

# Coronavirus response in 2021: building back better

## Update on Moldova (06 December 2021)



### Covid-19 policy response

- **Moldova's budgetary policy for 2021 prioritises support for the health and agricultural sectors.** 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 continue and people who lost their jobs during the pandemic are able to access grants. Other support measures have been mostly phased out.
- **Monetary policy has been tightened amid rising inflation.** After loose monetary policy in the first year of the pandemic, the National Bank of Moldova raised the refinancing rate on three consecutive occasions in 2021, by a combined 285 basis points, to curb inflation and prevent it from significantly exceeding the target rate of 5 per cent +/- 1.5 per cent.
- **The new IMF programme will support the reform agenda.** In October 2021, the authorities reached staff-level agreement with the IMF for a US\$ 564 million Extended Credit Facility (ECF)/Extended Fund Facility (EFF) Programme, subject to board approval.

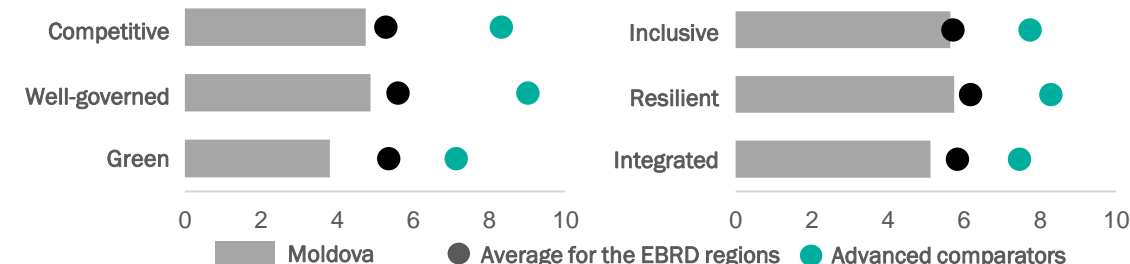
### Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	4.3	3.7	-7.0	<b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 7.0%; 2022: 4.0%</b>
Annual inflation (year end)	3.1	4.8	3.8	GDP quarterly growth: 21.5% y/y (Q2 2021)
Government balance/GDP	-0.8	-1.4	-5.1	Industrial production: 13.7% y/y (Sept 2021)
Current-account balance/GDP	-10.6	-9.3	-7.5	Goods exports: 38.9% y/y (Sept 2021), 21.1% y/y (Jan-Sept 2021)
Net FDI/GDP	-2.3	-3.9	-1.3	Retail trade turnover: 7.4% y/y (Sept 2021), 16.5% y/y (Jan-Sept 2021)
General government debt/GDP (year end)	31.2	28.3	34.8	Annual inflation: 8.8% y/y (Oct 2021)
Unemployment rate (year end)	2.9	5.1	3.8	

### Key short-term priorities

- The government should advance the structural reform agenda to improve governance and the business climate.
- Further harmonisation of financial-sector rules with international standards is needed, including greater independence of the National Bank of Moldova.
- The authorities should prioritise policies that support a resilient recovery from Covid-19, such as climate-awareness policies and equal opportunities.

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### 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.

#### Inclusive

- A limit on cash transactions of MDL 100,000 (€4,700) has been imposed since the beginning of 2021 to curb the informal economy.

#### Digital

- Digitalisation has been prioritised and advanced on a number of fronts. The new government has a vice prime minister for digitalisation. The public procurement platform, MTender, has been updated with regard to access to information, in line with open government data principles.

To learn more about the EBRD's support for Moldova, visit: <https://www.ebrd.com/moldova.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.