ADDENDUM No. 1

To Financing Agreement No. NDICI-GEO-NEAR/2021/043-646

Republic of Moldova – " State and Resilience Building Contract for the Republic of Moldova" – Cris No. 2021/043-646; OPSYS ACT-60518

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the EU**",

of the one part, and

the Republic of Moldova hereinafter referred to as "the Partner", represented by the Government of the Republic of Moldova,

of the other part,

have agreed as follows:

The above-mentioned Financing Agreement, signed on 15 December 2021, is modified as follows:

Special Conditions

Article 1 – Nature of the action

Article 1.2. is replaced to read as follows:

"The total estimated cost of this action is EUR 135 000 000 and the maximum EU contribution to this action is set at EUR 135 000 000.

This budget support action is composed of a budget support component with a maximum EU contribution of EUR 135 000 000. "

Annex I: Technical and Administrative Provisions for Implementation (TAPs)

The text of the TAPs is updated in line with the current situation.

The section 3.2 - Indicative Budget - is modified.

The annex to the TAPs - Disbursement arrangements, conditions and performance indicators – is modified.

The new version of Annex I and its annex are attached to this addendum.

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All other terms and conditions of the Financing Agreement remain unchanged.

The addendum shall enter into force on the date on which it is signed by the last party.

Done in two original copies, one copy being handed to the Commission and one to the Partner.

Done at Chișinău	Done at Brussels
FOR THE PARTNER	FOR THE COMMISSION
Name Dumitru Budianschi	Name Lawrence Meredith
Title Minister of Finance	Title Director Neighbourhood East and Institution Building Directorate-General for Neighbourhood and Enlargement Negotiations
Signature	Signature
Date 21.07.2022	Date 19. 07. 2022

Encl.: Annex 1 : Technical and Administrative Provisions for Implementation and its annex (2 copies)

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Annex 1: Technical and Administrative Provisions

1. SYNOPSIS

1.1. Action Summary Table

1. Title **CRIS/OPSYS** **Basic Act**	State and Resilience Building Contract for the Republic of Moldova CRIS number: NDICI-GEO-NEAR/2021/043-646 OPSYS reference number: ACT- 60518 linked to SCR.DEC.043646.01 JAD.1030273 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe).
2. Team Europe Initiative	No
3. Zone benefiting from the action	The Action shall be carried out at the following location: The whole territory of the Republic of Moldova
4. Programming document	Multiannual Indicative Programme (MIP) 2021-2027 for the Republic of Moldova[1]
5. Link with relevant MIP(s) objectives/expected results	Priority area 1: Resilient, sustainable and integrated economy Priority area 3: Environment and climate resilience Priority area 5: Resilient, fair, gender-equal and inclusive societies
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	230- Energy, 510- Budget Support, 730- Reconstruction and Rehabilitation
7. Sustainable Development Goals (SDGs)	Main SDGs: - SDG 1 End poverty in all its forms everywhere Other significant SDGs: - SDG 2 Zero hunger - SDG 5 Achieve gender equality and empower all women and girls - SDG 3 Good health and well-being - SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

[1] The Multiannual indicative Programme will be adopted in the first half of 2022

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	- SDG 10 Reduced inequalities
8 a) DAC code(s)	15110 - Public sector policy and administrative management 15142 - Macroeconomic policy 15170 - Women's rights organisations and movements, and government institutions 16010 - Social protection
8 b) Main Delivery Channel	12000 – Recipient government
9. Targets	☐ Migration ☒ Climate ☒ Social inclusion and Human Development[2] ☒ Gender ☐ Biodiversity ☐ Human Rights, Democracy and Governance

10. Markers (from DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☐	☒	☐
	Aid to environment	☐	☒	☐
	Gender equality and women's and girl's empowerment	☐	☒	☐
	Trade development	☒	☐	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction	☒	☐	☐
	Inclusion of persons with Disabilities	☐	☒	☐
	Nutrition	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒	☐	☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☒	☐	☐

[2] For the Neighbourhood, activities related to education shall be marked as part of the "Social Inclusion and Human Development" target, in line with the NDICI-GE programming guidelines.

