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MOLDOVA



COUNTRY DEVELOPMENT COOPERATION STRATEGY (CDCS)

DECEMBER 2020 – DECEMBER 2027

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Extended through: December 18, 2027

Amended and updated on: November 13, 2023

***USAID/Moldova Country Development Cooperation Strategy Preface
November 13, 2023**

USAID/Moldova's CDCS was approved on December 18, 2020. As a result of changes to the country context and findings from the January to June 2023 CDCS Mid-course Stocktaking (MCST) process, USAID/Moldova received approval on August 28, 2023 to amend and extend its CDCS in the following ways:

- Sub-IR 2.1.3: Energy Security Against Malign Influence Strengthened was removed from Development Objective (DO) 2 and elevated to a standalone Special Objective (SpO) 3: Energy Security Strengthened; and
- Sub-IR 1.3.4: Cybersecurity of critical government infrastructure improved was added;
- Countering authoritarianism and corruption; democratic renewal; and localization & inclusive development were added as new cross-cutting priorities; and
- The CDCS was extended by two years.

These changes reflect increased, urgent needs related to energy security in Moldova due to Russia's war in Ukraine and amends the CDCS to be responsive to current conditions and opportunities. It is a reflection of USAID's commitment of supplemental funding that the Mission is using to help Moldova improve energy stability, security, and commitment to the overarching goal of the CDCS. USAID and other donors have a unique opportunity to support Moldova's energy independence. SpO 3 enables USAID to communicate its heightened commitment to Moldova's energy security and unites USAID's long-term development priorities with near-term, transitory stabilization and foreign policy objectives. The IR and Sub-IRs under this SpO are reflected in the updated CDCS Results Framework.

The following are the sections and page numbers associated with amendments made to this CDCS in November 2023.

Page 1 Cover Page: revised to include dates of amendment and extension.

Page 2 Revised to insert Preface.

Page 3 Table of Contents: revised to include Preface and Special Objective 3.

Page 5 Executive Summary: revised to summarize amendment and update.

Page 6 Results Framework: revised.

Page 15 Revised cross-cutting priorities to include one on countering authoritarianism and corruption; one on democratic renewal; and one on localization & inclusive development.

Page 27-29 Revised to add Special Objective (SpO)3 and Intermediate Results (IRs).

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I. Executive Summary

This Country Development Cooperation Strategy (CDCS) lays out USAID's vision for a new partnership with the Government of Moldova (GOM) and its people in moving Moldova along its journey to self-reliance (J2SR). USAID's goal in Moldova for the strategy period 2020 – 2025 is that *Moldova will be a competitive and democratic European country that resists malign influences while being powered by an aspiring citizenry and robust private sector partnerships.*

Moldova made measurable development gains over the last decade and demonstrates high levels of country capacity and commitment according to its Country Roadmap.¹ However, the challenges facing Moldova are daunting. Outmigration poses an existential threat to the country and Moldova continues to be wracked by political instability and corruption. With the COVID-19 pandemic threatening to undermine years of economic gains, the country is at serious risk of backsliding.

All these factors complicate Moldova's progress towards self-reliance and strategic transition. Based on these challenges and upon lessons learned in the previous CDCS, USAID's approach to strategic transition will be iterative. USAID will gradually shift its relationship with the GOM from a traditional donor-recipient development model to a partner-partner model. We will redefine our relationship by bringing in other partners to drive change in order to make Moldova a competitive and democratic European country where Moldovans wish to stay and participate politically and economically. USAID will strengthen collaborations between the government and private sector as well as between civil society and the people of Moldova, all in support of a mutually embraced development agenda.

Using this approach, USAID programming will promote an increasingly independent, competitive and democratic Moldova closely aligned towards an Euro-Atlantic partnership and resistant to malign influences. This CDCS focuses on two Development Objectives (DOs):

Strengthened Participatory Democracy. USAID will transition from emphasizing direct assistance to public institutions to catalyzing citizen engagement in their communities to drive demand for accountable governance and stronger democratic institutions.

Sustainable Economic Growth Rooted in Euro-Atlantic Integration. USAID will transition from direct sector support to elevating the role of the private sector and leveraging creative partnerships in transformative sectors.

These objectives build on the relative strengths and advanced ability of Moldova per the

¹ The Country Roadmaps are a visualization tool utilized by USAID for assessing self-reliance. They are based on 17 third-party, publicly available metrics that capture the concepts of Commitment and Capacity. This strategy draws on the Country Roadmaps from Fiscal Years (FYs) 2019-2021.

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Country Roadmap. Our approach is informed by extensive consultations with the GOM, other international donors, think tanks, media actors, civil society and implementing partners and builds on the accomplishments and legacy of USAID investments made under the 2013-2019 strategy and prior. We will design partnerships that are catalytic, with the potential to scale successful interventions across the entire country. Woven across the strategy as a cross-cutting priority is our demographic focus on youth, women and vulnerable populations, particularly in rural areas. With a focus on the participation of local actors such as local action groups, civil society and business associations, this strategy intends to bring to bear the full potential and dynamism of Moldova's private sector. Due to the likelihood for political change in Moldova, potential for governments with opposing ideologies, and new realities borne by the COVID-19 pandemic, USAID will utilize flexible instruments and engage in development diplomacy to ensure that we can establish contingencies and respond adeptly.

USAID's strategy contributes significantly to and is fully aligned with the goals in the U.S. Embassy Integrated Country Strategy for Moldova to: (1) reinforce effective and democratic governance and (2) empower the Moldovan people. It is aligned with the State Department's Joint Strategic Plan goals in countering malign influence, anti-corruption and transitioning countries to enduring, diplomatic, economic and security partners; and with National Security Strategy Goal 3.3 to preserve peace through strength, diplomacy and statecraft. Under the CDCS goal, USAID envisions that by 2025, USAID will have laid the foundation for a legacy that advances Moldova's path to self-reliance by increasing Euro-Atlantic integration and resistance to malign influences. Moldova is not identified as a country of concern per the Department of State's International Religious Freedom report, as there are minimal risks or threats to religious freedom at this time. USAID will remain cognizant of the potential influence and role of religious communities throughout the strategy period.

*As a result of the January to June 2023 Mission Midcourse Stocktaking process, the CDCS Results Framework (RF) energy Sub-IR 2.1.3 was elevated to a Special Objective, SpO 3; Sub-IR 1.3.4: Cybersecurity of critical government infrastructure improved was added; and countering authoritarianism and corruption; democratic renewal; and localization & inclusive development were added as cross-cutting priorities. These changes are reflected in the revised CDCS Results Framework.

