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ANNEX

Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe

Exceptional Assistance Measure regarding the Republic of Moldova

1. IDENTIFICATION

Action:	Support to crisis mitigation related to the energy situation in the Republic of Moldova
Action Reference:	NDICI CR 2021 / 48
Cost:	EUR 15 000 000 (European Union (EU) contribution).
Budget Line:	14 02 03 10
Duration:	Maximum 18 months. The authorising officer responsible may decide to extend this period twice by a further period of up to six months, up to a total maximum duration of 30 months, under the conditions laid down in Article 23(6) of Regulation (EU) 2021/947.
Lead service:	FPI

2. ACTION SUMMARY

This 18-month measure aims at assisting the Republic of Moldova to cope with the steep increase in gas prices that puts at risk affordable gas and electricity supply for poor households, which may lead to a destabilisation of the country. The reformist new government has been hit by this crisis in the first months of their mandate and the fall-out from the reduced access to gas for households in the country risks impacting on the ability of the government to pursue its reform agenda which focuses on rule of law, fighting corruption and improving living standards in the country.

The action also seeks to improve the country's preparedness and resilience to potential future crises with a specific focus on the needs of women, children, elderly, youth and vulnerable groups.

A first component of the action aims to assist the Republic of Moldova in mitigating the risks entailed by the current and potential future energy crises, strengthening national energy security and addressing the risk of energy poverty. This will include assisting the government in initiating the development of a sustainable national strategy and action plan for energy security and will also imply supporting policy development, negotiation, and implementation processes for the diversification of energy supply. Work will be in line with the country's goals for sustainable development and a green economy and also have a specific focus on

improving targeted social support systems and energy supply models to address the risk of energy poverty. The needs of the most vulnerable parts of the population will receive specific attention, in particular as regards the situation of women, elderly, children, youth and vulnerable groups.

A second component will further increase resilience and social cohesion in coping with energy poverty. This will include providing direct and immediate assistance to those most vulnerable, in particular with specific attention to the situation of women, elderly, children, youth and vulnerable groups. Part of the implementation of the activities may need subcontracting to local civil society organisations. Possible strengthening of their capacities for this purpose may be included in the activities. It will also include raising awareness within the population about energy efficient behaviour and practices and the potential of using of alternative energy sources.

3. BACKGROUND AND RATIONALE

3.1 BACKGROUND

On 22 October 2021, the government of the Republic of Moldova declared a state of emergency to cope with the steep increase in gas prices that puts at risk affordable gas and electricity supplies in the country just ahead of the winter months. This situation is the result of difficult negotiations with gas supplier Gazprom. Although an agreement reached with the company on 29 October ended the immediate crisis, gas prices will remain significantly above the preferential rates available under the previous contract. The National Energy Regulator will still need to increase tariffs by at least 30% and further urgent measures are required to strengthen national capacities to deal with future energy crises.

Efforts to cover gas needs through the EU market are still at their early stages, and the expected steep costs increases come with a risk of destabilisation in the country, affecting, in particular, the most economically and socially vulnerable households as well as critical social infrastructures such as schools and kindergardens.

The reformist new government has been hit by this crisis in the first months of their mandate and the fall-out from the reduced access to gas for households in the country risks derailing the reform agenda of the new government which focuses on rule of law, fighting corruption and improving living standards in the country.

3.2 RATIONALE FOR CRISIS RESPONSE ACTIONS UNDER THE RAPID RESPONSE PILLAR OF THE NEIGHBOURHOOD, DEVELOPMENT AND INTERNATIONAL COOPERATION INSTRUMENT

The Republic of Moldova is one of the poorest countries in Europe with a significant vulnerable population that is not able to cope with sudden increases in prices for essential items. The expected increases in the price of gas, electricity and, by extension, other essential items, may therefore lead to destabilisation in the country, constituting an exceptional and unforeseen situation in the sense of Article 4(4) of the NDICI Regulation. An adequate response cannot be provided under any other European Union Instrument due to the urgency with which the funds are required and due to available resources already being firmly committed.

Annex IV, paragraph 1, second paragraph, points (f), (l) and (o) of Regulation (EU) 2021/947 specifically provides for the use of the NDICI rapid response pillar to: (f) support for reinforcement of State capacity - in the face of significant pressures to rapidly build, maintain or restore its core functions, and basic social and political cohesion; (l) support for measures to ensure that the specific needs of women and children in crisis and conflict situations, including preventing their exposure to gender-based violence, are adequately met, and (o) support for socio-economic measures to promote equitable access to, and transparent management of, natural resources in a situation of crisis or emerging crisis, including peace-building.

