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Report No: PAD3830

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION CREDIT
IN THE AMOUNT OF SDR 8.3 MILLION
(EUR 10.4 MILLION EQUIVALENT)
IN CRISIS RESPONSE WINDOW RESOURCES

PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION CREDIT
IN THE AMOUNT OF SDR 34.1 MILLION
(EUR 42.5 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOLDOVA

FOR A

MOLDOVA EMERGENCY COVID-19 OPERATION

UNDER THE
COVID-19 STRATEGIC PREPAREDNESS AND RESPONSE PROGRAM (SPRP)

USING THE MULTIPHASE PROGRAMMATIC APPROACH (MPA)
WITH A FINANCING ENVELOPE OF
UP TO US$6 BILLION

APPROVED BY THE BOARD ON APRIL 2, 2020

Health, Nutrition & Population Global Practice
Europe And Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective Mar 30, 2020)

Currency Unit =	Moldovan Leu (MDL)
MDL 18.18 =	US$1
US$1 =	SDR 0.73
US$1 =	EUR 0.91

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Cyril E Muller
Acting Country Director:	Alexander Kremer
Regional Director:	Fadia M. Saadah
Practice Manager:	Tania Dmytraczenko
Task Team Leader(s):	Volkan Cetinkaya; Roman Zhukovskyi

ABBREVIATIONS AND ACRONYMS

APRA	Ajutor pentru Perioada Rece a Anului
BFP	Bank-facilitated procurement
COVID-19	Coronavirus disease
CPF	Country Partnership Framework
DA	Designated Account
DLIs	Disbursement-linked indicator
ESCP	Environmental and Social Commitment Plan
ESMF	Environmental and Social Management Framework
EU	European Union
F&C	Fraud and corruption
FM	Financial management
FTCF	Fast Track COVID-19 Facility
GDP	Gross Domestic Product
GMI	Guaranteed minimum income
GRS	Grievance Redress Service
HEIS	Hands-on Expedited Implementation Support
IBRD	International Bank for Reconstruction and Development
ICU	Intensive Care Units
IDA	International Development Association
IFRs	Interim Financial Reports
IHR	International Health Regulations
IMF	International Monetary Fund
JEE	Joint External Evaluation
MoHLSP	Ministry of Health, Labour and Social Protection
MPA	Multiphase Programmatic Approach
NCDs	Non-communicable diseases
NSIH	National Social Insurance House
OECD	Organization for Economic Cooperation and Development
PAD	Project Appraisal Document
PDO	Project Development Objective
PHC	Primary health care
PIU	Project Implementation Unit
PPE	Personal protective equipment
PPSD	Project Procurement Strategy for Development
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SPRP	COVID-19 Strategic Preparedness and Response Program
STEP	Systematic Tracking of Exchanges in Procurement
UNFPA	United Nations Population Fund
UNICEF	United Nations Children’s Fund
WBG	World Bank Group
WHO	World Health Organization

TABLE OF CONTENTS

DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Moldova	Moldova Emergency COVID-19 Response Project	
Project ID	**Financing Instrument**	**Environmental and Social Risk Classification**
P173776	Investment Project Financing	Substantial

Financing & Implementation Modalities

[✓] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[✓] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Project Approval Date	Expected Project Closing Date	Expected Program Closing Date
24-Apr-2020	30-Apr-2022	31-Mar-2025

Bank/IFC Collaboration

No

MPA Program Development Objective

The Program Development Objective is to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness

MPA Financing Data (US$, Millions)

MPA Program Financing Envelope	4,230.75

Proposed Project Development Objective(s)

The objectives of the Project are to prevent, detect and respond to the threat posed by the COVID-19 pandemic in Republic of Moldova.

Components

Component Name	Cost (US$, millions)
Emergency COVID-19 Response	57.30
Implementation Management and Monitoring and Evaluation	0.60

Organizations

Borrower:	Republic of Moldova
Implementing Agency:	Ministry of Health, Labor and Social Protection.

MPA FINANCING DETAILS (US$, Millions)

Board Approved MPA Financing Envelope:	4,230.75
MPA Program Financing Envelope:	4,230.75
of which Bank Financing (IBRD):	2,681.10
of which Bank Financing (IDA):	1,549.65
of which other financing sources:	0.00

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	57.90
Total Financing	57.90
of which IBRD/IDA	57.90
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	57.90
IDA Credit	57.90

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Moldova	57.90	0.00	0.00	57.90
National PBA	46.50	0.00	0.00	46.50
Crisis Response Window (CRW)	11.40	0.00	0.00	11.40
Total	**57.90**	**0.00**	**0.00**	**57.90**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2020	2021	2022
Annual	20.00	35.00	2.90
Cumulative	20.00	55.00	57.90

INSTITUTIONAL DATA

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas

Social Protection & Jobs

Climate Change and Disaster Screening

This operation has not been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating

1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	Moderate
10. Overall	Substantial
Overall MPA Program Risk	High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[✓] Yes [ ] No

Have these been approved by Bank management?

[✓] Yes [ ] No

Is approval for any policy waiver sought from the Board?

[ ] Yes [✓] No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

The Recipient shall by no later than one (1) month after the Effective Date, prepare and adopt a Project operations manual.

Sections and Description

The Recipient shall by no later than one (1) month after the Effective Date, recruit an environmental and social safeguards specialist for the PIU.

Conditions

I. PROGRAM CONTEXT

1. **This Project Appraisal Document (PAD) describes the emergency response to the Republic of Moldova under the COVID-19 Strategic Preparedness and Response Program (SPRP) using the Multiphase Programmatic Approach (MPA),** approved by the World Bank's Board of Executive Directors on April 2, 2020 (PCBASIC0219761) with an overall Program financing envelope of up to US$6 billion. This project is prepared under the global framework of the World Bank COVID-19 Response and is financed under the Fast Track COVID-19 Facility (FTCF) and Moldova's current IDA allocation.

A. MPA Program Context

2. **The coronavirus disease (COVID-19) caused by the 2019 novel coronavirus (SARS-CoV-2) has been spreading rapidly across the world since December 2019, when the initial cases were diagnosed in Wuhan, Hubei Province, China**. Since the beginning of March 2020, the number of cases outside China has increased thirteenfold and the number of affected countries has tripled; and on March 11, 2020, the World Health Organization (WHO) declared a global pandemic. As of April 7, the total number of COVID-19 cases detected was 1,279,722, out of which there had been 72,616 deaths.

3. **COVID-19 is one of several emerging infectious diseases in recent decades that have emerged from animals in contact with humans, resulting in major outbreaks with significant public health and economic impacts.** The last moderately severe influenza pandemics were in 1957 and 1968; each killed more than a million people around the world. Although countries are now far more prepared than in the past, the world is also far more interconnected, and many more people today have behavior risk factors such as tobacco use[1] and pre-existing chronic health problems that make viral respiratory infections particularly dangerous[2]. With COVID-19, scientists are still trying to understand the full picture of the disease symptoms and severity. Reported symptoms in patients have varied from mild to severe, and can include fever, cough and shortness of breath. In general, studies of hospitalized patients have found that about 83 percent to 98 percent of patients develop a fever, 76 percent to 82 percent develop a dry cough and 11 percent to 44 percent develop fatigue or muscle aches[3]. Other symptoms, including headache, sore throat, abdominal pain, and diarrhea, have been reported, but are less common. While 3.7 percent of the people worldwide confirmed as having been infected have died, WHO has been careful not to describe that as a mortality rate or death rate. This is because in an unfolding epidemic it can be misleading to look simply at the estimate of deaths divided by confirmed cases so far. Hence, given that the actual prevalence of COVID-19 infection remains unknown in most countries, it poses unparalleled challenges with respect to global containment and mitigation. These issues reinforce the need to strengthen the response to COVID-19 across all IDA/IBRD countries to minimize the global risk and impact posed by this disease.

B. Updated MPA Program Framework

5. **Table-1 provides an updated overall MPA Program framework**. All projects under SPRP are assessed for Environmental and Social Framework risk classification following the Bank's procedures and using the

[1] Marquez, PV. 2020. "Does Tobacco Smoking Increases the Risk of Coronavirus Disease (Covid-19) Severity? The Case of China." *http://www.pvmarquez.com/Covid-19*
[2] Fauci, AS, Lane, C, and Redfield, RR. 2020. "Covid-19 — Navigating the Uncharted." New Eng J of Medicine, DOI: 10.1056/NEJMe2002387
[3] Del Rio, C. and Malani, PN. 2020. "COVID-19—New Insights on a Rapidly Changing Epidemic." JAMA, doi:10.1001/jama.2020.3072

flexibility provided for COVID-19 operations.

Table 1. MPA Program Framework

Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO*	IPF, DPF or PforR	Estimated IBRD Amount ($ million)	Estimated Amount from Crisis Response Window ($ million)	Estimated Other Amount ($ million)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
1	Moldova	Simultaneous	The PDO is to prevent, detect, and respond to the threat posed by the COVID-19 pandemic in the Republic of Moldova	IPF	0	11.4	46 (reallocated from regular country IDA allocation)		Substantial (E)/ Moderate (S)

C. Learning Agenda

6. The project will support the learning agenda by collaborating with development partners and public authorities throughout project implementation to share knowledge and lessons learned. The World Bank has strong relationships with other development partners, including the International Monetary Fund (IMF), United Nations Development Programme, United Nations Population Fund (UNFPA), WHO, United Nations Children's Fund (UNICEF), and the Swiss Agency for Development and Cooperation (SDC). Using existing forums to pool, share, and strengthen knowledge of social behaviors, supply chains and intervention effectiveness provides a good opportunity to maximize development impact in the Moldovan context. The World Bank's health program in Moldova is supported by a funded collaboration with SDC, and efforts will be made to include lessons learned and share knowledge in the publications and communication messages planned through that project. In addition, the project will seek to draw lessons learned, particularly from the social protection component, to inform future and ongoing operations about the effective combination of emergency response, health systems strengthening, and social assistance. Overall, integrating a strong emergency response learning focus into an already established analytical and engagement program will optimize sustainability and effectiveness in engaging a wider range of stakeholders.

II. CONTEXT AND RELEVANCE

A. Country Context

7. **Moldova is a lower-middle-income country with an estimated gross domestic product (GDP) per capita of US$3,217 (IMF, 2018) and a population of approximately 3.5 million people (World Development Indicators, 2018).** Its GDP per capita is significantly below the average for Europe and Central Asia (US$7,272); however, the country's recent socioeconomic progress has been sound, and Moldova will graduate from IDA on June 30, 2020. Moldova has experienced strong economic growth, with an average annual growth rate of 4.6 percent since 2000. Despite heightened political instability in 2019, the economy grew by 3.6 percent in 2019 driven by strong investments and robust private consumption financed by remittances, pre-election tax cuts,

and increases in public wages and transfers. Increased employment and growth in disposable income for the bottom two quintiles, as well as increasing earnings in the agricultural sector, have contributed to recent reductions in poverty. However, during 2019 the unemployment rate increased by 2.2 percentage points on average compared with the previous year, largely driven by increases in unemployment in rural areas.

8. **Moldova still has high poverty despite significant progress in poverty reduction.** According to the Commitment to Equity report,[4] 18.6 percent of families are below the national poverty line.[5] For some vulnerable categories, such as families with more than two children and single-parent families, the rates is much higher – 38.3 percent and 27.1 percent respectively. Poverty is projected to increase as households grapple with the adverse effects of COVID-19. Remittances previously played a significant role in increasing disposable income and mitigating poverty. The overall remittances before the COVID-19 outbreak were sizable - 15 percent of GDP, of which almost half was delivered home personally in cash, mostly to vulnerable households. High levels of migration to and remittances from the European Union (EU) and Russia could decline because of a recessionary development there as well in attempts to contain the outbreak. Additionally, many precarious jobs in these countries have been closed, with migrant workers the first to lose jobs and returning home without social insurance benefits. Potential additional shocks - such as health shocks to earners in the household, higher domestic prices due to shortages and interruptions in supply chains, and lower employment and/or earnings stemming from lower aggregate demand - are all likely to contribute to increased poverty. The effects are likely to be disproportionately felt by households with inadequate coping strategies or insurance mechanisms. There is a need for emergency measures to prevent such vulnerable households from falling into destitution. In the short term, the Government will need to consider enacting appropriate mitigating strategies such as ensuring adequate access to health care, particularly for at-risk groups; alleviating food shortages; and, compensating for reduced and lost income through appropriate social security transfers.