Competitive and Democratic European Moldova

Powered by aspiring citizens and effective governing partnerships secure from malign influences

DOI: Strengthened Participatory Democracy

IR 1.1: Citizen engagement catalyzed

1.1.1 Capacity of diverse voices for engagement, advocacy and oversight strengthened

1.1.2 Civic education and social cohesion improved (focus: youth, women and vulnerable populations)

1.1.3 CSO constituent engagement and financial viability improved

Approaches: creative multi-sector partnerships, use of development diplomacy, amplifying PSE

IR 1.2: Responsiveness of targeted public institutions strengthened

1.2.1 Effectiveness of targeted judicial institutions strengthened

1.2.2 Community prioritized government services and processes enhanced

1.2.3 Democratic representation and competition increased (focus: youth and women leaders)

IR 1.3: Vulnerability of democratic institutions and processes to malign influence reduced

1.3.1 Resilience of the information space strengthened

1.3.2 Interference in electoral and political processes reduced

1.3.3 Integrity mechanisms strengthened

1.3.4 Cybersecurity of critical government infrastructure improved

DO 2: Sustainable Economic Growth Rooted in Euro-Atlantic Integration

IR 2.1 Western-Oriented Market Integration Increased

2.1.1 Targeted Regulatory Implementation Strengthened

2.1.2 Trade Facilitation Improved

Approaches: e-governance / e-commerce; EU-coordination; ICT focus; flexible instruments; EU green deal, climate smart agriculture, clean production, energy efficiency

IR 2.2 Competitiveness in Transformative Sectors Enhanced

2.2.1 Private-Sector Partners' Capacity for Engagement and Service Provision Strengthened

2.2.2 Productivity Increased

2.2.3 Access to Finance Improved

2.2.4 Workforce Skills Improved (focus: youth, women and vulnerable populations)

SPO 3: Energy Security Strengthened (new as of August 2023)

IR 3.1 Regional Energy Integration Accelerated

3.1.1 Adoption of EU energy sector acquis accelerated

3.1.2 Capacity of market participants increased

3.1.3 Physical connections to European energy markets expanded

IR 3.2 Cost-Competitive, Low-Carbon Energy Solutions Deployed

3.2.1 Electricity grid flexibility and resilience improved

3.2.2 Private investment for renewable energy increased

3.2.3 New models for adoption of energy efficiency developed

IR 3.3 Resilience to Energy Supply Shortages Strengthened

3.3.1 Ability to source alternative energy supplied on short notice established

3.3.2 Preparedness for energy shortages strengthened

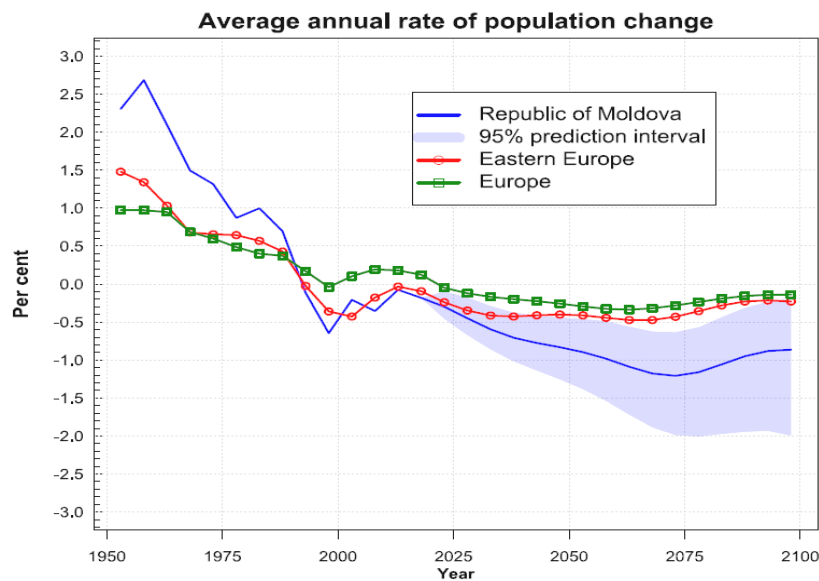
Cross-cutting Priorities: Youth Engagement; Gender Equality and Women's Empowerment; Countering Authoritarianism and Corruption; Democratic renewal; and Localization and Inclusive Development

II. Country Context

Overview

Approximately 2.6 million people live in the Republic of Moldova, a small, landlocked country in Eastern Europe that gained independence in 1991. In the past decade, Moldova has made significant strides in its development journey. Poverty rates declined from 23 percent in 2010 to 9 percent in 2018.² In 2014, the signing of the Association Agreement and Deep and Comprehensive Free Trade Agreement (DCFTA) allowed Moldova to take steps towards integrating its economy with the European Union. Improved trade facilitation and the reorientation of exports to Western markets made Moldova significantly more resilient. The country has established a competitive electoral environment, and the freedoms of assembly, speech and religion are largely protected. Moldova has also carried out extensive reforms of its legal framework and has put in place a comprehensive legislative and regulatory base for the transition to a market economy.

Yet progress remains hampered by corruption, and democratic governance is threatened by links between major political parties and powerful economic interests, rapid government turnover, deficiencies in the rule of law and malign influence that exacerbates all of the above. There is a continuing – even growing – trust deficit between citizens and government. Moldova remains one of the poorest countries in Europe, with the lowest GDP per capita and market size in the region.



² J2SR Metric, Poverty rate(\$5/day), IDEA Database <https://idea.usaid.gov/query?selected-country=498>

Seismic demographic changes pose an existential threat to the country's future, including the outward migration of working-age Moldovans and the growing isolation of an aging rural population. This shift affects every facet of Moldovan life, from child-rearing to election outcomes, and leaves a fragile society vulnerable to disinformation and manipulation. Fractured by linguistic, cultural and ideological differences, Moldova has yet to fully emerge from its Soviet past and an authentic and unified Moldovan identity remains unrealized.

The COVID-19 pandemic now threatens to undermine years of economic gains with Europe, further impoverish rural Moldova, erode democracy, and leave the country more vulnerable to predatory financing.

USAID Country Roadmap

Moldova's Country Roadmap (Annex A) reflects a positive positioning as a country that is comparatively advanced in its journey to self-reliance. Moldova's strengths as evidenced in the Roadmap metrics include: a comprehensive regulatory and legal framework, strong civil society, open civic space, commitment to free trade, and equitable access to civil liberties and economic opportunity.³

However, Moldova's relatively advanced self-reliance positioning does not translate into a similar regional positioning in Europe and Eurasia. Despite high commitment and capacity scoring on the Country Roadmap, progress on these indicators has been flatlined for years. Furthermore, the country's commitment is manifest in its laws but not in implementation. The government remains an ever-changing partner with serious underlying fragilities. Political and oligarchic interests play an outsized role in legislative and government decision-making, leaving ordinary citizens and their interests largely excluded from the process.

