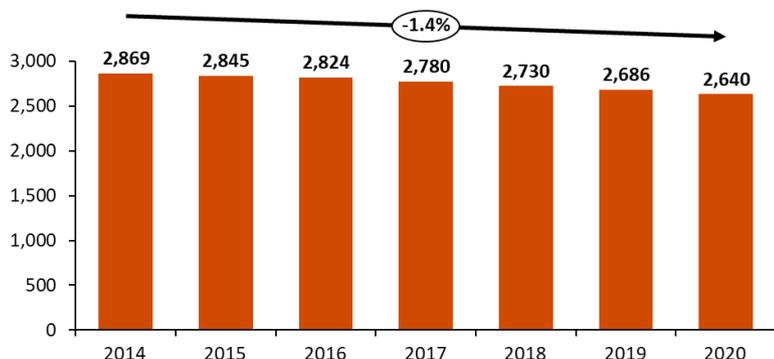
<sup>14</sup> National Bank of the Republic of Moldova

<sup>15</sup> National Bureau of Statistics

and 82 years for women<sup>16</sup>, an increasing life expectancy leads to growing elderly people, which combined with the decreasing trend of the population, puts pressure on the pension system, a restrain on the available labor force and affects the long-term competitiveness of the county<sup>17</sup>.

Another consequence to the intensive internal and out-migration is the growing urbanization, with Chisinau being a pole of attraction for jobseekers, investors and enterprises.<sup>18</sup>

Figure 6 Population of Moldova, 2014-2020, [number]

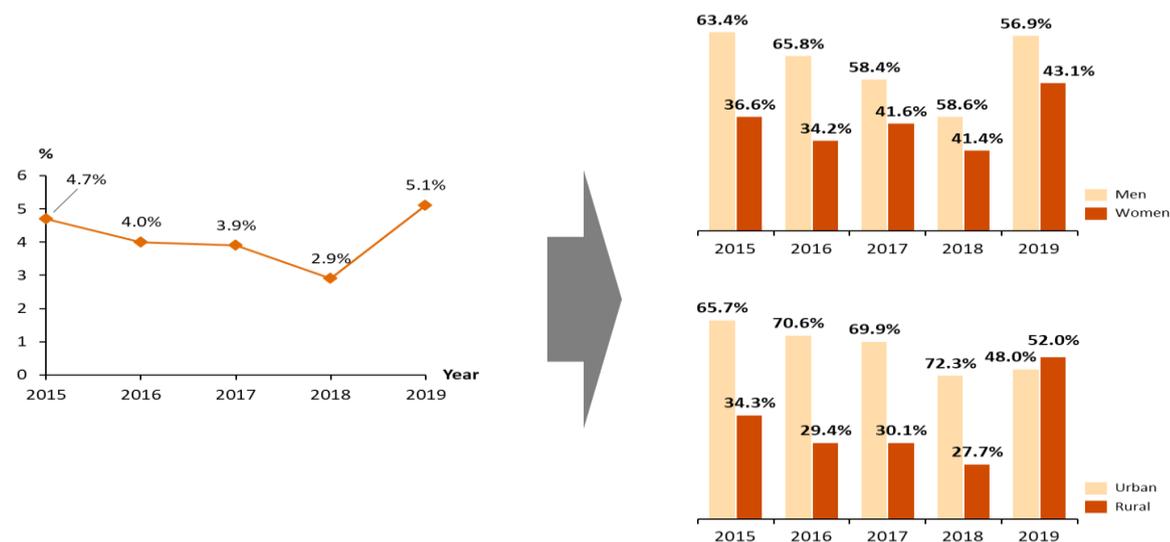


Note: Data for 2020 are estimates

Source: National Bureau of Statistics

In 2019 the unemployment rate has seen sharp increase to 5.1%, emphasized mainly in rural areas. A higher unemployment rate was registered among men, with 56.9% of the total unemployment, while the rate among women was 43.1%.

Figure 7: Unemployment rate evolution 2015-2019 [%]



Source: National Bureau of Statistics of the Republic of Moldova, Labour Force Survey

The National Bank of Moldova has applied a gradual decrease of the reference interest rate to support demand: from 7.50% in July 2019 it now reached 3.25%.<sup>19</sup>

<sup>16</sup> <https://www.statista.com/statistics/274514/life-expectancy-in-europe/#:~:text=The%20average%20life%20expectancy%20in%20Western%20Europe%20was%2079%20years,years%20for%20females%20in%202019.&text=The%20difference%20in%20life%20expectancy,women%20outliving%20men%2C%20on%20average.>

<sup>17</sup> <https://www.worldbank.org/en/country/moldova/overview>

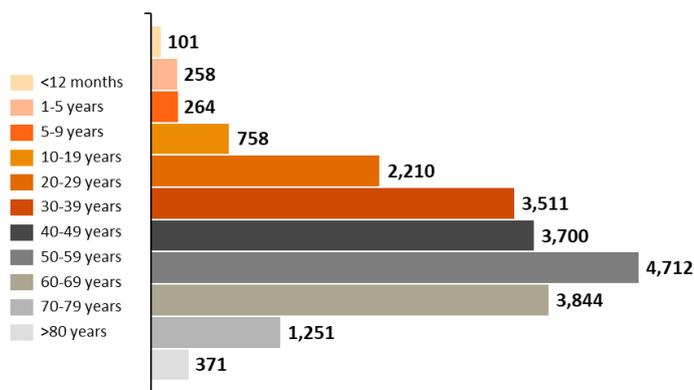
<sup>18</sup> UNDP, Inequalities in urban and rural Moldova, 2020

## COVID-19 pandemic

The coronavirus epidemic started in Wuhan, China in December 2019, and has spread to Europe at the end of January 2020. The Moldovan authorities adopted on February 2<sup>nd</sup> its first government decision regarding increased vigilance and monitorization. On February 24<sup>th</sup>, when global cases reached close to 80,000 cases and a death toll of 2,500, yellow code was installed in the Republic of Moldova. The first local case of COVID-19 was reported on March 7<sup>th</sup> and from that point the government has installed a red code with strict containment and social distancing, such as: travel restrictions, suspension of schools, kindergartens, universities, as well as restriction of group gatherings, restriction of commercial activities and services, except retail food industry, pharmaceuticals and oil industry. As of May 15<sup>th</sup>, the government has opted for relaxing the activities and containment measures while keeping 1-meter distance, in line with the strategy adopted by the majority of countries in Europe.

As of 22<sup>nd</sup> of July, there are a total of 21,789 confirmed cases, out of which 16,174 are recovered, 4,911 are active cases and a death toll of 713 (please follow this weblink for [Daily status on COVID-19 in Moldova](#)<sup>20</sup>). The spread of the virus has been under control during the start of the pandemic and for one month there were under 100 new cases per day. Until 13<sup>th</sup> of May, the number of new cases was at a decent level, however after that day the spread rate has become worrying, reaching 356 new cases on 22<sup>nd</sup> of July. Such a rapid pace puts a huge pressure on the health system and risks being overwhelming for the current capacity. The strain on the health system also depends on the share of people aged over 60 in total population, as the infection with COVID-19 seems to be more severe for people in this age group. The Republic of Moldova has an increasingly aging population, but the COVID-19 infection rate on the population over 60 years old is of 26% out of the total infection cases, while in Italy, which was the most affected, the total infection rate for the same age category is of over 50%<sup>21</sup> (as of 30<sup>th</sup> of June). From this point of view, the situation in Moldova proves to be similar to the one in Romania, where the number of cases on the population over 60 years old represent 28% of the total cases<sup>22</sup>.

Figure 8: COVID-19 cases by age group, 20<sup>th</sup> of July 2020 [number]



Source:

<http://gismoldova.maps.arcgis.com/apps/opsdashboard/index.html?fbclid=IwAR32zFLohMRQrvsDAzwwEADtnVdk7t6m2WmfFg48Wwd-Nl847NdWGzpEleg#/d274da857ed345efa66e1fbc959b021b>

Nevertheless, while the growth of new cases was tempered during the lockdown, from March onwards, once the COVID-19 containment measures and the state of emergency were introduced, it has been observed that the level of cases started to increase once the measures were eased.

<sup>19</sup> National Bank of the Republic of Moldova

<sup>20</sup>

<http://gismoldova.maps.arcgis.com/apps/opsdashboard/index.html?fbclid=IwAR32zFLohMRQrvsDAzwwEADtnVdk7t6m2WmfFg48Wwd-Nl847NdWGzpEleg#/d274da857ed345efa66e1fbc959b021b>

<sup>21</sup> <https://www.statista.com/statistics/1103023/coronavirus-cases-distribution-by-age-group-italy/>

<sup>22</sup> <https://www.statista.com/statistics/1104592/romania-covid-19-infections-by-age-group/>

As the numbers are still in a development phase, with COVID-19 cases still not stabilized, sharp deterioration is expected. Cumulated with an economic lockdown and travel restrictions, the estimations are that the country will record a severe drop in disposable income, also impacted by fall in remittances, and further reduction of private consumption. A significant dimension that should be considered is poverty, accentuated by COVID-19. In practical terms, Moldova needs sustained actions to create jobs and lift more people above poverty line.

## COVID-19 pandemic impact

The COVID-19 pandemic has found the Moldovan economy in a vulnerable position and an economic recession in 2020 seems imminent<sup>23</sup>. The impact comes from two factors:

- A. External: decline in exports, remittances and direct investment
- B. Internal: strict containment measures

### External factors

**Exports & Imports** will decline faster than imports due to a slowdown of demand from partner countries, as a shrink in economies.

Figure 9: COVID-19 cases in top 5 importers and exporters

Top 5 import partners			Top 5 export partners		
Country	Total amount 2019 (thousand USD)	COVID-19 total cases (as of 18 <sup>th</sup> , 19 <sup>th</sup> or 20 <sup>th</sup> of July)	Country	Total amount 2019 (thousand USD)	COVID-19 total cases (as of 18 <sup>th</sup> , 19 <sup>th</sup> or 20 <sup>th</sup> of July)
Romania	841,179	38,139	Romania	765,413	38,139
Russian Federation	691,797	777,486	Italy	267,047	244,434
China	602,248	85,921	Russian Federation	249,876	777,486
Ukraine	568,964	59,493	Germany	245,960	201,823
Germany	484,247	201,823	Turkey	175,543	219,641

Source: National Bureau of Statistics Moldova

**Remittances** are expected to drop due to reduced economic activity in the countries where migrants worked. According to the National Bureau of Statistics, 24.7% of the households received remittances in 2018 and they constitute over half of the disposable income<sup>24</sup>. Oxford Economics estimates that the drop-in remittances will be of 24-27%. Furthermore, migrant workers are expected to return home due to job loss, increasing even more the unemployed group in Moldova. According to International Organization for Migration in its study on rapid assessment on the impact of COVID-19 on the well-being of Moldovan emigrants, 83% of the surveyed migrants reported that they have been affected by COVID-19 by losing jobs and/ or homes due to income decrease. Therefore, these people need to be reintegrated in the economy.

Declining exports and remittances will widen the current account deficit, which is already high, at almost 10% of GDP. Thus, the Republic of Moldova will have to continue to secure appropriate funding.

<sup>23</sup> World Bank, Oxford Economics, German Economic Team

<sup>24</sup> Oxford Economics, Republic of Moldova, Bracing for domestic and external Covid-19 shocks, 29 April 2020

## Foreign direct investments

Moldova ranks 48th out of 190 economies in terms of ease of doing business in the World Bank's 2020 Doing Business report (losing one position compared to the previous edition). The country can represent a bridge between Western and Eastern European markets, however the political and economic environment might cause challenges to potential investors, making it not so attractive.

According to the National Strategy for Investment Attraction and Export Promotion 2016-2020 seven priority sectors were identified for investment and export promotion: agriculture and food, automotive, business services such as business process outsourcing (BPO), clothing and footwear, electronics, information and communication technologies (ICT), and machinery.

As regards the foreign direct investments (FDIs) inflows in Moldova, they have reached USD 589 mn in 2019, up from USD 308 mn the previous year.<sup>25</sup> The total inflows stock reached USD 4.8 bn in 2019, the main source being from European countries.

FDIs have decreased during the COVID-19 pandemic and expected to remain low during 2020. The stock of foreign exchange inflows was depleted by 6% at the end of April but will still cover more than 5 months of imports.<sup>26</sup>

## Internal factors

The local authorities of many countries around the globe have applied strict containment measures, as a precaution or as a consequence to the spread of coronavirus. The Republic of Moldova has also adopted a plan to protect the population of the country from the spread of COVID-19 pandemic, limiting the movement of the population to their homes and surroundings and heavily reducing the interaction between individuals. The immediate effect was the increase of unemployment and lower income, which has led to poverty increase in households. Therefore, private consumption has dropped as an effect of unemployment, but also because individuals who did not have their income impacted opted to reduce spending amid insecurity environment. As the economy of Moldova is driven by consumption, 85% of GDP<sup>27</sup>, this is expected to significantly impact the GDP evolution. Despite lower growth, inflation is expected to remain high<sup>28</sup>. Furthermore, some economic sectors are directly impacted by the lockdown measures, such as: restaurants, leisure facilities, tourism and travel.

Due to the spread of the coronavirus at a global level and the heavy consequences on the global economy, the Republic of Moldova might face commodity shortages and in most of the cases this will lead to replacement of missing products. Furthermore, the domestic prices might increase considering the strain put on the supply chain. Restricting human interaction might also cause a shift in buying habits such as replacing resellers with online stores or increase payments with cards.

Shifting funds from certain categories, such as infrastructure, to support health-related interventions, unemployed and firms will represent a draw back in the development of the country since many economic sectors depend on improved infrastructure systems.

Greater disruptions are expected to be felt in the country from a social point of view due to the following:

- i) Elderly population does not have access to internet or does not have the necessary skills and abilities to perform certain actions and therefore they might be excluded from certain modifications, such as: online interaction with state institutions, providing certain products online mainly, etc. This is emphasized as well by the requirements of physical presence at the public authorities' premises, when requesting a public service and the impossibility to be represented by a relative.

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<sup>25</sup> UNCTAD, World Investment Report 2020

<sup>26</sup> <https://www.worldbank.org/ro/country/moldova/brief/moldova-economic-update>

<sup>27</sup> Oxford Economics, Republic of Moldova, Bracing for domestic and external Covid-19 shocks, 29 April 2020

<sup>28</sup> World Bank

- ii) Children's education pace is slowed down due to shifting classes to online channels, since not everyone has access to internet, and learning pace might not be at the same level.
- iii) More pressure will be placed on working mothers as schools and kindergartens are closed.
- iv) Domestic violence might increase, impacting mainly children and women, due to higher stress levels from lockdown measures, unemployment and income decrease.

While there is great uncertainty about the depth and duration of this downturn, as external shocks hit the system, the nature of this crisis means that many employees or self-employed are grappling with a basic human emotion: fear.

COVID-19 outbreak has spread at a global level and it has hit the population, the economies and the state on different dimensions. Some social categories and economic sectors have been affected by a direct impact of the pandemic, while others by the domino effect in the economy and the society.

### Vulnerable categories

Various vulnerable groups and subcategories have been assessed for the preparation of this study, based on literature reviews, assessment of ongoing initiatives, and stakeholder consultations. Following the working sessions with UNDP Task Team a broad list of groups was narrowed down to twelve groups which were evaluated in a structured scorecard. The scorecard was built across four measures, each with different weight: pre-existing vulnerability (30% weight), impact strength (30% weight), impact duration (30% weight), population pool (10% weight). As a result of the scorecard, five categories are highly impacted: children & youth, NEET youth, poor households, vulnerable women and returning migrants. At UNDP's request, the list of vulnerable groups was extended to include elderly and freelancers/small entrepreneurs, based on their multi vulnerabilities impacts, that must be addressed and are exacerbated by the pandemic.

- **Children & Youth:** Disruptions to society have a heavy impact on children and youth: on their safety, their well-being, their access to education. Children scored high on both pre-existing vulnerabilities, as well as impact severity and duration. The impact has several dimensions: education prospects, domestic violence, difficult access to healthcare, and the most impacted are believed to be the children from poor families.
- **NEET Youth:** NEETs might have taken the hardest. Representing a wide category of population, with about 25-30% of the total number of young people in the age segment 20-24 years, increased mental stress and anxiety from job loss are just some of the many consequences that rises among NEETs nowadays.
- **Poor Households:** Poor households are impacted more by the pandemic crisis since they are left behind and lack necessities in order to properly fight COVID-19 and the related crisis.
- **Vulnerable Women:** Women are affected by the pandemic due to job or income loss or are overwhelmed by remote working and taking care of children. They also face increased risks of violence, exploitation, abuse or harassment during times of crisis and quarantine.
- **Returning Migrants:** The most affected are seasonal migrants, many of them are stuck without the possibility to return to the jobs abroad that feed their families, have no savings (all the earned money were sent in Moldova) and face difficulties in finding a job at home.
- **Elderly:** Elderly people have a pre-existing vulnerability from the decrease of income following exit from the labor market, with the pensioners from rural communities being more affected. Another factor affecting the elderly is loneliness, which was even more emphasized by the pandemic. Limitations in accessing the public services, as well as challenges in access to vital goods have topped-up the vulnerabilities of the elderly during the pandemic.
- **Freelancers/small entrepreneurs:** The impact severity is expected to be quite high on short-term, especially for freelancers and small entrepreneurs that do not have access to financial support and the ones working on perishable products in agriculture.

## Economic sectors

The economic sector assessment has been conducted on seven sectors: Wholesale and retail trade (non-food), Transportation and storage, hospitality, manufacturing industry (light industry), agribusiness, construction, arts, entertainment and recreation and healthcare. An impact model for the in-scope economic sectors was designed considering three alternative scenarios, based on different evolutions of the COVID-19 pandemic crisis: the optimistic scenario, the realistic scenario and the pessimistic scenario. The evolution of each economic sector within each of the three scenarios is strictly dependent on an economic threat scale agreed and validated with local stakeholders. The result has been categorized in four areas: not affected, low, medium, high.

The outcome is that four key economic sectors were validated as being the most affected by the pandemic and therefore further analysed into details as per section 4 of the current report: Manufacturing (Light Industry), Wholesale, Retail Trade (non-food), Transportation and Storage and HORECA (Accommodation and food service activities).

- **Wholesale and retail trade (non-food)**, was severely impacted during demand lockdown, both due to demand decrease and supply issues.
- **Transportation and storage**, which is strongly connected with wholesale and retail trade sector, were also subject to massive dropdown especially due to lockdown movement restrictions and decrease in production and non-food goods consumption
- The **hospitality** sector, including hotels, restaurants, travel agencies and tour operators, was also severely affected due to lockdown and restrictions on travelling.
- **The manufacturing sector**, especially the **light industry** (including textile and clothing industries), faced a huge challenge during pandemic since private consumption dropped due to income loss or reducing spending amid uncertainty in the market.

At UNDP request, for the second report, three more economic sectors (will be included in the in-depth analysis:

- **Agriculture,**
- **Education,**
- **Healthcare.**

## 2. Methodology for assessing COVID-19 impact

PwC methodology for socio-economic impact assessment is based on rapid assessment principles and aims to capture the multi-dimensional effects of COVID-19, drawing on both quantitative and qualitative analysis.

The main phases of the project are presented in fig. 10 below.

Figure 10: Overview on socio-economic impact assessment methodology



Source: PwC methodology

- **Scoping/Planning** – the study started by analyzing a comprehensive list of vulnerable groups and a complete picture of economic sectors narrowing the selection of the in-scope vulnerable groups and economic sectors through activities like research based on public data<sup>29</sup>, consultations and interviews with relevant stakeholders and analysis of impact assessment questionnaires<sup>30</sup>

<sup>29</sup> Including NBS data, Oxford Economics, EU Commission Social Inclusion Policies, Social Assistance Law Moldova, ODIMM, IOM

<sup>30</sup> Based on approximately 30 questionnaires from key stakeholders (public sectors institutions, development partners/donors, business associations/civil society), reflecting both current and future planned initiatives. The questionnaire was developed by PwC covering both

- **Secondary Data Research** – identification of available data and the key indicators to be analysed, for setting the initial baseline and capturing the initial in-crisis impact. Based on the trends observed and impact severity of selected key indicators, high-level preliminary policy recommendations/measures were developed
- **Primary Data Research** – a collection of primary acquisition tools was employed including:
  - a. a survey undertaken within a representative sample to cover sociodemographic aspects of citizens and business characteristics of companies,
  - b. relevant number of focus groups with experts and NGOs/associations
- **Analysis** – summarize, consolidate and analyze the data gathered throughout the previous phases in order to understand the underlying vulnerabilities and their magnitude. Re-evaluate the impact in relation to secondary data findings and newer data sets available (e.g. NBS<sup>31</sup>)
- **Consultations** – discuss findings with all relevant stakeholders and build consensus understanding on social and economic distress of COVID-19 pandemic, while clearly stating the assumptions, limitations and information gaps. Review and expand the recommendations guidelines as well as response measures
- **Reporting** – develop the final Assessment Report amended as resulted from consultations and main stakeholders' validation

The current document (Initial Impact Assessment Report) is covering the first phase of the methodology and part of the secondary data research.

## 2.1. Data collection

The current study is based on data and information collected through several channels using specific methodology, including:

- **Desk research** covering existing documentation for the sectors analysed, including pre-crisis and in-crisis sectorial assessments and evaluations, statistical data, policy documents, etc.;

The objective was to collect existing information and analyse secondary statistical data from public records, press releases, reports and publications issued by national and European or international authorities. Our desk research team performed a thorough analysis of the reports publicly available and offered to us by various stakeholders, for the in scope economic sectors activities.