3.3 RISKS AND ASSUMPTIONS

Risk	Risk level H/M/L	Mitigation measures
Providing a temporary support to compensate for increased energy prices may lead to a longer term dependency situation.	M	The support to be provided should be for a short term period to assist the most vulnerable parts of the population to meet increased costs for essential items in the short to medium term. This will be coupled with awareness raising campaigns and technical assistance to increase resilience and promote energy supply diversification, energy efficacy, and energy savings.
Risk of corruption or misappropriation of direct assistance to the population.	L	Assistance will be provided in close cooperation with national social services and will seek to strengthen whole of society responses through existing, credible, and effective local civil society organisations. Implementing partners will be required to raise awareness and provide for accountability mechanisms to ensure potential cases of corruption and/or misappropriations are identified and sanctioned.
Risk of politicisation of direct assistance to the population which could lead to intentional mis- and dis-information on the gravity of the crisis, which could potentially undermine the credibility of the State as the competent authority for crisis management and mitigation.	L	Assistance will be provided in complementarity to planned government schemes to off-set additional cost from increased energy prices and inflation, and close cooperation will be sought with the government on proactive communication strategies. Direct assistance will further be rolled out in close cooperation with national social services. It will be targeted to those most vulnerable, including those who have no or limited access to social security schemes. Activities will specifically strengthen responses through existing effective local civil society organisations.
Provision of support to certain communities (based on geographical or social factors)	M	To ensure the conflict sensitivity of assistance measures, support will be allocated in close cooperation with national social services and based on independent

could increase tensions towards other communities who will not receive the support.		needs- assessments, to ensure a triangulation of information. In addition, support to the most vulnerable parts of the population will be provided across urban and rural communities throughout Moldova, with specific attention to the geographical balance, and in particular the inclusion of the Transnistrian region.
A similar crisis situation might occur in the future as well especially during ahead of and during the winter season.	H	The action includes support to improved energy efficiency practices, energy source diversification, as well as to strengthening the resilience and strategic autonomy of Moldova regarding procurement of supplies. This should contribute to increased preparedness to likely future energy crises.

4. OBJECTIVES

4.1 OVERALL OBJECTIVE

The overall objective of the action is to increase the resilience of the Republic of Moldova to the current and potential future energy crises, with a particular focus on the most vulnerable population, especially regarding the specific needs of women, elderly, children, youth and vulnerable groups.

4.2 SPECIFIC OBJECTIVES

- 4.2.1 To assist the Republic of Moldova in mitigating the risks entailed by the current and potential future energy crises, strengthening national energy security and addressing the risk of energy poverty.
- 4.2.2 To further increase resilience and social cohesion amongst the population in coping with the current and potential future energy crises.

5. ACTION COMPONENTS AND EXPECTED RESULTS

This exceptional assistance measure will have two components:

A first component will assist the government in mitigating the risks entailed by the current and potential future energy crises, strengthening national energy security and addressing the risk of energy poverty. This work will be carried out in line with the country's plans for the promotion of sustainable development and green economy and with a specific focus on the needs of women, elderly, children, youth and vulnerable groups.

A second component will further increase resilience and social cohesion in coping with energy poverty, with a particular focus on the role of women, elderly, children, youth and vulnerable groups.

The main expected results/outcomes include:

Expected Result (1): The Republic of Moldova is supported in its efforts to strengthen national energy security, improved government preparedness and capacity to address and avert risks entailed in the current and potential future energy crises.

Activities (indicative):

- 5.1.1 Provision of capacity building for negotiation-, policy- and implementation-processes for improved energy security and transition, the preparedness for future crises, the prevention of energy poverty, and for the initiation of a transition towards a greener and more secure energy market; as successful implementation of such policies require strategic approaches and coordination across different sectors and administrative levels such actions will also be supported as key to address crisis situations;
- 5.1.2 Support for updating legislation in sectors relevant for energy policies, including regarding sustainable public procurement provisions as required for starting the transition towards a greener and more diversified gas and electricity market;
- 5.1.3 Provision of works, equipment, and supplies through pilot projects aimed at decreasing energy poverty and increasing renewable energy sources, where this can significantly help to mitigate and address risks to the provision of public services or where it can help advert energy poverty.

Expected Result (2): Strengthened resilience and cohesion amongst the population in coping with the current and potential future energy crises.