Also not captured in the Roadmap are the demographic shifts and devastating impact of significant outward migration. Since 1989, the country's population has shrunk by over a third to 2.6 million. Moldovans, and in particular youth, continue to leave the country in droves in search of economic opportunity. Corruption and the resulting broken trust between the Moldovan government and its people threatens to further drive disenfranchised Moldovan citizens away. National polls in June and August 2020 revealed that 80 percent of Moldovans do not trust their government institutions and political parties⁴, and 72 percent of Moldovans consider their country to be heading in the wrong direction.⁵

³ According to the Roadmap, Moldova scores well in commitment indicators Open Government (0.49), Social Group Equality (0.84), Economic Gender Gap (0.82), Trade Freedom (0.69) and Business & Investment Environment (0.44). Moldova's capacity is also relatively advanced as demonstrated by indicators Safety and Security (0.67), Civil Society and Media Effectiveness (0.82), Poverty Rate (0.91) and ICT Adoption (0.69).

⁴ Institutul de Politici Publice poll, June 2020

⁵ IRI poll, August 2020

As of the time of writing, the COVID-19 situation in Moldova also continues to deteriorate with lasting effects that are sure to be felt for years to come. According to the World Bank Enterprise survey, almost one-fifth of Moldovan enterprises may fold under economic pressure, and there is a 57 percent drop in the sales of business firms with the smallest firms being the most affected.

To avoid backsliding and advance towards greater self-reliance that is more resistant to these factors, Moldova must achieve more stable, efficient and transparent governance responsive both to market needs and citizens' aspirations. It must grow its economy by improving its competitiveness and expanding its trade footprint. The Mission will address these issues and advance towards the CDCS Goal by engaging Moldovan citizens and the private sector to form coalitions of capable and willing actors to solve development challenges.

Strategic Alignment

USAID's strategic vision is fully aligned with Government of Moldova priorities as outlined in the Government Action Plan 2020-2023 and the National Development Strategy 2030, which are to foster a durable and inclusive economy, robust human and social capital, honest and efficient institutions, and a healthy and secure environment. These priorities are also reflected in the Integrated Country Strategy for Moldova, which outlines two Mission goals and six Mission objectives aligned with the U.S. National Security Strategy:

- I. Mission Goal 1: Reinforce Effective and Democratic Governance
 - a. Mission Objective 1.1: More effective government management and regulation
 - b. Mission Objective 1.2: Promote accountable, just and democratic governance
 - c. Mission Objective 1.3: Moldova is an effective partner in European and international security

2. Mission Goal 2: Empower the Moldovan People
 - a. Mission Objective 2.1: Generate economic opportunities through increased investment, trade and private sector engagement
 - b. Mission Objective 2.2: Partner with civil society to reinforce the role of citizen engagement
 - c. Mission Objective 2.3: Promote independent voices

III. Strategic Approach

Nearly three decades of USAID assistance in Moldova has contributed to significant development gains in trade facilitation, competitiveness in targeted sectors, local governance,

service delivery and civil society development. USAID will continue to build on its legacy of sustainable activities that have spurred, for example, the transformation of the wine and Information and Communication Technology (ICT) sectors, whose successes serve as catalysts for reform that other sectors can emulate.

Under this CDCS, USAID will continue and deepen the gains made in the previous strategy while maintaining a focus on participatory democracy and economic growth as our core areas for investment.

Strategic Vision

USAID's vision for strategic transition is to gradually transition our relationship with the GOM from a donor-recipient relationship to a partner-to-partner relationship. However, with frequent changes in government as exemplified by four regime changes in the past 18 months alone, USAID faces the challenge of pivoting back and forth between ideologically opposed or supportive governments. Factoring in the impact of outmigration and COVID-19, USAID anticipates that the path for strategic transition will not be linear. Indeed, expectations about Moldova's development trajectory and the Moldovan government's ability to transform its approach to development assistance over the next five years must be tempered by the serious challenges it faces.

Therefore, USAID's approach is to bring in other partners to help drive change. By including more stakeholders in the relationship, USAID intends to broaden the pool of change agents. On the governance side, this will mean working more closely with Local Action Groups (LAGs), mayors and civil society organizations to influence policy, generate demand and foster more transparency. In economic growth, this means working directly with the private sector and facilitating creative partnerships in transformative sectors, such as ICT, to capitalize on high potential areas where partners are likely to be aligned. Across the board, USAID will work with women and youth-led organizations.

As we shift our approach to be more partner-driven, the Mission plans to transition from a classical donor assistance paradigm to drive Moldova's journey to self-reliance. By bringing in other partners and generating greater political and economic participation to drive a Moldovan-driven development agenda, USAID aims to help make Moldova a country that Moldovans want to live and invest in. In turn, this will address the challenge of a fractured Moldovan populace by supporting a common vision of a united and cohesive Moldova resilient to external malign influence. This approach will advance U.S. foreign policy priorities by ultimately promoting the evolution of the donor relationship to that of a sustained economic and security partnership.

Modalities

Underpinning USAID's strategic choices is the need to be flexible and use sophisticated tools in order to ensure effective and sustainable impact in a complicated operating environment. Under this CDCS, USAID will leverage the following modalities to generate lasting change.

Private Sector Engagement (PSE)

Engaging with the private sector is a key component in USAID's approach to transition. USAID will seek to partner with the private sector to jointly design, fund and implement alliances in service of our development objectives. USAID will establish public private partnership (PPP) models with the GOM, private sector, civil society and academia in areas such as workforce development. By replicating successful models such as the National Office of Wine and Vine (ONVV), Starnet and Tekwill, USAID will further mobilize ideas and resources. USAID's partnerships with business associations and Local Action Groups (LAGs) as needed advocates and problem-solving partners in the governance sector will act as catalysts with the GOM and potentially hedge against political volatility. Over time, USAID envisions that these types of consortiums will need less and less USAID support as they are strengthened to operate independently.

Redefining our Relationship (RDR)

USAID will bring in multiple stakeholders as part of our effort to redefine our relationship with the GOM. In order to generate demand for more responsive governance, USAID will engage with coalitions and CSOs to hold the Moldovan government accountable for commitments and policy implementation, and to identify potential areas for needed change. For example, USAID will continue to convene partners, both public and private, in customs and the digitization strategy in order to facilitate implementation of policies needed for a comprehensive and sustainable e-commerce ecosystem. Utilizing development diplomacy, USAID will leverage our relationships with other like-minded donors such as the UK, Sweden and Poland to work towards a common goal. USAID will use flexible procurement processes such as co-creation to collaboratively develop activities with the participation of the GOM and other partners.