Main risks for this approach refer to lack of, poor quality, insufficient level of detail and inconsistency of data. To partly mitigate this risk, we have performed a mapping of potential alternative data sources such as the Ministry of Economy and Infrastructure or the Ministry of Health, Labour and Social Protection. The latest version of data provided by the National Bureau of Statistics of the Republic of Moldova will be used in the final report.

- **Interviews and consultations** with the relevant stakeholders, including both representatives of the public and of the private sector;

In order to assess the view of most relevant stakeholders on the COVID-19 pandemic impact and learn about their initiatives aimed to reduce the crisis effects, individual phone interviews were organized. The stakeholders were in advance grouped into categories considering the key-economic sectors and vulnerable groups targeted by the report. This ensured that proper questions were addressed and high quality, detailed information was provided by the interviewees. The list of targeted stakeholders is presented (fig. 11) below:

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ongoing initiatives (including those where changes arose in Covid-19 circumstances) as well as initiatives planned in response of Covid-19 pandemic

<sup>31</sup> National Bureau of Statistics

Figure 11: List of stakeholders interviewed/surveyed



Source: PwC methodology

- **Impact assessment questionnaires**, directed to main stakeholders (public sector institutions, development partners/donors, business associations/civil society) and meant to collect information regarding ongoing and planned initiatives as well as impacted initiatives by the COVID-19 pandemic:

The tailor-made questionnaires were employed in order to gather information regarding the adjustments made by the stakeholders to their current projects due to the COVID-19 pandemic, as well as regarding the projects/initiatives in their pipeline that need to be modified to address the COVID-19 impact. Questionnaires were filled in by more than 45 key stakeholders, including public sectors institutions, development partners/donors, social NGOs and business associations.

For the final report assessment, we will be furthermore using additional datasets that will be available:

- A **targeted survey** developed in collaboration with a specialized third party (Magenta Consulting). The structure of the survey will be developed together with UNDP and specialized third-party representatives and will cover relevant aspects for both in scope vulnerable groups and economic sectors. The survey will collect primary data and information from 1,100 Moldovan citizens and 400 companies across all in-scope economic sectors, as well as a relevant number of specific focus groups and in-depth interviews. The outcome will be aggregated and presented in the final deliverable.
- **NBS Ad-hoc Module on COVID-19 impact on households**, used as additional data source to the survey and validation gateway of main conclusions.

- **Big data**, kindly provided by UNDP, reflecting anonymized in-crisis behaviour, including geolocation patterns.
- **Think data - micronarratives**, collected within a qualitative study performed by UNDP, which will be used in conjunction with insights emerging from the quantitative spectrum.

## 2.2. Key indicators

### 2.2.1 Key indicators for vulnerable groups

In addressing the vulnerable groups in scope, indicators were conceptualized across five impact dimensions (detailed in section 2.3.1) and along two categories:

- **Baseline indicators:** Pre-crisis and in-crisis secondary data. The purpose of these indicators is to establish the scale and level of pre-existing vulnerability and overall condition of each group. Given the on-going character of the COVID-19 pandemic, the granularity and periodicity of the data was subject to availability from the National Bureau of Statistics and the other public institutions<sup>32</sup>. The reference period chosen was Dec-2019, or latest data available.
- **Survey indicators:** Primary data, whose selection of indicators was grounded in SEIA principles designed by UNDP. The purpose of these indicators is two-fold: i) to sample direct multi-dimensional aspects of the household dynamics during the crisis and ii) to validate and inform the findings of the initial assessment based on secondary data alone.

The list of defined indicators is presented as follows in the table.

Table 3: List of defined key indicators for vulnerable groups

Baseline Indicators	Survey indicators
<b>Dimension 1 – Quarantine Status</b>	
<ul style="list-style-type: none"> <li>&gt; No of COVID-19 tests performed per capita</li> <li>&gt; No of infections at 60 days since first case</li> <li>&gt; Infection rate by gender</li> <li>&gt; Infection rate by age</li> <li>&gt; Rate of recovery</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Respondent knowledge of COVID-19</li> <li>&gt; Household members that show COVID-19 symptoms, whether tested or not</li> <li>&gt; Opinion on possibility to take measures</li> <li>&gt; View and choice of prevention options</li> </ul>
<b>Dimension 2 – Employment, Sources of Livelihood and Expenditures</b>	
<b>Sub-Dimension 2.1 – Employment</b>	
<ul style="list-style-type: none"> <li>&gt; Participation rate</li> <li>&gt; Unemployment rate (ILO)</li> <li>&gt; Long term unemployment rate (ILO)</li> <li>&gt; Informal employment rate</li> <li>&gt; Youth unemployment rate, 15-24</li> <li>&gt; NEET youth rate</li> <li>&gt; Share of persons living in jobless households</li> <li>&gt; Share of migrants reporting intention to return to Moldova</li> <li>&gt; Share of households with self-employed economic status</li> <li>&gt; Active population demographic burden</li> <li>&gt; Increases in unemployed registered with NEA</li> <li>&gt; No of new self-employed / freelancer businesses closed during period</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Employment Status in 2019</li> <li>&gt; Type of ownership of the establishment enterprise in which the household's member works</li> <li>&gt; Employment Sector</li> </ul>
<b>Sub-Dimension 2.2 – Income</b>	
<ul style="list-style-type: none"> <li>&gt; Share of people under absolute poverty line</li> <li>&gt; Median deficit of resources</li> <li>&gt; Ratio between top and bottom income quantile Q20/Q80</li> <li>&gt; Gini coefficient</li> <li>&gt; Dynamics of personal transfers during period</li> <li>&gt; Dynamics of remittances during period</li> <li>&gt; Remittances as % of GDP</li> <li>&gt; Share of migrants reported negatively impacted by COVID</li> <li>&gt; Share of households with self-employed socio-economic</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Income change</li> <li>&gt; Percentage change in household income over the reference period</li> <li>&gt; Availability of household income for short term essential expenses</li> </ul>

<sup>32</sup> Including the Ministry of Internal Affairs (MAI), National Bank of Moldova (BNM), Ministry of Health and Social Protection (MSMPS)

status	
> Differential gender impact on employment	
<b>Sub-Dimension 2.3 – Expenditures</b>	
> Expenses by number of children	> Household indebtedness
> Expenses by head of household	> Household capacity of debt servicing
> Expenses by socio-economic status	> Other sources of income, excluding wages, salaries and own-businesses prior to and during COVID-19
> Procurement of non-food commodities	> Budget expenditures before and during COVID-19
> Inflation rate	> Prices changes as perceived by the household
<b>Dimension 3 – Access to Food and Basic Services</b>	
<b>Sub-Dimension 3.1 – Food</b>	
> Household consumption of meat by income	> Household concern over access to food
> Household consumption of milk by income	> Main sources of Food to the household pre- and post-COVID-19 outbreak
> Household consumption of eggs by income	
> Mean daily calories intake by source	
<b>Sub-Dimension 3.2 – Water and sanitation</b>	
> Share of households with no running water or sewerage system	> Access to safe and affordable water pre-and post-COVID-19 outbreak
> Number of persons per room	> Type of toilet facility available to the household before the outbreak of COVID-19
	> Change in access to clean sanitation due the outbreak of COVID-19
<b>Sub-Dimension 3.3 – Health and Hygiene</b>	
> Financial access to healthcare services of households with children aged under 18 years	> Changes in level of access to Health
> Infant mortality	> Access on hygiene items
> Incidence of HIV/AIDS per 100.000	> Access to specific health services
> Incidence of Tuberculosis per 100.000	> Change in access to clean sanitation due the outbreak of COVID-19
> Incidence of mental illness per 100.000	
> Share of health expenses from total household expenses	
> Life expectancy at birth	
> Subjective state of health	
<b>Sub-Dimension 3.4 – Education</b>	
> Early school leavers by gender	> Children school attendance pre-COVID-19
> Secondary cycle enrolment rate	> Impact of COVID-19 on children school attendance
> Tertiary cycle enrolment rate	> Reason why school-aged children (if any) have stopped attending school.
> NEET rate	> Household devices and appliances (incl. internet connection and smartphone/tablet)
> Access to computer	> Availability of remote learning
> Access to internet	
> Quality of Education - PISA scores	
<b>Dimension 4 – Coping Strategies</b>	
> Ratio of childcare benefits to minimum subsistence level	> Compensation measures in the face of loss of income
> Share of households receiving social benefits (without pensions)	> Assistance received
> Share social benefits (without pensions) from total income	> Type of assistance received
> Value of average benefit income per person	
> Estimated impact of government programmes	
> Big Data in-crisis telecom data	
<b>Dimension 4 – Prospects and recovery needs</b>	
> Crimes against family and minors	> Concern over livelihood conditions for the next three months
> Human Development Index	> Household needs prioritization
> Score for Peace	> Types of assistance needed
> Estimated impact of government programmes	> Household members who are seeking employment
	> Type of support most useful to household members who are looking for a job.
	> Occurrence of family violence during period
	> Type of family-related violence during period

Source: PwC methodology

All indicators are subject to data availability, from the National Bureau of Statistics and other sources. The current list of indicators may be extended or reshaped in the full assessment report, depending on the quality data availability.

### 2.2.2 Key indicators for economic sectors

For the in-scope economic sectors a set of indicators including both general and specific aspects of economic activities, were defined. The indicators are used to set a baseline for the pre-crisis assessment (Q1 2020) and will be further used to assess the impact for the affected period (e.g. Q2) by comparison:

- QoQ comparison (2019 vs. 2020)
- YoY evolution comparison (2018-2019 evolution vs. 2019-2020 evolution)

The list of defined indicators is presented as follows in the table below:

Table 4: List of defined key indicators for economic sectors

Baseline Indicators	Impacted sectors	Level of granularity
<b>General indicators</b>		
> Occupation rate	> All	> Breakdown on economic sectors or even at CAEM level
> Sub-occupation rate		> Breakdown on economic sectors or even at CAEM level
> Unemployment rate		> Breakdown on economic sectors or even at CAEM level
> Contribution in GDP		> Breakdown on economic sectors or even at CAEM level and on segmentation (Micro, Small, Medium)
> Number of active enterprises		> Breakdown on economic sectors or even at CAEM level
> Number of employees		> Breakdown on economic sectors or even at CAEM level and on segmentation (Micro, Small, Medium)
> Number of enterprises with profit		> Breakdown on economic sectors or even at CAEM level and on segmentation (Micro, Small, Medium)
> Financial performance – turnover		> Breakdown on economic sectors or even at CAEM level and on segmentation (Micro, Small, Medium)
> Financial performance – profit		> Breakdown on economic sectors or even at CAEM level
		> Breakdown on economic sectors or even at CAEM level
<b>Specific indicators</b>		
> Transported goods	> Transportation	> Transport type (railway, road, river, air)
> Transported passengers	> Transportation	> Transport type (railway, road, river, air)
> Tourism services	> HORECA	> Tourism type (relaxing, business, treatment)
> Inbound tourism	> HORECA	> Tourism type (relaxing, business, treatment)
> Outbound tourism	> HORECA	> Tourism type (relaxing, business, treatment)
> Domestic tourism	> HORECA	> Tourism type (relaxing, business, treatment)
> Tourists accommodation	> HORECA	> Accommodation type (hotels, motels, summer camps, recreation structures, pensions etc.)
> Overnight accommodation	> HORECA	> Accommodation type (hotels, motels, summer camps, recreation structures, pensions etc.)
> Total volume of industrial production	> Manufacturing	> Breakdown on economic sectors or even at CAEM level and on segmentation (Micro, Small, Medium)

Source: PwC methodology

The level of granularity and periodicity (monthly or quarterly) are subject to data availability from the National Bureau of Statistics of the Republic of Moldova. The current list of indicators will be extended with other relevant indicators like indebtedness, number of vulnerability liquidations or number of insolvencies depending on the availability of public data and with other qualitative indicators once the targeted survey, described in Section 2.1, will be finalized.

## 2.3. COVID-19 impact modelling

### 2.3.1 COVID-19 impact modelling of vulnerable groups

Based on literature reviews, assessment of ongoing initiatives, and stakeholder consultations, a list of twelve groups was considered initially: children and youth, poor households, vulnerable women, NEET youth, returning migrants, elderly, freelancers/ small entrepreneurs, minorities, people with disabilities, unemployed, healthcare workers, people suffering with mental illness. The twelve groups were evaluated in a structured scorecard across four measures, based on which a composite score has been calculated. The four measures and their associated weights are as follows:

- **Pre-existing vulnerability** (30% weight): pre-existing poverty, poor core income resilience, lack of access to social services and social safety nets
- **Impact strength** (30% weight): direct economic or social impact, as well as subsequent effects from driving or marginal vulnerabilities
- **Impact duration** (30% weight): vulnerabilities induced by the lockdown measures versus impact extending potentially far beyond the lockdown.
- **Population pool** (10% weight): reflecting the representational aspect in policy situations where scarce resources need to be distributed efficiently to groups most in need.

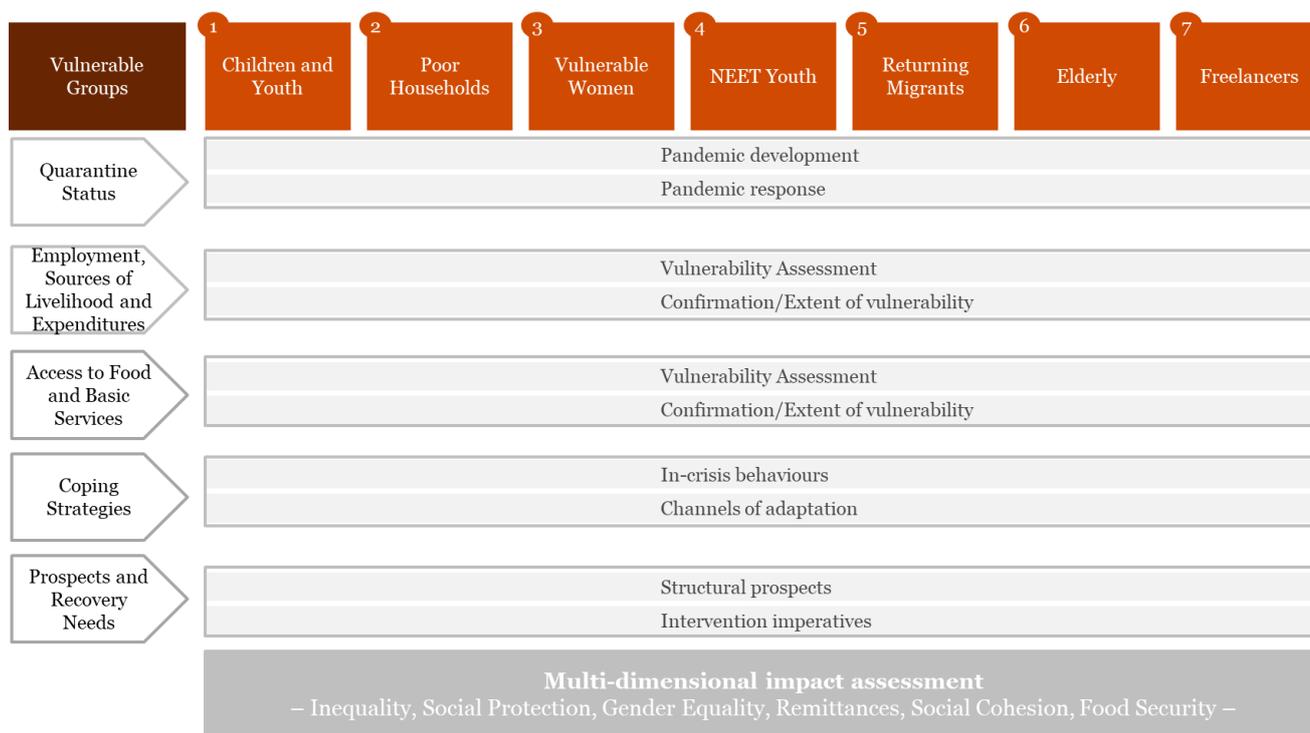
Each measure was the average of multiple sub-scores, based on several sources, including in-crisis surveys<sup>33</sup>. The sub-scores were evaluated on facts spanning across multiple dimensions (core income resilience, poverty and inequality, health, education, justice and security, social participation and access to information), in order to capture a multi-dimensional impact.

The starting point in assessing the social-economic impact of COVID-19 are five core SEIA dimensions. These are structured into an analysis framework, presented in Figure 13. The five dimensions are:

- 1) **Quarantine Status** – Understanding the knowledge and attitudes of the population in light of the pandemic development.
- 2) **Employment, Sources of Livelihood and Expenditures** – Gauging directly the economic and financial impact on the vulnerable groups, as well as estimation of the damage to the labour market, both in formal and informal sectors.
- 3) **Access to Foods and Basic Services** – Observing the household's access to – and impact of COVID-19 on food procurement and basic services like education, health, and access to water and sanitation.
- 4) **Coping Strategies** – Evaluating the in-crisis behaviours of households and their channels of adaption
- 5) **Prospects and Recovery Needs** – Understanding the priorities and even imperatives needed for recovery, and setting up the foundation informing the policy response

<sup>33</sup> Data from National Statistics Bureau, UNDP, IOM, UN Women, UNFPA, OHCHR, and other sources available

Figure 12: Impact assessment model



Source: PwC methodology

The analysis of each vertical will be assessed through both quantitative and qualitative lenses in later stages of the project.

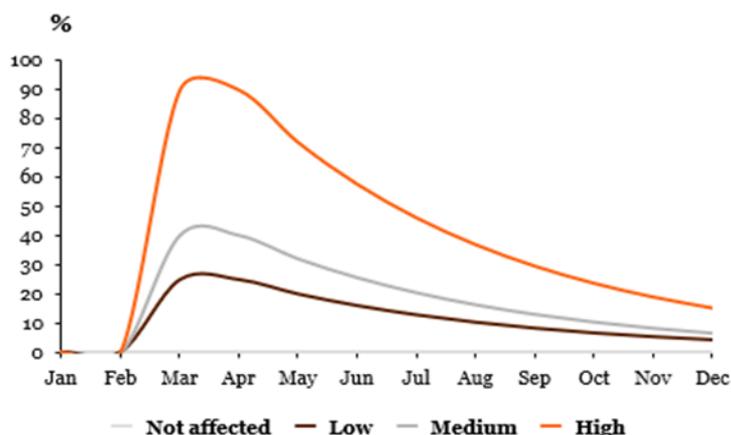
### 2.3.2 COVID-19 impact modelling for economic sectors

The impact model for the in-scope economic sectors was designed considering three alternative scenarios, based on different evolutions of the COVID-19 pandemic crisis: the optimistic scenario, the realistic scenario and the pessimistic scenario. The evolution of each economic sector within each of the three scenarios is strictly dependent on an economic threat scale agreed and validated with local stakeholders:

- **Not affected:** the economic activities were not affected due to stable B2C relation, as consumers stayed at home
- **Low:** the workforce availability and/or productivity were at risk, due to lockdown and containment measures (e.g. Mining and quarrying, Water supply, sewerage, waste management and remediation activities, Information and communication)
- **Medium:** the economic activities were either stopped or significantly reduced throughout lockdown, due to reduced mobility restrictions (e.g. Agriculture, Construction, Transportation and storage, Accommodation and food service activities, Education, Arts, entertainment and recreation)
- **High:** point-of-sale closure, reduced external demand or order cancellations throughout lockdown (e.g. Manufacturing, Wholesale and Retail Trade, Healthcare)

The three scenarios rationales are described as follows:

Figure 13: Optimistic Scenario - Evolution of Economic Sectors

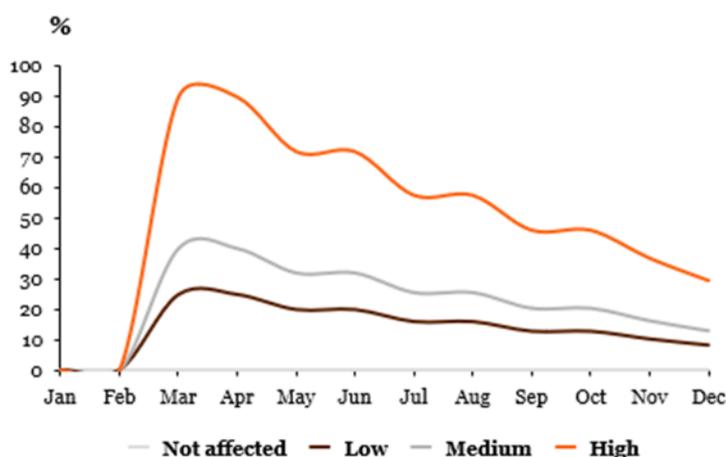


Source: PwC Methodology

**Optimistic scenario:**

- March and April 2020 were considered the most impacted months from the economic point of view (low – 25%, medium – 40%, high – 90%), due to lockdown and containment measures
- It was considered that the impact will gradually decrease, with 20% monthly from May to December 2020, reaching the following values at the end of the year: low – 4%, medium – 7%, high – 15%.