9. **Before the global outbreak of COVID-19, the outlook for the Moldovan economy was positive, despite notable risks and challenges, but the country now faces significant domestic and external risks.** Against the background of lower remittances, the dissipation of fiscal stimuli, and heightened uncertainty in the region and on the global markets, the macroeconomic environment faces significant challenges and risks. Growth projections are now challenged by the larger global downturn arising from the COVID-19 crisis as large economies across the Eurozone, as well as in Russia and China, struggle to deal with the combined impact of supply- and demand-side shocks, including the impact of lockdowns and the shuttering of businesses. In addition, the economy struggles with low productivity, unfavorable demographics, and serious governance challenges. The approach of the 2020 presidential elections also brings fiscal uncertainty.

[4] Alexandru Cojocaru, Mikhail Matytsin, and Valeriu Prohnitchi. 2019. "Fiscal Incidence in Moldova: A Commitment to Equity Analysis", http://documents.worldbank.org/curated/en/932401568643347690/pdf/Fiscal-Incidence-in-Moldova-A-Commitment-to-Equity-Analysis.pdf

[5] Moldova stopped publishing official poverty rates in 2015. Commitment to Equity aims to take a deeper look at poverty by including the distributional effects of the tax and expenditure sides of the fiscal system and, examining the contribution of different taxes and transfers to poverty and inequality reduction in Moldova. The report measures poverty using various income concepts. Provided poverty rates are calculated using the disposable income concept, which incorporates pensions and direct transfers (such as family benefits, child benefits) and deducts direct taxes (such as PIT, social security contributions).

B. Sectoral and Institutional Context

Health

10. **The Ministry of Health, Labour and Social Protection (MoHLSP) is responsible for the organization and regulation of health services provided to individuals and the public, and for ensuring the state surveillance of population health, as well as for managing the social protection programs of the Government of Moldova.** The financing of most health services is the responsibility of the *Compania Naţională de Asigurări în Medicină*,[6] a stand-alone governmental institution, not subordinated to MoHLSP that covers approximately 86 percent of the population. It finances access to an essential package of emergency, primary, and inpatient services without payment at the point of care. The system also provides universal access to primary health care (PHC), for both uninsured and insured patients (including mental health, cancer screening, HIV/AIDS[7], tuberculosis, etc.). Inpatient care is provided at the municipal, district (secondary care), and republican (tertiary care) levels; highly specialized tertiary services are concentrated in Chisinau.

11. **Moldova's health system has made progress in recent years, but it still lags behind others in the region.** While life expectancy at birth increased from 64.8 years in 1990 to 72.0 years in 2016, infant and maternal mortality rates are high for the region. Infant and under-five mortality rates were 9.7 and 11.4 per 1,000 live births, respectively in 2016, more than twice the EU average of 3.4 and 4.1 per 1,000 live births. The maternal mortality rate of 17.6 per 100,000 live births[8] was more than double the EU average of 8 per 100,000[9].

12. **Non-communicable diseases (NCDs) have become the major burden of mortality and illness for the population, while the country is also undergoing a demographic transition.** NCDs account for a total of 90 percent of causes of deaths, injuries for 6 percent, and communicable, maternal, perinatal, and nutritional conditions for 4 percent. High blood pressure (hypertension) and smoking are among the leading NCD risks. In addition, Moldova's population is aging as younger generations emigrate to seek job opportunities abroad. About 18.4 percent of the population is aged 60 and above and 2.4 percent is 80 and above[10]. This poses additional challenges in dealing with a COVID-19 emergency since evidence from other countries suggests that older populations, especially people with pre-existing health conditions, are at higher risk and, if infected, would require more intensive care. Moreover, there is a gender dynamic to this as life expectancy for women in Moldova is 75.3 and for men is 67.6, although it is not clear how this will play out given that early epidemiological analysis suggests that COVID-19 has a disproportionate impact on men.

13. **While total health spending is high for Moldova's income level, out-of-pocket health spending is still high.** In 2016, the Government of Moldova spent approximately US$83.50 per capita on health, with government health expenditure representing around 49 percent of total health expenditure. Total health expenditure, as a share of GDP increased from 5.9 percent in 2000 to 9 percent in 2016. This is substantially higher than the averages for the Europe and Central Asia Region (8.3 percent) and the Commonwealth of Independent States (6.5 percent). However, out-of-pocket health spending contributes around 46 percent of total health expenditure and points to an underlying vulnerability for poorer populations, which could be

[6] National Health Insurance Company
[7] HIV/AIDS: human immunodeficiency virus/acquired immunodeficiency syndrome.
[8] MoHLSP, 2017
[9] World Bank, 2015
[10] Statistical Yearbook of the Republic of Moldova, 2019

particularly at risk as COVID-19 unfolds. The health system has limited resilience, and it needs financing to ensure that, in a time of crisis and a rapidly unfolding pandemic, it is better positioned to meet the needs of citizens, particularly such vulnerable citizens as low-income, disabled, and elderly people, isolated communities, and Roma communities.

14. **This project complements the World Bank's broader engagement in the health and social sectors**. The ongoing Health Transformation Project, which seeks to reduce key risks for NCDs and improve the efficiency of health services, has contributed to the strengthening of primary care and better management of NCDs, and it has also supported important actions towards deep reforms in the hospital sector. Several ASA engagements (Rapid Social Response 12: Improving Efficiency of Moldova's Main Anti-Poverty Program; Strengthening Social Assistance in Moldova) supported a comprehensive review of Ajutor Social program design and delivery to improve the poor people's uptake of the program. Strengthening support for families with children was among the key recommendations.[11] The Government was also provided with advice on comprehensive improvement across all stages of the Ajutor Social delivery system to ensure reaching the most vulnerable families.[12]

Social Protection

15. **The transformation of the social protection system over the past decade has increased coverage for vulnerable groups and increased cost-efficiency; nevertheless, challenges remain.** Social protection programs cover 62 percent of the population (compared to 72 percent in Ukraine and 81 percent in Romania), with coverage for the bottom quintile reaching almost 80 percent. Of social protection programs, pensions and other social insurance benefits constitute the highest coverage (52 percent of the total population and 56 percent of the poorest quintile), although the size of the benefits is relatively small. Social assistance reaches only 31 percent of the total population. In reaching the poorest quintile, the most effective programs are Ajutor Social (25.5 percent), Ajutor pentru Perioada Rece a Anului (APRA)[13] (33.9 percent), and child and family benefits (17.9 percent). However, inadequate benefit size compromises the programs' effectiveness in helping beneficiaries rise out of poverty over the long term. Moldova's expenditure on social assistance remains low - about 1 percent of GDP, slightly over half of the average in the region (1.9 percent of GDP).

16. **Administered by the MoHLSP and previously supported by the World Bank, the Ajutor Social program is the main antipoverty program in Moldova**. The social assistance program Ajutor Social was introduced in 2009 to counter the fragmentation of social protection programs and the inefficiency of public financing. It was conceived as a proxy means-tested program of cash transfers to replace categorical benefits (*prestații categoriale*). To qualify for the Ajutor Social program benefit, applicants must meet three sets of criteria related to: family income (which must be below the guaranteed minimum income, or GMI), the employment status of family members,[14] and family welfare (confirmed through the proxy means test). The amount of the benefit

[11] Moldova Economic Update, Fall 2019. Special Focus Note: Social Assistance. World Bank. *http://pubdocs.worldbank.org/en/810281574937601261/Moldova-Special-Focus-Note-Social-Assistance-November-2019-en.pdf*

[12] Madalina Manea, Razvan Dumitru, Yulia Smolyar, and Vlad Grigoras. Review of the Ajutor Social benefits delivery to improve the uptake of the poor.
https://wbdocs.worldbank.org/wbdocs/component/drl?objectId=090224b086db2168&standalone=true&Reload=1586315885174&__dmfClientId=1586315885174&respositoryId=WBDocs

[13] Families that are eligible for Ajutor Social are also eligible for APRA, a flat benefit for heating assistance during the cold period of the year only. APRA uses a higher income threshold, so in addition to Ajutor Social recipients, the near-poor are also eligible.

[14] All able-bodied members of a family must be employed or self-employed, registered as unemployed, on parental leave, or looking after a member of the family who requires care (e.g. with severe disability).

depends on the income gap between household monthly income and the GMI threshold, which is established annually in the budget. Ajutor Social channels significant funds to the poorest quintile. However, although the program was expanded in 2014-2017, when its coverage increased from 4 percent to 7 percent of the total population, it reached only 25.5 percent of the poorest, and the benefit size remains inadequate, especially for families with children.

17. **Design and protocol changes are needed to increase the effectiveness of the social safety nets in reaching and protecting vulnerable groups from the impact of COVID-19.** As currently designed, the Ajutor Social is not suited to provide effective support in deteriorating economic conditions. The benefit size is not adequate: Ajutor Social payments have a relative incidence (share of the benefit in the overall income of this group) of just 8 percent for the poorest quintile. Unless the Ajutor Social program is strengthened, vulnerable families will not have adequate protection as prices of food and basic goods rise and other expenditures - such as for masks – are also required. Moreover, the program has recently declined in terms of both coverage and nominal budget. Finally, the design of the program is not geared towards supporting vulnerable groups, such as families with more than two children and single parents – in fact, a family of two adults is currently eligible for a higher benefit than a family of an adult and a child,[15] even though single-parent families are among the most disadvantaged groups globally because they have additional responsibilities of parenting – for example, financial provision for a dependent, housekeeping, and the need to take additional sick leave – which a family of two adults may not have. The employment status filter excludes some of the families recently pushed into poverty, such as returned migrant workers or those informally employed in the past. People in these categories are subject to a greater risk of losing a job or of being unable to stop working and thus being more likely to go out and/or seek work and get infected. Thus, changing the design of Ajutor Social to increase the adequacy of support and focus more on the most vulnerable groups would strengthen its effectiveness in addressing the challenges vulnerable populations face in the COVID-19 outbreak.