Financing Self-Reliance (FSR)

USAID will work across all partnerships to identify opportunities for the GOM and private sector partners to finance their own development. USAID will work with public actors such as Local Action Groups to improve domestic revenue mobilization, enhance public financial management systems and support fiscal transparency and accountability. USAID will provide technical assistance to the National Bank of Moldova to combat financial crime, enhance shareholders' transparency and build institutional capacities. USAID financial sector assistance and institutional capacity-building will strengthen the ability of the Moldovan banking sector to meet and comply with international standards and practices. Creating resilience in the financial sector and economy and building citizens' confidence in the financial sector will foster more

efficient GOM borrowing and increase access to finance for enterprises and consumers. With the local government, USAID will increase and diversify revenue sources and engage in capital investment planning. USAID will enhance civil society financial sustainability and explore the possibility of crowd funded development under PPPs.

Burden-Sharing

USAID has had great success in collaborating and burden-sharing with a number of European allies to tackle development challenges in Moldova. In previous years, Mission leadership has leveraged over \$20 million from other donors, including the UK, Sweden, Poland, and Slovakia. Under this CDCS, USAID will seek to continue this trend by serving as a convener of stakeholders and working in transformative sectors that will appeal broadly to like-minded donors.

Countering Malign Influences

Resisting malign influence is a significant U.S. foreign policy goal in Moldova. Under the previous strategy period, USAID deployed a wide range of concerted efforts to counter malign influence. USAID supported independent media platforms to grow their capacity and revenue streams making them more resilient to political and financial pressures. By strengthening the enabling environment for CSOs, USAID enabled organizations to focus on their core missions and constituencies while reducing dependence on foreign support. USAID worked with manufacturers to improve the quality and quantity of goods for export to meet the demands of European and other selective markets. Working with industry associations, USAID strengthened private sector voices to advocate with the government for a better business-enabling environment to solidify demand for a free-market economy in Moldova. Through assistance in structural reform and financial transparency, USAID reduced economic vulnerabilities by improving regulatory frameworks and providing Moldova with the necessary tools to combat financial crimes and money laundering. USAID will also bolster energy security to reduce core vulnerabilities of Moldova's energy sector by enhancing physical and market integration, aligned with the EU's Third Energy Package; increasing domestic power generation; and improving natural gas supply diversification.

Under this CDCS, USAID will continue to mitigate malign influences across its entire portfolio. This includes strengthening economic ties and trade with the West, further instilling affinity for Western democratic values, countering disinformation through an independent media, and building energy independence for Moldova.

Milestones

On-the-ground constraints such as corruption, political fragility and malign influences mean that

Moldova's progress towards self-reliance will be a gradual process necessitating patience and a flexible and iterative programming approach. This is particularly true in light of the weak economy, now further worsened by the impact of the pandemic. Nonetheless, USAID believes the CDCS Goal and Objectives can be achieved through strategic shifts in its business model. Milestones to mark progress towards the achievement of USAID's strategic goal and objectives include:

- By 2021, USAID will identify additional burden-sharing opportunities to collaborate with other donors, in order to promote co-financing and enjoin Moldova to firmly commit to needed reforms.
- The Mission will continue to redefine and diversify its partner base through engagement of local civil society organizations and business associations with demonstrated potential. By 2023, the Mission will identify at least 10 new or underutilized partners to work with either through direct or sub-award. This will include working with industry associations to help them adopt business models that allow them to be self-sustaining.
- By 2025, flexible design mechanisms such as co-creation will make up at least 25 percent of USAID's portfolio. With this approach, throughout activity design, procurement and implementation, USAID will take greater advantage of local expertise and assure greater buy-in.

In our priority sectors, USAID anticipates the following illustrative milestones to mark progress towards strengthened citizen engagement and sustainable economic growth.

- By 2021, USAID will work with strategic partners in civil society (individual CSOs or CSO coalitions, with a focus on women- or youth-led organizations) to drive citizen engagement and government oversight. USAID will support coalition building within the civil society sector and private sector on thematic areas.
- By 2023, USAID will enhance inter-municipal cooperation by advancing territorial reform through the creation of voluntary cooperations between 898 local Moldovan public authorities.
- By 2021, USAID will convene stakeholders from the public and private sector, including the Organization for Small and Medium Enterprises Sector Development (ODIMM), to implement a Digitization Roadmap and propagate eCommerce initiatives.
- By 2023, USAID will scale up the establishment of regional centers of excellence and facilitate clusters and partnerships with educational entities to increase workforce development opportunities.
- By 2024, USAID will improve rural competitiveness by fostering pathways between rural and urban areas that create more economic opportunities.

Achieving these milestones will serve as building blocks leading to a more self-reliant Moldova,

powered by an engaged citizenry and dynamic private sector entities.

IV. Results Framework Narrative

A. GOAL STATEMENT AND NARRATIVE

USAID's goal is to advance Moldova along its journey to self-reliance as a competitive and democratic European country that resists malign influences while being powered by an engaged citizenry and catalytic partnerships with the private sector. This CDCS goal statement reflects USAID's understanding that Moldova has a relatively high level of capacity and commitment compared to other low- and middle-income countries, even while continuing to face serious underlying economic and governance fragilities that are further complicated by the influence of external malign influences. The Mission's engagement therefore will focus on collaborative alliances with receptive public and private entities to strengthen their capacity to address the development challenges that are of importance both to Moldova and the United States. The Results Framework (RF) developed under this CDCS reflects USAID's vision of a united and competitive Moldova.

Cross-cutting Priorities

To address the myriad of complex factors facing Moldova's development journey, the Results Framework incorporates cross cutting priorities that are woven across the portfolio. Youth engagement and gender equality are considered overarching issues that must be addressed in order for USAID to achieve its development objectives.

Youth Engagement

The outflow of young people leaving Moldova contributes to the demographic crisis and deprives the country of some of its most promising rising leaders. In addition, the education system does not meet the requirements of the current labor market or provide adequate opportunities for effective workforce development. Under this CDCS, USAID will prioritize working with youth to be their own advocates to demand a better governed country and their ability to find gainful employment in Moldova. For example, USAID will work with local youth councils and Local Action Groups to support locally-sponsored, youth-led entrepreneurial initiatives. USAID will bridge ethnic and linguistic gaps by bringing together youth from diverse backgrounds in youth-oriented training and engagement opportunities. USAID will build off of our legacy of assistance in science, technology, engineering and mathematics (STEM) education initiatives, including Future Classroom Lab and Educational Robotics, which provide equipment and teacher training to schools in Moldova, to increase youth involvement in ICT-related education. Engaging with youth will act as a catalyst for retaining young Moldovans in-country.