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11. Internal markers	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation	☐	☒	☐
	Tags: digital connectivity		☐	☐
	digital governance		☐	☐
	digital entrepreneurship		☐	☐
	job creation		☒	☐
	digital skills/literacy		☐	☐
	digital services		☐	☐
	Connectivity	☒	☐	☐
	Tags: transport		☐	☐
	people2people		☐	☐
	energy		☐	☐
	digital connectivity		☐	☐
	Migration	☒	☐	☐
	Reduction of Inequalities	☐	☐	☒
	COVID-19	☐	☒	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020111 – Eastern Neighbourhood Total estimated cost: EUR 135 000 000 Total amount of EU budget contribution EUR 135 000 000 of which EUR 135 000 000 for budget support and EUR 0 for complementary support. The contribution is for an amount of EUR 60 000 000 from the general budget of the European Union for 2021 and for an amount of EUR 75 000 000 from the general budget of the European Union for 2022			
MANAGEMENT AND IMPLEMENTATION				
13. Implementation modalities (type of financing and management mode)	Budget Support **Direct management** through: Budget Support: State and Resilience Building Contract			

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1.2. Summary of the Action

The Republic of Moldova's[3] continuing energy crisis was further deepened by Russia's invasion of Ukraine on 24 February. By exploiting Moldova' energy dependence, Russia ensured that Moldova would be reminded of its weak position. Moreover, the government's capacity for policy action, which was heavily affected by the energy crisis, has been further reduced by Russia's military aggression against Ukraine. As a result, Moldova is placed now in an even more fragile and vulnerable position.

Moldova is now facing a significant increase of energy prices as a consequence both of its recently amended gas contract with its only gas supplier (Gazprom) and of very tight global energy markets. The increase in gas prices has also a direct repercussion on the electricity prices, given the substantial proportion of Moldova's power coming from gas-fired generation. These prices have already increased considerably. Last winter, Moldova was purchasing its gas at prices up to four times higher than in previous years. This is putting unprecedented pressure on Moldova's public finances as authorities strive to help the most vulnerable citizens cope with the harsh situation.

Moreover, Moldova is both directly and indirectly affected by Russia's invasion of Ukraine. On February 24, the day the invasion began, the Parliament declared a 60-day state of emergency. Nearly 480,000 refugees have entered Moldova since the start of the conflict and around 83.000 still remain on its territory (figures from beginning of May). Most of refugees live in private homes offered by volunteers. Moldova's remarkable efforts of hosting the refugees have also increased gas and electricity demand. Based on government estimates, the management of these flows of refugees requires around 1 million EUR per day. This implies an additional strong budgetary pressure on the country. The massive refugee inflow brought by the Russian invasion of neighbouring Ukraine and persistent high costs of energy come in addition to the COVID-19 pandemic, which has had a significant negative impact on Moldova's economy, causing a drop of 7% in Gross Domestic Product (GDP) in 2020. Moldova remains one of the poorest countries in Europe; in November 2021, the Moldovan National Bureau of Statistics reported that 26.8% of the population live in absolute poverty, an increase of 1.6 percentage points compared to 2019 (25.2%). This highlights the significant impact of COVID-19 on the most vulnerable citizens.

The overall objective of this Action is to assist Moldova to mitigate the socio-economic impact of the rising energy prices, in particular on vulnerable groups, strengthen the Government's overall capacity to deliver tailor-made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova. The Action will contribute to targeted policy measures aimed at reducing the impact of increasing energy costs on citizens and in particularly energy poverty of the most vulnerable and will contribute to growth-enhancing policies.