Figure 14: Realistic Scenario - Evolution of Economic Sectors

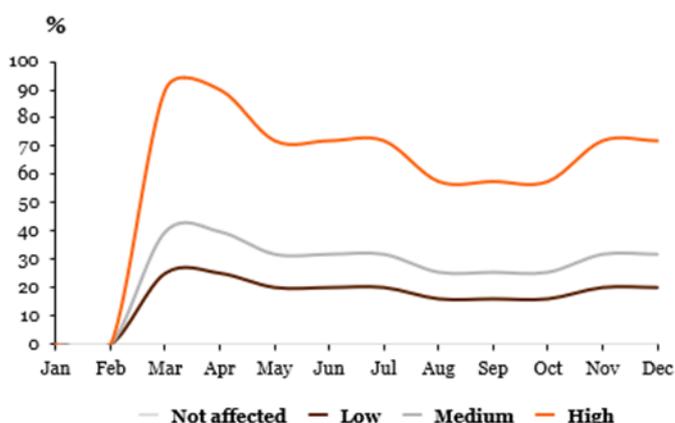


Source: PwC Methodology

**Realistic scenario:**

- March and April 2020 were considered the most impacted months from the economic point of view (low – 25%, medium – 40%, high – 90%), due to lockdown and containment measures
- It was considered that the impact will gradually decrease, with 20% bi-monthly from May to October and then with 20% monthly in November-December, reaching the following values at the end of 2020: low – 8%, medium – 13%, high – 29%

Figure 15: Pessimistic Scenario - Evolution of Economic Sectors



**Pessimistic scenario:**

- March and April 2020 were considered the most impacted months from the economic point of view (low – 25%, medium – 40%, high – 90%), due to lockdown and containment measures
- It was considered that the impact will gradually decrease with 20% every three months from May to October, then it will return to the same values as of May-July for November and December, due to COVID-19 second wave effects: low – 8%, medium – 13%, high – 29%
- A second lockdown was not taken into consideration

Source: PwC Methodology

The impact scale underlying the three scenarios mentioned above is based on economic sectors analysis considering three indicators: GDP weight (NBS data), the number of employees for each economic sector (NBS and LFS data)<sup>34</sup> and COVID-19 impact (integrating two sub indicators – impact severity and recovery prospects), each of them being rated from Low/Small (1) to High/Large (3) and weighted in the final score by a certain percentage (presented as follows in table 5):

Table 5: Economic Sectors Scorecard

Economic sectors	Economic Scorecard					Final score	Economic threat
	GDP weight	Employees	COVID impact		Average (1), (2)		
			(1) Impact severity	(2) Recovery prospects			
Manufacturing	3	3	3	3	3	3	High
Wholesale and retail trade; repair of motor vehicles and motorcycles	3	3	3	3	3	3	High
Human health and social work activities	2	3	3	2	2.5	2.6	High
Transportation and storage	2	2	3	3	3	2.4	Medium
Accommodation and food service activities	2	2	3	3	3	2.4	Medium
Agriculture, forestry and fishing	3	3	1	1	1	2.2	Medium
Construction	3	3	1	1	1	2.2	Medium
Arts, entertainment and recreation	1	2	3	3	3	2.2	Medium
	<b>20%</b>	<b>40%</b>			<b>40%</b>		
	<b>Weight in final score</b>						

Source: PwC methodology

Based on GDP weight (as of 2019 data), impact severity and the evolution (vs. best case defined as 2020 without crisis, keeping similar growth rate as 2019 vs. 2018 for each industry) of each economic sector throughout the three scenarios affected by COVID-19 pandemic crisis, as well as on targeted interviews with local experts and industry representatives, four key economic sectors were validated as being the most affected by the pandemic and therefore further analysed into details as per section 4 of the current report: Manufacturing (Light Industry), Wholesale, Retail Trade (non-food), Transportation and Storage and HORECA (Accommodation and food service activities).

Despite the fact that “Wholesale and retail trade; repair of motor vehicles and motorcycles” and “Transportation and storage” are reported as two different economic sectors by the Moldovan statistics authorities, as a strong link was identified between the two sectors and also HORECA sector, we included in the in-depth analysis the transportation of good for Wholesale and retail trade sector and transportation of people in the HORECA economic sector for a more comprehensive analysis.

Although Healthcare sector has one of highest scores in our model and is perceived as being a high economic threat to the overall Moldovan economy due by the COVID-19 pandemic, it was not selected initially, considering that the impact severity is given by the fact that the system was overloaded and the activity nor the employees’ economic status were not negatively affected. Moreover, according to the information received from the stakeholders on ongoing and planned initiatives addressing COVID-19 pandemic, most of the support measures announced or started by the donors and development partners are mainly concentrated to help especially the healthcare system.

At UNDP request, for the final report, three more economic sectors (Healthcare, Agriculture and Education) will be included in the in-depth analysis.

<sup>34</sup> Labor Force Survey (Ancheta Fortei de Munca)

Given the current evolution of COVID-19 pandemic in Moldova, the Healthcare system is considered to be the most affected sector in terms of capacity (number of beds) and medical staff. The medical personnel are considered to be overwhelmed and exposed due to burnout in day-to-day activities and low motivation payment scheme for the ones who are not directly treating COVID-19 cases, leading to migration to other western countries.

Another economic sector that will be included in the final report is Agriculture with a high weight in GDP (almost 11% as of 2019) and the highest percentage of employed population with more than 180,000 employees (including formal and informal workers). Agriculture is considered to have a significant impact on overall Moldova's economy due to the high weight of exports.

According to a research done by UNESCO, 9 out of 10 students worldwide have the educational system affected by COVID-19 pandemic. Moldova's educational system was also affected by the COVID-19 crisis mainly due to the following reasons:

- Teachers with low ability to use digital environment on ensuring the online courses
- Low access to technical devices (e.g. tablets, laptops, computers, smartphones) as well as internet connection (low internet coverage across the country, especially in rural areas) for students
- Working-from-home parents that cannot substitute the normal educational activities

Another risk that could occur is increasing school dropdown rates in the next immediate period due to potential increase of domestic responsibilities and violence.

In order to assess the impact for the in-scope economic sectors, a data triangulation will be performed between the available data from NBS (Q1 and Q2) – macro-economic aspects, the outcomes of the targeted survey and local experts' inputs – relevant on field-oriented findings.

### 3. Socio-economic impact of COVID-19 on most vulnerable groups

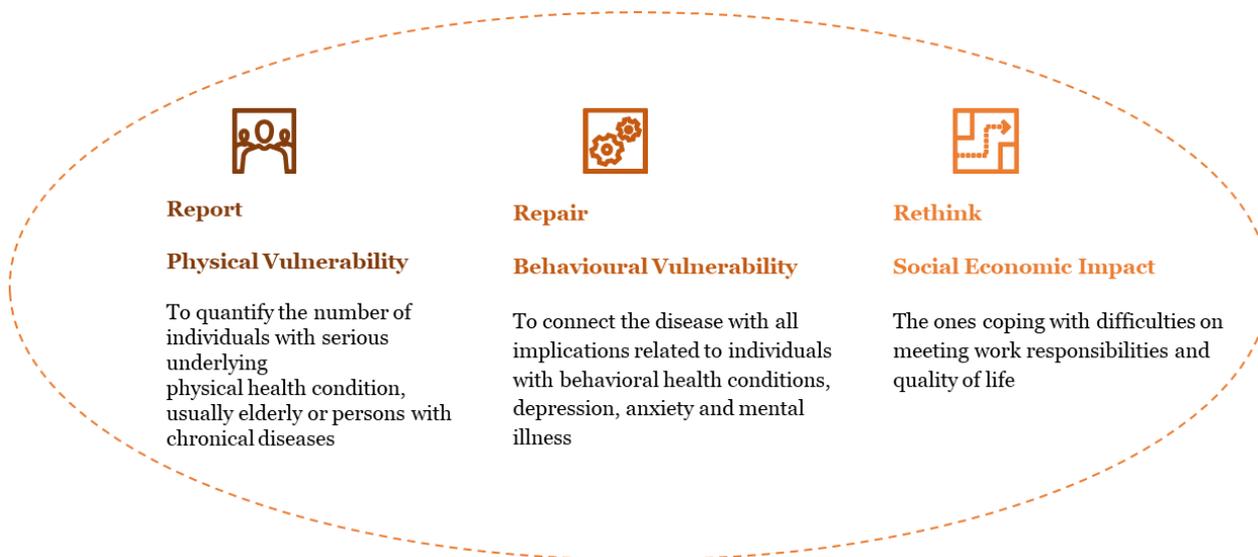
#### 3.1. COVID-19 most vulnerable groups identification and status

##### **General considerations**

The objective of this section is to identify the most affected vulnerable groups by the COVID-19 pandemic in the Republic of Moldova and to evaluate initial impact on them.

The COVID-19 pandemic and associated public health issues may have negative consequences for certain populations, already vulnerable or "new" vulnerable. We envisage there is an interplay between physical health, behavioral health, and social/economic impact of these factors:

Figure 16: Intersection of risk factors with associated actions to be thought by local authorities



Source: PwC analysis

As Moldova takes action to contain COVID-19 transmissions in an attempt to “flatten the curve,” physical distancing measures are the first line of defense—and they have profoundly altered the rhythms of everyday life for all the citizens. Normal activities such as commuting to work, trips to the grocery, farmers’ markets must be carefully planned, and many parents are working remotely from home with their kids in the background. The COVID-19 crisis has highlighted the weaknesses and the strengths of each group of population.

Women, the elderly, adolescents, youth, and children, persons with disabilities (including mental), returning migrants, and minorities experience the highest degree of socio-economic marginalization, even in normal circumstances<sup>35</sup>. Marginalized people become even more vulnerable in emergencies, such as pandemic situations. At global level, the Edelman Trust Barometer, Spring Update<sup>36</sup>, reveals that pandemic puts in the spotlight the societal inequities. A 67% of respondents affirm that those with less education, less money and fewer resources are being unfairly burdened with associated risk of illness and need to sacrifice due to the pandemic.

This is due to factors such as their lack of access to closed ones and to the health services. The COVID-19 outbreak is predicted to have significant impacts on various sectors. In general terms, the populations most at risk are those that:

- depend heavily on the informal economy, not being captured explicitly in any statistics;
- have inadequate access to social services or political influence;
- have limited capacities, savings and opportunities to cope and adapt and;
- limited or no access to technologies.

By understanding these issues, any country can support the capacity of vulnerable populations in emergencies.

The impact of the lockdown affects low-income people the most. Employees with a limited income covering only the current expenses or those whose jobs have been not been in demand during the lockdown are not ensured

<sup>35</sup> [https://www2.unwomen.org/-/media/field%20office%20easia/docs/publications/2020/03/ap-covid-19\\_community-engagement\\_130320.pdf?la=en&vs=5323](https://www2.unwomen.org/-/media/field%20office%20easia/docs/publications/2020/03/ap-covid-19_community-engagement_130320.pdf?la=en&vs=5323)

<sup>36</sup> Edelman: Trust and the COVID-19 pandemic <https://www.edelman.com/research/trust-2020-spring-update>

against the “earthquake” magnitude shock of this pandemic. Being at the core of sustainable growth, food insecurity is one of the most important issues in determining a country’s level of development<sup>37</sup>. In addition, many of the lowest-paid people who are still working may be risking exposure to the virus as they perform vital services in the economy (cleaning services workers, cashiers, healthcare assistants etc.).

PwC analysis reveal the fact that the impact of the lockdown in the short-term is forcing many people to re-evaluate their priorities. At least until a vaccine is found, there is likely to be a continuation of restrictions on the movement of people and travellers to discourage non-essential travel. These restrictions may have long-lasting impacts on the behaviour and attitudes towards normal life. However, the ability of people (the ones that have the means) to adjust quickly to remote working may diminish the importance of physical interactions in the future. Similar adjustments may be made to the higher education sector through the broader enablement of distance learning.

Moreover, people across Moldova and the entire Europe have suffered a major blow from COVID-19 and the measures (not entirely similar) taken by each state to curb its spread. The drop-in quality of life is only partly explained by the losses that people have experienced in their income or job security. Therefore, the trust in government measures is key. According to our analysis, the pandemic appears to have cast a spotlight on systemic inequity and asymmetry. The Spring Update 2020 Edelman Trust<sup>38</sup> shows that 67 percent of respondents believe that those with less education, less money and fewer resources are bearing a disproportionate burden of the suffering, risk of illness and need to sacrifice in the pandemic, and more than half are very worried about long-term, COVID-related job loss. Facing months of social distancing and reduced physical exercise, coupled with pressure of working from home and taking care of the children heightened stress and anxiety, or limited access to health system and required diagnostics and care are likely to have longer-term health consequences for some people.

### **Initial assessment of most vulnerable groups**

The initial assumptions revolved around starting from main vulnerable groups that have identified in Moldova by prior studies, undertaken by both UNDP and other development actors<sup>39</sup>. In addition to the literature, we the choice of vulnerable groups was validated with stakeholder feedback and contributing opinions.

Figure 17: Stakeholder feedback



Source: PwC analysis

Diving into analysis, conclusions arose that COVID-19 affected different type of groups of people, such as:

- “traditional” vulnerable
- new vulnerable,

<sup>37</sup> Grimaccia, Elena, Naccarato, Alessia: Economic and social factors of food insecurity : A study of individual vulnerability at the global level

<sup>38</sup> Edelman: Trust and the COVID-19 pandemic <https://www.edelman.com/research/trust-2020-spring-update>

<sup>39</sup> Among the cornerstone studies that formed the basis of ex-ante consideration of vulnerable groups was the 2010 Social Exclusion study done by UNDP, as well as the 2020 Urban Inequalities report.

as pandemic affects also new categories, less traditional than the usual ones.

Moreover, a recurrence of the virus (expected different waves) might necessitate new or reinstated physical-distancing measures, if situation requires. As a fact, social distancing is here to stay for undetermined period of time. The new vulnerable are expected to grow their numbers day by day, while the traditional vulnerable will accentuate their exposed already vulnerability.

The first aim of the initial assessment was to compare vulnerability accentuated in a crisis (“pandemic”), caused by a “black swan” event. The second goal is to assess which factors create more insecurity, by aggravating the vulnerability, while considering the available information in place (still an evolving situation). The methodological approach considered also qualitative attributes that, such as: pool size of each category, impact severity and impact duration.

Analysis performed in the phase of scoping related to the consequences of the COVID-19 pandemic and related lockdowns suggests that disparities in economic factors— incomes, poverty and unemployment—are likely to be exacerbated across Moldova. A prolonged downturn could permanently impact future growth, with the resulting income and job losses likely to disproportionately impact the most vulnerable in society. Moldova, similar with Romania, has a population with low income, low health, low unemployment, compared to other European countries.

Based on all the factors mentioned above, we have started with a broad list of vulnerable groups, then we have narrowed down to 12 categories, as mentioned below:

*Table 6 Vulnerable groups Scorecard results*

Vulnerable Groups	Vulnerability Rank	Score Explanation
Children and Youth	1	Children scored high on both pre-existing vulnerabilities, as well as impact severity and duration. Children from poor families were found to be especially vulnerable given modest subsistence coverage of childcare benefits (101% insured and 75% uninsured mothers <sup>40</sup> ) and reliance on social assistance (4.6% more in the 1 <sup>st</sup> income quartile versus the 5 <sup>th</sup> income quartile <sup>41</sup> ). In addition, the educational prospects of children (in particular rural children) have deteriorated, given lower access to computers and internet connections, needed for online schooling. The lockdown has also yielded increase in reported domestic violence cases against children (with crimes against children and family already up +4% in 2019 versus 2018 <sup>42</sup> ). The lockdown has also made the access to health services more difficult for families with newborn babies and young children in remote areas, given mobilization of medical staff towards quarantine activities.
Poor households	2	Poor households have also scored high on all measures, seeing high pre-existing vulnerability (18.6% of the population living below the national poverty line <sup>43</sup> in 2019), as well as strong impact and duration. Poor households are exposed more to adverse movements in the labour market, given higher representation in unqualified or low-skilled jobs. In addition, the problem is compounded for families with many children, the average income of a 5-person household being just above the poverty line at 1,651 MDL (and just 63% of the average income of a 2-person household <sup>44</sup> ). Uncertainties and vulnerabilities in income and employment are also reflected in basic consumption, with the 1 <sup>st</sup> income quartile consuming on average annually 169 litres of milk and 30 kilograms of meat less than the 5 <sup>th</sup> income quartile income <sup>45</sup> . In some rural areas, resource poverty can be observed, with only 68% of rural households having access to running water.
Vulnerable women	3	Women’s time poverty can be gauged by the differential in labour

<sup>40</sup> National Statistics Bureau

<sup>41</sup> Ibid.

<sup>42</sup> Ministry of Internal Affairs

<sup>43</sup> National poverty line at 1563 MDL disposable income, International Development Association, World Bank

<sup>44</sup> National Statistics Bureau

<sup>45</sup> National Statistics Bureau

participation rates: for childless women 60%, for women having children 39%<sup>46</sup>. In addition, as childcare facilities will open after most economic activity is restarted, it is likely the time poverty of women will be prolonged, thus spending more time in household activities.

Income-wise, UN Women found that approximately 1/2 of women's income comes from remittances and social transfers – the figure being approximately 1/3 for men<sup>47</sup>. In 2018 a gender pay gap of 14.4% was recorded<sup>48</sup>. Considering the fact that remittances will likely recover slower than salaries due to cross-border effects, the socio-economic impact duration will likely be longer for women than men.

The social consequences of the pandemic on women are also worth noting. A study done by UN Women and NBS has found that up to 2 in 3 Moldovan women have experienced domestic abuse at a certain point over their lifetime<sup>49</sup>. During the lockdown period, a 30% increase YoY was observed in emergency service calls relating to domestic violence<sup>50</sup>. Thus, women score high on both impact severity and duration, as well as pre-existing vulnerability.

NEET Youth	<p>4 Standing at a rate of 27.4% in 2019 and amounting over 200,000 people<sup>51</sup>, NEET Youth will face difficult integration prospects as both the domestic and international labour markets will weaken, prolonging their skill fragmentation in relation to the domestic jobs and decreasing their resources due to lower opportunities for emigration abroad (or receiving remittances). As females have a higher rate of being NEET in all age segments (35.5% versus 19.4% overall for men), they will have a heightened vulnerability. Potential additional difficulties for NEET youth in the current environment may lead to higher rate of early school drop-out (standing at 15.4% for 18-24 youths in 2019) and potentially negative developments in crimes of human trafficking and similar offences.</p> <p>Therefore, NEET score high on pre-existing vulnerability and on impact duration (due to dependence on overall recovery of global economy), but medium on impact severity, as the channels of vulnerability are not as direct and immediate.</p>
Returning migrants	<p>5 In 2019 remittances stood at 15.2% of Moldova's GDP, being 3.3 times the FDI inflows for the year<sup>52</sup>, numbers that highlight the importance of remittances and the role of migrants.</p> <p>As many Moldovan migrants work in the countries that have been considerably affected like Italy, Russia and the United Kingdom, it is perhaps not surprising that in an in-crisis survey done by the IOM<sup>53</sup>, 83% of the respondents reported being negatively affected by COVID-19. Moreover, 37% reported the host country provided no support, which can also be seen as a proxy for incomplete social integration and social protection. This fact is also consistent with the fact that 28% of the sample reported precarious labour contracts and lack of access to social safety nets.</p> <p>It is estimated that therefore 108,750 persons in 37,500 households will fall below the poverty line, either as direct consequence of losing one's job or disruptions in remittance flows to the receiving families<sup>54</sup>. This leads to the conclusion that migrants are in many ways 'the new vulnerables' of the COVID-19 crisis. As some estimated 350,000 migrants are expected to return home, further pressure on the local labor market is expected.</p> <p>Returning migrants score high on both impact and duration (as well as the population pool factor), but lower on pre-existing vulnerability.</p>
Elderly	<p>6 Elderly people experience a decrease of income following exit from the labour market, with pensions having different levels of coverage of basic needs. At the lower end of the spectrum are pensioners in rural areas, where</p>

<sup>46</sup> Ibid.