Gender Equality and Women's Empowerment

Based on the findings of USAID's gender analysis, the most pressing gender issues in Moldova include women's economic empowerment, the high incidence of domestic violence, the interconnected issues of migration and trafficking in persons and the relatively low level of female representation in political parties and elected office. USAID will address these factors by empowering women across the portfolio - from growing gender equality in the private sector to developing women as civil society and business leaders. Advancing women's economic empowerment is critical to consolidating Moldova's democratic development and Western integration. Increasing women's inclusion in politics and the economy and increasing protections for victims of domestic and sexual crimes will counter the gender stereotypes that permeate Moldovan society. Employing a gender-balanced approach will address the Economic Gender gap dimension that has impacted democratic and economic development of the country.

*As a result of the Mission's MCST, two additional cross-cutting priorities have been added to the CDCS to adapt to the contextual shifts faced by Moldova and the world.

Countering Authoritarianism and Corruption; Democratic Renewal

The Mission will engage with national- and municipal-level officials to further promote anti-corruption at all levels. Corruption remains a challenge in Moldova, and the Mission will continue its anti-corruption work and redouble its efforts. The Mission will further target youth and other marginalized groups through media literacy and civic education to increase demand for anti-corruption efforts.

Localization & Inclusive Development

A common theme mentioned across all DOs was the need to work more closely with local partners and broaden outreach to vulnerable and underserved populations. The Mission has developed a localization strategy, which employs best practices for prioritizing local leadership at various stages and placing localization at its core, so that local actors are at the center of the Mission's work. This CDCS lays out USAID's vision for a new partnership with the GOM and its people in moving Moldova along its development journey. The Mission is exploring the possibility of future G2G programming to sustain its development agenda at all levels of government. The Mission will place an emphasis on engaging with underrepresented groups during activity planning to ensure interventions reach and meet their needs. Working with local organizations will better position the Mission to achieve sustainable results, as well as build the capacity of local organizations, leading to greater local ownership, participation and, ultimately, sustainability.

B. DEVELOPMENT OBJECTIVE RESULTS STATEMENTS AND NARRATIVES

DEVELOPMENT OBJECTIVE (DO) I

DO I, *Strengthened Participatory Democracy*, supports the CDCS Goal and U.S. foreign policy priorities by advancing the capacity and willingness of citizens to effectively engage and partner with governing entities, leading to more inclusive and democratic institutions that are responsive to citizens' concerns and resistant to malign influences.

Moldova's J2SR commitment and capacity rankings are relatively advanced. Yet in Moldova, citizen confidence in their government continues to be undermined, as democratic processes that are articulated in the Moldova constitution are circumvented. At the end of the CDCS period, Moldovan citizens will be more empowered and better able to effectively engage with political and government entities in achieving their legitimate needs and realizing their aspirations. In response to a more active citizenry – and with partner-to-partner support from USAID – targeted public institutions will more effectively address citizens' needs, be more transparent in their dealings, and held more accountable for their performance. USAID will build off its successful partnership with Local Public Administrations (LPAs) and Local Action Groups as models of multiple stakeholder partnerships to drive participation and development gains that match citizen priorities. With USAID and other donor support – along with strong endorsement from an empowered citizenry – a more competitive, rights-respecting media environment will support independent outlets, electoral reforms will reduce political influence in credible elections and vulnerability to influences antithetical to participatory democracy will be reduced. Empowering constituencies from diverse ethnic, linguistic, and ideological backgrounds will unite Moldovans in a common goal and help reduce polarization in Moldovan society.

The findings of the recent Whole-of-Project Evaluation⁶, as well as considerations related to malign influences, inform the basic three-pronged approach of this development objective. USAID will: (1) equip citizens and civil society organizations with the knowledge, skills and tools to drive demand for responsive governance, (2) work to strengthen targeted public institutions so they are better able to respond to citizen-identified priorities, and (3) reinforce the ability of democratic institutions to resist malign influences, which interfere with the “supply and demand relationship” between government and citizens.

Development Hypothesis and Description

⁶ Social Impact (SI) was contracted in 2019-2020 by USAID/Moldova to conduct a Whole-of-Project Evaluation (WOPE) of its Accountability in Moldova (AIM) project, the purpose of which was to provide recommendations aimed at achieving more effective and accountable democratic governance in Moldova.

If Moldova propagates a more civically educated and active citizenry, strengthens the responsiveness of targeted public institutions, and increases resilience to malign influences, then Moldova will see strengthened participatory democracy. USAID believes that active and effective citizen involvement is an essential ingredient in encouraging participatory democracy and enhancing resilience to malign influences. Catalyzing citizen participation means a more active citizenry that is informed about their civic roles, has a sense of partnership with government, feels empowered to hold authorities accountable, demands change, and plays a central role in addressing community concerns and resisting malign influences. A more engaged citizenry that feels it has a stake in the future of the country will be less likely to emigrate. Shoring up weak elements of the political system from being manipulated by malign actors both increases citizen confidence in the system and makes it easier for them to participate in the civic opportunities available to them.

Link to Goal and Potential Areas of Backsliding

The potential for backsliding in Moldova remains high – particularly in terms of commitment with regard to liberal democracy and open governance – given the fragile political environment, corruption and the oligarchic model of power that has a foothold in the country. Malign influences both external and internal threaten to undermine progress. Given these realities, USAID asserts that its DO I approach, in support of the CDCS Goal, will advance participatory and effective governing because an informed and active citizenry will hold authorities accountable and play a transformative role in addressing community concerns.

Intermediate Results

Consistent with Redefining the Relationship, USAID will amplify the role of the private sector across the three IRs and rebalance its collaboration with both private and public stakeholders, in order to maximize effective engagement and expand the network of partnerships among all stakeholders. As a result, more empowered and effective public and private change agents will be better able and inclined to promote – and, indeed, ensure – more accountable and open governance that reflects the aspirations of Moldovan citizens while resisting malign influences that attempt to define the country's future.