The Action therefore directly contributes to SDG 1 on ending poverty and SDG 8 on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. The Action will also contribute to SDG 5 on gender equality, since from a gender and human rights perspective, women and men have different energy needs. The Action contributes to the following programming areas: Public sector policy and administrative management, macroeconomic policy, and social protection.

The Action directly contributes to the priorities of the 2021-2027 Multiannual Indicative Programme relating to resilient, sustainable, and integrated economies (Priority #1), environment and climate resilience (Priority #3), and resilient, fair, gender-equal and inclusive societies (Priority #5). The Action further builds on the Economic Recovery Plan for Moldova, the COVID-19 related emergency Macro Financial Assistance (MFA), the budget support already delivered to help mitigate the impact of the COVID-19 pandemic, the already

[3] Hereinafter 'Moldova'

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delivered EUR 60 million budget support to sustain vulnerable customers and the recently adopted proposal for a new MFA operation of up to EUR150 million.

2. DESCRIPTION OF THE ACTION

2.1. Objectives and Expected Outputs

The Action consists of a State and Resilience Building Contract to support societal and state resilience in the Republic of Moldova[4]. The budget support contract contributes to the government's policy to reduce the combined negative impact of the Russian aggression in Ukraine and persistent energy crisis on Moldovan citizens, to ensure the delivery of essential services, particularly to the most vulnerable segments of the population and to support the long-term socio-economic recovery, energy security and energy transition of Moldova. The EU's approach will be accompanied by a robust policy dialogue. An EU-Moldova High Level Dialogue on Energy (co-chaired by Commissioner Simson and Prime Minister Gavrilița) was launched on 28 October 2021 to discuss long-term issues, such as increasing Moldova's energy security and efficiency.

In line with the aforementioned National Energy Crisis Action Plan, and the overall measures taken by the government to support the socially vulnerable groups and in particular refugees, the **overall objective** (Impact) of this Action is to mitigate the socio-economic impact of the rising gas prices in particular on the vulnerable groups, strengthen the Government's overall capacity to deliver tailor made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.

The **specific objectives** (Outcomes) of this Action are to:

1. Counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis;
2. Sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of the military aggression in Ukraine, rise in energy prices and the COVID-19 crisis;
3. Support Moldova's long-term objective of energy transformation with steps towards increasing energy security and energy efficiency.

The **outputs** to be delivered by this Action contributing to the corresponding specific objectives (Outcomes) are:

Induced outputs:

1.1 contributing to Outcome 1 (or Specific Objective 1): Targeted measures to support the socially vulnerable population are put in place.

2.1 contributing to Outcome 2 (or Specific Objective 2): Steps taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty.

[4] In line with the Joint Communication on A Strategic Approach to Resilience in the EU's External Action (JOIN(2017) 21 final

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3.1 contributing to Outcome 3 (or Specific Objective 3): Steps to support Moldova's long-term energy security and energy transition are taken.

Direct outputs:

1.1 contributing to Outcome 1 (or Specific Objective 1): To alleviate the financial burden on the vulnerable groups.

2.1 contributing to Outcome 2 (or Specific Objective 2): Increased predictability of measures for job creation, employability and sustainable economic growth is ensured.

3.1 contributing to Outcome 3 (or Specific Objective 3): Activities conducive to reforms in the energy sector are carried out.

2.2. Indicative Activities

Activities related to Output 1.1:

Due to the fact that the increased gas price will lead to a significant growth of tariffs, the Moldovan Government is developing solutions to minimise the impact on final consumers. These solutions will particularly target vulnerable households that are already struggling in an economic context marked by high poverty levels and the impact of the COVID-19 pandemic. An analysis to identify the impact of the high gas prices on final tariffs for different consumers was performed based on the total number of natural gas consumers during the heating season. Different scenarios were taken into consideration using different gas price calculation formulas.