<sup>47</sup> UN Women, COVID-19 impact on gender equality

<sup>48</sup> National Statistics Bureau

<sup>49</sup> NBS Special Module: Women victims of domestic violence

<sup>50</sup> Ministry of Health, Labor and Social Protection

<sup>51</sup> National Statistics Bureau

<sup>52</sup> World Bank, National Bank of Moldova

<sup>53</sup> IOM, Rapid Assessment of COVID-19 impact on migrant livelihood and wellbeing

<sup>54</sup> Switzerland, United Kingdom, World Bank, International Organisation for Migration (IOM), United Nations Development Programme and United Nations Children's Fund (UNICEF) call for measures to continue to make remittances available to Moldovan citizens

	<p>the average pension was 118% of the subsistence minimum in 2019.</p> <p>Loneliness is also a social consideration affecting elderly people. From the total number of pensioner households, 1 in 2 is a single-person household, a rather large population pool<sup>55</sup>. The degree of potential alienation and estrangement is also confirmed by a survey done by UNFPA, which revealed that over the course of the pandemic elders observed an average number of 0.77 people interactions below the two-meter distance per day (in comparison to 1.27 by 18-34-year-olds). The number of average out-of-house outings was 70% of that of the 18-34 age group, confirming lower levels of social contact, compared to younger people. In addition, +60-year olds have been found to have more unmet health needs than any other group<sup>56</sup>.</p> <p>Consequently, elderly persons score high on pre-existing vulnerability and impact duration, but medium on impact severity, as the socio-economic impact is more contained than for some of the other groups.</p>
Freelancers/small entrepreneurs	<p>7 While the importance of small enterprises is well recognized by the Government, there is still a wide heterogeneity in terms of freelancers and small family businesses.</p> <p>In 2018 and 2019 only around 1% of the new jobs created were done so by freelancers or craftsmen<sup>57</sup>, reflecting the relative difficulty of non-industrial micro entrepreneurs to scale up their business, even in times of normal economic conditions. In a survey conducted by Expert Group<sup>58</sup>, it was found that 65% of small and micro businesses saw a decline in sales due to the administrative restrictions imposed during lockdown, and 48% raised high concerns about insufficient liquidity and decline in cashflow.</p> <p>Some of the most affected will likely be the ones around perishable products in agriculture, with the rural farmer's average income already at only 75% of the subsistence minimum<sup>59</sup>. While the impact duration may be mitigated once the economy gradually reopens and new sales channels become available, the impact severity is expected to be quite high on short-term, especially for freelancers and small entrepreneurs that do not have access to financial support.</p> <p>Freelancers score low on pre-existing vulnerability in comparison to the 'traditional vulnerable', however they score high on impact severity, as they will have absorbed directly the impact of lockdown restrictions.</p>
Minorities	<p>8 According to the Social Cohesion and Reconciliation index developed by SeeD/UNDP<sup>60</sup>, group and identity marginalization is not particularly high in Moldova (compared to very ethnically or religiously polarised societies), however there is still significant reluctance to self-identify in some groups.</p> <p>In particular, the Roma minority scored very low at self-identification. At the 2014 census only 9,323 persons identified as Roma, with the Roma association Social and Cultural Society of Roma of Moldova putting the figure at around 200,000<sup>61</sup>.</p> <p>A survey done by the National Centre of Roma found that 69% of Roma women that had only primary or no education lost their job since the pandemic (compared to only 4% with secondary or more education)<sup>62</sup>, highlighting the fact that low education Roma (and women in particular) face difficult job prospects. In addition, the strong belief in traditional gender roles exposes women more to time-poverty and higher rates of domestic violence<sup>63</sup>.</p> <p>Roma have also been found to have a higher level of unmet medical needs than the higher population (49% of Roma had a health insurance, compared to 72.3% non-Roma).</p> <p>Roma and ethnic minorities score high on pre-existing vulnerability and medium on impact duration, however lower on impact severity, as the</p>

<sup>55</sup> National Statistics Bureau

<sup>56</sup> UNFPA, Impact of COVID-19 on older people: risks and vulnerabilities

<sup>57</sup> National Statistics Bureau

<sup>58</sup> Expert Group – Needs Assessment and Evaluation of COVID-19 impact on MSMEs

<sup>59</sup> National Statistics Bureau

<sup>60</sup> Centre for Sustainable Peace and Democratic Development

<sup>61</sup> National Statistics Bureau and Social and Cultural Society of Roma of Moldova

<sup>62</sup> The National Centre of Roma, The impact of COVID-19 on the Roma population

<sup>63</sup> Ibid

incremental impact of COVID-19 is absorbed through more indirect channels than some of the other vulnerable groups.

People with disabilities	9	<p>In 2018, there were 8,350 persons with primary disability registered in Moldova, out of which 1,238 were children under 18 years old. By computing the Social Distance Index, UNDP found that there is a higher perceived social distance towards a mental or intellectual disability than there is towards a physical disability.</p> <p>People with disabilities scored high on pre-existing vulnerability, and medium on both impact severity and duration, given the incremental impact of COVID-19 is absorbed through more indirect channels.</p>
Unemployed	10	<p>Data from NEA shows that during April, the number of new unemployment registrations increased approximately 50% versus March<sup>64</sup>, to a total of 27,797. Prior to the COVID-19, the unemployment rate stood at 5.2% in 2019, with the rate of youth unemployment (15-24-year olds) at 10.4%. Labor market weakness will hurt the prospects of the lower educated candidates, with the unemployment rate being 13.2% for gymnasium graduates or lower educational attainment.</p> <p>Another channel of vulnerability is via the informal contractual arrangements. In 2019, 54.1% of all workers employed in agriculture stated they performed undeclared work (versus an overall rate of 4.6% undeclared work across sectors), and the rate of informal employment was 19.1%<sup>65</sup>. These forms of employment are not only sensitive to economic shocks, but also fall outside of the coverage of social safety nets.</p> <p>The unemployed score high on pre-existing vulnerability an impact duration, but lower on impact severity, given their status affords them social assistance.</p>
Healthcare workers	11	<p>While not a traditional vulnerable group, healthcare workers have found themselves at the centre of the pandemic response, thus being exposed to the risk of infection and mental strain.</p> <p>The main source of vulnerability is reflected in the preparedness and resources available to cope with the medical crisis, with Moldova currently having 6.76 hospitable beds per 1,000 inhabitants and 4.7 doctors per 1,000 inhabitants (out of which 1.5 epidemiologists)<sup>66</sup>.</p> <p>While healthcare workers score the maximum on impact severity given the daily exposure to the virus, they score lower on pre-existing vulnerability and impact duration, given no medium-term or long-term socio-economic side-effects are expected for this group.</p>
Mental illness	12	<p>The World Health Organization has estimated in 2017 that 5.4% of Moldova's population suffers from depression. People with mental illness may have felt the shock of the pandemic more severely, nevertheless in terms of duration, they will have had the chance to reconnect once the administrative measures are eased.</p> <p>Depression can also be seen as precursor of suicide. Moldova's rate of 13.8 per 100,000 people is above the OECD's average of 12 per 100,000 people<sup>67</sup>, however lower than regional peers (Russia 26,5 or Ukraine 18,5).</p> <p>Thus, while individuals suffering with mental illness score high on pre-existing vulnerability and medium on the impact severity associated with the emotional discomfort, they score low on impact duration, given assistance was accessible post-lockdown.</p>

Source: PwC Analysis

It is worth mentioning that the above 12 groups intersect to a certain extent and that we have considered that besides the socio-economic impact for the vulnerable categories, there is also the behavioural health vulnerability.

<sup>64</sup> National Employment Agency, Monthly bulletins

<sup>65</sup> National Statistics Bureau

<sup>66</sup> Ibid.

<sup>67</sup> OECD, Health Statistics, 2018

The pandemic is primarily a public healthcare problem, but one with immense immediate implications for business, and for economic, fiscal and monetary policy. The exact duration is unclear. While having positive effect on some trends such as automation and digitalization, it is adversely impacting the international travel and globalization, which is changing the way we were seeing our world until 2020. And analyzing it, in connection with diaspora, that effectively represents a third of the country's population<sup>68</sup>, the freedom of moving is affected. Typically, only a low-cost flight away, they were returning at least annually, according to the IOM rapid field assessment of the impact of COVID-19 on the wellbeing of the Moldovan diaspora.

The COVID-19 pandemic is likely to exacerbate behavioral needs aspects, such as:

- Fear from the virus itself -stretching fear till the edge;
- Financial hardships for medium term, at least;
- Elevated levels of uncertainty and stress, on midterm horizon;
- Prolonged physical distancing and associated social isolation;
- No return to normal.

Considering the level of intersection of the long list of 12 groups, the exclusion of certain groups does not mean that the respective groups are not considered to some extent in the analysis of the most affected vulnerable groups.

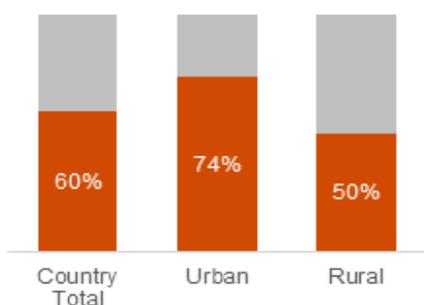
We have focused on 5 main groups proposed for our scope, based on research, analysis and stakeholder's consultations, detailed in the Methodology chapter:

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<sup>68</sup> IOM rapid field assessment of the impact of COVID-19 on the wellbeing of the Moldovan diaspora

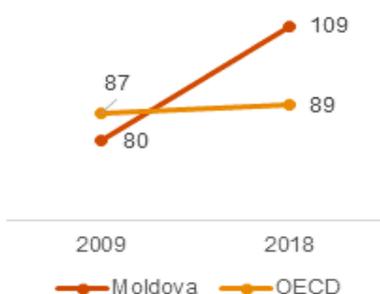
### 1. Children & Youth

Figure 18 - % of households that own a computer, tablet or notebook by area



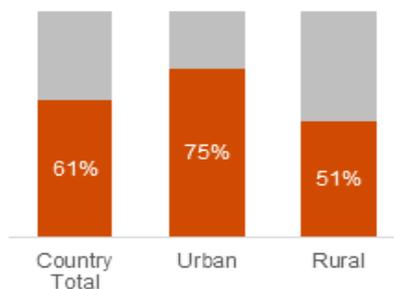
Source: NBS, 2019

Figure 20 - Reading performance gap between socially advantaged pupils and socially disadvantaged pupils (in grade points)



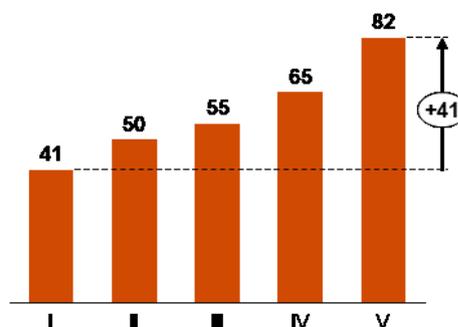
Source: PISA, 2018

Figure 19 - % of households that have access to the internet by area



Source: NBS, 2019

Figure 21 - % of household that have access to internet by income quintile



Source: NBS, 2019

Children’s vulnerability arises from the fact that they are seldom if ever fully in control of their life, and a considerable number of outcomes are determined by the actions of the parents or the child’s caregivers. In turn, the socio-economic status of the parent moderates the level of support the parent can afford to the child. Looking at the indicator “Quality of Education”, we see that a trend in inequality of educational outcomes was perpetuated even before the pandemic. The socio-economic performance gap (the reading score difference between socially advantaged pupils and socially disadvantaged pupils) stood at 109 in Moldova versus 89 in OECD in 2018. This is an even more worrying, when considering that in 2009 the gap in Moldova was 80, while in OECD it was 87, as presented in Figure 20.

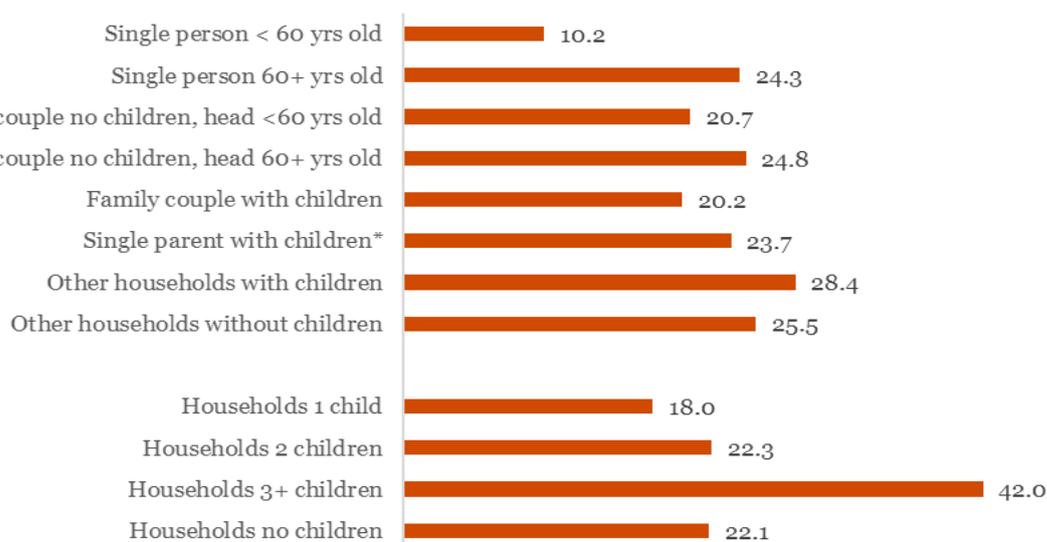
The COVID-19 pandemic will likely amplify these inequalities, given that the transition to remote schooling requires both the physical equipment, but also guidance and support on behalf of the parent. Figure 18 plots the indicator “Access to a computer” at 60% of households own a computer, tablet or notebook (50% in rural areas), and Figure 19 plots the indicator “Access to an internet connection”, which is around the same values, 61% overall (51% in rural areas). These indicators indicate a low baseline, though this can be contextualized further into a clear disparity by plotting the latter indicator by income quintile, in Figure 21, which shows that top quintile has literally double the level of internet access than the bottom level. The indicators “Gross Enrolment Rate” for pre-school children stood at 86.7% in 2018, indicating there is still a significant number of children that are outside of the school system.

The indicator “Ratio of monthly childcare benefits to subsistence level” stood at 101% coverage for insured mothers and 75% for uninsured mothers in 2018, reflecting the financial pressures on families that fall outside of the formal social safety nets.

## 2. Poor Households

The indicator “Rate of absolute poverty rate”<sup>69</sup> stood at 23% in 2018. There is an important intersection vulnerability between poor households and children. Data from NBS presented in Figure 22 shows that the highest rate of absolute poverty occurs in households with more than 3 children – 42%, highlighting once more the precarity of financial means, as well as the resilience that follows from those means among poorer households.

Figure 22 - The rate of absolute poverty by household composition, 2018



Source: NBS

Poverty manifests itself in more ways however, including in basic consumption patterns. The indicators “Household consumption of meat by income”, “Household consumption of milk by income” and “Household consumption of eggs by income” all show that bottom quintile consumes roughly 50% to 60% as much yearly listed nutrients as the top quintile. In addition, looking at the indicator “Share of Health Expenses from Total Household Expenses” in 2019, the bottom quintile spent 2,9% on health-related services while the top quintile spent 6.8%, suggesting a baseline disparity in the level of health needs being met in poor households. The lack of available resources for protection may also shape the poor’s views and prevention attitudes towards the COVID-19 virus.

## 3. Vulnerable Women

The role of women as care givers has been well documented, and also reflected not just in the time spent in domestic activities, but in the labor participation rates as well. In 2018, the indicator “Labor participation rate” for women that did not have children was 60% - this figure decreased to 39% for women that had children. The indicator “Gender pay gap” standing at 14,4% further confirms disparities in the labor market.

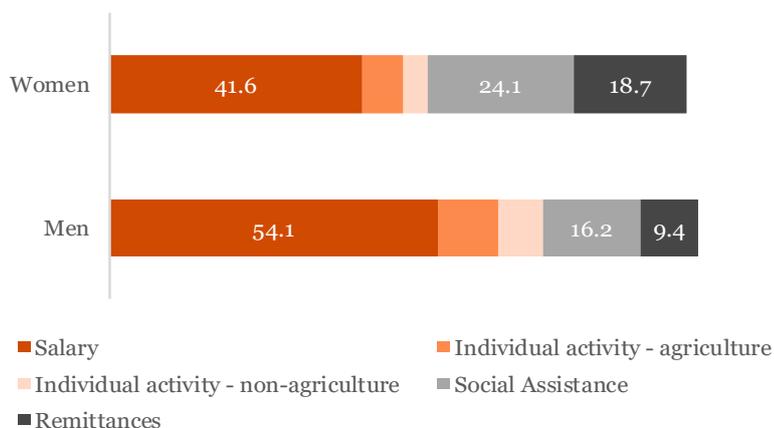
Further examination of the income structures differentials in 2019 is presented in Figure 23, which reveals that in Moldova 42.8% of women’s total income comes from social assistance payments and remittances (men 25.6%), while salaries amounted only 41.6% (men 54.1%).

MMPS reported that during the lockdown period and shortly after<sup>70</sup>, the emergency calls relating to cases of domestic violence has spiked +30% YoY, a trend that was confirmed by UN Women. In a survey on the impact of COVID-19 on gender equality, UN Women and the Centre Partnership for Development found that on average women were more affected emotionally than men, as presented in Figure 24.

<sup>69</sup> National Statistics Bureau – The Level of Poverty in Moldova 2014-2018

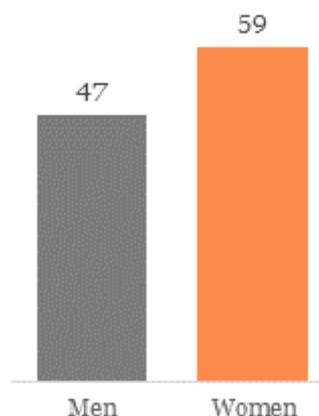
<sup>70</sup> <https://msmps.gov.md/comunicare/buletin-informativ/pandemia-a-crescut-numarul-cazurilor-de-violenta-domestica/>

Figure 23 - Structure of income by gender and main income sources



Source: NBS

Figure 24 - % of respondents stating they find it difficult and very difficult to tolerate self-isolation



Source: UN Women

#### 4. NEET Youth

The indicator “NEET 15-29 youth rate” was 27,4% overall in 2019 in a rather large pool of over 200,000 individuals, with women having a higher representation in all age breakdowns (35,5% versus 19,4% men). A report<sup>71</sup> published by NEA in 2019 found that 25,4% of NEET youth aspire to work abroad, and 46% are engaged in household work or caring for their families.

NEET youth will have seen their prospects deteriorate as the pandemic effects linger on far beyond the lockdown phase. As the opportunity to migrate is restricted by the economic damage suffered by foreign countries, and remittances will decrease for the same reason, NEET may be constrained to further levels of inactivity. Also, any sustained weakness of the domestic labour market may make it an unattractive option for NEET youth. Thus COVID-19 may likely increase their skill fragmentation and decrease their resources.

#### 5. Returning Migrants.

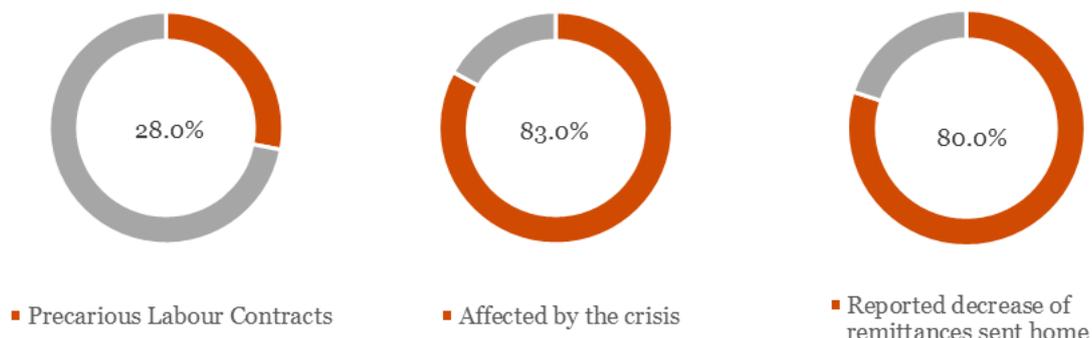
Returning Migrants have been forced to return home or re-evaluate their work prospects, with informal workers having low legal protection and falling outside of the social safety nets, with a rapid assessment performed by IOM finding 28% working under precarious labour contracts, as presented in Figure 25. The same study also found that up to 255,00 migrants have a probable intention to return, and circa 79,000 of them manifested an intention to stay in Moldova for a longer period. The lower opportunities to migrate reflect a vulnerability channel and a challenge to reintegration into the domestic labour market.

For 118,000 households, remittances constitute more than 50% of disposable income, highlighting the broader importance of migrants for the whole society. Also, while the gross personal transfers reported by the National Bank of Moldova were -4% April YTD YoY, they have rebounded to +11% in May YTD YoY<sup>72</sup> most likely due to inaccessibility of informal transfer options (road transportation), illustrating the complex dynamics, with further decreases expected to follow in 2Q20 and onwards.

<sup>71</sup> National Employment Agency – Analytical report on labor market employment and trends in 2019

<sup>72</sup> National Bank of Moldova BoP data

Figure 25 - Highlights of migrants rapid assessment, 2020



Source: IOM

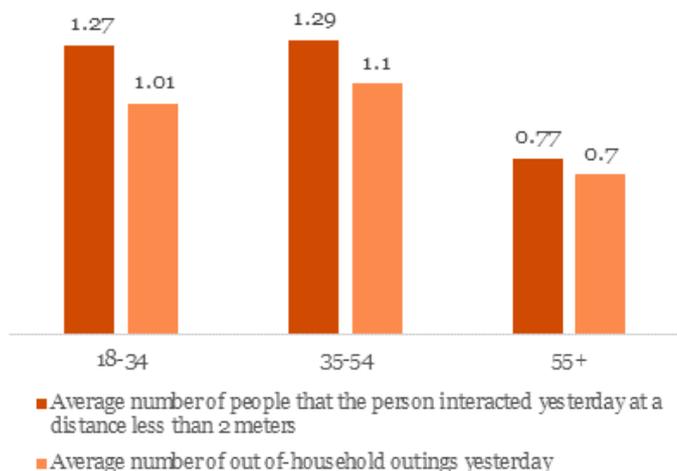
At the request of UNDP, the scope of the study was extended to include two additional vulnerable groups:

### 6. Elderly/Older persons

As older people transition from the workplace, they see their income decrease. The indicator “Ratio of pension to subsistence minimum” reveals pockets of vulnerability, with the average rural pension covering 118% of the subsistence minimum (average urban pension 123%).