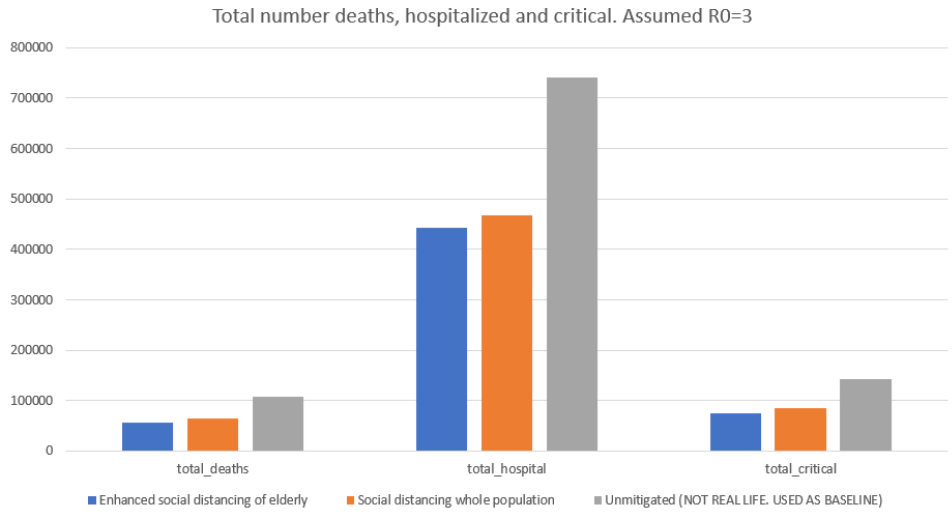
18. **In addition to strengthening surge capacity, mitigation measures including social distancing are key in the response to the pandemic.** The health system needs to prepare to face an increased demand for hospitalization and critical care of COVID-19 patients, while remaining able to provide at least basic services for the non-COVID19 patients. However, in order for countries to flatten the curve and not overwhelm the health system all at once, evidence from other countries, shows that mitigation measures including social distancing are essential to reduce community transmission and therefore the number of people infected. An assessment of social distancing measures from China revealed that non pharmaceutical interventions such as, community social distancing and lockdowns reduced transmissibility of COVID-19, and the first wave of COVID-19 outside Hubei province was abated because of aggressive non pharmaceutical interventions, including social distancing measures and lockdown. As a result, the Case Fatality Rate outside of Hubei was nearly five times lower and correlated with the reduction in mobility[16]. Modeling revealed that relaxation of the social distancing when the epidemic size was still small would have pushed COVID-19 prevalence back to baseline. Evidence from 1918 Spanish Flu pandemic in the US also emphasizes that nonpharmaceutical interventions, when imposed early in the epidemic course, resulted in lower peaks and fewer total cases of pandemic influenza than instances in

[15] The program distinguishes members of the family as adults and children and is based on the GMI. The first adult in the family receives 1 GMI, each subsequent adult receives 0.7 GMI, and each child receives 0.5 GMI. There are additional coefficients for persons with disabilities.

[16] Leung, K., Wu, J. T., Liu, D., & Leung, G. M. (2020). First-wave COVID-19 transmissibility and severity in China outside Hubei after control measures, and second-wave scenario planning: a modelling impact assessment. *The Lancet*.

which authorities did not place or delayed placing of lockdowns[17]. Although a large uncertainty remains on the virus and most of the prediction are based on evolving modeling, epidemiologists are warning that countries should expect to see population infection rates between 25% and 80% over the course of the epidemic[18] unless mitigation measures are taken. In the case of Moldova, this could translate into nearly 65% increase in total hospitalizations, and nearly 57% increase in deaths in the absence of mitigation measures like social distancing (Figure 1).

Figure 1: Estimated impact of mitigation measures in Moldova



"Unmitigated" = no intervention; "Social distancing whole population" = optimal outcome when epidemic is mitigated interventions to limit contacts in the general population including social distancing; "Enhanced social distance of elderly"= optimal outcome when epidemic is mitigated through interventions to limit contacts in the general population including social distancing, alongside enhanced social distancing of over 70s (modelled as a 60% reduction in contact rate);

19. **However, in enforcing social distancing measures, clear and consistent communication with the public is essential and so are mechanisms to support the most disadvantaged and the poor to ensure compliance.** Measures to contain the outbreak and the resultant economic downturn, will not only affect the poor but also potentially send large numbers of people into poverty, exacerbating inequalities among the population. Marginalized communities are bearing disproportionate costs of lockdowns because their members are more likely to have lost their (formal or informal) jobs, not to have a stable home or shelter, not to have access to food, health care and other basic services[2]; they are also less likely to be able to observe basic public health measures, including handwashing, due to the lack of proper water and sanitation facilities in the communities, which pose them more at risk of the spread of infection. Additionally, women constitute a majority of workers in the non-agricultural informal sector in many countries [19]– leaving them more vulnerable to loss of livelihood and economic insecurity during lockdowns. While working from home is an option for white-collar professionals, lower income individuals are more likely to work in 'blue collar' jobs or other service roles that cannot be conducted remotely. As a result, these individuals are disproportionally more likely to face employment

[17] Correia, S., Luck, S., & Verner, E. (1918). Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu. *Public Health Interventions Do Not: Evidence from the*.

[18] *[1] See,* for example, Ferguson N. et al. *https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf*

[19] UN Women. Transforming Economies, Realizing Rights: Progress of the World's Women 2015-2016: UN Women; 2015.

furloughs or outright termination. Therefore, strategies to ensure such communities are not further pushed into poverty and marginalized due to social distancing policies should be part of the full response. Lessons from previous epidemics indicate the importance of clear communication and social protection measures in order to maintain order and compliance.

COVID-19 Outbreak

20. **The first case of coronavirus in Moldova was reported on March 8, when a woman tested positive after disembarking from a flight from Italy to Chisinau; since then, cases have increased rapidly.** As of April 7, 2020, there were 1,056 confirmed cases, of whom 22 people have died and 23 have recovered. Early data suggest that in Moldova, contrary to what other countries are experiencing, a higher proportion of confirmed COVID-19 cases are among women (56 percent).[20] Moldova has a population of 3.5 million but a diaspora of around a million citizens lives in Europe and Russia. The mobility of this Moldovan expatriate community, who may return to Moldova from other European countries during the pandemic, may make Moldova more vulnerable to the spread of COVID-19.

21. **Recognizing these challenges, the Government of Moldova has mobilized a COVID-19 pandemic preparedness response**. The Preparedness and Response Plan was approved by resolution of the Extraordinary Commission for Public Health (Number 7) on March 13, 2020. The Plan covers such key areas as coordination of preparedness and response, epidemiological surveillance, and case investigation and rapid response. The Government also convened the Extraordinary National Public Health Commission to ensure intersectoral coordination and communication in implementing public health related warnings and activities. Funds intended for exceptional situations, including the Government emergency funds and reserve funds, are managed in accordance with approved Government regulations. On March 17, 2020, Moldova's Parliament declared a state of emergency until May 15, 2020.

22. **Following Parliament's declaration of the state of emergency, the Exceptional Situations Commission met and introduced a stronger set of measures aimed at slowing the spread of the virus.** Critical restrictions were imposed on movement, in line with social distancing practices that are emerging worldwide. All educational institutions and many public venues - including gyms, museums, and theaters, bars, and restaurants - were closed. Strict transportation restrictions were introduced: air and rail traffic were suspended, and 70 of Moldova's 81 land border crossings with Romania and Ukraine were closed. Additional quarantine measures have followed, including the establishment of a special working regime for all entities (public sector working hours 7:30 – 16:00); prohibition of meetings, public events and other mass events; requiring that schools and universities shift to online and distance-learning methods; and the temporary suspension of nearly all courts processing criminal and administrative cases (with exceptions). The commission also decided to make all medical care related to COVID-19 free, whether or not patients have medical insurance. Also, the Government prohibited Moldovan economic operators and manufactures from exporting medical equipment and medical supplies and materials. Further, the authorities adopted a set of economic measures to ease the immediate crisis impact: they delayed payment of income tax from entrepreneurial activity for one quarter; suspended tax inspection visits during the declared state of emergency; and postponed until April 25 the declaration and

[20] Data as of April 1, 2020. Given that there are no substantial differences among men and women in the age structure of the Moldovan population, one hypothesis is that citizens working in Italy in the care giving sector – mainly women – returned to their country when asymptomatic and may have developed symptoms and tested positive later on.

payment of income tax for 2019 for individual entrepreneurs, farmers, non-VAT payers, and small and medium-sized enterprises. The near-term impact of COVID-19 on the Moldovan economy is expected to be negative: in Q2 of 2020 the economy is expected to enter a deep recession caused by the interruption in the country's economic ties with EU and Russia through trade channels, remittances, the financial sector, and commodity channels, and also by the impact of a lockdown.

23. **Moldova's development partners are working closely with MoHLSP to provide a coordinated response to the COVID-19 outbreak.** Moldova's development partners mobilized and joined efforts to strategically contribute to the most urgent needs. Country-level coordination, planning, and monitoring is assured by the UN Regional Coordination Office and WHO, which organize donor coordination meetings with participation by development partners and embassies, and by Government representatives. WHO is ensuring operational support and logistics by developing a needs assessment and costs for health system needs based on scenario 3,[21] with support from UNICEF. Other UN agencies - mainly UNICEF, UNFPA, and WHO - are organizing risk communication and community engagement activities which include procurement of medical equipment, a risk communication plan, billboards, informative brochures, audio and video spots, and so on. WHO worked closely with the MoHLSP to implement the technical guidelines on COVID-19 epidemiological surveillance and contacts investigation, quarantine and restriction measures. Country progress on pandemic preparedness and response capacity ("health security") is monitored by the World Bank and WHO as part of the Universal Health Coverage index[22].

24. **In general, Moldova's health security and pandemic preparedness presents some notable gaps.** The Global Health Security Index published in 2019 highlights key constraints, especially in the areas of rapid response, health system capacity, and detection and reporting, placing Moldova at 78th out of 195 countries. A 2018 Joint External Evaluation (JEE) identified significant vulnerabilities with regard to pandemic preparedness and financing, with particular challenges in the areas of laboratory systems, surveillance and case detection, response coordination, personnel deployment and risk communication. The JEE also highlighted Moldova's critical financing gap in being able to support and field an emergency response. In addition, the recommendations of the JEE point to the importance of establishing protocols, procedures, and capabilities to rapidly expand the country's ability to treat vulnerable patients and introduce measures to stop community transmission. This includes strategies for communicating risk, training medical and non-medical workers on relevant protocols, and bolstering routine medical care and emergency treatment capabilities.

C. Relevance to Higher-Level Objectives

25. **The project is aligned with World Bank Group (WBG) strategic priorities, particularly the WBG's mission to end extreme poverty and boost shared prosperity.** It is also aligned with the health-related targets of the Sustainable Development Goals (SDGs), especially targets 3.8[23] and 3.d.[24] It is also aligned with the World Bank's support for national plans and global commitments to strengthen pandemic preparedness through three key actions: improving national preparedness plans, including the organizational structure of the government;

[21] WHO defines four COVID-19 transmission scenarios: (i) no case; (ii) sporadic cases; (iii) clusters of cases; and (iv) community transmission. Critical preparedness, readiness and response actions for COVID-19: Interim guidance. WHO, 2020.
[22] *https://www.who.int/healthinfo/universal_health_coverage/en/*
[23] Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
[24] Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.

promoting adherence to the International Health Regulations (IHR); and utilizing the international framework for monitoring and evaluating the IHR. The project complements both WBG and development partner investments in health systems strengthening, disease control and surveillance, attention to changing individual and institutional behavior, and citizen engagement. It contributes to the implementation of IHR (2005), Integrated Disease Surveillance and Response, as well as to the World Organization for Animal Health standards, the Global Health Security Agenda, the Paris Climate Agreement, the attainment of Universal Health Coverage and of the SDG, and the promotion of a One Health approach.

26. **The WBG remains committed to providing a fast and flexible response to the COVID-19 epidemic, making use of all WBG operational and policy instruments and working in close partnership with the Government and other agencies.** Grounded in a One Health approach, which provides for an integrated approach across sectors and disciplines, the proposed WBG response to COVID-19 will include emergency financing, policy advice, and technical assistance, building on existing instruments to support IDA/IBRD-eligible countries in addressing the health sector and the broader development impacts of COVID-19. The WBG COVID-19 response will be anchored in WHO's COVID-19 global SPRP, which outlines the public health measures for all countries to prepare for and respond to COVID-19 and sustain their efforts to prevent future outbreaks of emerging infectious diseases.

27. **The project is aligned with the WBG's Moldova Country Partnership Framework (CPF) for 2018-2021**, namely Focus Area 2: Improving efficiency, quality and inclusive access to public services. While the original CPF did not include pandemic response and preparedness, the spread of the pandemic has generated a need for urgent investment in health and social protection, and the project design matches well both the objectives of: (a) efficiency, through its interventions to strengthen the intensive care network and response capacity, and (b) inclusive access, through the component aimed at mitigating the containment measures' spillover effect on the poor.