IR1.1, *Citizen Engagement Catalyzed*, is defined as a Moldovan citizenry that is proactive in demanding responsive governance. Catalyzing engagement means providing opportunities, resources and training for citizens to effectively engage with the government in addressing their concerns. To achieve these outcomes, USAID will use opportunities articulated within the J2SR Open and Accountable Governance sub-dimensions – for example, regarding Publicized Laws and Data and Fundamental Rights – to build citizen engagement and the call for responsive government. USAID will promote demand-driven governance and a sense of civic identity by developing leadership and engagement skills among diverse groups. It will build on past investments in civic education to strengthen the capacity and interests of citizens and their

representative organizations to effectively engage with the government, advocate for their own interests, monitor progress and address the complex post-Soviet legacy which continues to undermine active citizen participation. There will be a particular focus on turning the tide of citizen apathy and disengagement by fostering opportunities for new voices and leadership – especially among youth, women⁷, and vulnerable populations across the country – in order to more broadly expand a civic culture of engagement. In turn, this will stem the tide of outmigration by encouraging an engaged citizenry to remain and invest in the future of their own country. USAID will work with independent media to boost their ability to objectively inform citizens while also providing the public with more effective means of giving voice to their concerns and objectives. This approach recognizes that a coherent and strong voice of the citizenry is essential to assuring a more transparent and effective government less susceptible to malign influences.

Consistent with the principles of financing self-reliance and findings in the Whole-of-Project Evaluation, implementation of this IR will include working with key CSOs, including women’s rights, youth-led and women-led CSOs, to strengthen their financial and organizational means to sustain civic engagement over the long term.

IR 1.2, *Responsiveness of Targeted Public Institutions Strengthened*, is defined as Moldovan institutions providing services effectively and transparently, and in line with constituent priorities. Targeted public institutions will include government entities at the local and national level, and may also shift from time to time depending on opportunity, election outcomes and ideological alignment. Under this IR, USAID will work from the supply side with activists, think tanks and other research and advocacy organizations to enhance external pressure for government accountability. While making public institutions more demand driven, USAID will also work selectively with GOM institutions; illustrative examples include local public administrations (LPAs), the State Chancellery, the Agency for Court Administration and the Youth Directorate under the Ministry of Education. Recognizing Moldova’s relatively poor rankings in the World Justice Project (WJP) Rule of Law (ROL) Indicators, USAID will collaborate with citizen advocacy groups and, where the will exists, with the judiciary in ensuring that decisions are decided without interference, are reflective of the law and enforced impartially. Based on the findings of the gender analysis, USAID will work with women’s NGOs to monitor targeted institutions on issues of special importance to women. USAID will provide targeted technical assistance and support for key reforms and to help government entities determine what citizens want. This will continue our successful models of determining citizen priorities, including regular opinion polling, supporting LPAs in participatory strategic planning, and working with parties and members of Parliament to determine constituent needs. With a

⁷ As required, a comprehensive *2020 Gender Analysis for USAID/Moldova* was conducted in early 2020. The findings have been reviewed by USAID/Moldova and key recommendations will be incorporated into outyear projects and activities.

focus on women and youth, USAID will promote democratic representation and competition to ensure that key constituencies are engaged.

Increasingly effective actions of government at all levels that reflect citizens' concerns will, in turn, instill more confidence in a democratic, Western-oriented model of governance. It will reduce the existing trust deficit between the state and the people which continues to be stoked by outside actors, a situation that is currently being further exacerbated by COVID-19. Through IR 1.3, Vulnerability of Democratic Institutions and Processes to Malign Influence Reduced, USAID will advance the will of the people in choosing approaches to self-reliance. It will collaborate with select officials, non-governmental institutions and the media on reinforcing weak elements of the political system that are susceptible to being manipulated or preyed upon by unscrupulous malign actors. USAID will fortify the information space by building on the media literacy program that has been developed and mainstreamed into Moldovan education system with USAID support. Capitalizing on the relative sophistication of the ICT sector, USAID will explore the use of digital tools to identify, expose, and counter disinformation and manipulation of images and video. Strengthening integrity mechanisms – such as asset declaration and review, ethics declarations and compliance within the legislative and judicial branches of government, and transparent political party finance – will minimize the role of money as a negative and corrupting influence in Moldova's democratic development. This will both increase citizen confidence in the system and, at the same time, make it easier for them to participate effectively in civic and political dialogue.

Relatively low V-Dem⁸ Electoral Democracy sub-indicators will be addressed by helping to assure the credibility of elected democratic representation and greater participation by youth and women leaders. The IR will work with concerned NGOs and government to shore up integrity mechanisms that will assure free and fair elections.

USAID recognizes that better-informed citizens are less likely to be manipulated by malign influences. This IR – which is closely linked to sub-IR 1.1.1 – will combat disinformation and improve media literacy with a focus on creating an environment wherein Moldova can be resistant to malign influences, susceptibilities that are not specifically captured by the J2SR Roadmap but which affect key performance issues highlighted in both V-Dem sub-indicators and the WJP ROL indicators.

Host Country Priorities

As articulated in the *Government Action Plan 2020-2023* and the *National Development Strategy 2030 (NDS 2030)*, the government of Moldova seeks to enhance human and social

⁸ V-Dem is an independent Swedish research institute at the University of Gothenburg that, through data collection and analysis, measures the state of democracy in countries around the world. Findings are reported annually in their *Democracy Report*.

capital, assure honest and effective governance including a responsible and incorruptible judicial system, improve access to and reliability of public services, and provide a healthy and secure environment. Given that these priorities have not yet been realized, USAID has chosen the avenues articulated in this DO to address on-the-ground roadblocks that prevent progress. Emphasis will be on strengthening effective citizen engagement (especially among women, youth and underserved populations), improving government efficiency and trustworthiness, and counteracting influences that inhibit the freedom of choice and attempt to derail achievement of a more secure, participatory and democratic Moldova.

Other Development Actors

Successfully achieving the strategic transition envisioned by this DO will require USAID to apply its heft – along with support from local stakeholders – in facilitating robust coordination and cost-sharing with government and other donors.

According to a donor mapping assessment conducted by USAID, the other lead donors supporting democracy and governance initiatives included the European Union and the United Kingdom Department for International Development (UKAID). Other donors providing assistance in this area include Germany through GIZ, the Czech Republic, Sweden, Poland and the Netherlands. Looking forward, USAID anticipates that collaboration with other donors will continue and expand, although there is the risk in the near term of donors shifting funds to the COVID-19 response.

New Modalities and Strategic Transition

The proposed DO I IRs and sub-IRs reflect the Mission's strategic shift to more actively promoting participatory democracy that will result in an engaged and empowered citizenry (demand), more responsive public institutions (supply), and reduced vulnerability to malign influences (resilience).