In order to minimise the impact on the most vulnerable consumers, the Moldovan government is in the prepared two emergency measures: an income-targeted framework to support socially disadvantaged households and a volume-based compensation of price increases for household bills for gas and heating. The number of households that received income-targeted assistance increased (by ca. 88 000), by increasing the threshold of the monthly minimum guaranteed income. Furthermore, the monthly sum socially disadvantaged families received increased by 40 percent. The volume-based compensation was available to about 745 000 households for gas bills and to about 222 000 households for heating bills, staggered on consumption levels. These measures were put in place by Q1, 2022. The government is in the process of developing more targeted compensation system, taking into account the income of the consumers for heating bills for the heating season 2022-2023.

The activities will aim to provide assistance to the Moldovan government and authorities to increase the capacity to deliver such basic services to its population in the fiscal year 2022 and in particular to the vulnerable groups and to extend such actions to cover more vulnerable households and consumers. Overall, these activities will aim to provide immediate assistance to counteract the rising levels of energy poverty.

Activities related to Output 2.1:

The vulnerable groups will be exponentially hit by the combined negative effects of Russia's military aggression against Ukraine, energy and COVID-19 crisis which will pose acute threats for further increasing

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the level of poverty. The government intends to ensure continuous support for employability, and support for socio-economic recovery.

Support can include measure assisting MSMEs to cope with economic shocks in order to prevent unemployment and related poverty. Further measures can take into account social, economic and health aspects, the need to mitigate the loss of income especially in sectors particularly hit by the crisis. This support will be rolled out throughout 2022.

In general, addressing the volatile impact of the harsh socio-economic situation on vulnerable groups including the marginalised groups will require significant efforts to design and put in place adequate, tailored actions addressing the key needs. Activities related to output 2.1 could therefore include support to legislative changes, technical assistance, exchange of good practice to design adequate response actions, capacity building actions, awareness-raising and information measures as well as measures directly supporting Moldovan MSMEs and vulnerable groups including actions increasing employability, supporting economic activity and socio-economic recovery.

Activities related to Output 3.1:

In order to increase energy security, initiate the energy transition and increase the resilience of the Moldovan energy system to gas supply crises, legislative changes will be needed such as changes to legislation on gas and electricity defining vulnerable consumers.

Stepping up energy efficiency initiatives and in particular energy efficiency in public and private buildings, can be a key component of lowering the overall energy demand and energy costs. Such key actions for Moldova's longer term energy transition should be implemented in conjunction with the measures undertaken by International Financial Institutions (IFIs), under the EU Economic and Investment Plan and further assistance. The focus can include sectors where energy efficiency gains can be most effectively realised and the most cost effective ways to reduce the levels of energy consumed.

In general, achieving this objective will require immense analytical effort to develop evidence-based and efficient policy actions of short, medium and long-term duration. Activities can therefore include among others analysis and feasibility studies, exchanges of best practice, technical assistance targeting design and implementation of efficient measures, capacity building measures and support to legislative actions. Support to awareness-raising and information actions can be also part of such measures.

The EU-Moldova High Level Energy Dialogue will provide a platform for the necessary discussion and forum assisting in identifying adequate steps and actions, complementing the work of the relevant sub-committee and bodies under the EU-Moldova Association Agreement.

2.3. Mainstreaming

Environmental Protection, Climate Change and Biodiversity

Outcomes of the Strategic Environmental Assessment (SEA) screening (relevant for budget support and strategic-level interventions).

The SEA screening concluded that no further action was required.

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Outcomes of the Environmental Impact Assessment (EIA) screening (relevant for projects and/or specific interventions within a project).

The EIA screening classified the Action as Category C (no need for further assessment).

Outcome of the Climate Risk Assessment (CRA) screening (relevant for projects and/or specific interventions within a project).

The CRA screening concluded that this Action is no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. This implies that the principles of gender equality and women empowerment are significant objectives to this Action.