III. PROJECT DESCRIPTION

A. Development Objectives

28. **The objectives of the Project are to prevent, detect and respond to the threat posed by the COVID-19 pandemic in the Republic of Moldova.** The Project objectives are aligned to the results chain of the COVID-19 SPRP. Besides supporting COVID-19 preparedness and response in the health sector, the project also includes response in the social protection sector through mitigation measures to help the poor and vulnerable cope while following the social distancing and stay-at-home requirements of the government's pandemic response strategy.

29. **The PDO will be monitored through the following PDO level outcome indicators:**

i. Number of designated hospitals with fully equipped and functional intensive care units (ICUs);
ii. Percentage of designated hospitals with personal protective equipment and infection control products and supplies;
iii. Number of people tested for coronavirus identification; and
iv. Number of Ajutor Social recipients during the emergency period.

B. Project Components

30. **The project seeks to provide Moldova with immediate support to respond to the COVID-19 outbreak, with a focus on strengthening the technical capacity of health facilities to protect staff and handle severe cases and on mitigating the negative financial impact at the household level.** Recognizing the importance of a well-balanced intervention mix, the project will provide support to increase case detection capacity, improve the safety of frontline staff at all levels, and bolster the human and technical capacity of ICUs to handle a surge in severe cases. In addition, the project will support social assistance efforts to mitigate the effect of containment measures on the poor.

31. **This project was selected for COVID-19 financing at the request of the Government of Moldova, on the basis of the country's financing gap and technical capacity constraints.** The objectives, scope and components of this project are fully aligned with the FTCF. With technical assistance from WHO, the MoHLSP provided its own needs assessment, which informed the formation of the project; therefore, the MoHLSP has been fully involved in the project design and is committed to the activities selected. Under the coordination of the UN representative for Moldova, and drawing on the list of eligible activities outlined in the COVID-19 Board Paper, the project design addresses key pillars of the Government response for which the needs assessment identified gaps and which have not yet received sufficient financial and/or technical support from other development partners. The project was informed by the design of other COVID-19 projects in the ECA Region and beyond. Project cost by component is provided in Annex 1.

Component 1: Emergency COVID-19 Response (EUR 52.3 million)

32. **Subcomponent 1.1: Case Confirmation (EUR 0.9 million) will finance medical supplies and equipment to support strengthening disease surveillance systems and the capacity of selected public health laboratories to confirm cases**. It will include personal protective equipment (PPE) and hygiene materials, COVID-19 test kits, laboratory reagents, polymerase chain reaction equipment, specimen transport kits, and light vehicles for safe and rapid transportation of samples.

33. **Subcomponent 1.2: Health System Strengthening (EUR 29.2 million) will finance the strengthening of public health facilities to provide critical care to COVID-19 patients and minimize the risk that health care staff and other patients will be infected**. As the COVID-19 outbreak accelerates, access to PPE for health workers is a key concern. Health care staff, unlike ventilators or wards, cannot be urgently manufactured or run at 100 percent occupancy for long periods.[25] In the global response, the safety of health care staff must be ensured. The project will finance PPE and hygiene materials, as well as training on infection prevention and control practices to mitigate potential shortages of staff who are able to provide care to suspected and confirmed cases. It will also provide equipment, drugs and medical supplies, particularly ICU units and beds in designated hospitals, as well as training on COVID-19 treatment and intensive care to respond to the surge in patients requiring admission to ICUs. It will support minor interior refurbishment to remodel ICUs and increase the availability of isolation rooms. The project will also finance ambulances for urgent transportation of patients across the hospital network to referral facilities designated under the algorithm of the Government Preparedness and Response Plan.

34. **Some of the activities supporting the strengthening of the health system will depend on the**

[25] The Lancet, Volume 395, March 21, 2020

availability of supplies, which is rapidly shifting. Recognizing the procurement challenge posed by the global pandemic, these subcomponents will remain flexible to support financing of alternative supplies that are acceptable to the World Bank, in line with the terms of the FTCF.

35. **Subcomponent 1.3: Communication Preparedness (EUR 0.3 million) will support information and communication activities** to increase the attention and commitment of the Government, the private sector, and civil society to the COVID-19 pandemic, and to raise awareness, knowledge and understanding among the general population about the risk and potential impact of the pandemic. Specific activities will include: (a) developing and implementing a national communication and outreach strategy, including social and behavioral communication change, across multiple channels; and (b) developing and distributing communication materials on COVID-19 and general preventive measures to the general public, which will be complementary to the UN actions.

36. **Subcomponent 1.4: Social and Financial Support to Households (EUR 21.9 million) will support strengthening the social protection for the poor by amending the design of the Ajutor Social program** so that it is better able to target vulnerable populations that may be adversely affected by COVID-19. This amendment is simultaneously a reform and an emergency response. First, the reform aspect will strengthen support for families with children by changing the adult equivalency formula (increasing the coefficient for children). This will put families with children, which have the highest poverty rates in Moldova, in a better position, by increasing both the income threshold and coverage of such families, and their benefit size. It will result in a better alignment of the program design with the social policy goals of supporting the poorest, and improving the targeting and efficiency of social expenditures. Second, the income eligibility threshold (GMI) for all beneficiaries will be temporarily increased (by 23 percent instead of the planned 4.8 percent). The GMI threshold is used both to determine eligibility, filtering out families with incomes higher than GMI per adult equivalent, and to determine the benefit size, which is the gap between the GMI for the family (GMI x adult equivalents of family members) and the actual income. This measure will result in expanding the coverage of the poor who as a group will be disproportionately affected by the increased prices and loss of income associated with COVID-19. Also, for the emergency period, the Government will automatically extend eligibility for families that are up for re-certification, accept remote applications (e.g., by phone), and replace income verification documents with the applicant's declaration. In-home visits to verify eligibility for families that are subject to such checks will also be cancelled for the period of emergency. Changes to the Ajutor Social program were adopted by the parliament on April 23, 2020 and the respective law will come into effect as soon as it is published.

37. **Amending the design of Ajutor Social during the emergency period will increase both the coverage of the program and the benefit size.** Under the baseline conditions, the coverage would have increased by 35 percent and the average benefit size by 85 percent for the current recipients. However, the Government simultaneously introduced an additional benefit (not financed through this project) - a flat unemployment benefit of 2775 Lei a month for those who would otherwise be ineligible for the regular unemployment benefit (returning migrant workers and former informal workers). With this additional income, families may receive a smaller Ajutor Social benefit than they otherwise would have, but overall amounts paid to vulnerable groups will still be higher than at present. It is also possible that additional income could make some of the families exceed even the higher income threshold, thus making them ineligible and affecting the coverage. The forecast for the program expenditures during the emergency period is US$4.25 million per month compared to the current expenditures of about US$2.1 million. This forecast is subject to uncertainty, mostly on the higher side,

because of a wide range of possible values for some variables, such as the number of returning migrants. After the emergency period ends, the strengthened support for families with children will remain, ensuring a lasting effect from the measures adopted.

38. **This subcomponent will disburse against two disbursement-linked indicators (DLI):** (i) increased budget allocation to the Ajutor Social program; and (ii) increased benefit and coverage. The legal basis for increasing the budget by 39 percent was established in the law adopted by the Parliament on April 23, 2020. For the reasons described above (effects of additional benefits outside of Ajutor Social), a 10 percent increase in coverage and a 10 percent increase in benefit size would be used to satisfy the second DLI. The Ajutor Social cash transfers will serve as eligible expenditures for the DLIs.

Component 2: Implementation Management and Monitoring and Evaluation (EUR0.6 million)

39. This component will provide financing for project implementation, coordination, and management, including support for procurement, financial management (FM), environmental and social safeguards, and monitoring and evaluation of prevention and preparedness including third-party monitoring of progress.

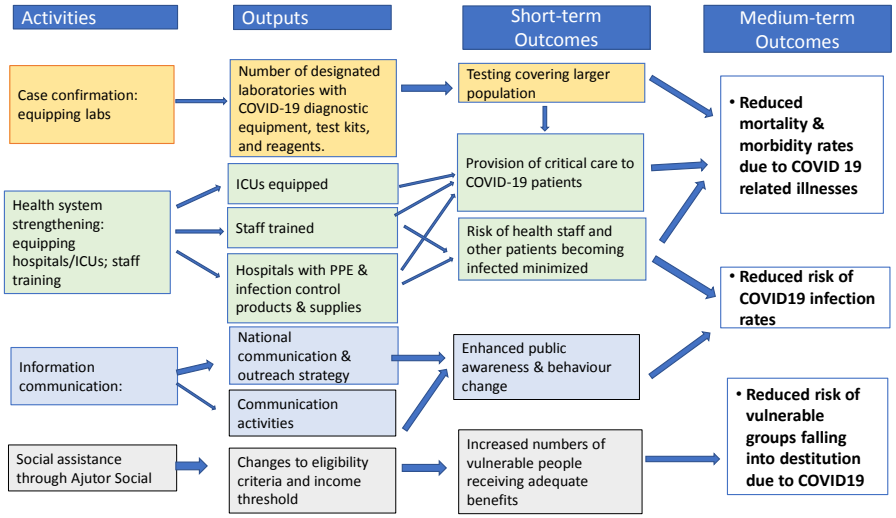
C. Project Beneficiaries

40. The expected project beneficiaries will be the population at large given the nature of the disease, infected people; at-risk populations, particularly the elderly and people with chronic conditions; medical and emergency personnel; medical and testing facilities; and public health agencies engaged in the response. If current trends continue, women will particularly benefit from the project since early data indicate that more than 50 percent of Moldova's COVID-19 confirmed cases are women. Front-line health workers, who will also be disproportionately at risk, but also will benefit disproportionately from the project (through its investment in PPE) are more likely to be women. In addition, workers and families affected by the COVID-19 outbreak through job loss or other income loss, and especially those in vulnerable groups, will be better protected by the expansion in coverage and benefit of the Ajutor Social program.

D. Results Chain

41. The project will achieve its PDO by coordinating the financing and response actions needed to reduce avoidable mortality and morbidity due to COVID-19 related illness, reduce the risk of infection among health workers, and reduce the economic impact for vulnerable groups. Failure to rapidly mobilize financing and coordinate response efforts would result in unnecessary casualties and significant socioeconomic consequences. By focusing on the diagnosis and treatment of patients, this project seeks to help control the pandemic and limit socioeconomic losses. In addition, by focusing on prevention and communication, it seeks to reduce the risk of infection of vulnerable people and health workers, who are crucial to the health system's response to the surge of patients. Finally, the project will contribute to reducing the risk that vulnerable populations will fall into destitution by strengthening the country's social protection program to better target vulnerable groups adversely affected by COVID-19.

Figure 2: Results Chain



E. Waivers

42. The project will use waivers granted through the MPA:

- Partial waiver relating to the application of Anti-Corruption Guidelines to unsuccessful bidders in the context of Retroactive Financing and existing Framework Agreements in place between the borrower and suppliers and financed under retroactive financing or advanced procurement.
- Waiver of paragraph 22 of the IPF policy relating to the requirement to seek the approval of the Board prior to signing the legal agreements for individual projects under the global emergency MPA Program for projects classified as High or Substantial Risk (pursuant to the Environmental and Social Policy) given the similarity of environmental and social risks across COVID-19 operations and the commonality of approaches to their mitigation across all COVID-19 projects, embedded in the project design and environmental and social requirements that apply to each project (as set out in paras of the MPA PAD).

IV. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

43. **Given the emergency nature of this project, institutional and implementation arrangements have been designed to be as practical, reliable, and quick to establish as possible**. Accordingly, institutional and implementation arrangements build on existing structures and systems, to the extent possible. The roles of various units, and the accompanying institutional arrangements, are described below.

