

Coronavirus response in 2021: building back better

Update on Moldova (16 June 2021)



Covid-19 policy response

- **The initial emergency policy response amounted to 2 per cent of gross domestic product (GDP) in 2020** and was focused on tax deferrals, a temporary increase in social benefits, monetary policy easing and liquidity provision. Further measures included a reduced value-added tax (VAT) rate for the hospitality sector, faster tax reimbursements, subsidised lending to small and medium-sized firms and payroll compensation for firms that ceased operation during the state of emergency. Social assistance for vulnerable groups included expanded unemployment benefits and targeted social help. The National Bank of Moldova allowed banks to defer loan payments and decreased the local-currency reserve requirements to support liquidity in the banking sector.
- **Moldova's budget policy for 2021 prioritises support for the health sector.** Medical staff, most of whom are financed by the National Medical Insurance Fund, will receive a 30 per cent increase in salary. Furthermore, salary-related tax subsidies will continue and people who lost their jobs during the pandemic will be able to access grants.

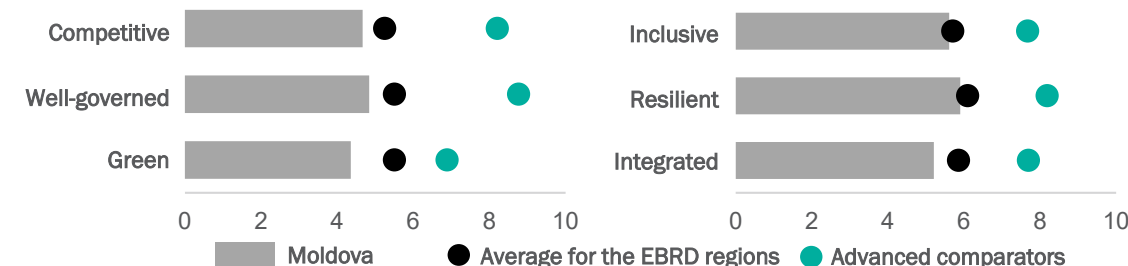
Macroeconomic indicators (%)

	2018	2019	2020	
GDP growth	4.3	3.7	-7.0	Short-term indicators EBRD GDP growth forecast (June 2021) 2021: 4.5%; 2022: 4.0% Industrial production: 17.1% y/y (March 2021) Exports of goods: 36.6% y/y (March 2021), 5.6 y/y (Q1 2021) Retail trade turnover: 14.1% y/y (March 2021) Annual inflation: 3.1% y/y (May 2021)
Annual inflation (end-year)	3.1	3.8	3.8	
Government balance/GDP	-0.8	-1.4	-5.3	
Current-account balance/GDP	-10.4	-9.3	-6.7	
Net FDI/GDP	-2.2	-3.9	-2.8	
General government debt/GDP (end-year)	31.6	28.3	35.3	
Unemployment rate (end-year)	2.9	5.1	3.8	

Key short-term priorities

- Advance the structural reform agenda to improve the business environment, enabling Moldova to benefit from the expected post-Covid-19 shift in global value chains and ensuring official external financing.
- Step up institutional reform and improve governance, including preserving the independence of the National Bank of Moldova.

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Well-governed

- The Cabinet of Ministers adopted a strategy to ensure the independence and integrity of the justice system from 2021 to 2024, as well as an action plan for its implementation.

Green

- The National Commission for Climate Change was established to coordinate activities aimed at implementing the provisions of the United Nations Framework Convention on Climate Change, including the assessment and approval of projects on attenuation and adaptation to climate change.

Digital

- In July 2020, the Ministry of Economy and Infrastructure launched a roadmap to boost the process of digitising the economy and facilitating remote interaction between the government, the business community and consumers.