The principles of gender equality and women empowerment are significant objectives to this Action. The principle of gender equality will be embedded in the activities related to targeted social support provided to women and men in the framework of the Anti-Crisis Economic Plan and any support offered to businesses (owned by women and men) receiving funding secured by credit-guarantee schemes. Based on the activities to be conducted in the framework of the Action, vulnerable women and men shall be provided with social support to cope with the negative effects of the rising energy prices, although statistically there is a higher proportion of women in the vulnerable population. The project will hence have a direct impact on women and men as final beneficiaries of the Action. During the implementation stage and through policy dialogue, a focus on gender-specific issues will be taken into account.

Human Rights

Actions under this programme will apply the human rights based approach and be based on the principles of good governance, equality and the inclusion of socially or economically deprived or vulnerable groups.

Disability

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D1. This implies that the inclusion of persons with disabilities is an important objective of the Action. The Action envisages to provide targeted social support to women and men, girls and boys with disabilities, to cope with the negative effects of the rising energy prices. According to the Moldovan National Bureau for Statistics "the estimated number of people with disabilities in the Republic of Moldova is 182,000, including 11,700 children aged 0-17 years. Persons with disabilities represent 5,1% of total population of the country, and children with disabilities constitute approximately 1,7% of all children from Moldova".

Democracy

Actions under this programme will support steps taken by the Moldovan government to address the principles of public administration developed by the European Commission in close cooperation with the OECD/SIGMA.

Conflict sensitivity, peace and resilience

The contract is intended to increase the overall resilience of economy and society to external shocks, including reducing Moldova's dependency on imports of Russian gas.

Disaster Risk Reduction

N/A

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2.4. Risks and Lessons Learned

Category[5]	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
2,3	The operational capacity of the government to implement the resilience contract and reach to the most vulnerable groups of society/business in the most efficient and timely manner.	M	H	Strengthening the Government's capacity to deliver on broader society's socio/economic expectations in a strategic and efficient manner in the context of growing gas prices.
1, 2, 3	Maintenance of stability-oriented macroeconomic policy and progress in the implementation of public finance management reforms.	M	M	IMF programme is approved and remains on track.
2, 3	Lack of capacity of the government to define and implement efficiently short and medium term response measures to address the needed reform in the energy sector.	M	M	Pursue the policy dialogue and technical support to the relevant public authorities, ensure close co-ordination with international partners, business community and civil society organisations.
1	The Russian aggression in Ukraine expands to Moldova either through military conflict or through the destabilisation of Transnistrian region.	M	H	Unwavering support for Moldova's sovereignty and territorial integrity, as well as continuous efforts to enhance Moldova's resilience. Continuous dialogue in view of a comprehensive, peaceful and

[5] The risk (category) can be related 1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information.

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				sustainable settlement of the Transnistrian conflict.

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2.5 The Intervention logic

The underlying intervention logic for this Action is that targeted measures to support the socially vulnerable population are put in place, and steps are taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty in line with the Moldovan National Energy Crisis Action Plan and measures taken by the government to support vulnerable groups. This will help alleviate the financial burden on the vulnerable groups and ensure increased predictability of measures for job creation, employability and sustainable socio-economic growth. In addition, Moldova will be supported in achieving the long-term objective of energy transformation with steps towards increasing energy efficiency. In order to achieve the abovementioned outputs, continuous policy dialogue and technical support to the relevant public authorities will take place. In addition, close co-ordination with international partners, business community and civil society organisations will be of the highest importance. If the abovementioned outputs are delivered and are combined with the government's capacity to deliver on broader society's socio-economic expectations in a strategic and efficient manner and with the ability to maintain a stability oriented macroeconomic policy, the Action will help counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis. Furthermore, it will contribute to sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of the rise in energy prices and the COVID-19 crisis. Lastly, it will help support Moldova's long-term objective of energy transformation with steps towards increasing energy efficiency. The EU-Moldova High Level Dialogue on Energy will be an important element in supporting this goal, alongside with the work of the relevant bodies under the EU-Moldova Association Agreement.