44. **Preparing for emergencies in public health in the Republic of Moldova is part of the national civil protection system, and the MoHLSP is responsible for health crises and preparation for and response to pandemics.** For major public health events, the National Extraordinary Public Health Commission is responsible for the integrated approach to public health risks and emergencies, the implementation of prevention and management measures, the mobilization of efforts in all sectors and the coordination of activities. There are specific plans for preparation for and response to certain public health events. National legislation related to training and response for public health emergencies follows the provisions of WHO and other international

bodies. The legal framework provides measures to prevent, prepare for, and respond to public health emergencies, including risk assessment; public health emergency triggering, declaration, and cancellation; special powers regarding facilities and goods, including isolation and/or quarantine measures; establishing rules on entering and leaving the area subjected to isolation or quarantine; informing the population about the public health emergency; and the mechanisms for coordinating and mobilizing emergency funds.

45. **The MoHLSP is also the central government body responsible for social assistance policy development.** It is a key counterpart for Subcomponent 1.4, Social and Financial Support to Households. An important part of Ajutor Social implementation is under the responsibility of local governments – the Social Assistance Departments in raions (second tier of public administration) and social assistants in towns and villages (third tier of public administration). These front-line social workers are responsible for accepting and processing the applications for Ajutor Social. Ajutor Social benefits are paid through the National Social Insurance House (NSIH), which is a central administrative agency subordinated to the Government. The activities envisaged by the Subcomponent 1.4 will use existing delivery systems while ensuring the expansion of the Ajutor Social program coverage and increased benefit size.

46. **The MoHLSP will be the implementing agency for the project and will take the lead in coordinating and implementing activities.** The Project Implementation Unit (PIU) of the ongoing Health Transformation Project will implement the activities of this project. Working with the current PIU in the MoHLSP will enhance the likelihood of successful implementation of project activities and speedy disbursement to achieve desired outcomes. The PIU consists of a team of consultants including a Project Coordinator, Procurement Specialist, and FM Specialist. The PIU has extensive experience in the World Bank's fiduciary and implementation procedures as it has worked for the Health Transformation Project for several years. The ongoing Project's progress toward achieving its development objective and implementation progress is currently rated Moderately Satisfactory.

47. **The PIU will be responsible for managing project implementation, including procurement of medical supplies and equipment and facility refurbishment for activities under the project.** The PIU will also prepare project progress reports (technical, financial and procurement) and an annual work plan with inputs from the MoHLSP including on Subcomponent 1.4. To strengthen the PIU's capacity, social protection, environmental, and safeguard specialists will be hired or transferred from other PIUs implementing WBG-financed projects.

B. Results Monitoring and Evaluation Arrangements

48. **Monitoring and evaluation activities will be the responsibility of the PIU.** The PIU will: (a) monitor project implementation; (b) collect data and information related to the PDO and intermediate indicators; and (c) prepare progress reports by coordinating with related departments at MoHLSP. Progress reports will cover compliance with the planned project activities, the updated Procurement Plan, progress on the achievement of indicators as defined in the Results Framework as well as the DLIs; and progress on the Environmental and Social Framework. The PIU will submit these reports to the World Bank semi-annually.

49. **The activities and disbursements for Subcomponent 1.4 will be tracked through the monthly payroll disbursed to Ajutor Social recipients by the NSIH**. The NSIH collects the data from the local welfare offices that

process applications, verify the data, and transfer funds to recipients' accounts in designated banks.[26] The NSIH will report on the transfers made to Ajutor Social recipients to the MoHLSP and the Ministry of Finance. The MoHLSP will provide a report on the number of recipients and average benefit size for all recipients and for a sub-group of families with children.

C. Sustainability

50. **The project includes the necessary implementation arrangements, technical assistance and institutional capacity-building activities to attain the project objectives and sustain the gains beyond the project period.** The project will strengthen the MoHLSP's capacity to effectively respond to future pandemics, and to address outbreaks of other infectious and vaccine-preventable diseases. One example is the development of the capacity of national laboratories', which the JEE identified as a weakness. Along with other complementary and ongoing projects in the health sector, the activities will contribute to strengthening Moldova's health system. The project also supports an important design change in Moldova's main anti-poverty program, Ajutor Social, that will result in a substantial strengthening of support for such vulnerable groups as families with multiple children and single-parent families. This change will endure beyond the project period. It will require about a 35 percent increase in the program budget in the long run, keeping in mind that the baseline expenditures are low compared both to regional averages and income gaps. Since poverty rates among these groups are much higher than the average, focusing the program on supporting them will also increase the efficiency of social expenditures, contributing to the sustainability of social spending in Moldova. The government is committed to financing the program going forward.

V. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

i. Technical

51. **A comprehensive technical appraisal is difficult given the rapid unfolding and unprecedented nature of the COVID-19 pandemic; however, the project's approach has been informed by lessons learned from previous epidemics and the emerging science.** Scientists are still working to understand and assess the epidemiology and clinical presentation of COVID-19, as well as the optimal intervention mix. Worldwide, it is estimated that 3.7 percent of confirmed cases have died. However, WHO has been careful not to describe this as a mortality rate, as the situation is unfolding, and testing and reporting constraints have inhibited an accurate understanding of the incidence and prevalence of the disease since it was first identified in late 2019. The initial data from Italy, among other countries, indicate that COVID-19 is more likely to cause severe respiratory distress, which necessitates intensive care and hospitalization, in patients with underlying health conditions. High-risk groups[27] include those are immune-suppressed; suffer from respiratory diseases; are over the age of 70; are pregnant; or have specific cancers, severe respiratory conditions, metabolic disorders, or have a significant congenital heart disease.[28] In addition, anecdotal evidence suggests that a small percentage of healthy adults, without underlying conditions, may also require intensive care**.**

52. **Moldova's demographic characteristics and existing disease burden suggests that the COVID-19**

[26] Some recipients receive their benefit in cash through Moldova Post
[27] https://digital.nhs.uk/coronavirus/shielded-patient-list
[28] Heyman, D, and Shindo, N, on behalf of the WHO Scientific and Technical Advisory Group for Infectious Hazards. 2020. The Lancet, https:/doi.org/10.1016/S0140-6736(20)30374-3.

pandemic may have a significant impact on population health. As case fatality rates are higher[29] in older age groups, the country's aging population has been identified as a key vulnerability. Of the top 10 causes of premature death in Moldova, six are relevant co-morbidities for COVID-19 disease: including ischemic heart diseases, stroke, hypertensive heart diseases, lung cancer, colorectal cancer, and chronic obstructive pulmonary disease.[30] A large share of the population has cancer (5-year prevalence cases are 32,200) and lung cancer is the most common form of cancer among men.[31] Given that COVID-19 affects the respiratory system, smoking is an important risk factor and appears to have played a large part in the gender distribution and severity of COVID-19 in China.[32] Thus, it may well be an aggravating factor for the potential outbreak in Moldova, where 43.6 percent of men and 5.6 percent of women smoke.[33]

53. **The number of patients that are expected to require treatment for COVID-19 exceeds the current capacity of the Moldovan health system**. The MoHLSP needs assessment assumes that 20,000 people will be infected, equivalent to less than 1 percent of the total population. Although great uncertainty remains about the virus and most predictions are based on evolving modeling, epidemiologists are warning that countries should expect to see population infection rates between 25 percent and 80 percent over the course of the epidemic[34] unless mitigation measures are taken. Considering the dynamic of the outbreaks in other countries, the number of severely ill patients is likely to grow rapidly in the Republic of Moldova. Italy, which has registered the highest numbers of cases and the earliest outbreak in Europe, can be used as an example. Between February 22 and March 19, 2020, the number of cases increased from 76 to 33,190, with 2,498 in ICUs (7.5 percent of the total cases). Managing severely and critically ill patients will require rapidly ramping up testing and hospital capacity and practicing appropriate protocols, thus justifying the investments in equipment, supplies, and training proposed by the project. According to the latest estimate provided by the MoHLSP and detailed needs assessments performed by WHO taking into account the equipment and human resources that are currently available, of the 595 ICU beds available in Moldova, 220 could be designated for COVID-19; however, some of those beds lack the equipment needed to treat COVID-19 patients in severe acute respiratory distress. The project will support an increase of COVID ICU beds to a total of 430, in line with average number of ICU beds in European countries and selected countries in the Organisation for Economic Cooperation and Development (OECD) before the expansion of capacities to respond to the epidemic.[35,36] Beyond the period of this project and the COVID-19 outbreak, these investments can be repurposed for ICU capacity for pediatric, neonatal, and adult ICUs (which also need further strengthening in Moldova). Thus, the investments proposed are both needed and a strategic investment in the country's health system.

54. **The interventions and investments supported by this project reflect the outcome of a rapid technical**

[29] For example, data from the Italy outbreak indicate that, while case fatality is rare in children and rates are between 0.3 percent and 1 percent for adults aged 30-50 years, case fatality rates increase sharply in older population groups: 1 percent for adults aged 50-60 years, 3.5 percent in the 60-69 bracket, 12.5 percent in the 70-79 bracket, 19.7 percent in the 80-89 bracket, and 22.7 percent in the 90+ bracket.

[30] *http://www.healthdata.org/moldova*

[31] *https://gco.iarc.fr/today/data/factsheets/populations/498-republic-of-moldova-fact-sheets.pdf*

[32] Cai, W. 2020. "Sex difference and smoking predisposition in patients with COVID-19."Lancet Respir Med, Doi.org/10.1016/PII. At: https://www.thelancet.com/action/showPdf?pii=S2213-2600%2820%2930117-X

[33] *http://www.euro.who.int/__data/assets/pdf_file/0006/312594/Tobacco-control-fact-sheet-RepofMoldova.pdf?ua=1*

[34] *See,* for example, Ferguson N. et al. *https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf*

[35] *Rhodes, A., Ferdinande, P., Flaatten, H. et al. The variability of critical care bed numbers in Europe. Intensive Care Med 38, 1647–1653 (2012).*

[36] *OECD. Beyond Containment: Health systems responses to COVID-19 in the OECD. Updated 25 March 2020*

assessment, conducted by the MoHLSP, WHO and the World Bank. The project design proposes a set of investments that have taken into account existing knowledge of the disease's epidemiology and its potential evolution, as well as the state of the Moldova health system. It was agreed that World Bank support would focus on case management and the provision of equipment and consumables. In accordance with WHO's recommendation, the activity selection has focused on Pillar 7 of the WHO Operational Planning Guidelines to Support Country Preparedness and Response. These interventions have been informed by WHO recommendations of good practice in containing this epidemic, as well as more generalized evidence on what has been effective in similar situations. For example, providing front-line health workers with PPE helps to limit the transmission of the disease amongst much-needed health workers and maintain the health system's capacity to treat patients. In addition, communicating with populations about the measures needed to stem the tide of an epidemic has also been effective in a whole-of-population approach. Nevertheless, there is uncertainty over the volume of goods to be procured, depending on the case load and challenges in the global supply chain. The World Bank will closely monitor and consult with relevant development partners and the MoHLSP on the volume of equipment and consumables that are needed, using flexibility to adjust in line with the progression of the outbreak in Moldova and the availability of supplies.

55. **In the area of social and financial support for households, protecting the poor is key.** Measures to contain the outbreak - quarantine, restrictions on travel and gatherings, disruption of supply chains - and the resultant economic downturn will not only affect the current poor but may also send large numbers of people into poverty. For many, the combination of an absence of savings, loss of remittances, rising prices, and more difficult access to basic goods and food will make them very vulnerable. Seeking medical help may be equally difficult for the poor, especially for single parents, families with many children, or families that have members with a disability. Even though the Government has announced that treatment for COVID-19 will be provided for free, households face other costs when seeking care (e.g., travel, medicines, care giving for family members).