Strategic transition in this DO is reflected in several ways. A number of current portfolio components will be phased out including, for example, support for Integrated Case Management Systems. USAID will also complete a legacy program focused on child residential care. In support of a more competitive, resilient and Western-oriented Moldova, DO focus will shift to a greater emphasis on those key elements necessary for democratic consolidation, namely, citizen participation, improved governance, and greater resistance to harmful influences. The focus on the supply side of effective and accountable governance during the previous CDCS period will be redirected to leveraging an empowered citizenry to demand quality services and responsive government institutions. An increased emphasis on the citizen-inspired demand side of democratic governance will be complemented with promoting change agents within the government where there is the best potential for buy-in. This will result in more positive interactions between citizens and their government, help to create democratic institutions that people can believe in, and advance a citizen-government partnership that will be

increasingly resistant to negative influences that undermine their interests.

Biodiversity and Climate Risks

The FAA I19 Biodiversity Analysis did not identify any direct biodiversity risks associated with DO 1; however, the analysis did highlight the lack in Moldova of institutional and local government capacity and resources. It noted the importance of DO 1 efforts to strengthen effective and responsive local governance that would help improve the capacity of local authorities to address identified biodiversity protection needs and climate-related issues. This could include improving resource management and strengthening the capability to identify and mitigate the climate change impact of essential infrastructure projects such as water and sanitation. The Climate Risk Screening (see Annex E) provided a low to moderate rating, and noted that improving legislation and the justice sector may indirectly contribute to increasing GOM's, LPA's and citizen's capacity to mitigate climate change impact. In addition, both analyses noted that – depending on the core issues identified as priority by citizens in targeted communities – the DO may be able to assist in addressing possible stressors such as the distribution and protection of water, soil, biodiversity and other natural resources that often drives conflict and increases citizen frustration with responsible government entities. USAID recognizes the potential to influence through this DO biodiversity protection and climate-related issues such as these, and will support opportunities to assist in addressing them as projects and activities are developed and opportunities are identified in dialogue with communities and local planning authorities.

DEVELOPMENT OBJECTIVE (DO 2)

DO 2, *Sustainable Economic Growth Rooted in Euro-Atlantic Integration*, supports the CDCS Goal and U.S. foreign policy priorities of a competitive European Moldova, well-integrated into Western markets and with an increasingly robust private sector that will improve the well-being of its citizens, enhance self-reliance and become a strong and reliable U.S. partner.

Moldova's J2SR commitment and capacity rankings are relatively advanced compared to other low- and middle-income countries, for example, in terms of the business environment, trade freedom and ICT adoption. These rankings are reflective of Government of Moldova efforts in recent years to build an export-oriented economy characterized by investment, innovation and competitiveness. Nonetheless, Moldova remains among the poorest countries in Europe and, in recent months, the Moldovan economy – like elsewhere – has been shaken by the impact of the COVID-19 crisis. Under this development objective, USAID will partner with the Moldovan government and the private sector to address these challenges. USAID will harness the dynamism and agility of the private sector to increase product sophistication and competitiveness in the marketplace, to provide for market-responsive training, and to offer attractive in-country jobs that will mitigate outward migration.

This development objective builds on legacy successes, while referencing the findings of the Moldova Competitiveness Project mid-term evaluation and sector assessment⁹. Under DO 2, USAID will: (1) work in partnership with business associations and government entities to seek necessary policy reforms and address regulatory and trading constraints, including energy, and (2) enhance engagement with the private sector to foster sustainable economic growth while strengthening Moldova's competitiveness in EU markets.

Development Hypothesis and Description

If Moldova improves its integration with Western markets, and if it enhances competitiveness in specific, transformative sectors, including wine, agriculture and technology, then Moldova will see increased sustainable economic growth rooted in Euro-Atlantic integration. By successfully addressing the above-mentioned constraints while building on the market reforms that the country has already made, Moldova will advance towards greater economic self-reliance, provide more and better opportunities for all its citizens, advance public trust, and establish a stronger basis for resisting malign influences.

Link to Goal and Potential Areas of Backsliding

The Moldovan economy is in a relatively steep downturn exacerbated by the COVID-19 pandemic, the fragile political environment, endemic corruption, an oligarchic power structure, and malign interference. Given these realities, there is the distinct possibility that Moldova – now under increasing external pressures and reeling from the coronavirus outbreak – could rollback or fail to improve implementation of already-in-place reforms. Reforms related to areas such as trade facilitation, energy security, improving private sector productivity, and providing greater access to credit and finance could fall prey to a hunkered down, status quo mentality. Such an attitude on the part of leadership would inhibit economic progress by failing to put in place those changes needed to achieve longer-term sustainable economic growth. With oligarchic and corrupt influences continuing to wield outsized and self-interested influence, average citizens likely would become increasingly cynical as they face continued economic hardship and lack of opportunity, catalyzing further out migration.

USAID believes that its DO 2 approach – in support of the CDCS Goal and working in tandem with DO 1 implementing modalities – will limit the possibility of backsliding and promote greater self-reliance. At the same time, USAID recognizes current day uncertainties and the entrenched nature of the constraints that exist within Moldova. In order to achieve success, USAID will remain flexible in its program approaches, while focused on the sources of citizen disillusionment and maintaining the agility to pivot projects and activities to effectively match

⁹ In 2019-2020 DevTech Systems conducted a mid-term performance evaluation of USAID's Moldova Competitiveness Project (MCP) and a sector assessment for USAID supported industries. Their report assessed activity progress and effectiveness after three years of implementation and provided recommendations for outyear support.

implementation to tangible, on-the-ground opportunities.

At the end of the CDCS period, success will be defined as a Moldovan economy that is more firmly linked to Western markets and characterized by greater sustainability and broader-based growth, enhanced self-reliance, and increased resilience to malign influences. Implementation of market-related reforms will be improved and less susceptible to corrupt influences. Necessary new reforms – for example, with regard to streamlining export protocols or eCommerce and expanding energy sources – will be in place. The private sector's transparency, dynamism, inherent commitment, and agility to act will be a strong counterbalance to economic fragility and political shifts. Business associations and transformative industries, such as the wine and IT sectors, will serve as catalysts for reform and the emergence of other sustainable businesses. Skill deficits at the worker level will be alleviated. The private sector will be able to provide more and better workplace opportunities for citizens throughout the country, and especially for youth, women, and vulnerable populations. More and better jobs will mean livable wages for workers and a lessening of outmigration. The distrust and cynicism that has characterized citizens' attitude towards the country's leadership will be lessened.