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2.6 Indicative Logical Framework Matrix

Results	Results chain	Indicators (max. 15)	Baselines (year)	Targets by the end of the budget support contract (year)	Sources of data (1 per indicator)
Indicative Impact of the policy (Overall objective)	To mitigate the socio-economic impact of the rising gas prices in particular on vulnerable groups, strengthen the Government's overall capacity to deliver tailor made services to these vulnerable groups and basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova.	*The National Energy Crisis Action Plan of the Government of the Republic of Moldova is modified, adapted and implemented.*	*N/A*	*Government adopted modified National Energy Crisis Action Plan*	*Government report on adopted measures related to National Energy Crisis Action Plan.* *Government support to socio-economic development included in Supplementary Budget for 2022.*

Expected Outcomes of the policy (Specific objectives	1. Counteract socio-economic hardship, with a special focus on vulnerable groups in the context of the energy crisis.	*1.1 The number of households receiving 'financial support for winter period'* *1.2 Financial support for all households receiving social support* *1.3 Support for household bills for gas and heating for the period January to March 2022.* *1.4 Creation of a new information system to streamline applications and target applicants for support for the 2022-23 winter*	*1.1 Approximately 212,000 households receiving financial support (September 2021)* *1.2 Approximately MDL 500 (social support in September 2021)* *1.3 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported with heating bills in November 2021.* *N/A*	*1.1 Increase in number of households receiving financial support (January to March 2022)* *1.2 Social support maintained (January to March 2022).* *1.3 Vulnerable households supported by volume-based compensation scheme.* *1.4 Introduce new online application system for winter aid*	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *Government support to socio-economic development included in Supplementary Budget for 2022.* *Government report on adopted measures related to the National Energy Crisis Action Plan.*

	2. Sustain post-COVID-19 socio-economic recovery and economic growth by providing support to vulnerable groups to cope with the combined negative effects of Russia's military aggression against Ukraine, the rise in energy prices and the COVID-19 crisis.	*2.1 The government takes steps to ensure continuous support for employability and support for socio-economic recovery.* *2.2 Government implements a new online tool to ease administrative burden of handling social support and target the most needy beneficiaries*	*N/A* *N/A*	*2.1 Steps are announced/taken to ensure continuous support for employability and support for socio-economic recovery.* *2.2* Financial and operational support programme for Ukrainian refugees to mitigate the high energy costs is under implementation *2.3. Number of Ukrainian refugees benefitting from Government financial assistance*	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *Government support to socio-economic development included in Supplementary Budget for 2022.* *Government report on adopted measures related to the National Energy Crisis Action Plan.*

	3. Support Moldova's long-term objective of energy transformation with steps towards increasing energy efficiency.	*3.1 Steps taken to introduce relevant legislative changes* *3.2 Adopt timeline to introduce relevant legislative changes*		*3.1 Steps taken to introduce relevant legislative changes to ensure energy security and improve energy efficiency.* *3.2 Adopt timeline to introduce relevant legislative changes to ensure energy security and improve energy efficiency.*	*Government support to socio-economic development included in Supplementary Budget for 2022.* *IMF, OECD, IFIs.*

Induced Outputs	1.1 Targeted measures to support the socially vulnerable population are put in place.	*1.1.1 The number of households receiving financial support in the period January to March 2022 has increased.* *1.1.2 Financial support for all households receiving social support in January to March 2022 has increased.* *1.1.3 Support for household bills for gas and heating for the period January to March 2022.*	*1.1.1 Approximately 212,000 households receiving financial support (September 2021)* *1.1.2 Approximately MDL 500 (social support in September 2021)* *1.1.3 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported with heating bills in November 2021.*	*1.1.1 Increase in number of households receiving financial support (January to March 2022)* *1.1.2 Social support maintained (January to March 2022).* *1.1.3 Vulnerable households supported by volume-based compensation scheme.*	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *IMF, OECD, IFIs reports.* *Government report on adopted measures related to the National Energy Crisis Action Plan.* *IMF, OECD, IFIs.*