56. **Social assistance, as currently designed, will not be adequate to address these challenges.** Although the anti-poverty program Ajutor Social is well established, it is also very constrained, largely because the income threshold, or GMI, is quite low. While the subsistence minimum in Moldova is on average 2,031.2 Leu per month, the GMI was only 1,056 Leu until April 1, 2020. This is key for both coverage and benefit size. Coverage is suppressed by the low-income threshold, and the benefit is determined as the difference between the income threshold and the actual income of a family. In addition, the adult equivalency formula disadvantages families with children. Currently, the applicant receives 1 GMI, every subsequent adult receives 0.7 GMI, and every child gets 0.5 GMI. As a result, a family with two adults, all else being equal, would be eligible for a higher benefit than a family with a single parent and a child. However, families with children tend to be poorer than other groups – the poverty rate for single-parent families and families with many children is much higher than the average (38.3 percent and 27.1 percent, respectively, compared to 18.6 percent on average). Members of poor families with disabilities have increased coefficients (+0.3 for adult with a disability, +0.5 for child with a disability, +0.1 for a single adult who has a disability), but given the low GMI their income after receiving the Ajutor Social benefit may not even reach the subsistence minimum (1,707.4 Leu in 2019 for this category).

57. **To address the containment measures' potential adverse impact on the poor, the design of Ajutor Social needs to be changed.** While precise modeling is difficult because of many uncertainties (for example, the number of returning migrant workers could range from 100,000 to 150,000), simulations of an increase of the GMI threshold show that the proposed change is expected to result in a substantially higher benefit for the current poor (30 percent higher) and expanded coverage (by almost 50 percent). People with disabilities would

also automatically receive larger amounts. With the threshold of 1,300 Leu, with the increased coefficients, both adults and children with disabilities would receive at least the subsistence minimum. For families with children, increasing the adult equivalency coefficient to 0.75 from 0.5 and using a higher GMI threshold would result in a substantial strengthening of support. Instead of a current benefit of 1,544 Leu on average for a family with children, they would be eligible for 2,800 Leu on average.

58. **There is strong Government ownership of the proposed measures.** The Government has already amended the design of Ajutor Social and has introduced additional measures to protect the vulnerable groups, such as a flat unemployment benefit for returning migrant workers. The Parliament is going to convene to consider a supplement to the budget, which includes increased allocations for additional Ajutor Social expenditures. These actions constitute considerable progress toward achieving the project DLIs.

59. **While some of the increase in support will be limited to the emergency period, some of the design changes represent a reform that, supported by the project, will also have a lasting impact.** The increase in the GMI threshold is a temporary measure, used to rapidly expand the coverage of the program and the benefit amount during this challenging time. After the declared emergency ends, the GMI threshold is expected to revert to the previous level and be indexed for inflation (4.8 percent increase over the baseline). However, the change of the approach to families with children will be permanent. This will have a long-lasting impact on poverty among this group, and in general. Poverty rates among families with children have the potential to decrease to within 2 percentage points of average poverty, compared to the current difference of 9-20 percentage points. Achieving this potential would require sustained efforts on the Government side on outreach and intake.

60. **The design of the project is flexible to accommodate changing needs in the face of a fast-moving epidemic and evolving knowledge.** Given the rapidly changing nature of the epidemic, the project has been designed to provide flexibility. The immediate health system response has been assigned to a single component, with a single expense category, so that activities can be easily adjusted as the epidemiology situation evolves and as knowledge improves, without the need for restructuring.

ii. Economic

61. **Although there are very significant gaps in knowledge of the scope and features of the COVID-19 pandemic, it is apparent that one main set of economic effects will derive from increased sickness and death among humans and the impact this will have on the potential output of the global economy**. The most direct impact would be through the effect of increased illness and mortality on the size and productivity of the world labor force. The loss of productivity as a result of illness which, even in normal influenza episodes is estimated to be ten times as large as all other costs combined will be quite significant. Another significant set of economic impacts will result from the uncoordinated efforts of private individuals to avoid becoming infected or to survive the results of infection. The SARS outbreak of 2003 provides a good example. The number of deaths due to SARS was estimated at “only” 800 deaths, and the disease resulted in economic losses of about 0.5 percent of annual GDP for the entire East Asia region, concentrated in the second quarter. There is a potential impact on the overall availability of health workers as they too are infected with the virus. This issue is tightly linked to the availability of PPE. Most countries are experiencing shortages of PPE, which has an impact not just on the exposure of health workers to COVID-19, but also to the exposure of other patients in a hospital to coronavirus and other pathogens. This could lead to increases in hospital-acquired infections and contribute to greater mortality and morbidity among the labor force.

62. **The measures that people took in response to SARS resulted in a severe demand shock for service sectors** such as tourism, mass transportation, and retail sales, and increased business costs due to workplace absenteeism, disruption of production processes and shifts to more costly procedures. A policy of providing prompt and transparent information to the public can reduce economic losses. The expected near-term impact of COVID-19 on the Moldova economy is moderately negative because of interruptions in its economic ties with EU and Russia, mostly through trade channels, remittances, and investment. An escalation of the outbreak affecting its main EU trading partners would affect goods exports and investments over a longer period. The readiness for a countercyclical response to an escalation of the outbreak is limited, given Moldova's low fiscal capacity and the limited access to capital. The domestic banking sector, although sounder than it was a few years ago, is still vulnerable, and the numbers of non-performing loans are expected to quickly rise again.

63. **The impact of COVID-19 on households is expected to be significant.** Besides the direct health impact, indirect impacts on households are expected to be widespread and to disproportionately affect the poor and vulnerable segments of the population. These impacts will mainly operate through higher prices (including for food), higher health expenditures, and reduced labor incomes (through job losses or reduced earnings). Measures supported by this project would strengthen support for the families with children, thus helping to mitigate the impact of the COVID-19 containment measures on households, preventing households from falling into poverty (or deeper poverty) and providing income security. After the emergency period ends, strengthened support for families with children will remain, ensuring a lasting effect from the measures adopted.

B. Fiduciary

i. Procurement

64. **Procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers** for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016 (revised in November 2017 and August 2018). The project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, and revised in January 2011, and July 1, 2016.

65. **Use of Systematic Tracking of Exchanges in Procurement (STEP).** All procurement transactions for post and prior contract review under the project must be recorded in, or processed through, the World Bank's planning and tracking system, STEP. This ensures that comprehensive information on procurement and on the implementation of all contracts for goods, works, non-consulting services, and consulting services awarded under the whole project is automatically available. This tool will be used to manage the exchange of information (such as procurement documents, bid evaluation reports, and no-objections) between the implementing agency and the Bank. The PIU Procurement Specialist participated in the training provided by the Bank on how to establish an account and use the STEP.

66. **Planned Procurement**. The major planned procurement is expected to include equipment, diagnostic supplies (including laboratory reagents and testing kits) for national laboratories, PPE, infection protection supplies for frontline staff in hospitals and PHC facilities, medical equipment, drugs and supplies for ICUs, ambulances, capacity building and training (including for mass media), development of communication strategies and support to project implementation and monitoring.

67. **Project Procurement Strategy for Development (PPSD).** A streamlined PPSD is being developed by the

PIU in the MoHLSP with support from the World Bank. The PPSD will include a Procurement Plan for the first three months of the project; however, its finalization has been deferred to implementation. While all the selection methods defined in the Procurement Regulations can be used, priority will be given to streamlined and simple procedures and those that ensure expedited delivery, such as Direct Selection, Request for Quotations (with no threshold limit, as appropriate), Framework Agreements (including tapping into existing ones, provided the call-offs under the project incorporate the requirement for compliance with the Bank's Anti-Corruption Guidelines and its sanctions policies and procedures as set forth in the WBG's Sanctions Framework), Procurement from UN Agencies following Direct Selection using existing standard agreements, Engagement of UN Agencies to provide technical assistance or outputs (combination of technical assistance and outputs), and Consultant's Qualifications-Based Selection. Procurement will follow either an international or national approach. The national approach can be used for up to US$5 million in goods and US$25 million in works. All contracts will be subject to post-review. Tender commissions shall be limited to 3-5 essential people. Hands-on expanded implementation support (HEIS) may be considered in the procurement of the initial needs of the medical equipment and supplies, if requested by the MoHLSP. However, procurement execution remains the responsibility of the borrower, and HEIS does not result in the Bank carrying out procurement on behalf of the borrower.

68. **Fast-Track Procurement.** The proposed procurement approach prioritizes fast-track emergency procurement for the urgently required goods, works and services. Key measures to fast-track procurement include the following: bid securing declaration may be asked in lieu of a guarantee; performance security may not be required for small contracts; and advance payment may be increased to 40 percent while secured with the advance payment guarantee. The time for submission of bids/proposal can be shortened to 15 business days in competitive national and international procedures, and to five business days for the Request for Quotations depending on the value and complexity of the requested scope of bid and the capacity of firms (local and international) to prepare responsive bids in the proposed periods; and the standstill period will not apply in any procurement under the project.

69. **Retroactive financing and advance procurement** may be considered under the project, subject to the conditions set out in paragraphs 5.1 and 5.2 of the World Bank's Procurement Regulations for Borrowers. In accordance with the Procurement Regulations, the Bank requires the application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights. To ensure compliance with the above provisions in bidding processes that have already been conducted and for which the awarded/signed contracts did not include the relevant fraud and corruption (F&C) provisions, the MoHLSP has agreed to require such suppliers/consultants and contractors to sign the Letter of Acceptance of the World Bank's Anticorruption Guidelines and Sanctions Framework so that these contracts can be eligible for financing under this project; the Bank will not finance any contracts that do not include the Bank's F&C-related clauses. However, a partial waiver to the application of Anti-Corruption Guidelines to unsuccessful bidders are granted through the MPA. The MoHLSP will also provide to the Bank the list of contractors/suppliers and subcontractors/sub-suppliers under these contracts for the Bank to ensure that the firms chosen are not and were not at time of award or contract signing on the Bank's List of Debarred Firms. Contracts awarded to firms debarred or suspended by the Bank (or those that include debarred or suspended subcontractors/sub-suppliers) will not be eligible for the Bank's financing.

70. **Procurement of second-hand goods** may be considered under the project where justified and needed to respond to an emergency. A procurement process for goods may not mix second-hand goods with new goods;

the technical requirements and specifications should describe the minimum characteristics of the items that could be offered second-hand, i.e., age and condition (e.g., refurbished, like new, or acceptable if showing normal wear and tear) and the warranty and defect liability provisions in the contract should be written or adapted to apply to second-hand goods. Any risk mitigation measures that may be necessary in relation to the procurement and use of second-hand goods will be reflected in the PPSD.

71. **Bank-Facilitated Procurement (BFP)**. Upon the MoHLSP's request, in addition to the above procurement approach options, the Bank will provide BFP to proactively assist the borrower in accessing existing supply chains. Once the suppliers are identified, the World Bank could support the borrower with negotiating prices and other contract conditions. The borrower will remain fully responsible for signing and entering into contracts and implementation, including assuring relevant logistics with suppliers, such as arranging the necessary freight/shipment of the goods to their destination, receiving and inspecting the goods, and paying the suppliers, with the option of using the World Bank's system of making direct payment to the contractors or suppliers or consultants on behalf of the borrower from the proceeds of the financing, in accordance with the terms of the Financing Agreement. The BFP would constitute additional support to the borrower over and above the usual HEIS, which will remain available. If needed, the World Bank could also provide hands-on support to the borrower in contracting to outsource logistics. BFP to access available supplies may include aggregating demand across participating countries, whenever possible, or extensive market engagement to identify suppliers from the private sector and UN Agencies. The Bank is coordinating closely with WHO and other UN Agencies (specifically WHO and UNICEF) that have established systems for procuring medical supplies and charge a fee that varies across agencies and type of service and can be negotiated (around 5 percent on average.) In addition, the Bank may help the borrower access governments' available stock. In providing BFP, the Bank will remain within its operational boundaries and mandate, which already includes HEIS to help borrowers achieve the project's development objectives. Procurement for goods, works, and services outside this list will follow the Bank's standard procurement arrangements, with the borrower responsible for all procurement steps (or with normal HEIS, as applicable).