Loneliness may have been amplified for older people during the period of isolation. The indicator “Single Person Elderly Households” shows that 1 in 2 pensioners households is a single person household, which amounts to a large group of people that are predisposed to loneliness and alienation. This may be amplified in rural areas with high migration. Figure 25 shows the results from a UNFPA survey<sup>73</sup> that illustrates the lower mobility of older persons during the quarantine phases, with lower average of daily interactions with other people and lower average number of out-of-household outings than the other age groups.

Figure 26 - Mobility indicators of elderly/older persons during COVID-19 pandemic



Source: UNFPA

### 7. Freelancers

Freelancers, while not being considered part of the traditional vulnerable, have found themselves in a difficult position due to COVID-19. Craftsmen, small entrepreneurs and micro-enterprises have seen decline in sales,

<sup>73</sup> UNFPA – Impact of COVID-19 on older persons: risks and vulnerabilities, 2020

restricted access to raw materials and decline in domestic demands and have serious concerns about declines in liquidity/cashflows<sup>74</sup>. In 2018 and 2019 only around 1% of the new jobs created were done so by freelancers or craftsmen, reflecting the relative difficulty of non-industrial micro entrepreneurs to scale up their business, even in times of normal economic conditions<sup>75</sup>.

It is to be noted that the average self-employed income is only 53% of the average salary for persons self-employed in agriculture and 82% for self-employed in sectors outside of agriculture<sup>76</sup>, thus many freelancers will not have access to bank financing, which opens a channel of vulnerability towards unmet non-financial needs.

### 3.2. Early anti-COVID-19 measures regarding vulnerable groups

The authorities in the Republic of Moldova increased vigilance and monitorization regarding COVID-19 cases since the beginning of February 2020, after the spread of the virus to Europe. Strict containment measures and social distancing were introduced after March 7<sup>th</sup> when the first local case was reported. Such limitation of mobility and human interaction was never encountered by the population, no matter the age category, therefore they had a large impact of social and financial nature, as well as emotional. Furthermore, contravention or criminal liability has been legally enforced for any individual who is not respecting the legal measures, since disobedience is considered to jeopardize public health. Also, according to the latest government decisions issued in May, it is recommended that public order authorities, national security and defense forces to intensify surveillance of compliance with the measures by the individuals.

Because the pandemic is far from over, there has been a constant search for clarity — on what measures individuals should take, on the availability of testing, on how should be constructed a path forward. In a period of great uncertainty and not clear threats, the measures taken by local authorities are bringing light in the future development of situation.

The measures adopted by the local authorities<sup>77</sup> were structured around three main areas: health sector, social protection and support to the economy. The measures are described below. f

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#### Detection

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- **Symptoms screens**

Infection with COVID-19 has an incubation period from 2-14 days after the exposure to the virus. People might present different symptoms, ranging from mild to more severe, as follows: fever or chills, cough, shortness of breath or difficulty breathing, fatigue, muscle or body aches, headache, new loss of taste or smell, sore throat, congestion or runny nose, nausea or vomiting, diarrhea.<sup>78</sup> As a consequence, the authorities in many countries have decided to check the population of basic symptoms before a social interaction, especially in closed places. According to the government decisions issued during the health emergency situation, in the Republic of Moldova the retail stores, commercial stores and other entities with heavy traffic and human interaction have to perform daily triage of employees at the start of the workday and to monitor their health status during the workday. Also, the health status of execution workers in agricultural activities is monitored during the workday. Furthermore, temperature check is mandatory for customers before entering commercial centers, hairdressing premises and for patients before entering public and private hospitals and medical providers. Also, passengers are screened for temperature before departure and after landing. According to an opinion of World Health Organization<sup>79</sup>, temperature screening alone is not considered an effective measure since infected individuals may not present fever due to the fact that they are in incubation period, may not have apparent symptoms or

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<sup>74</sup> Expert Group – Needs Assessment and Evaluation of COVID-19 impact on MSMEs

<sup>75</sup> PwC calculation based on NBS data

<sup>76</sup> National Statistics Bureau – Household Budget Survey 2019

<sup>77</sup> <https://gov.md/ro/content/informatii-privind-coronavirus>

<sup>78</sup> <https://www.cdc.gov/coronavirus/2019-ncov/symptoms-testing/symptoms.html>

<sup>79</sup> <https://www.who.int/news-room/articles-detail/updated-who-recommendations-for-international-traffic-in-relation-to-covid-19-outbreak#:~:text=Temperature%20screening%20alone%2C%20at,tracking%20of%20incoming%20travellers.>

may ease the symptoms with medicine. This opinion is presented in an article related to symptoms check for international flights, but the process is generally valid. However, the measure possibly impact the spread of the virus since it might make people more cautious and to encourage them to avoid screening if they do not feel in proper health. It is worth mentioning that the measure is not properly implemented in many cases, being rather a formality.

- **Contact tracking protocol**

Contact tracking protocol has been used as a key measure in some countries around the world to control and prevent the spread of COVID-19. Such examples are: China, South Korea, Taiwan, Israel as well as several European countries. These countries have used contact tracers, but these have raised concerns since they included sensitive details of infected people, credit card transactions and location data from mobile carrier data. As a consequence, a more advanced concept was developed using Bluetooth, App-based contact tracing. This app has the possibility to record contacts with others, test results, compare positive tests with the contact's encounters history. However, using such technologies require that a large percentage of the population holds smart devices and have data services or that the authorities provide to the population who lack adequate devices cheap ones that can serve for this purpose. Furthermore, a large percentage of the population should download the application for the tracking system to be efficient.<sup>80</sup>

Another tracking option is to use SMS option in order to obtain permits to leave home, which was used in Greece during lockdown period. This has made the option available also for non-smart device holders.<sup>81</sup>

Such procedures have not been implemented in the Republic of Moldova and would be hard to be implemented due to low level of digitalization, but can be considered if **digitization will be stimulated**, both at state authorities level and in the private sector.

- **Systematic testing**

The Republic of Moldova has performed COVID-19 tests on suspected cases and on 22<sup>nd</sup> of July, a total of 133,523 tests were performed at the country level. When comparing with the strategy applied by neighboring countries it can be noticed that the total tests per thousand population ranges from 30 in Bulgaria to 52 in Poland. The Republic of Moldova having 51 tests per thousand population. The strategy regarding systematic testing is oriented on suspected cases rather than mass testing on the population.

Table 7: Total number of COVID-19 cases and tests performed in different countries

Country	Total number of cases	Total cases per million population	Total number of tests performed	Total tests performed per thousand population
Bulgaria	8,733	1267	206,521	30
Greece	4,007	384	413,760	40
Hungary	4,333	448	310,070	32
Moldova	21,798	8,257	133,523	51
Poland	40,104	1,060	1,971,736	52
Romania	37,458	1,947	967,192	50

The data in the above table are from 20<sup>th</sup> –22<sup>nd</sup> of July.

Source: University of Oxford<sup>82</sup>, Republic of Moldova Ministry of Health, Work and Social Protection

<sup>80</sup> <https://www.nature.com/articles/d41586-020-01514-2>

<sup>81</sup> <https://www.euronews.com/2020/04/06/greece-begins-digital-odyssey-as-coronavirus-crisis-sparks-innovation>

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## Protection

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- **PPE & protocols**

According to the Government's decision No. 11 dated 15.05.2020, the medical and sanitary public institutions and private entities who offer health services will have to respect the following protocol in order to control and limit COVID-19 spread:

- Organizing a fluid access of visitors on the premises
- Implementing a COVID-19 triage of the patients
- Organizing a daily triage of health care workers and employees at the start of the workday
- Securing necessary protection equipment according to the exposure risk
- Monitoring the correct utilization of protection equipment
- Securing the necessary disinfecting products for a proper hygiene
- Organizing training for the employees on the prevention, control and limiting of COVID-19 infection
- Organizing remote work where possible
- Following and respecting the prevention measures decided in the practical guide "Measures for preventing infection with COVID-19 in the working environment"

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## Prevention

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COVID-19 is believed to be transmitted from person-to-person primarily through droplets generated when infected persons speak, cough or sneeze as well as through direct and indirect contact with infectious respiratory secretions, (e.g.: by hands that subsequently deliver infectious material to the eyes, nose or mouth). A combination of prevention measures is recommended by the specialists and authorities in order to protect the individuals and the community from the spread of the virus. These include personal and home hygiene, use of masks and physical distancing.

- **Personal/ home hygiene**

Personal and home hygiene is one of the key actions everyone can take to prevent getting himself and other infected. These include the following: hand washing frequently, not touching the face area, personal health monitorization, cleaning the home, disinfecting frequently used items, etc. The Moldavian authorities have issued in this regards legal recommendations as well as massive information of the population on the proper hygiene protocol. The entire population can benefit from a large awareness campaign of maintaining a good personal hygiene. However, low income individuals and households might lack necessary items and facilities in order to have a proper personal and home hygiene.

- **Use of masks**

Use of masks by the general public has become a global habit during the COVID-19 pandemic and the Republic of Moldova has adopted also this prevention measure and secured its implementation through legal decisions. Therefore, use of masks is mandatory in public transport, commercial spaces, public closed spaces, in the cases where social/ physical distance is not possible. As per the law indications, the mask should cover both mouth and nose areas. The implementation of the measure is rather difficult in some cases because individuals as well as entities must secure a necessary supply of masks, which imply costs as well as their proper maintenance and

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<sup>82</sup> <https://ourworldindata.org/coronavirus-testing>

disinfection (if they are reused) or some individuals want to take advantage of free will and decide not to wear a mask, although they can afford.

- **Physical distancing**

Physical distancing, also called social distancing, means keeping space between people outside of home, thus eliminating face-to-face contact, which is one of the best ways in limiting the spread of COVID-19. Through the legal acts issued during the health state of emergency, the authorities made recommendations and regulated of the following:

- a social distance of minimum 1 meter is maintained by all individuals, except the situation where a larger distance is decided or for the cases of public transport
- individuals of all ages are recommended to avoid access in closed spaces, commercial spaces, public transport and public food serving, unless for urgent needs
- any individual travelling from abroad will fill in an epidemiological file and will sign a statement on own responsibility to respect auto-isolation measures for 14 days

The measure is difficult to implement since it is against the communication culture adopted in our current society.

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## Solving

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- **COVID-19 focus in hospitals**

Through the initial measures issued by the authorities, the scheduled hospitalization had been deferred but starting with the relaxation of conditions, the medical and sanitary public institutions and private health services started offering medical ambulatory check-up, diagnostics, scheduled treatment with pre-booking while respecting prevention measures.

During the pandemic, medical and sanitary public institutions are offering medical assistance to all patients with COVID-19 symptoms, no matter their medical insurance status.

- **Strengthening healthcare workforce**

Healthcare workforce has been enforced to fight the spread of the virus. The employees are remunerated to return to work on the days declared free. The effort was national as well as with international assistance: Romania has sent a team of medical personnel to help the Republic of Moldova.

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## Movement

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- **Restrict movement & lockdown**

The containment measures have been introduced by the Moldovan authorities starting with 17<sup>th</sup> of March. The measures were strict and imposed a high limitation on the free movement of the population, therefore creating social disruptions.

During the health emergency situation, people were forbidden to leave their home and surroundings, between 6 a.m. and 10 p.m., except for the following reasons: going to and returning from work, medical checkup which cannot be postponed, acquisition of food supplies from a nearby store, short physical exercises, walking pets, taking care of elderly and children.

In the meantime, this restriction has been lifted through the government decision dated 15<sup>th</sup> of May. However, elderly individuals, over the age of 63, are still forbidden movement outside their home and in public spaces except for strict necessity. The measure is valid until 30<sup>th</sup> of June with the possibility of extension. Furthermore,

individuals are encouraged to respect auto-isolation protocol and not to travel abroad if auto-isolated. For the rest of the population passenger flights started operating while respecting prevention and protection measures.

- **Stop large gatherings**

Groups larger than 3 persons were forbidden in public spaces. The measure was valid until 30<sup>th</sup> of June. Mass gatherings are allowed with up to 50 people, while respecting the public health measures and keeping epidemiological evidence of the participants of the event. Such events should not take place near institutions with high risk of virus spreading: public institutions, educational institutions, hospitals, etc.

Interdiction to participate and organize large gatherings were a significant action in the fight to spread COVID-19, since it helped maintain physical distance. Further to the social impact, the measure has an economic impact on the HORECA sector, which was heavily hit, as described under Chapter 4.

- **Cleaning of public spaces**

Cleaning public spaces is very important and works together with personal/ home hygiene in the fight against COVID-19. According to the legislation issued during the pandemic, the following have been regulated:

- Cleaning the surfaces in public transport after each round
- Cleaning the surfaces in retail stores and commercial centers, the market trolleys and floor wet cleaning at least 3 times per day
- Frequent ventilation of the retail stores when possible
- Disinfecting aircrafts and airport installations for passenger flights

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## Working style

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- **Remote working**

The authorities have recommended public institutions to organize their work force according to the necessities: only employees with mandatory functions will work from the office, the others will work remotely. This practice was firstly embraced by the private sector, the normative framework was adapted accordingly and has proved that a lot of jobs can be done remotely.

The measure could put more pressure on working women because they have to take care of the children to entertain or educate them since the schools and kindergartens are closed.

- **Workplace safeguards**

The following have been regulated in order to protect employees as well as customers/ visitors.

In retail stores

- Securing protection equipment for employees
- Securing hands disinfectants at the entrance of the stores
- Using masks inside the premises
- Social distancing of 1 meter and securing fluid access of customers in retail stores

Individuals and legal entities which perform agricultural activities

- Social distancing of 1 meter during movement and transport and during the execution of works
- Securing separate food conditions for executing workers
- Securing hands disinfectants
- Using masks inside greenhouses and other closed spaces

On passenger flights using protection screens and personal protection equipment for staff.

- **Prohibiting for a limited time of selective sectors / activities**

Many activities have been suspended during the state of emergency and some have remained closed even after the alert state was in place. This meant that many businesses had to suffer loss of income and even bankruptcy. Such activities were: commercial centers, beauty services, restaurants, bars, fitness and sport centers, cultural sites. In order to support activities which have been affected by the pandemic, the authorities have decided the following: to postpone the payment of income tax from entrepreneurial activity by 3 months, to postpone the registration of the declaration and payment of income tax for 2019 for individual entrepreneurs, farmers, economic agents of small and medium enterprises, as well as for individuals.

Separate prevention measures and recommendations have been issued for certain activities/ sectors, such as: public food markets, commercial centers, public food services, sport centers and religious sites.

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## Socio-economic

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- **Income increases for frontline workers**

Special compensation of MDL 16 k for employees working in the frontline during the pandemic as well as the ones working in public institutions who have been infected with COVID-19 while executing their work. This compensation is tax free. Furthermore, these employees benefit of a monthly compensation increase for work performed in conditions of major health risk.

- **COVID-19 unemployment assistance**

According to the legal acts issued during the pandemic, individuals who have lost their jobs due to the crisis caused by COVID-19 can apply for unemployment assistance even if they do not have paid the mandatory health insurance. This is however valid for individuals who can prove that they have made the contributions to the health social insurance for 12 months in the past 24 months. All the others, including returning migrants, must pay their contributions first before applying for unemployment assistance. Furthermore, the unemployment assistance fund was increased to MDL 2,775, and the legislation was amended to include people without prior work record in the allowance category. Individuals holding patents (self-employed) can also register as unemployed and receive minimum wage benefits. Furthermore, patent holders, self-employed, individual entrepreneurs who have ceased their activity during the pandemic can benefit of the reimbursement of social security contribution. Among the decisions of the authorities, it was also decided to ensure the opportunity for banks and non-bank lending organizations to defer credit rates for individuals and legal entities, in an effort to ease financial pressure on those affected by the pandemic crisis. The authorities have also decided to subsidize the expenses related to the payment of the indemnity/ salary in case of unemployment due to COVID-19 pandemic until June 30<sup>th</sup> with the possibility of extension. A subsidy was also granted for farmers, for 6% of the 18% social security contributions, as a permanent measure. On the other hand, the Labor Code is perceived as inflexible and difficult to understand for the employers and becomes a burden for them to keep employees, since most of them do not have the necessary liquidity or are not eligible for this benefit.

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## Education

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- **Remote schooling**

The Moldovan authorities have decided the suspension of physical classes in kindergartens, schools, universities and the introduction of online educational system/ remote schooling. The suspension of classes in institutions is valid until 30<sup>th</sup> of June. For the scholar year 2020-2021 there are consultations held regarding 7 operational models of the educational institutes.

A successful implementation of an on-line educational system would mean that all pupils, students and teachers are adequately equipped with IT facilities such as PC, laptops, tablets, smart mobiles and have access to good internet service. According to the letter submitted by the Ministry of Education, Culture and Research to PwC for the purpose of this study, on-line educational system was organized for all primary and secondary schools as well as high schools and the participation rate was 95.4%. While most of the individuals have internet access, 76% of total population in December 2019<sup>83</sup>, the fixed broadband penetration to households was 46% in 2018<sup>84</sup>. The most affected in the shift to on-line education are the children and youth from poor households who lack IT equipment and internet access. Moreover, even the children and youth who live in households with proper equipment and internet access, might face difficulties in accessing them if there are many children in the family who should use the equipment simultaneously for school or the parents for telework.

Further to the challenges caused by the lack of proper equipment, on-line education is believed to bring difficulties also on the level of the concentration of the children and youth during on-line classes compared to physical classes, as well as in understanding the explanations from teachers. Of course, these cases depend also on the age of the pupils/ students.

- **Providing devices to students**

The Ministry of Education, Culture and Research has made a national survey through the schools on the degree of endowment of pupils and teachers with necessary equipment to attend remote schooling<sup>85</sup>. According to the statement of the minister of 4<sup>th</sup> of June, almost 29,000 pupils (9%) and 3,000 teachers (11%) do not have adequate IT equipment<sup>86</sup>. In order to address this problem, the ministry has launched the campaign “Donate a computer for education” addressed to individuals and companies who have the capacity to make such a sponsorship<sup>87</sup>. Furthermore, MDL 20 mn were allocated by the government for the acquisition of IT equipment for schools.

- **Education safeguards**

So far, the local authorities have not issued any directions and procedures to be followed for a safe opening of schools, but international organizations which have a humanitarian role have issued guidelines which can help the state authorities around the world in implementing efficient measures. According to UNICEF, closing of schools and introducing remote schooling represents a high risk for the children which are socially marginalized due to the financial status of their family and depend on schools for their education, health, security and food. Furthermore, the longest they stay away from school, the chances of not returning will increase. For this reason, UNICEF, UNESCO, PAM and World Bank have issued general guidelines for a safe return to school. These guidelines are oriented around the following aspects:<sup>88</sup>

- Reform of policies for closing and opening schools during pandemic times and securing equal access for marginalized children

<sup>83</sup> <https://www.internetworldstats.com/europa2.htm>

<sup>84</sup> <https://digital.report/moldova-state-of-affairs-report/>

<sup>85</sup> <https://ro.sputnik.md/education/20200430/30074222/MEC-presiune-pe-coli-pentru-raportarea-elevilor-i-profesorilor-fr-device-uri.html>

<sup>86</sup> <https://tv8.md/2020/06/04/video-nu-au-acces-la-educatie-circa-29-de-mii-de-elevi-si-trei-mii-de-profesori-nu-dispun-de-calculatoare/>

<sup>87</sup> <https://mecc.gov.md/ro/content/ministerul-educatiei-culturii-si-cercetarii-lansat-campania-nationala-doneaza-un-computer>

<sup>88</sup> <https://www.unicef.org/moldova/comunicate-de-pres%C4%83/noile-linii-directoare-con%C8%9Bin-o-foaie-de-parcurs-pentru-redeschiderea-%C3%AEn>

- Attracting and securing necessary funds for consolidating the educational infrastructure
- Safeguards for the operational period, such as securing essential consumables for a health behavior and instructions for a proper hygiene
- Recovering time lost during the shift from classic teaching form to remote schooling
- Increase protection and wellbeing of children through services, health assistance and diet
- Extension of policies for school opening to marginalized children which were not attending school even before the pandemic or to the ones from migrant families.

Further to the measures adopted by the authorities, **development partners, global and local organizations have introduced initiatives** with the aim to support the vulnerable categories impacted by COVID-19 outbreak.

The UN System is preparing an updated version of the UN Socio-Economic Response and Recovery Plan (UN SERR Plan) that has a 12-18 months horizon and is a UN System offer to the Government of Republic of Moldova to address socio-economic implications of COVID-19. The current version was released in June 2020, and updated version will be available by early August 2020.

IMF Emergency Financing Assistance to Moldova consists of two lines of support: 1) Rapid Credit Facility, out of which a disbursement of USD 78.4 mn was approved and 2) Rapid Financing Instrument, which facilitated a purchase of USD 156.7 mn to meet the country's urgent balance of payment needs stemming from the pandemic.<sup>89</sup> Due to Moldova's Low-Income Country status, it qualifies for the facility available to low income countries, but also for the facilities available for all countries, including emerging markets, therefore benefiting Moldova of zero interest rate or 0.5% interest rate for part of the facility. Furthermore, the facility comes without ex-post conditionality or reviews.

The EU will allocate over EUR 87 mn for Moldova to support immediate and short-term needs, as part of the global response to COVID-19 in Eastern Partnership. The funds are targeted at responding the immediate needs: support to the health sector and support to the most vulnerable groups in the society, as well as limiting the social and economic impact.<sup>90</sup> The European Union Delegation has made available EUR 11 mn to be tendered soon for the scale up of existing social services, working in rural communities, increase employment opportunities through grant schemes. Also, the EU has an ongoing programme of EUR 1 mn to tackle issues, such as: unemployment, community needs, social infrastructure for creating new businesses or connecting to other communities.