	2.1 Steps taken to design measures to sustain gender-inclusive socio-economic recovery and fight poverty. 3.1 Steps to support Moldova's long-term energy security and green transition are taken.	*2.1.1 The government has ensured continuous support for employability and support for socio-economic recovery.* *3.1.1 Steps taken to introduce relevant legislative changes*	*N/A*	*2.1.1 Steps taken to ensure continuous support for employability and support for socio-economic recovery.* *3.1.1 Steps to introduce relevant legislative changes.*	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *IMF, OECD, IFIs.*

Direct Outputs	1.1 To alleviate the financial burden on the vulnerable groups.	*1.1.1 Support provided to vulnerable households*	*1.1.1 Approximately 212 000 households receiving financial support (September 2021)* *1.1.1 Approximately MDL 500 (social support in September 2021)* *1.1.1 Approximately 745 000 households supported with gas bills and approximately 222 000 households supported for heating bills in November 2021.*	*1.1.1 Increase in households receiving financial support (January to March 2022)* *1.1.1 Social support maintained (January to March 2022).* *1.1.1 Vulnerable households supported by volume-based compensation scheme.*	*Government report on adopted measures related to the National Energy Crisis Action Plan.*
	2.1 Increased predictability of measures for job creation, employability and sustainable economic growth is ensured.	*2.1.1 The government measures for employability and support for socio-economic recovery have been announced.*		*2.1.1 The government has announced measures for employability and support for socio-economic recovery.*	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *IMF, OECD, IFIs.*

	3.1 Activities conducive to reforms in the energy sector are carried out.	*3.1.1 EU-Moldova High Level Dialogue on Energy takes place*		*3.1.1. EU-Moldova High Level Dialogue on Energy continues in 2022.*	*Continued discussions in the framework of EU-Moldova High Level Dialogue on Energy*

3. IMPLEMENTATION ARRANGEMENTS

3.1. Implementation of the Budget Support Component

3.1.1. Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 135 000 000 and for complementary support is EUR 0.

This amount is based on the commitment of the partner country to allocate national budget resources (including EU budget support) to mitigate the socio-economic impact of the crises and on the forecast of the macro-fiscal impact of Russia's military aggression against Ukraine increase in gas prices carried out by Moldova.

3.1.2. Criteria for Disbursement of Budget Support

a) Conditions

The general conditions for disbursement are as follows:

- Satisfactory progress towards mitigating the socio-economic impact of the rising gas prices, strengthen the Government's overall capacity to deliver tailor made services to vulnerable groups and in particular basic services to its population, and support the long-term socio-economic recovery, energy security, and energy transition of Moldova, as underpinned by the National Energy Crisis Action Plan updated and extended.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

3.1.3. Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Moldovan Lei will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The budget support component consists of two fixed tranches.

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3.2. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	
	2021	**2022**
Budget support - cf. section 4.3	60 000 000	75 000 000
Total	**60 000 000**	**75 000 000**

3.3. Organisational Set-up and Responsibilities

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the Action. The indicative Moldovan authorities involved in the implementation of the Action will include: the Office of Prime Minister, the Ministry of Labour and Social Protection, the Ministry of Infrastructure and Regional Development, National Agency for Energy Regulation of the Republic of Moldova, Energy Efficiency Agency, Ministry of Finance.

4. PERFORMANCE MEASUREMENT

4.1. Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the Action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the indicative logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:
The government will coordinate and monitor the development of the above-mentioned actions and policies, including possible necessary reviews. The responsible agency for each objective and measure will be in charge of developing sectoral performance-based action plans with further specified outcomes, outputs, Key Performance Indicators (KPIs) and budgets based on the evidence-based policy and the budgeting principles of the government of Moldova. Close monitoring of the situation will be performed in coordination with the IMF and other partners such as the EBRD, the EIB and the World Bank.