72. **Procurement Implementation Arrangements.** Procurement implementation will be undertaken by the MoHLSP with the support of the existing PIU which provides fiduciary support to the ongoing health operation implemented by the same ministry. It has been agreed that the internal processes established under the ongoing operation will be replicated for the proposed project to avoid delays in implementation and initial set-up. The existing PIU within the MoHLSP employs a part-time Procurement Specialist who will also work on the proposed project. This Procurement Specialist brings hands-on experience and knowledge of the Procurement Regulations. However, given that all the PIU staff are on a part-time arrangement, it was agreed with the MoHLSP that should the need arise, the existing capacities will be enhanced by employing additional technical and fiduciary expertise.

73. **Procurement Risks**. The major risks to procurement are: (a) slow procurement processing and decision making with potential implementation delays; (b) a poor contract management system; (c) lack of familiarity in dealing with such a novel epidemic; and (d) increased risk of F&C (abuse of simplified procurement procedures, false delivery certification, inflated invoices, and theft of goods, commodities, and materials procured or delivered for the project). These risks are elevated by the global nature of the COVID-19 outbreak, which creates shortages of supplies and necessary services and may result in increased prices and cost. Moreover, the fact that various industries are feeling the impact of COVID-19 affects the procurement process and the implementation of these contracts. Risk is aggravated by the fact that, in the short-term, Bank supervision may

need to be virtual. To deal with potential procurement delays because of the spreading of COVID-19, the Bank will support the MoHLSP in applying any procedural flexibilities (e.g. extension of bid submission deadlines, advising on the applicability of force majeure, electronic bid submission). The Bank team will also monitor and support implementation to agree with the MoHLSP on the reasonableness of the procurement approaches and obtained outcomes considering the available market response and needs.

74. **To mitigate the identified risks, the following actions are recommended** in addition to those mentioned above: (a) maintaining accountability for following the expedited approval processes for an emergency; (b) assigning staff to be responsible for managing each contract; (c) ensuring oversight by the Bank teams in close coordination with the borrower's oversight agencies; and (d) the Government of Moldova to consider the BFP option of using the World Bank's system of making direct payment to the contractors or suppliers or consultants on behalf of the client from the proceeds of the financing, in accordance with the terms of the Financing Agreement. Taking into consideration the proposed mitigation measures, the residual risk for procurement is Substantial.

75. **World Bank's Oversight Arrangements.** The Bank's oversight of procurement will be done through implementation support, HEIS if requested, and increased procurement post-review. The Bank's prior review will not apply. The details of the implementation support and post-review arrangements will be elaborated in the PPSD when it is finalized.

ii. Financial Management

76. **The MoHLSP will undertake the FM responsibilities of the project with the support of its existing PIU,** which employs a very experienced and highly professional FM consultant. Given the emergency nature of the new operation, the FM assessment for the project was based on the findings of the most recent review of FM arrangements for the ongoing health operation which was carried out in February 2020. The assessment confirmed that those FM arrangements are adequate to implement the proposed project and meet the minimum requirements of the World Bank's OP/BP 10.00. The assessment takes into consideration the Bank's Operational Policy 8.00, *Rapid Response to Crises and Emergencies*, and Guidance Note on FM in Rapid Response to Crises and Emergencies.

77. **There are no overdue audits or outstanding FM issues for the ongoing operation**. The internal controls already in place will be replicated for the proposed project to speed up implementation. If required, the current FM capacities will be enhanced by employing additional expertise at a later stage.

78. **As highlighted by the MoHLSP's external auditors, its internal audit unit has capacity constraints and it is not fully operational.** Since it is expected that the internal audit function will play a critical role in evaluating and improving the effectiveness of risk management, control and governance processes in the institution, including the projects implemented by MoHLSP, it has been agreed that MoHLSP would strengthen its internal audit unit in accordance with the pertaining national legislation and regulations of the Ministry of Finance. There are ongoing discussions with the EU Delegation with respect to capacity building activities which might be needed and are likely to be supported by them.

79. **The project disbursements under the "Social and Financial Support to Households" subcomponent would be linked to the Government's poverty-targeted cash benefit program Ajutor Social and verified**

achievement of DLIs.[37] In this respect, the proposed project would rely on the existing benefits payments system managed by the NSIH and the Government's budget management and reporting systems. The Ajutor Social program was consolidated and cofinanced by the World Bank using a financing mechanism similar to that for the Strengthening the Effectiveness of the Social Safety Net Results-Based Financing Project (P120913), which closed on December 31, 2017. The World Bank assessed the architecture of the Ajutor Social Program during the implementation of that project and found that it performs with adequate levels of transparency, functions under an adequate system of checks and controls, and produces reliable financial and budget execution reports.

80. **Thus, under this project, the NSIH will be responsible for managing the payment of benefits**: receiving the lists of eligible beneficiaries from local-level social assistance departments, submitting payment requests to the Ministry of Finance, monitoring the cash distribution through designated commercial banks and post offices, and accepting their monthly reports on benefit execution.

81. **The project will rely on the traditional disbursement procedures to execute expenditures supporting the implementation of the project activities, except for DLI-related disbursement** under Subcomponent 1.4, which will be triggered by the documentation of cash transfers that have been incurred and reported in the monthly budget execution reports generated by the Government's Treasury System of the Ministry of Finance, and evidence of achievement of DLI. The DLI disbursements may be also made to a designed account (DA) as an "Advance" (provisional disbursement) if the DLI has not been met yet.

82. **To expedite disbursements, the MoHLSP is encouraged to extensively use the direct payment disbursement method for major procurements as defined in the Procurement Section**. For this, a lowered threshold for direct payment application will be established in the Disbursement and Financial Information Letter. The level of DA authorized advance will be 20 percent of the total project funding. The project's DA, in Euro, will be opened in the National Bank of Moldova, and will be managed by the MoHLSP. Other methods of disbursement the project could use include special commitments and reimbursements. Further details of the disbursement arrangements will be described in the Disbursement and Financial Information Letter.

83. **Retroactive financing is available for up to 40 percent of the total financing value to be made against eligible expenditures** (cash transfers under the Ajutor Social Program and other procurable items as defined in the Financing Agreement) incurred up to 12 months prior to the signing of the Financing Agreement.

84. **The project accounts will be prepared in line with Cash Basis International Public Sector Accounting Standards**. MoHLSP utilizes 1C accounting software for its own accounting and project records, which is adequate and will be used for the accounting and financial reporting of transactions under the new project.

85. **Quarterly Interim Financial Reports (IFRs) will be used for project monitoring and supervision.** The PIU will prepare these reports using the same format as the ongoing operation and will submit them to the World Bank within 45 days after the end of each calendar quarter. In addition, the IFRs will reflect the proceeds that will be advanced to the DA and/or reimbursed to the Ministry of Finance as a share of cash transfers.

86. **The Court of Accounts (Moldova's supreme audit institution) has committed to conduct the audit of the project financial statements** on terms of reference acceptable to the World Bank according to the general

[37] This document uses the term development-linked Indicator (DLI) instead of performance-based condition to ensure compatibility with the Operations Portal.

principles and the International Standards on Auditing of the International Organization of Supreme Audit Institutions. The audit will cover the entire period of the project during which the withdrawals from the Financing Account were made. The audited project financial statements will be submitted to the World Bank within six months after the end of the period covered by the audit. The audit report for the project will be disclosed within one month after its receipt from the auditors, by posting the report on the website of the MoHLSP. Following the World Bank's formal receipt of this report, the World Bank will make it publicly available according to the World Bank Policy on Access to Information.

87. **More details on the project FM arrangements will be provided in the Project Operational Manual**.

88. **The overall FM risk rating is assessed as Substantial** before and after the application of the mitigation measures given the emergency nature of the project, the project complexity, and the vulnerabilities of the cash benefit program, which would require additional accountability mechanisms over the use of funds. The significant risks are the following: (a) budget allocations to the project activities and cash benefit program are not made in a timely manner; (b) payments to the contractors are delayed because of rigorous budget appropriation rules; and (c) cash benefits are reversed from the most vulnerable parts of the population. These risks will be mitigated through the following measures: (a) flexible disbursement arrangements (reduced value for direct payments and increased thresholds for the DA advances); and (b) intensive World Bank supervision and comprehensive oversight over project implementation through the enhanced internal audit function and external audit with embedded performance elements by the Court of Accounts. As result of COVID-19 pandemic, the FM supervision will shift to virtual reviews and will be further adjusted as result of risk reviews.

89. **FM Support and Supervision Plan.** During project implementation, the World Bank FM team will: (a) conduct regular check-ups with the project implementation agency on FM and disbursement matters; (b) keep engaged with the counterparts on issues impacting performance, compliance and reporting, and provide necessary support and guidance; (c) review claims for cash transfers ; (d) review the project's IFRs; (e) perform virtual and on-site supervision based on the assessed project's risk and performance; (f) perform frequent sample-based verification of transactions, and (g) engage with the supreme audit institution on conducting interim reviews in addition to the mandatory financial audit of the project.

C. Legal Operational Policies

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	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social Standards

Environmental Aspects

90. **The environmental risks are considered Substantial.** Although the main long-term impacts are likely to be positive, a number of short-term risks need to be taken into account. The main environmental risks are related to: (a) occupational health and safety for medical staff, laboratory staff and communities in the course of detection, transportation of patients/tests/chemicals and reagents, and treatment stages of the COVID-19

cycle; and (b) occupational health and safety related to the collection, transportation and disposal of medical waste. To mitigate these risks the MoHLSP will prepare an Environmental and Social Management Framework (ESMF) that will contain provisions for storing, transporting, and disposing of contaminated medical waste and outline guidance in line with international good practice and WHO standards on COVID-19 response on limiting viral contagion in health care facilities. The relevant parts of the WHO COVID-19 quarantine guidelines and COVID-19 bio-safety guidelines will be reviewed so that all relevant occupational and community health and safety risks and mitigation measures will be covered. In addition to the ESMF, the client will implement the activities listed in the Environmental and Social Commitment Plan (ESCP). The project will also support MoHLSP, in coordination with WHO, UNICEF, the United States Centers for Disease Control, and other partners, in overcoming logistical constraints in the timely provision of technical expertise, supplies, equipment, and systems across the country. The ESCP was prepared and disclosed on the Bank's website on 14th of April, 2020, and it will be revised, as needed, during implementation.

Social Aspects

91. **The social risks are considered Moderate.** The main social risk is that vulnerable and disadvantaged groups (low-income, disabled, and elderly people and isolated communities, including potentially Roma communities) may encounter obstacles to accessing facilities and services provided by the project activities. The project will have to ensure that the medical isolation of individuals does not increase their vulnerability (for example, to gender-based violence). Handling of quarantining interventions (including dignified treatment of patients; attention to specific, culturally determined concerns of vulnerable groups; and prevention of sexual exploitation and abuse and sexual harassment as well as meeting minimum accommodation and servicing requirements) can also be listed as issues that will require close attention while managing the social risks of the project. Social risks also include social tensions that could be exacerbated by the project and community health and safety-related outcomes (especially related to spread of disease and waste management) in addition to risks of social exclusion which is widespread in Moldova because of variance in communities' or individual's ability to pay. MoHLSP will also use the preliminary Stakeholder Engagement Plan prepared for the emergency project to engage citizens and for public information disclosure. MoHLSP will update the Stakeholder Engagement Plan during implementation to include more information on the environmental and social risks of project activities and new modalities that take into account the need for a comprehensive community engagement and participation plan, including improved hygiene and physical distancing.

VI. GRIEVANCE REDRESS SERVICES

92. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate Grievance Redress Service (GRS), please visit: *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit *www.inspectionpanel.org*.