USAID has prepared a project to address COVID-19 prevention and response, allocating a budget of USD 1.2 mn. Its aim is to assist Moldova in its preparedness and response to COVID-19 through technical assistance on laboratory preparedness, procuring lab supplies and reagents, data collection and analysis, risk communication and community engagement for healthcare workers and public authorities.

Switzerland and the United Nations Development Programme support the prevention and control measures adopted by the authorities. Necessary equipment in value of USD 37 k has been acquired represented by: masks, gloves, disinfectant and thermometers for distance monitoring. UNICEF Infection prevention and control (IPC) and WASH has developed designated health care facilities/ centers and other targeted facilities likely to receive suspected cases of COVID-19 also it has helped on the procurement and provision of critical hygiene or other supplies for education institutions in most vulnerable communities. UNAIDS invested EUR 664 k in the health system, in COVID testing capacities and PPE for health workers.

The World Bank approved a EUR 52.9 mn loan from the International Development Association (IDA) to the Republic of Moldova for an Emergency COVID-19 Operation. The project is focused at strengthening Moldova's

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<sup>89</sup> <https://www.imf.org/en/News/Articles/2020/04/18/pr20173-moldova-imf-executive-board-approves-emergency-assistance-to-address-covid-19>

<sup>90</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/coronavirus\\_support\\_eap.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/coronavirus_support_eap.pdf)

national healthcare system and mitigating social risks, therefore helping the country respond effectively to the pandemic.

Czech Embassy has prepared some programmes to address the vulnerable groups: one is targeted to help mentally disabled people cope with the pandemic, with a budget of USD 225 k and another one is targeting to improve the capacity/ ability of health and social personnel to provide home care services for elderly with a budget of USD 70 k.

UNDP has also developed projects to assess the impact of COVID-19 on different population categories: analysis of the COVID-19 impact on young people, generations and gender survey, analysis of COVID-19 pandemic impact on intergenerational economy in the Republic of Moldova (NTA), building intergenerational dialogue "Solidarity between generations". Swiss Cooperation Office has an ongoing project on engaging citizens and empowering communities to assess the impact of the pandemic and governmental response on the vulnerable groups and the related risks of increasing poverty, human rights infringements, discrimination, and social exclusion for the vulnerable groups, as well as to design and implement advocacy and policy influencing measures to address these risks.

The German KfW Development Bank has started a program on improvement of water infrastructure in Central Moldova and Cahul with a budget of USD 56 mn aimed to improve the life and health conditions of many vulnerable categories.

USAID in Moldova has launched certain activities aimed at helping free lancers impacted by COVID-19: launching an online selling platform for small organic farmers, helping local producers to embrace e-commerce by improving their websites, facilitation of legislative amendments to improve the overall e-commerce enabling environment, organization of start-up weekends, catalysing connections between local entrepreneurs, helping Moldovan brands to increase their online eCommerce digital presence. These programmes are coming in support of the Digitisation of the Economy Roadmap, adopted by the Ministry of Economy and Infrastructure.

EBRD ASB team has launched initiatives to consolidate soft skills development in response to current needs (online recruitment and remote leadership) as well as facilitate networking opportunity for women in business from Moldova and Romania and ease access to Romanian expertise for Moldovan businesswomen.

ODIMM will allocate grants for women in business and allocated MDL 27 mn to the migrants programme (PARE 1+1).

Moldovan Diaspora Relations Office has launched in 2020 the programme "Diaspora Succeeds at Home 1+3" with the purpose of mobilizing the human and financial potential of the diaspora for the local socio-economic development of the country. The programme has 42 projects, out of which 12 will be developed with the support of development partners UNDP and Switzerland through MDL 1.3 mn. The total budget for the 12 projects will be of MDL 7.9 mn.<sup>91</sup> Furthermore, the National Agency for Employment has organized in June 2020 an online job fair offering over 2,700 job offers and having over 10,000 visitors<sup>92</sup>. With support from the World Bank, the state has increased the budget for Social Assistance programme by 40% and amended the criteria for selecting beneficiaries so that adults with children and the most vulnerable individuals receive the allowance.

ODIMM will design a programme with ILO and SysLab mechanism in order to help returning migrants find a job and requalify or to start businesses. ODIMM has also designed a programme for women in rural areas "Women in Business" where they are helped to identify business ideas, trained, mentored to develop small business plan and open a business in their community. The Ministry of Economy and Infrastructure of the Republic of Moldova, in collaboration with ODIMM has developed the project "Start for Youth" with the aim to support young people start a business, with an allocated budget of USD 1.15 mn.

Swiss Cooperation Office Support has run a programme for helping national authorities in developing labour migration policies and providing client-centric assistance to potential, current and returned migrants and support in harnessing migrants' potential for local economic development.

<sup>91</sup> <https://www.moldpres.md/news/2020/06/19/20004916>

<sup>92</sup> [http://anofm.md/news/2020/06/17?fbclid=IwARo\\_7pZEUGkN6licZUO91P3bbMhWil6oPiog\\_Wx8bMoadqiCMbHoUHUMSEI](http://anofm.md/news/2020/06/17?fbclid=IwARo_7pZEUGkN6licZUO91P3bbMhWil6oPiog_Wx8bMoadqiCMbHoUHUMSEI)

The Government of the Republic of Moldova, through the Ministry of Education, Culture and Research has launched the “Online Education” project which is implemented together with Chisinau City Hall and with the support of Soros Foundation Moldova, the Technical University of Moldova, Edu Tolk Show, Crunchyroll, the National Association of ICT and the Academy of Innovation and Change through Education. The purpose of the project is to create a digital library of video classes for all the pupils from 1<sup>st</sup> to 9<sup>th</sup> grade. Currently the project has 2,500 video classes and is planning to reach 4,500 classes made available to 27,400 teachers, 331,000 pupils at a national level and 9,874 children with difficulties in learning and disabilities.<sup>93</sup> Also, UNICEF has ongoing activities related to COVID-19 in preparing a response plan in the educational sector, developing methodologies for distance learning and teachers training on distance learning on UNICEF platform.

World Bank’s – USD 3.5 mn programme dedicated to enabling digital access and remote learning and teaching for students and teachers<sup>94</sup>. Also, UNICEF has assisted Moldova in the procurement of computers and educational package for most marginalized children with no access to distance learning.

### **3.3. Initial policy recommendation guidelines on addressing the issues of the most vulnerable groups**

Safeguarding Moldova’s livelihoods must be one of key priorities.

The public health strategies / interventions should be designed to guide the decisions and actions for all. Given the competing demands, the sometimes chaotic and unclear threats, conditions and the paramount importance of doing the right things has main scope the reducing of level of pain in society. Safeguarding and implicitly, reducing number of cases, is critical to restore confidence. In practical terms, given the intensity of pandemic COVID-19, the policies are critical to any recovery plan: act now to protect and run “today”, and plan now to rethink for the future.

The measures taken by the authorities have a wider effect of the social distancing measures on how the public live their daily lives. Social distancing measures can exacerbate societal challenges, from the negative impacts on people’s mental health and feelings of isolation, to the risks of domestic abuse and violence. The authorities tried to minimise the adverse social costs - both their severity and duration - for the greatest number of people possible.

This means the authorities considered:

- the number of days of education children lose;
- the impact on those most affected by social distancing measures; and
- the importance of maintaining the strength of the health system on which Moldova relies, in order to protect or support society’s most vulnerable.

The authorities and civil society will need to consider strategies to rebuild. It is clear now the pandemic won’t leave visible paths of destruction. But appearances can be deceptive: big or small, the changes will fundamentally transform the daily lives. There won’t be a “return to normal”, neither for all as a society, nor the economy.

The policies should be structured on short-term to address the immediate needs of COVID-19 pandemic which have not been fully covered by the measures in place, on medium-term to minimize the scars left from the crisis and help the economy to relaunch based on solid foundations for sustainable growth and on the long-term to help Moldova turn into a robust economy.

#### **Short-term actions**

<sup>93</sup> <http://www.educatieonline.md/About>

<sup>94</sup> <https://tv8.md/2020/06/04/video-nu-au-acces-la-educatie-circa-29-de-mii-de-elevi-si-trei-mii-de-profesori-nu-dispun-de-calculatoare/>

- Utilities subsidies for individuals and families at the risk of poverty, as food and utilities bills constitute the largest share of households' expenses (social welfare payments). Such actions are intended to support vulnerable categories such as poor households, elderly, returning migrants, who face difficulties in meeting their monthly expenses
- Expanding the measures of granting technical unemployment assistance to people who have lost their jobs and income during the pandemic, such categories are free lancers whose activity is suspended, and returning migrants. Design a flexible and easy mechanism in order for companies to be able to access the benefit, without a lot of paper work and requirements
- Providing PPE for lower-income workers in order to protect them from getting infected with COVID-19
- Issuing of meal vouchers for people over a certain age and with income below the minimum guaranteed
- Providing food packages and body hygiene packages for children whose parents have COVID-19 or are in isolation by or to people in difficulty, at risk of poverty or with a poor income
- Facilitate the access of "Online Education" project to marginalized children, children living in rural areas. Enrich online educational programmes with documentaries, explanatory videos, news format videos and enable receiving feedback from students and live interaction
- Facilitate access to confidential spaces (platforms) to victims of domestic violence, which are mainly women and children
- Support for elderly people in securing easy communication with medical representatives or setting up a hotline designated for this issue. Securing that they have access to medical services and vital medicines
- Increase the number of tests performed to identify infection with COVID-19 and decrease the response time to maximum 1 day, in order to be able to take more focused and timely isolation actions
- Implement contact tracking protocol through special designed applications. Subsidize a share of the subscription bill for each user in order to encourage its utilization

### **Medium-term actions**

- Take advantage of geopolitical situation post COVID-19 and promote the investment attractiveness of Moldova within foreign companies looking for relocation options, given the challenges they are having in the markets of current operation. Initiate programmes of promotion of the local economy (lower labor costs, skilled personnel and proximity to other countries in Europe) and/ or introduce financial stimulus, thus encouraging the creation of new jobs
- Introduction of fiscal or financial incentives for employers who hire unemployed or returned migrants, this way companies will be incentivized to employ people who have lost their jobs due to the pandemic or were struggling to integrate in the economy even before the pandemic hit
- Financial support and consultancy in setting-up new businesses and professional reintegration support (career guidance, vocational training, requalification), support in validation and certification of informal skills gained abroad in order to facilitate reintegration in the economy for returning migrants
- State guarantee schemes for developing bank loans specially designed for free lancers, small entrepreneurs who wish to restart work or to young people with little or no credit history in supporting them to become entrepreneurs. Such financing facilities would benefit from low interest rates and fees and would have flexible repayment plans
- Requalification opportunities by organizing free online specialization trainings for workers who have lost their jobs and are qualified in sectors exposed to COVID-19 crisis
- Develop free online specialization and vocational trainings for young people. The training can be separated into categories for specific professional activities and soft skills (emotional training, human relations, time organization for the general public) for NEET youth, vulnerable women

- Granting a subsidy to the beneficiaries of unemployment assistance who restart work. The subsidy can be represented by a share of the gross salary for a short period (e.g.: 3 months) and will encourage people able to work to try to reintegrate in the economy
- Financial support for children from poor households in order to obtain access to internet and necessary IT devices
- Vouchers for students from low-income households in risk of poverty, for purchasing school supplies
- Assign social protection staff and volunteers, as well as channel the assistance through relevant NGOs, to offer coaching and mentoring to disadvantaged children
- Develop support programs for NEET, to address financial stability and long-term unemployment
- Introduction of fiscal or financial incentives for employers who hire NEET or include them in paid internship programs for medium terms
- Develop programmes to help integrate unemployed in sectors which have high demand such as food delivery, sanitizing spaces, etc.
- A percentage of the previous payroll value to be granted for a period and to be deducted from future income (applicable for unemployed which were employed before the COVID-19 pandemic as well as to freelancers)
- Introduction of fiscal or financial incentives for employers who invest in the professional training of their employees for changing the career path
- Introduce special legislation for flexible working hours for women working from home and having children under a certain age
- Expand the network of free psychological assistance and protection centers and call lines for women, especially in rural areas, together with organizing the promotional campaign
- Introduction of fiscal or financial incentives for companies which stimulate remote work, in order to support people
- Enhance the normative framework for interaction of the elderly with public authorities (allow representation by relatives, exclude the need for physical presence where it is not critical, etc)

### **Long-term actions**

- Prepare the workforce for the future and follow the trend to digitalization, therefore offer grants for companies who invest in workspace digitalization and invest in training their employees in order to be able to sustain the shift to online business
- Investments in infrastructure which will create demand and workforce in the market and therefore improve the local economy from which all categories can benefit indirectly
- Strengthening workforce in the hospitals and enforce the hospitals infrastructure in order to be prepared, protect public health and be able to support any future possible shocks
- Strategy for healthcare system – incentives for healthcare employees to remain in Moldova and develop local practice in a sustainable manner

## 4. Impact of COVID-19 crisis on economic sectors

### 4.1. COVID-19 most affected economic sectors identification

#### General aspects

The objective of this section is to identify the most affected economic sectors by the COVID-19 pandemic in the Republic of Moldova and to evaluate initial impact on these sectors.

The COVID-19 pandemic impacted, both negatively and positively, many industries in Moldova. Some economic sectors were highly exposed to COVID-19 outbreak, as most services are reliant on interaction, trade and free movement of people, only service offerings judged “essential” remaining active during the lockdown period. On the other hand, sectors related to internet and online services benefited from this crisis, but their offsetting effect on the overall industry was limited.

As SMEs are playing an important role in Moldova’s economy (table 7), providing more than 70% of employment<sup>95</sup>.

Table 7: Evolution of SMEs indicators

Enterprises by size	Number of Enterprises		Average number of employees		Number of enterprises with profit	
	2017	2018	2017	2018	2017	2018
Micro	46,184	48,032	107,789	111,677	19,770	20,930
Small	6,061	6,374	112,028	117,030	4,342	4,608
Medium-Size	1,328	1,299	103,460	99,311	1,003	967
Big	740	758	205,330	212,259	626	638
<b>SMEs</b>	<b>54,313</b>	<b>56,463</b>	<b>528,607</b>	<b>540,277</b>	<b>25,741</b>	<b>27,143</b>

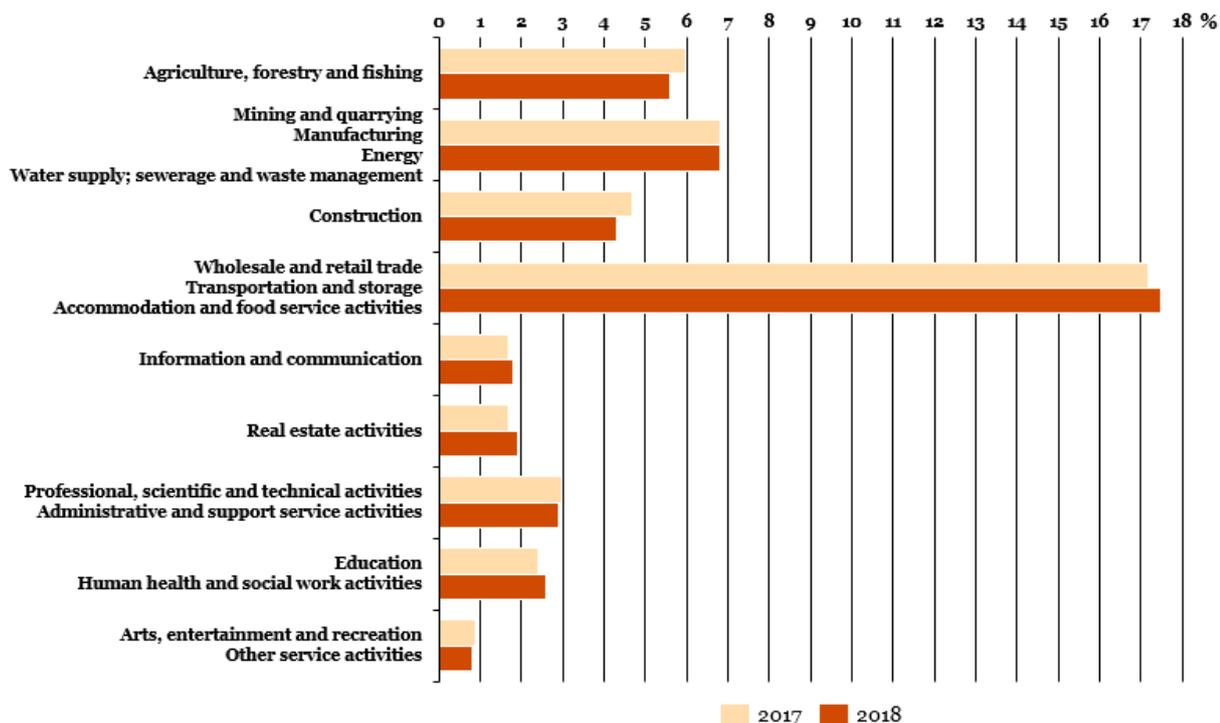
Note: Big enterprises: >249 employees and turnover >50 Mil LEI; Medium enterprises: <249 employees and turnover <50 Mil LEI, except small and micro enterprises; Small enterprises: <49 employees and turnover <25 Mil LEI, except micro enterprises; Micro enterprises: <9 employees;

Source: NBS

Value added for Wholesale and Retail Trade has the biggest shared contribution, across economic sectors, to the GDP for total economy (figure 16). These sectors are likely to be the most affected areas by the COVID-19 pandemic.

Figure 16: SMEs shared contribution to GDP for total economy

<sup>95</sup> According to Oxford Economics, Republic of Moldova, Bracing for domestic and external Covid-19 shocks (data for 2017)



Source: NBS data

According to the National Bureau of Statistics (NBS), in April 2020, the overall industrial production (gross series) in Moldova decreased with 25% compared to April 2019 and with 24.4% compared to March 2020. The textile industry was at a level of 52.0% compared to April 2019, the clothing industry at 42.4%, the beverage industry at 77.5%, while the food industry had a slight increase, 100.3% in April 2020 compared to April 2019.

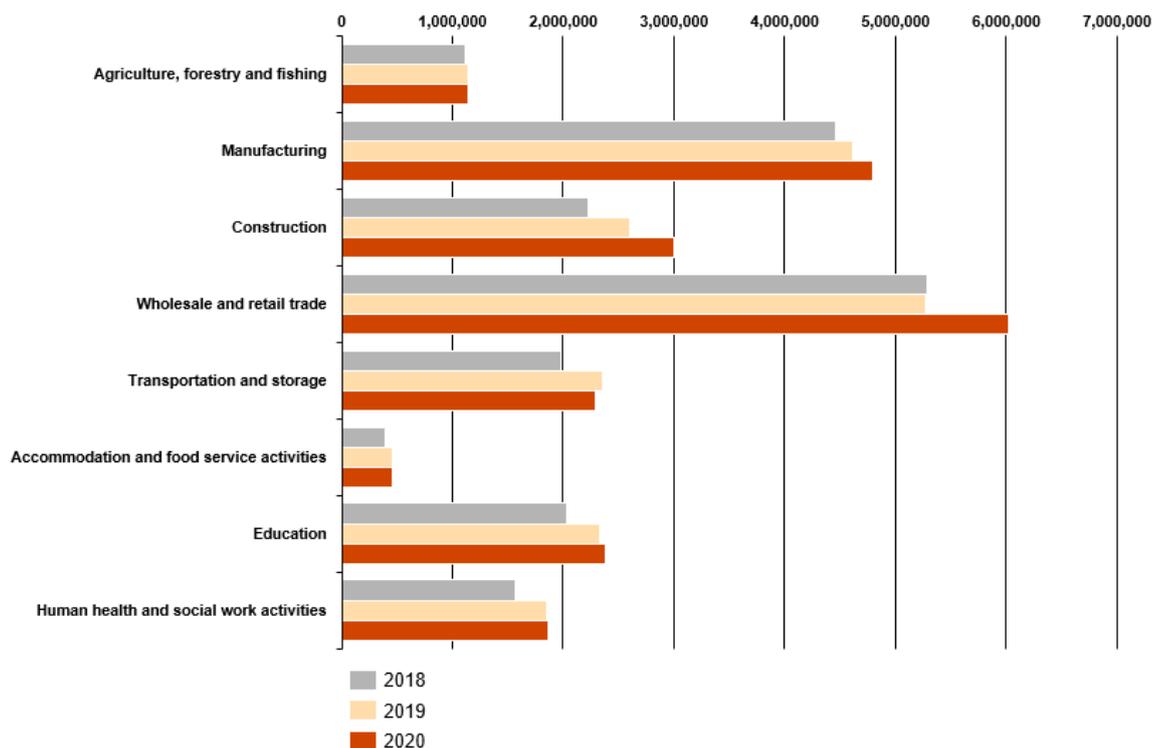
The total exports of the Republic of Moldova in April 2020 were EUR 137.8 mn, 30.5% lower than in April 2019, while the total imports were EUR 262.7 mn, 44.6% lower than in April 2020.

**Analysed economic sectors**

In our analysis, we have started by looking at an extensive range of economic sectors, then we have narrowed down our endeavor to 8 main economic areas and, finally, we have focused on 4 main sectors proposed for our scope, based on research and stakeholder’s consultation. Further on, we shall list the main aspects regarding COVID-19 impact on the 8 economic sectors mentioned in Chapter 2.3.