Activities (indicative):

- 5.2.1 Provision of support to the most vulnerable parts of the population primarily during the winter 2021-2022 through cash-, voucher-, and/or in-kind-assistance as relevant;
- 5.2.2 Capacity building and support to local civil society organisations assisting the most vulnerable, with a specific focus on women and children, to better cope with the current and potential future energy crises;
- 5.2.3 Awareness raising campaigns to promote more energy efficient behaviour and practices, with a specific focus on local civil society organisations, women and youth;
- 5.2.4 Awareness raising campaigns to promote civic engagement with, and utilisation of greener energy sources, with a specific focus on local civil society organisations, women and youth.

6. IMPLEMENTATION

6.1 IMPLEMENTATION MODALITIES

The Commission will ensure that the appropriate EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹.

¹ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website, it is the OJ version that prevails.

6.1.1 Grant: direct award (direct management)

(a) Purpose of the grant

A grant will contribute to achieving the specific objective 4.2.2 to further increase resilience and social cohesion amongst the population in the current and potential future energy crises.

(b) Type of applicants targeted

Potential applicants will include legal entities with relevant expertise such as non-governmental organisations (NGOs).

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because the action entails crisis management aid as referred to in Article 195(a) and as defined in Article 2(21) of the Financial Regulation at the date of the Financing Decision.

(d) Exception to the non-retroactivity of costs

The Commission authorises that the costs incurred may be recognised as eligible as of 01 November 2021 due to the risk of destabilisation in case of an acute crisis during the winter months and the urgent need to improve preparedness in this regard.

6.1.2 Indirect management with an international organisation

A part of this action may be implemented in indirect management with an entity which will be selected by the Commission's services using the following criteria: good working relations and direct access to the government, and experience of working with energy related issues. The implementation by this entity entails to assist the Republic of Moldova in mitigating the risks entailed by the current and potential future energy crises, strengthening national energy security and addressing the risk of energy poverty, as per the objective 4.2.1 and 4.2.2, and to obtain result 1, Strengthened national energy security and improved government preparedness and capacity to address and avert risks entailed in the current and potential future energy crises, as well as result 2, Strengthened resilience and cohesion amongst the population in coping with the current and potential future energy crises.

Exception to the non-retroactivity of costs:

The Commission authorises that the costs incurred may be recognised as eligible as of 01 November 2021 due to the risk of destabilisation in case of an acute crisis during the winter months and the urgent need to improve preparedness in this regard.

6.1.3 Changes from indirect to direct management mode due to exceptional circumstances

If needed, where the preferred modality cannot be implemented due to circumstances outside of the Commission's control, a grant will contribute to achieving the specific objective 4.2.2 to further increase resilience and social cohesion amongst the population in the current and potential future energy crises.

Potential applicants will include legal entities with relevant expertise such as non-governmental organisations (NGOs).

6.2 INDICATIVE BUDGET

The total European Union contribution under this Financing Decision **will not exceed EUR 15 000 000**. A breakdown among components is provided hereunder, and is indicative.

Indicative budget breakdown

Components	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
Component 1: Support to government preparedness and capacity to address and avert risks related to energy crises (objective 4.2.1 and 4.2.2, Results 1 and 2) composed of:		
6.1.2 – Indirect management with an international organisation	10 000 000	N/A
Component 2: Support to resilience and cohesion amongst the population in coping with the current and potential future energy crises (objective 4.2.2, Result 2) composed of:		
6.1.1 – Direct grant: Support to resilience and cohesion amongst the population in coping with the current and potential future energy crises	5 000 000	N/A
Total	15 000 000	N/A

6.3 ORGANISATIONAL SET-UP AND RESPONSIBILITIES

The action shall be implemented under indirect management. It will be devolved and sub-delegated to the **European Union Delegation to the Republic of Moldova**, with the support of the Commission for the conclusion of the contracts implementing the action.

6.4 PERFORMANCE AND RESULTS MONITORING AND REPORTING

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final report. Each report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and outcomes) as measured by corresponding indicators, using as reference the Logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for

independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

6.5 EVALUATION

Having regard to the nature of the action, an evaluation will not be carried out for this action or its components.

The Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

6.6 AUDIT

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

The financing of the audit shall be covered by another measure constituting a financing decision.

6.7 COMMUNICATION AND VISIBILITY

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

7. COMPLEMENTARITY, COORDINATION AND FOLLOW-UP

The action will be implemented in close coordination with other support measures, in particular the EUR 60 million budget support programme announced on 28 October 2021² which will seek to support the Republic of Moldova to maintain and improve its services during the current energy crisis. In addition, other ongoing and future support plans towards energy supply diversification and a green economy, such as initiatives coming out of the

² https://ec.europa.eu/commission/presscorner/detail/en/IP_21_5601

newly-launched High Level Dialogue on Energy³, will be duly taken into account during planning and implementation.

³ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_5601