VII. KEY RISKS

93. **The proposed operation faces Substantial overall risk, given the key risk factors discussed below.**

94. **Political and Governance risk is rated Substantial.** These risks stem from the low priority given to public accountability and transparency in program management, overall governance challenges in the health and social assistance sectors involved in country responses, and the potential for reverting to populistic rather than cost-effective measures to mitigate the crisis ahead of presidential elections in autumn 2020. The World Bank will insist on requirements to disclose and document funding to support the COVID-19 response, including the publication of audit results and achievements, and to ensure transparency in decision making and resource allocation. The project will also support the implementation of anti-corruption strategies and activities. The prolonged crisis and further fiscal capacity constraints to mitigating the economic and fiscal crisis impact may lead to renewed governing coalition challenges, particularly ahead of the autumn elections, and could also lead to calls for snap elections.

95. **Macroeconomic risk is rated High.** With fiscal capacity that is already-limited, Moldova will have difficulty supporting people and firms during the global economic disruption and slowdown, including through social assistance support and public health service delivery with respect to COVID-19 prevention, mitigation, and treatment, as well as other essential health service delivery. In addition to UN and other bilateral partners' support to COVID-19 and other essential health service delivery activities, the World Bank project would help to minimize the risk of supply shortages by supporting the COVID-19 response and critical public health programs, as well as providing social assistance to the most vulnerable. Yet, if the crisis is prolonged, the budget for social assistance and unemployment benefits will face a shortage of funds. The World Bank resources may not be enough to satisfy the critical needs in such a case, and further budget reallocation and external resources may be required to satisfy the emergency needs.

96. **The Fiduciary risk is rated Substantial (FM is Substantial, and Procurement is Substantial)**. The key fiduciary risk is procurement that fails because of a lack of a sufficient global supply of the essential medical consumables and equipment to address the health emergency as there is significant disruption in the supply chain, especially for PPE. To help mitigate this risk, the Bank will leverage its comparative advantage as convener and facilitate borrowers' access to available supplies at competitive prices with the BFP described in the procurement section of this document.

97. **The Environmental and Social risk rated is Substantial (Environmental Substantial and Social Moderate).** The four major areas of risk for the project are: (a) risks related to the rehabilitation of existing health care facilities; (b) risks related to medical waste management and disposal; (c) risks related to spread of the virus among health care workers; and (d) risks related to the spread of COVID-19 among the population at large. These risks are covered by ESS 1, ESS 2, ESS 3, ESS 4, and ESS 10. To mitigate these risks the MoHLSP will prepare an ESMF that will contain provisions for storing, transporting, and disposing of contaminated medical waste and will outline guidance in line with international good practice and WHO standards on COVID-19 response on limiting viral contagion in health care facilities. In addition to the ESMF, the client will implement the activities listed in the ESCP.

VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Moldova

Moldova Emergency COVID-19 Response Project

Project Development Objective(s)

The objectives of the Project are to prevent, detect and respond to the threat posed by the COVID-19 pandemic in Republic of Moldova.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
To prevent, detect, and respond to the threat posed by the COVID-19 pandemic				
Number of designated hospitals with fully equipped and functional intensive care units (ICUs). (Number)		0.00	14.00	19.00
Percentage of designated hospitals with personal protection equipment and infection control products and supplies (Percentage) (Percentage)		0.00	80.00	80.00
Number of people tested for coronavirus identification (Number)		8,149.00	100,000.00	100,000.00

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Number of Ajutor Social recipients during the emergency period (Number)		47,659.00		65,000.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Emergency COVID-19 Response				
Number of ventilators purchased (Number)		0.00	100.00	295.00
Number of personal protection equipment (PPE) purchased. (Number)		0.00	500,000.00	1,000,000.00
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents per MOH guidelines. (Number)		0.00	4.00	4.00
Number of activities in National Communications Strategy for COVID19 implemented (Number)		0.00		10.00
Number of Ajutor Social recipients (Number)		47,659.00		53,000.00
Budget Allocation for Ajutor Social Program (Text)		MDL 495,461,700		MDL 697,361,700
Average Ajutor Social benefit amount (Text)		MDL 828		MDL 1099

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Number of designated hospitals with fully equipped and functional intensive care units (ICUs).	Cumulative number of ICUs financed by the project that are fully equipped and functional as defined in the PIM.	Every 6 months	PIU database	Facility audit	MoHLSP and PIU
Percentage of designated hospitals with personal protection equipment and infection control products and supplies (Percentage)	Percentage of designated hospitals without stock-outs in the preceding two weeks of the assessment. Designated facilities are those identified by the MOHLSP for observation of suspected cases and treatment of confirmed COVID-19 cases.	Every 6 months	MOHSLP and MOH	Administrative data and facility audits	MOHSLP and MOH
Number of people tested for coronavirus identification	Cumulative number of tests conducted in the state laboratories. Technical specifications to be defined in PIM. Testing is expected to decline after first year assuming COVID19 is brought under control.	Monthly	MOHLSP	PIU	MOHSLP and PIU
Number of Ajutor Social recipients during the emergency period	The number of Ajutor Social recipients, separately for all recipients and families with children,	Monthly	MoHLSP	Report on the total national monthly number of Ajutor Social beneficiaries and	MoHLSP and PIU

	as of the 1st day of the respective month during the period until the state of emergency is lifted.			payment lists are generated monthly in Social Assistance Automated Information System (SAAIS) of MoHLSP. MoHLSP presents to the World Bank the total national monthly number of households that have been included in the payment lists of Ajutor Social. The indicator is considered achieved if during the emergency period its value has reached or exceeded the target value and payment confirmations are presented (Annex 4 to the Resolution on the setting and payment of Ajutor Social).	

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Number of ventilators purchased	A cumulative number of medical ventilators financed by the project.	Every 6 months	MOHLSP and PIU	Administrative data records, field verification of availability of equipment.	MoHSLP and PIU
Number of personal protection equipment (PPE) purchased.	Cumulative number of Masks – Respirator financed by the project as proxy for PPE kits purchased.	Every 6 months	MOHLSP and PIU	Administrative data records, field verification of availability of equipment.	MOHLSP and PIU
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents per MOH guidelines.	Number of designated laboratories supported under the project with COVID-19 diagnostic equipment, test kits, and reagents per MoHLSP guidelines.	Every 6 months	MOHLSP and PIU	Laboratory Audit	MOHSLP and PIU
Number of activities in National Communications Strategy for COVID19 implemented	Specific activities will be identified from the National Communication Strategy (when developed) and will be agreed with the Bank.	Every 6 months	MOHLSP	Administrative data and facility audits	MOHSLP and PIU
Number of Ajutor Social recipients	The number of Ajutor Social recipients, separately for all recipients and families with children, as of the 1st day of the	Monthly	MOHLSP	Report on the total national monthly number of Ajutor Social beneficiaries and payment lists are	MoHLSP and PIU

	respective month. The indicator is considered achieved if in the period of three consecutive months after the emergency period its value has reached or exceeded the target value and payment confirmations are presented (Annex 4 to the Resolution on the setting and payment of Ajutor Social).			generated monthly in Social Assistance Automated Information System (SAAIS) of MoHLSP. MoHLSP presents to the World Bank the total national monthly number of households that have been included in the payment lists of Ajutor Social.	
Budget Allocation for Ajutor Social Program	Budget allocation for the Ajutor Social program	Once	MoF budget allocation table	After the supplement budget is adopted by the Parliament, signed by the President, and published in the official gazette, the MoF informs MoHLSP and NSIH of the new allocations.	MoF
Average Ajutor Social benefit amount	Average benefit size received by Ajutor Social beneficiaries	Monthly	Social Assistance Automated Information System (SAAIS) of MoHLSP	Report on the payment lists for Ajutor Social beneficiaries are generated monthly in Social Assistance Automated Information System (SAAIS) of MoHLSP. MoHLSP presents to the World	MoHLSP and PIU

				Bank the average benefit amount for households that have been included in the payment lists of Ajutor Social.	

Disbursement Linked Indicators Matrix

DLI 1	Supplement budget increasing allocations for the Ajutor Social program by 39% adopted.			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Amount(USD)	17,000,000.00	29.62
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 2020	17,000,000.00		17,000,000.00	

DLI 2	Increase of the benefit and the coverage by 10% achieved			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Amount(USD)	7,000,000.00	12.20
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
July 2020	7,000,000.00		7,000,000.00	

Verification Protocol Table: Disbursement Linked Indicators	
DLI 1	Supplement budget increasing allocations for the Ajutor Social program by 39% adopted.
Description	The parliament adopts and the President signs the supplement budget law which increases allocations for the Ajutor Social program by 39%.
Data source/ Agency	Official gazette (Monitorul oficial al Republicii Moldova)
Verification Entity	MoHLSP
Procedure	When the supplement budget law is approved by the Parliament and signed by the President, it is published in the official gazette (Monitorul oficial al Republicii Moldova). The DLI is considered achieved when MoHLSP informs the Bank of the publication of the law in the official gazette, which includes Ajutor Social budget increase by 39%.
DLI 2	Increase of the benefit and the coverage by 10% achieved
Description	Administrative data demonstrate an increase in the average benefit amount and coverage by 10%
Data source/ Agency	MoHLSP
Verification Entity	MoHLSP
Procedure	Payment lists of Ajutor Social are generated monthly in Social Assistance Automated Information System (SAAIS) of MoHLSP and submitted for payment to NSIH. Confirmation of payments is established under Annex 4 to the Regulation on the setting and payment of Ajutor Social approved by the Government Resolution #1167 of October 16, 2008. Report on the total national monthly number of Ajutor Social beneficiaries is generated by SAAIS. Generating the number of beneficiaries is subject to the month and year for which amount is calculated in the payment lists. MoHLSP presents to the World Bank the total national monthly number of households that have been included in the payment lists of Ajutor Social and the average size of the benefit. The disbursement will be triggered on the month when the PIU/MoHLSP calculates, based on SAAIS reports, that a 10% increase in coverage as well as 10% increase in average benefit amount has been achieved and verifies this to the Bank by

	presenting payment confirmations (Annex 4 to the Resolution on the setting and payment of Ajutor Social).

ANNEX 1: Project Costs

COUNTRY: Moldova
Moldova Emergency COVID-19 Response Project

COSTS AND FINANCING OF THE COUNTRY PROJECT

Program Components	Project Cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
Emergency COVID-19 Response	57.3	57.3		
Implementation management and monitoring and evaluation	0.6	0.6		
Total Costs	57.9	57.9		
Total Costs				
Total Financing Required	57.9	57.9		

ANNEX 2: Indicative Activity and Equipment List with Tentative Costing

Summary Activity	Year 1	Year 2	Total
Component 1: Emergency COVID 19 response			
Case Confirmation			
Equipment, diagnostic supplies (including lab reagents and testing kits), infection protection and transportation for laboratories	940,000		940,000
Total Subcomponent Cost	***940,000***	***0***	***940,000***
Health System Strengthening			
Infection protection supplies for hospital staff and PHC staff	8,530,000		8,530,000
Drugs and medical supplies for case management, include waste management	10,880,000		10,880,000
Equipment and refurbishment for the establishment of at least 210 new intensive care beds	11,950,000		11,950,000
Emergency transportation	240,000		240,000
Training of health professionals	200,000	200,000	400,000
Total Subcomponent Cost	***31,800,000***	***200,000***	***32,000,000***
Communication Preparedness			
Development and implementation of a communications strategy	250,000	50,000	300,000
Total Subcomponent Cost	***250,000***	***50,000***	***300,000***
Social and Financial Support to Households			
	24,000,000		24,000,000
Total Subcomponent Cost	**24,000,000**	**0**	**24,000,000**
Total Component cost	**56,990,000**	**250,000**	**57,240,000**
Component 2. Implementation Management and Monitoring and Evaluation			
Program implementation costs - Program Coordination Unit (PCG) - Operational costs	115,000	115,000	230,000
Program implementation costs - Program Coordination Unit (PCG) - Salaries	135,000	135,000	270,000
Evaluation of project activities	50,000	50,000	100,000
Total Component Cost	**300,000**	**300,000**	**600,000**
Total Cost	**57,290,000**	**550,000**	**57,840,000**