As we can see in the below graph (figure 17), the evolution of main industries across Moldovan economy shows that the economic sectors were not negatively impacted for the 1<sup>st</sup> quarter, most probably due to the fact that the COVID-19 pandemic started by mid of March and the impact is not yet visible. More than that, we can even remark a slight increase of GVA on Q1 2020, for certain industries as Wholesale and Retail Trade, Construction or Manufacturing. Though, we are expecting an important decline across all important economic sectors for the 2<sup>nd</sup> quarter as the pandemic unfolded and drastic containment measures were applied in order to control the spread of coronavirus disease, which might be confirmed when more conclusive statistic data will be available.

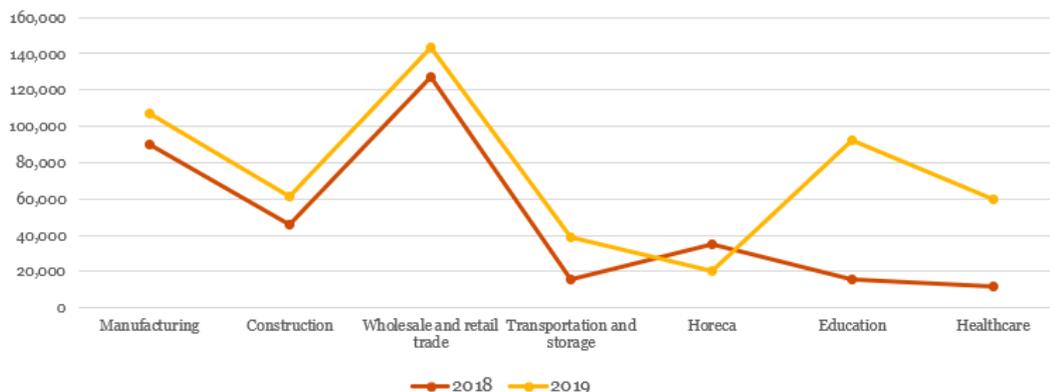
Figure 17: GVA evolution (on 1<sup>st</sup> quarter in the overall economy by economic sector (2018-2020)



Source: NBS data

In terms of employment, as we can see in the below graph (figure 18), the number of employees is in an ascendant trend 2019 vs. 2018, except for HORECA sector which is decreasing by more than 40%.

Figure 18: Number of employees by economic sector (2018 vs. 2019)

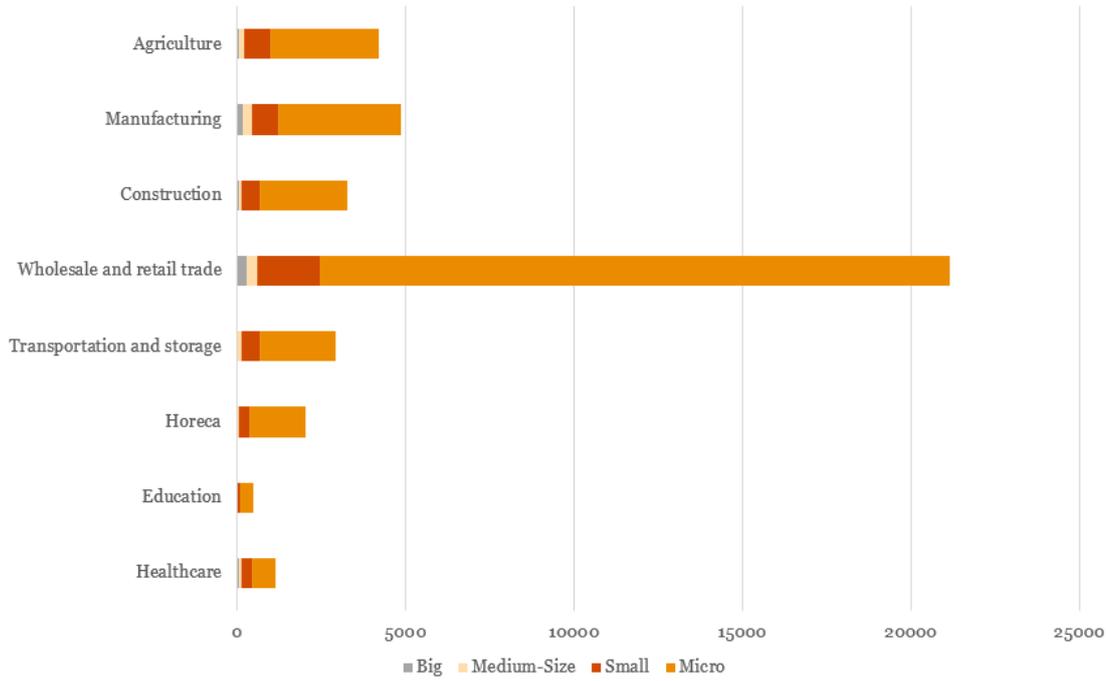


Note: Agriculture sector was not reflected in the above graphic due to the fact that starting from 2019, the NBS methodology on reporting the employees was changed and therefore “employees producing for own households” were no longer included, reducing the number drastically (from 388,591 to 182,845 employees) leading to irrelevant comparison.

Source: NBS data for 2018 and PwC methodology and assumptions for 2019 data

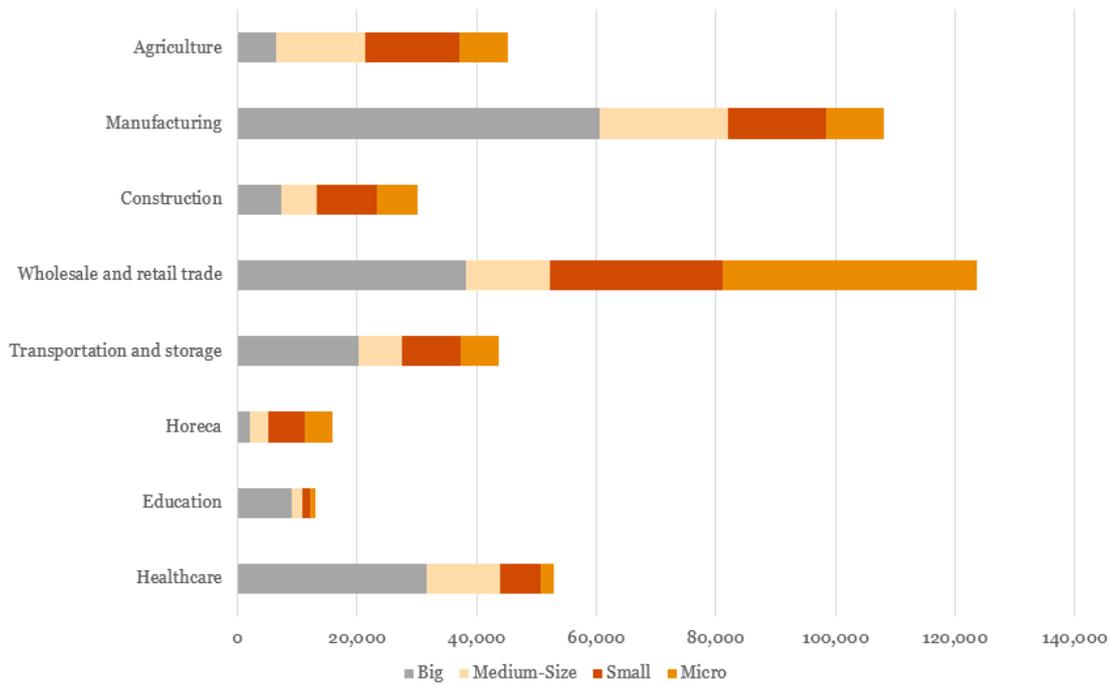
Referring strictly to SMEs we can see that the number of micro enterprises occupies the biggest share in the analyzed economic sectors with almost 40% of them being profitable (please see figures 19, 20 and 21).

Figure 19: Number of enterprises by economic sector and size (2018)



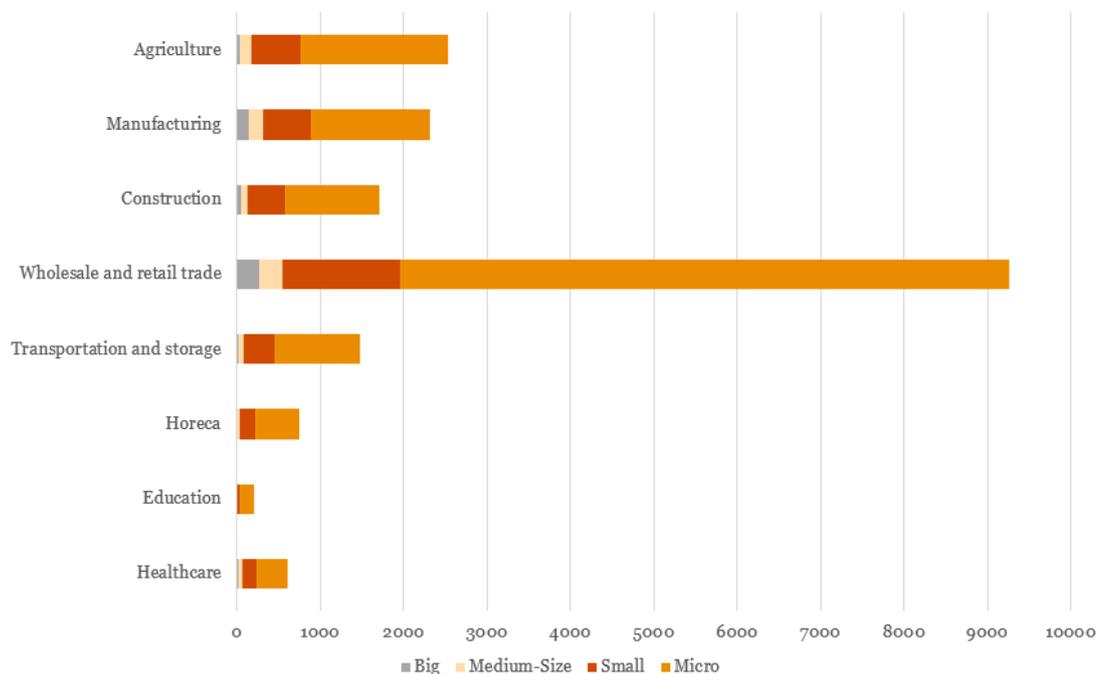
Source: NBS data

Figure 20: Average number of employees by economic sector and size (2018)



Source: NBS data

Figure 21: Number of enterprises with profit by economic sector and size (2018)



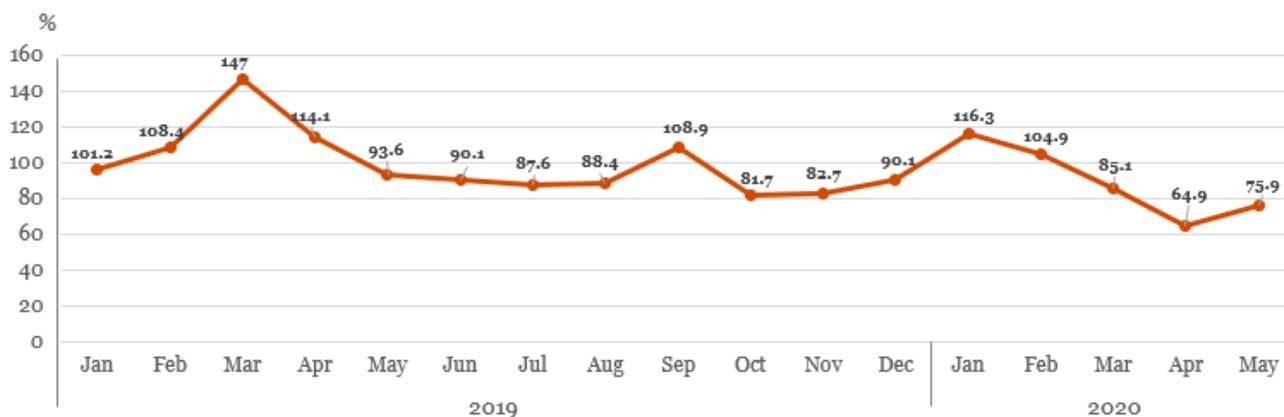
Source: NBS data

**Wholesale and retail trade<sup>96</sup> (non-food)** were severely impacted during demand lockdown, both due to demand decrease and supply issues. **Transportation and storage** were also subject to massive dropdown both in transported passengers and goods (as we can see in the fig. 22 and 23), especially due to lockdown movement restrictions and decrease in production and non-food goods consumption:

- Non-food retail, especially apparel, was severely hit during lockdown due to a significantly decrease in demand; additionally, supply chain disruptions (esp. sourcing from other countries) occurred; online retail, although exhibiting an increased trend, could only partially compensate for general tendency;
- Demand for soap, detergents, cleaning and personal care products was stable, showing a slight increase, as classical sales channels (supermarkets, drugstores) remained open during the crisis, but this had no significant impact on the overall sector performance due to relatively low share of retail;
- The possibility of adapting to the COVID-19 situation and moving part of the trade activity towards the online channels was limited due to rather reduced Internet penetration in the country and due to the reduced pre-COVID-19 digitalization level of companies. However, some businesses pushed the shift further to digital commerce activity. Small businesses were scrambling to set up digital presence through online platforms/marketplace. More businesses are expected to set-up their direct-to customer commerce platforms that will give them better control of customer experience than third party platforms.
- By comparison to May 2019, the passenger traffic was reduced by more than 75% during the emergency state period. The coach stations nationwide, apart from the ones in Chisinau, were closed. International passenger travel, by plane, train or cars, was prohibited. Due to the severe decrease in exports, international freight transportation also faced significant decrease. On the other hand, the internal freight transportation increased, triggered by the 9.9% increase in internal goods trade.
- As of 2019, the contribution of Wholesale and Retail Trade to the total GVA in Moldova was the highest among all the economic sectors, with 18% and an evolution of +13% YoY, whilst the Transportation and storage sector covers 5.6% of total GVA and an evolution of +19.5% YoY.

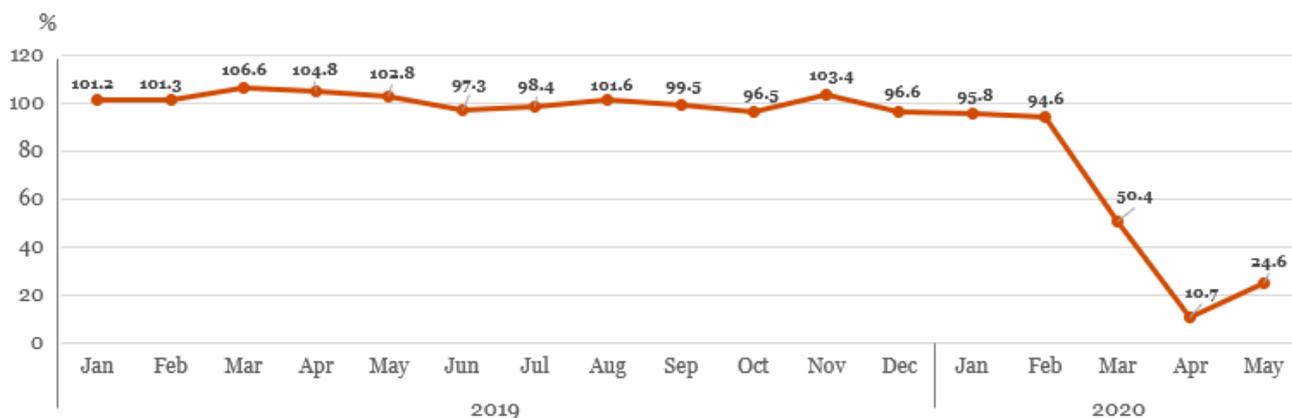
<sup>96</sup> Retail trade for non-food goods (incl. online retail); Furniture, electronics, appliances, building material, apparel, etc. producers; Personal care producers and beauty stores

Figure 22: Transported goods, 2019-2020, % compared to the corresponding period of the previous year



Source: NBS data

Figure 23: Transported passengers, 2019-2020, % compared to the corresponding period of the previous year



Source: NBS data

A high dropdown was registered during the emergency state from 94.6% in February to 10.7% in April. Once the containment measures were relaxed, the passengers’ traffic registered a slight increase, up to 24.6% in May.

The **hospitality** sector, including hotels, restaurants, travel agencies and tour operators, was also severely affected:

- According to NBS, in the 1st quarter of 2020, the tourism agencies revenues declined with 21.2% compared to the same period of 2019. This decline in overall touristic activity was primarily due to

reduction in the number of tourists visiting Moldova by nearly a half (-45.4%) and by almost one third decline in Moldovan tourists travelling abroad (-29.4%), while internal tourism declined by roughly 22.4% (compared to the 1st quarter of 2019);

- The decrease is expected to be significantly more severe in the second quarter of 2020, when most of the emergency state took place;
- The decline in sales determined most companies to cut wages: 5 out of 10 companies cut the wages by over 40%, while for the next 2-3 months, 7 out of 10 companies will cut the wages by over 40%<sup>97</sup>
- Some businesses managed to quickly adapt, providing catering services to economic sectors with rising demand (for example, healthcare facilities) and to vulnerable people (subsidized by local authorities). Other restaurants and coffee shops took online and phone orders and provided products either via in-store pick-up or home delivery.
- In none of the 3 scenarios regarding the future economic development of Moldova that this report is analyzing, the hospitality industry is expected to fully recover in 2020. A slight return to normality may occur in Q4, but companies will properly start to recover their losses at the beginning of 2021, if no COVID-19 supplementary restrictions will be imposed in the second half of 2020.
- As of 2019, the contribution of Hospitality sector to the total GVA in Moldova was around 1% but on an ascending trend with an evolution of +20% YoY.

**The manufacturing sector**, especially the **light industry** (including textile and clothing industries), faced a huge challenge during pandemic:

- Moldova's light industry comprises 651 companies (457 are active), out of which 93,7% are micro, small and medium enterprises (MSMEs). Decrease in external demand led to temporary closing or reducing of activities for many of these companies;
- More than 30.000 employees in the manufacturing sector, especially from the light industry, were impacted by the COVID-19 restrictions;
- The textile industry was at a level of 52.0% compared to April 2019, while the clothing industry at 42.4%;
- The only manufacturing sub-sectors which were positively-impacted by the pandemic were those concerning pharmaceuticals and chemical products, as well as food products.
- As of 2019, Manufacturing sector, holding the second place in total contribution (after Wholesale and Retail Trade), contributes to the total GVA in Moldova with 12.5%, and with an evolution of +5.2% YoY.

For **Agribusiness**<sup>98</sup>, no significant negative impact directly due COVID-19 is expected:

- No deviation from the base case evolution is predicted, due to stable, even slightly increased demand from consumers, food industry and retailers;
- Basic commodities, such as grains, milk, meat and vegetables, are expected to cover the necessities of the local market;
- Typically, the weight of agribusiness in GDP in the first 2 quarters (when the lockdown measures were in place) is relatively low (3% - 6%), while they significantly increase in Q3 and Q4 (13% - 15%), when progressive relaxing measures are expected to be deployed.
- However, disruption might occur due to prolonged draught during first 4 months of 2020. There is also clear evidence that the pandemic restrictions had a negative impact on poor rural farmers and small-scale food producers. Restrictions on people's movement in Moldova and countries' lockdowns (Moldova and its key trade partners) led to disruptions in trade (in Moldova's markets and exports alike) and restricted the availability of fertilizers and seeds; Many companies report dramatic decline in sales and are close to bankruptcy in case the crisis will continue<sup>99</sup>: 12 out of 35 companies report a decline in sales of above 50%.

<sup>97</sup> Quick Evaluation of Covid-19 Impact on UNDP Growth Cluster Projects, 2020 June

<sup>98</sup> includes greenhouses, crop farming, animal ranching, farming fishing and aquaculture, food and beverage production

<sup>99</sup> Quick Evaluation of Covid-19 Impact on UNDP Growth Cluster Projects, 2020 June

- Since agri-food exports account for roughly 50% of the country's total exports, increased efforts should be made in order to support the agricultural value chain. However, as lockdown restrictions are eliminated in both Moldova and its traditional trade partners, it is likely that the demand for Moldovan agri-food exports to the EU market to increase.
- As of 2019, the contribution of Agriculture, forestry and fishing sector to the total GVA in Moldova was around 11% with an evolution of +7.3% YoY.

**Construction** was moderately affected by the pandemic:

- According to NBS, the total number of construction permits issued during the 1st quarter of 2020 reduced by 16.8% compared to the 1st quarter of 2019. This reduction concerned primarily urban areas (-26.4%);
- According to recent international studies<sup>100</sup>, the construction sector has the highest level of shadow activity in Moldova. For this part of the sector, the support governmental measures, targeting both entrepreneurs and employees, had limited impact;
- Fortunately, the specificity of the activities in constructions allowed work deployment while observing social distancing and COVID-19 related health regulations;
- Due to budgetary restrictions imposed by the pandemic, some major investments, from both the public and the private sector, were postponed. At the same time, building private house sectors was less affected by the pandemic, witnessing a small increase in building permits issued by authorities in Chisinau and North of Moldova, primarily due to the implementation of the Government-supported subsidy housing programme. At the same time, foreign investments-funded construction sites continued to be operational during the pandemic.
- As of 2019, Construction sector contributes to the total GVA in Moldova with almost 10%, with a substantial evolution of +20.6% compared to previous year.