The statistical and monitoring systems as well as the quality of official data in the policy field covered have been assessed. This assessment has fed into the design of the Action.
The assessment of performance indicators may require carrying out external reviews or data verification exercises to contribute to strengthening the policy monitoring framework and national statistical systems.

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4.2. Evaluation

The evaluation of this Action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders.
The Commission shall inform the implementing partner at least 60 days in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.
The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

4.3. Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

5. COMMUNICATION AND VISIBILITY

Communication and visibility is a contractual obligation for all entities implementing EU-funded external actions, to advertise the European Union's support for their work to the relevant audiences.

To that end they must comply with the instructions given in the *Communication and Visibility Requirements* of 2018 (as updated by the communication and visibility requirements in force under the current programming period 2021 - 2027), notably with regard to the use of the EU emblem and the elaboration of a dedicated communication and visibility plan, to be completed for every action at the start of implementation.

These obligations apply equally, regardless of whether the actions concerned are implemented by the Commission, the partner country (for instance, concerning the reforms supported through budget support), contractors, grant beneficiaries or entrusted entities. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and delegation agreements.

Communication and visibility measures may be funded from the amounts allocated to the Action. For the purpose of enhancing the visibility of the EU and its contribution to this Action, the Commission may sign or enter into joint declarations or statements, as part of its prerogative of budget implementation and to safeguard the financial interests of the Union. Visibility and communication measures should also promote transparency and accountability on the use of funds.
Effectiveness of communication activities on awareness about the Action and its objectives as well as on EU funding of the Action should be measured.

Implementing partners shall keep the Commission and concerned EU Delegation/Office fully informed of the planning and implementation of specific visibility and communication activities before work starts.

Implementing partners will ensure adequate visibility of EU financing and will report on visibility and communication actions as well as the results of the overall Action to the relevant monitoring committees.

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Actions related to communication and visibility will be coordinated with the Strategic communications project of the EU Delegation, to ensure coherence of narrative and message, as well as horizontal strategic communications.

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ANNEX 1: DISBURSEMENT ARRANGEMENTS, CONDITIONS AND PERFORMANCE INDICATORS

1. Responsibilities

In accordance with the provisions of the Financing Agreement, the authorities of the partner country send a formal request to the Commission for the disbursement of each tranche in accordance with the timetable below. The request must include: (i) a full analysis and justification for payment of the funds, with the required supporting documents; (ii) a financial information form, duly signed, to facilitate the payment.

2. Indicative disbursement timetable

Indicative disbursement timetable

Country fiscal year and quarterly breakdown	Year 1 (2021)				Year 2 (2022)				Year 3 (2023)				Total in MEUR
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Fixed tranche in MEUR				60			75						135
Variable tranche in MEUR													0
Total in MEUR				60			75						135

3. General conditions for the disbursement of all tranches

The general conditions set out in the table below apply to the disbursement of all tranches and all tranche release requests must be supported by all appropriate and up-to-date information and documents on the general conditions.

General conditions for the release of all tranches

Area	General conditions	Verification source
Public policy	- Satisfactory progress towards mitigating the socio-economic impact of the rising gas prices, strengthen the Government's overall capacity to deliver tailor made services to vulnerable groups and in particular basic services to its population, and support the long-term socio-economic recovery, energy security, and energy	*Government report on adopted measures related to the National Energy Crisis Action Plan.* *IMF, OECD, IFIs*

	transition of Moldova, as underpinned by the National Energy Crisis Action Plan updated and extended.	
Macroeconomic stability	- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.	*IMF, OECD, World Bank, IFIs statistics.* *2022 Budget.*
Public financial management	- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.	*IMF, OECD, World Bank, IFIs statistics.*
Budget transparency and oversight	- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.	*IMF, OECD, World Bank, IFIs statistics.* *Court of Account Audit report.* *EUD assessment.*

4. Specific conditions for the disbursement of individual tranches

N/A