**Arts, entertainment and recreation** were on hold during the pandemic:

- All theatres, cinema halls, museums, libraries, galleries, sports facilities and parks were closed during the pandemic. Their reopening is slow and a fully recovered situation is not expected prior to the autumn;
- The independent, freelancer workers in the field were severely hit by the pandemic;
- Due to the reduced average speed of the Internet connection in Moldova, commuting to online performance and broadcast was not a real option for the artists and entertainers;
- However, the overall impact of the sector in the economy is reduced (less than 1% from the GVA in 2019 and on a descending trend of -15% YoY).

The **healthcare** system was in the centre of the national effort to counterattack the devastating impact of the COVID-19 pandemic. Its significant weaknesses, in terms in capacity, response time, funding, safety, organisation, communication, were exposed:

- Workforce concerns including scarcity, health of workers, and other challenges;
- Supply chain specifically necessary medical equipment (ventilators); capacity of beds; testing kits; gloves, masks
- Deferral of services (e.g. delay of planned procedures), financial stress due to rising costs and volumes
- Low ability to address telehealth and other forms of support delivery to patient population
- Challenges faced for new project management and business continuity plan(s)
- As of 2019, the Healthcare system contributes to the total GVA in Moldova with 4.3%, with an evolution of almost +10% YoY.

During the state of emergency, the healthcare system faced a series of governance challenges that can be solved by<sup>101</sup>:

<sup>100</sup> Oxford Economics, April 2020

<sup>101</sup> [https://msmps.gov.md/sites/default/files/raport\\_msmps\\_privind\\_masurile\\_de\\_raspuns\\_la\\_infecția\\_covid-19\\_.pdf](https://msmps.gov.md/sites/default/files/raport_msmps_privind_masurile_de_raspuns_la_infecția_covid-19_.pdf)

- Strengthening the capacity of the healthcare management system in response to public health emergencies;
- Improving of the human resource management based on assuring vertical and horizontal mobility and motivation mechanisms for medical staff;

## 4.2. Early anti-COVID-19 economic measures

The analysis regarding the early anti-COVID-19 economic measures will cover the 4 selected sectors: Wholesale, retail trade (non-food), Transportation and storage, HORECA and Light industry. At the same time, measures regarding agribusiness, as well as healthcare, will also be covered. For the purpose of this report, light industry refers to textile and clothing industries, only.

At the end of March and beginning of April 2020, the Government of the Republic of Moldova adopted a series of **measures meant to protect and stimulate companies from all economic sectors**:

- Postponing the deadlines for submitting financial statements;
- Postponing some deadlines for paying monthly, quarterly and annual taxes;
- Eliminating the external audit requirement for 2019 for medium and large companies;
- Subsidizing payroll taxes for companies that suspended totally or partially their activity, but decided to keep their employees, placing them under standstill or technical unemployment;
- Subsidizing the interest rate for loans contracted by companies for salaries and investment purposes. The total amount of subsidies, to be paid between May and December 2020, is estimated at approximately EUR 4.5 mn;
- VAT refund for companies having recoverable VAT amounts that can be carried forward. The measure, in place between May and December 2020, is expected to target up to 10,000 companies and the total refunding effort is estimated at approximately EUR 50 mn;
- Increasing the unemployment monthly benefit (to approx. EUR 140) and enlarging the list of potential beneficiaries;
- Paying financial compensation for people getting infected with COVID-19 while at work (approx. EUR 800);
- Paying monthly financial bonus for people working in the healthcare and in the penitentiary system being involved in anti-COVID-19-related activities, during the pandemic;
- Any COVID-19 related donations are tax-deductible;
- Customs tax and VAT exemptions for anti-COVID19 protection equipment and goods;
- Customs facilities prioritization for manufacturing-related goods

Two of the 16 Moldovan banks, Moldova Agroindbank and Moldindconbank, postponed the deadlines for companies for paying credit rates up to 3 months.

For the **HORECA industry**, the VAT was lowered from 20% to 15%, starting from May 2020.

In order to support **the transportation industry**, the Ministry of Economy and Infrastructure postponed with 2 months, from April to June, the deadline for finalizing the comfort categories classification of vehicles. The period of validity of the professional competence certificates, for both managers and drivers, was also extended with 2 months.

Another governmental initiative, specifically targeting **agribusiness**, was to subsidize 6% out of 18% (which represents the compulsory social security contributions) from their total income for farmers, under the condition that at least 95% of their total income is due to agricultural activities.

For the **construction sector**, the First House programme state subsidies were increased with approximately EUR 7.5 mn.

The Organisation for Small and Medium Enterprises Sector Development (ODIMM) implemented **several aid initiatives targeting SMEs in all economic sectors**:

- Launched the “issue of the day” service to explain and answer the FAQ regarding business activities in the state of emergency;
- Launched a virtual SMEs fair to support small local producers and replace physical market. The Facebook-based platform has more than 6,500 active members;
- Continued the “Credit Guarantee Fund” programme<sup>102</sup>, dedicate to SMEs, in place since 2007. Starting from May 2020, the National Bank of Moldova acknowledges the guarantees provided by ODIMM (up to 70% of the loan) as a credit risk mitigator;
- In April 2020, the “Women in Business” programme<sup>103</sup> was initiated. The programme provides training, assistance and grants for purchasing equipment and services (Max: EUR 8,250), for SMEs (either new or created in the last 2 years) owned and managed by women and grants for development, R&D and innovation (Max: EUR 82,500), for SMEs having more than 2 years of activity, owned and managed by women;
- In March and April 2020, more than 100 businesswomen from Danube countries, including Moldova, benefitted from online training on entrepreneurship, as part of the EU-funded “Women in Business - Fostering the Young Women Entrepreneurship in the Danube Region” project<sup>104</sup>;
- Given that only 17% of the Moldovan SMEs have digital technologies integrated in their activities, ODIMM launched in June 2020 a funding instrument<sup>105</sup> to encourage the digitization of SMEs business models, introduction of smart solution that stimulate productivity and connectivity under the new economic conditions. Support will be offered to companies based in Moldova, holding products or services developed as a consequence of their entrepreneurial activity. At least 100 SMEs will receive up to EUR 1,000 vouchers for advisory & mentorship services for creating webpage, social network profiles, products and services depiction, etc. At least 10 companies will receive up to EUR 10,000 for buying equipment and software enabling the company digitization;
- Initiated in 2019, the programme “Start for youth”<sup>106</sup>, dedicated to young entrepreneurs (18-35 years) will also continue. The participants will be trained and get assistance for starting and developing a small business. 70% of the supported SMEs will be active in the rural area.

In terms of SMEs-related support measures dedicated to specific economic areas, ODIMM continues to implement a programme dedicated to **SMEs in agribusiness**, “Support for SMEs in rural areas”<sup>107</sup>, that provides grants for small and medium businesses in the rural area. The programme has a total budget of EUR 5 mn (out of which EUR 4 mn is EU contribution) and is implemented between 2018 and 2021.

Another ODDIMM initiative, the “PARE 1+1” ODDIMM programme<sup>108</sup>, initiated in 2010, is targeting **Moldovan citizens working abroad**. Co-funded by EU, the programme provides training, support and funding to any citizen of the Republic of Moldova currently working abroad, or to a first-degree relative of a person working abroad, who wants to start or to develop a business in Moldova. Economic sectors such as trade or banking are not eligible.

<sup>102</sup> <https://www.odimm.md/en/about-us/oblasti/guarantee>

<sup>103</sup> <https://www.odimm.md/ro/femei-in-afaceri>

<sup>104</sup> <https://www.odimm.md/ro/proiecte-internationale/programul-transnational-dunarea/women-in-business>

<sup>105</sup> <https://www.odimm.md/ro/digitalizarea>

<sup>106</sup> <https://www.odimm.md/ro/presa/anunturi/4643-odimm-anunta-inscrierea-la-programul-start-pentru-tineri-doritorii-sunt-invitati-sa-si-aleaga-etapa-la-care-vor-sa-se-inregistreze>

<sup>107</sup> <https://www.odimm.md/en/projects/support-in-rural-areas>

<sup>108</sup> <https://www.odimm.md/en/press/press-releases/4548-one-billion-lei-in-the-country-s-economy-through-pare-1-1>

The UNDP-funded Migration and Local Development (MiDL) Phase 2 project is running between 2019 and 2022 (total expected budget for 2020-2022: approximately EUR 4.25 million)<sup>109</sup>. The programme is focused on **providing training to migrant workers** and implement initiatives to contribute to **local development** and to provide **income generating opportunities at local level**.

In May 2020, EBRD, with the financial support of EU, launched in 30 countries, including Moldova, the “Know How to...in a Crisis” e-learning platform **for SMEs**<sup>110</sup>, targeting both entrepreneurs and employees. The free-to-use platform aims to provide training and assistance regarding strategic, financial, management and human resources issues triggered by COVID-19 pandemic.

At the same time, the bank Mobiasbanca received a EUR 5 mn loan from EBRD<sup>111</sup> for on-lending to private **micro, small and medium-sized enterprises**. The lending programme started in June 2020.

The National Office of Vine and Wine is deploying, between June and August 2020, a project for evaluating the impact of COVID-19 pandemic on target markets for **Moldovan wine products**.

The United States Agency for International Development (USAID) continues to implement the 5-year long, \$21 million-worth High Value Agriculture Activity (HVAA) / Agricultura Performanta in Moldova (APM) project<sup>112</sup>, initiated in 2017, helping **local producers** to employ e-commerce by improving their websites, creating online shops and identifying solutions for online marketing to increase domestic consumption of local products. The project also contributes to the enhancement of the legal and operational frameworks of e-commerce in Moldova. The project is dedicated to awarding grants for **agribusiness**.

Initiated in 2016, the LEADER programme, meant to support business development, is currently implemented in 32 Local Actions Groups (GALs)<sup>113</sup>. The programme is implemented with the support of several international and local organisations, including EU SARD (Support for Agriculture and Rural Development in ATU Gagauzia and Taracila), USAID, Polish Aid, Solidarity Fund PL in Moldova, UKID, British Embassy in Chisinau, HEKS (Switzerland), Ministry of Foreign Affairs of the Republic of Estonia, People in Need (Czech Republic), Craion Contact Cahul, and ProCoRe. In 2020, LEADER is running the call for the Pilot Initiatives Fund LEADER – EU 2020 dedicated to **innovative business proposals targeting both rural and urban areas**. Benefitting from a total budget of approximately EUR 200k, the Fund will finance 19 projects.

The Food and Agricultural Organisation (FAO) provided assistance to the Ministry of Agriculture, Regional Development and Environment by assessing the draught impact on the **agricultural production of Moldova** in 2020.

In terms of **healthcare-related aid**, the World Bank approved two emergency COVID-19 response credits, one of EUR 52.5 mn<sup>114</sup>, the other of \$ 11.4 mn, for the Republic of Moldova with a focus on limiting community transmission and building capacity to handle severe cases, accompanied by social assistance targeting the most vulnerable. In addition, a \$ 3.67 mn grant funding was made available to Moldova as an additional source of financing health system response to the COVID-19 outbreak.

United Nations Development Programme (UNDP) coordinated several initiatives meant to **aid the healthcare system**. The Swiss Agency for Development and Cooperation (SDC) and UNDP signed a \$200,000 agreement<sup>115</sup> aiming at covering the needs for Personal Protective Equipment for first line doctors. Together with printing labs, UNDP was also involved in producing face shields also meant for doctors in front line hospitals. At the same time, UNDP initiated the procurement of ventilators for the Ministry of Health, Work and Social Protection. The EU-funded Confidence Building Measures Programme, implemented by UNDP Moldova,

<sup>109</sup> [https://www.md.undp.org/content/moldova/en/home/projects/MIDL\\_Project\\_2.html](https://www.md.undp.org/content/moldova/en/home/projects/MIDL_Project_2.html)

<sup>110</sup> <https://www.ebrd.com/news/2020/ebrd-launches-online-learning-resource-for-small-businesses.html>

<sup>111</sup> <https://www.ebrd.com/news/2020/ebrd-loan-of-5-million-to-moldovas-mobiasbanca.html>

<sup>112</sup> <https://chemonics.com/projects/transforming-moldovas-agriculture-sector/>

<sup>113</sup> <https://leaderin.md/en/gal-uri-moldova/>

<sup>114</sup> <https://www.worldbank.org/en/news/press-release/2020/04/24/world-bank-support-will-help-moldova-better-respond-to-covid-19-pandemic>

<sup>115</sup> <https://www.md.undp.org/content/moldova/en/home/presscenter/pressreleases/2020/elvetia-si-PNUD-ofera-echipamente-de-protectie-cadrelor-medicale-pentru-a-sprijini-Moldova-covid-19.html>

supported the living and transportation expenses for 26 medical doctors working in anti-COVID-19 facilities on the right bank of the Nistru river.

At the beginning of April 2020, the United Nations Children's Fund (UNICEF) agency donated approximately \$116,000-worth COVID-19-related **medical supplies**. At the same time, UNICEF facilitated the process of procurement of medicines for COVID-19 treatment and of antiretrovirals (ARV) for HIV therapy. With the support of USAID, UNICEF also procured water, sanitation, and hygiene (WASH) - related supplies for MoldExpo triage COVID-19 Centre. UNICEF also provided EUR 18.5k-worth personal protective equipment for the General Inspectorate of Border Police in July 2020<sup>116</sup>.

Between July and October 2020, the Czech embassy in Moldova will deliver \$400,000-worth intensive care beds to the intensive care units in Causeni and Calarasi hospitals.

At the same time, the Visegrad Fund (established by Poland, Czech Republic, Slovakia and Hungary) will provide a EUR 25,000-worth financial assistance for Soroca hospital<sup>117</sup>.

### 4.3. Initial policy recommendation guidelines for the recovery of the most affected economic sectors

According to farmers estimation<sup>118</sup>, the agricultural production in 2020 will be with 20%-25% lower than that from 2019. According to Moldovan official, a new governmental fiscal package, targeting agribusiness, is expected to include VAT reimbursement, subsidizing interest rates for loans granted by both banking or non-banking institutions and re-scheduling payments for support projects. The package should be implemented after performing a thorough analysis and its implementation and need for refinement should be constantly assessed.

According to public information, ODIMM officials announced that the new support instruments, meant to integrate the SMEs in Moldova in the global value chains, will be launched. Particularly, the new instruments will target the food and agribusiness companies, which represent more than 50% of the SMEs currently supported by ODDIM programmes. Training, assistance and grants need to be provided for integrating local producers in global value chains, for facilitating connections between supply chains, food processing SMEs and supermarkets and for improving the access of local SMEs to external markets.

Supplementary actions may include a list of short-, medium- and long-term initiatives, either governmental or provided by international donors, which is detailed below.

#### Short-term actions

- Providing constant and top priority support to the healthcare system is a key-element for the near future. The already in place mix between development partners initiatives, providing funding for medical equipment and supplies, and governmental stimulation packages for medical personnel is recommended to continue for the coming months;
- Mobility related health protocols and standards need to be drafted by the Moldovan Government and agreed upon with main international trade partners, as well as with countries where large numbers of Moldovan citizens are currently living, in order to enable both goods and personnel transportation in the next months;
- In order to provide immediate assistance and avoid major financial issues (including lack of working capital, logistic issues, significant decrease of market demand) for companies active in sectors subject to demand cut and / or impossibility to deploy activity due to COVID-19 restrictions (such as HORECA,

<sup>116</sup> <https://www.unicef.org/moldova/en/press-releases/quality-personal-protective-equipment-should-be-available-all-frontline-workers>

<sup>117</sup> [https://www.mzv.sk/web/kisinov-en/news/-/asset\\_publisher/olsKsIdtEfpB/content/vysehradsky-fond-podpori-regionalnu-nemocnicu-v-meste-soroca/10182?\\_101\\_INSTANCE\\_olsKsIdtEfpB\\_redirect=%2Fweb%2Fkisinov-en%2Fnews](https://www.mzv.sk/web/kisinov-en/news/-/asset_publisher/olsKsIdtEfpB/content/vysehradsky-fond-podpori-regionalnu-nemocnicu-v-meste-soroca/10182?_101_INSTANCE_olsKsIdtEfpB_redirect=%2Fweb%2Fkisinov-en%2Fnews)

<sup>118</sup> <https://gov.md/ro/content/ion-chicu-convocat-o-sedinta-pentru-examina-situatia-agricultura>

transportation, manufacturing, arts, entertainment and recreation, etc.) and for companies in other sectors severely impacted by the pandemic (e.g. having a significant decrease of their monthly turnover compared to the average monthly turnover in 2019), rescheduling the tax payments calendar for such companies should be considered. The rescheduling should be based on constant (monthly / quarterly) assessment of the financial status of the recipients / economic sector targeted by rescheduling. Should progress towards their recovery be recorded, a transition period, during which taxes may be partially paid, could be implemented. Such measures should not include payroll taxes;

- At the same time, in order to stimulate tax paying for companies in the sectors identified above which, despite the pandemic, have the financial meaning to do so, awarding a certain tax exemption could be contemplated;
- For the companies severely impacted by the pandemic (defined as above), rescheduling the credit payments calendar;
- Awarding grants to micro-enterprises impacted by COVID-19, dedicated to expenses related to inventories, paying suppliers, rents, utilities, are of high importance in order to support their working capital and to avoid the partial or total closure of these types of companies;
- Awarding grants for SMEs in HORECA, manufacturing, transportation, retail, arts, entertainment and recreation, dedicated to expenses related to inventories, paying suppliers, rents, utilities, should also be considered as a measure for keeping those entities operational;
- Providing governmental guarantees for obtaining bank loans, with preferential interest rate, for companies active in HORECA, up to a maximum level proportional with the level of taxes paid each targeted company in 2019, will help those entities keep their business open throughout 2020;
- Subsidies for paying utilities and grants for purchasing personal protective equipment for the light industry factories which are implementing the health and safety COVID19 – related measures, including work in shifts, social distancing, providing personal protective equipment to employees, are important for avoiding COVID-19 contamination, which could lead to sites closing;
- Encouraging bilateral and multilateral compensation between taxpaying companies should enable companies continue their activity;
- Partially subsidizing, for the first 3 months, the gross salary for employees re-starting their activity after being subject of technical unemployment will encourage companies re-open their business;
- For companies implementing reduced working hours programme due pandemic impact, partially subsidizing, for the rest of 2020, the difference between the gross salary of employees in the employment contract and the gross salary reflecting the reduced work schedule will give a boost to companies, mitigating the risk of losing their employees due to financial issues caused by the pandemic
- Partially subsidizing, for the rest of 2020, the gross income of newly hired employees of Moldova-based companies, if those employees had a valid employment contract with a foreign employer in the last 12 months, would avoid an increase in the unemployment rate;
- Analysing the possibility of partially or fully subsidizing the health insurance for day laborers which had a valid contract in the last 12 months, should they have a valid, on-going contract with the National Health Insurance Company, will help solving a potential significant social problem and will contribute to the healthcare system budget soundness.

### **Medium-term actions**

- Given that COVID-19 pandemic is expected to continue to have a significant impact on the Moldovan society and economy in near and medium term, increasing the digitization level of all state authorities, both at central and local level, especially concerning payment of taxes, obtaining permits and

certifications, interconnections of data bases developed by different state institutions, is highly relevant (e.g simplified electronic signature mechanism)<sup>119</sup>;

- At the same time, all types of companies, ranging from MSMEs to large entities, should invest in digitalization. Governmental measures could include tax deductions for digitization-related expenses, including those related to e-commerce and teleworking, subject to constant monitoring regarding the active employment of the digitization instruments in the companies' activities. International donors support might include providing training and assistance for e-commerce and online presence related activities;
- In order to stimulate the economy, aid private companies and provide jobs for people who lost their employment due to the pandemic, all governmental investments should be revisited and reprioritized, the investments with reduced priority should be put on hold and increased funding should be allocated to those investments enabling fast COVID-19 recovery;
- To increase the funding for governmental investments, new external funding for large infrastructure projects (roads, hospitals) should be identified. At the same time, for increasing the efficiency and transparency of large governmental investments, new project implementation and monitoring procedures should be implemented;
- Increasing the funding for the "Credit Guarantee Fund" programme implemented by ODIMM and dedicated to SMEs might be considered, especially if the COVID-19 pandemic duration extends. Should the speed for credit approval be slower than that required for saving businesses, zero-interest credits can be awarded by state authorities for certain types of expenses encountered by the companies (paying salaries, utilities, purchasing workers healthcare protection equipment, digitalization related expenses), to be re-paid immediately after receiving the bank credits;
- Analysing the possibility of extending the "Credit Guarantee Fund" programme to larger companies, active in the economic sectors subject to demand cut and / or impossibility to deploy activity due to COVID-19 restrictions, such as HORECA, manufacturing and transportation, should be considered, particularly since they employ a large number of people;
- In order to support the digitization level of the economy and to support companies, the procedure for refunding VAT for e-commerce export activities should be simplified and accelerated;
- For supporting e-commerce export related activities on medium and long term, e-commerce customs tax and procedures, together with internal regulations, should be simplified and properly advertised on the relevant authorities websites;
- For the same reasoning as above, tax deductions for equipment procurement expenses (vehicles, logistics centre-related, etc.) for companies providing e-commerce-related courier services should be established.

### **Long-term actions**

- Set-up a state-owned investment fund allowing the state to invest in companies carrying out strategic activities, impacted by COVID-19 pandemic.

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<sup>119</sup> Amcham Moldova Survey July, 2020