Intermediate Results

In redefining and elevating the importance of Private Sector Engagement, USAID will build the financial and performance capacities of business and other associations to act as effective change agents in support of targeted business and industry sectors. In accordance with Redefining the Relationship, USAID will work in partnership with business and government – and in coordination with other donors – to harmonize in-country policy and regulatory reforms, while building the capacity to implement them. Integration with Western markets and the competitiveness of transformative sectors will be enhanced, thereby fostering sustainable and Western-oriented economic prosperity in Moldova. Working in tandem with business and government, USAID will fortify efforts in rural as well as urban areas in order to ensure equitable access to economic opportunities, particularly for youth, women and vulnerable populations. Building further on Moldova's J2SR commitment and capacity rankings, USAID will work with industry, financial institutions, and government to address additional constraints to growth including limited private sector productivity, access to credit, lack of a secure energy supply, workforce skills mismatch and outmigration.

USAID posits that our approach will foster sustainable economic growth because creating conditions for the private sector to flourish and better advocate for effective implementation of regulatory frameworks will result in a stronger private sector that inherently drives growth. Underpinning all work in this DO are efforts to counter malign influences by diversifying Moldova's economy so that it integrates more closely with the EU and is less vulnerable to exploitative economic influences.

IR 2.1, *Western-Oriented Market Integration Increased*, is defined as enhancing market linkages and creating favorable conditions for integration with Western and other markets. Under this IR, USAID will collaborate with the private sector and receptive government entities in building on the progress reflected in J2SR Roadmap sub-dimensions related to Government Effectiveness and Trade Freedom and Export Sophistication. Focus will be on improving the environment for Western-oriented market integration. This will continue the shift of the Moldovan economy to more sustainable EU and non-traditional markets while preventing any backsliding. It will do this by improving the regulatory framework in the financial sector, implementation and complementarity of trade regulations and the environment for transboundary movement of goods. Moldova must meet the bedrock requirements required for economic growth through broader access to EU and other international markets. To this end, USAID will partner with Moldovan authorities and likeminded donors in reforming and aligning the country's trading laws, procedures, and processes necessary to implement the requirements of the WTO/Moldova Trade Facilitation Agreement (TFA) and the EU/Moldova Deep and Comprehensive Free Trade Agreement (DCFTA). In close collaboration and with burden-sharing with government and other donors, USAID will improve physical and market integration with Europe, aligned with the EU's Third Energy Package, and increasing domestic power generation.

IR 2.2, *Competitiveness in Transformative Sectors Enhanced*, is defined as a vibrant economic environment where Moldovan businesses can flourish. Transformative sectors are those that are catalytic in nature, have growth and employment potential, are culturally relevant, focused on youth and with ties to the diaspora. They are areas where USAID can harness the unique strengths of Moldova's private sector and where Moldova has the best potential to compete such as ICT, wine and high value agriculture. Under this IR, USAID will support transactional openness, greater productivity and export sophistication, enhanced access to finance, and availability of skills training that better aligns with private sector needs. Meeting these conditions is an essential next step in further strengthening high-value sectors in both rural and urban areas. These transformative, high-value sectors – pacesetters in achieving enhanced access to Western markets and moving Moldova towards sustainable economic growth – include the wine industry, HVP (high-value producing) agriculture, and ICT. Expanding on previous successful public-private partnerships such as with the National Office of Wine and Vine and StarNet (an internet service provider), USAID will expand its collaboration with select business associations – along with private firms, financial institutions, other donors, and the government – in establishing PPPs. USAID will advance the possibility of Global Development Alliances (GDAs) using co-creation and other flexible mechanisms. We will promote increased productivity through the application of technology, improved management, and greater product sophistication to match the requirements of potential high value markets and improve long-term profitability.

Modalities for assistance will shift from direct firm-level support to bolstering country-wide associations and other entities affiliated with targeted sectors to elevate their role as service providers and advocacy councils. USAID partnerships with industry associations will identify process- and productivity-related priorities and develop – and possibly co-implement – action plans to address them. USAID will support relevant women business associations and create opportunities to help women thrive in traditionally male-dominated sectors, such as ICT, agriculture and energy. Sustainability will be a key consideration so that over time consortiums are able to convene and solve issues in their own right. Across the DO, USAID will utilize flexible mechanisms to replicate and scale successful private sector engagement models.

In collaboration with IR 1.1, focus will include working with associations to improve their financial sustainability and transparency, increase their technical ability to advise constituent firms, and improve their co-partnering with constituents in lobbying the Moldovan government for reforms. In strengthening associations, as well as other key stakeholders such as banks and financial institutions, work under IR 2.2 will be mutually reinforcing USAID's efforts under IR 2.1.

Host Country Priorities

Moldova's multi-sector *National Development Strategy 2030* focuses on achieving a sustainable economy that mitigates economic inequality, improves living and working conditions, and assures environmental security. Specific goals include: (1) reducing the poverty rate by 50 percent with a focus on disadvantaged groups, (2) increasing agricultural productivity, and (3) supporting the creation of decent jobs; encouraging entrepreneurship, creativity and innovation; and increasing access to financial services. In the current economic climate, the achievement of these laudable goals is clearly threatened. USAID will help to ensure poverty reduction through transitioning its assistance to a model more supportive of a sustainable and competitive private sector able to provide livable wage jobs in both rural and urban Moldova. USAID efforts towards improving workforce skills, especially for youth, women and at-risk populations, will be carried out in support of the *NDS 2030* emphasis on disadvantaged groups and in cooperation with Moldova government and private sector partners. Moldova's export-focused agriculture sector provides employment for over 30 percent of the population. USAID intends to expand support to rural Moldova reflective of this context. USAID will contribute to encouraging entrepreneurship and creativity in collaboration with select business associations and innovative startups. Efforts to support workforce development will also help stem the outflow of skilled workers. USAID will promote greater private sector access to finance in partnership with private firms, financial institutions, other donors, and the Moldovan government.

Other Development Actors

USAID will continue to coordinate with the Department of State and other USG entities – using Development Diplomacy reference tools, as appropriate – to engage with the

Government of Moldova and other donors in achieving those *NDS 2030* goals that USAID will support throughout this CDCS period. USAID will continue to encourage other donors in the direction of securing greater Moldovan commitment to reform, and to enhance co-financing of mutually agreed upon initiatives.

According to USAID's donor mapping assessment, other donors working to improve government effectiveness and a more competitive private sector include the European Union and several of its member countries, the World Bank and specialized agencies of the United Nations such as the United Nations Development Programme and the International Fund for Agricultural Development.

New Modalities and Strategic Transition

Consistent with the Agency priority to promote Private Sector Engagement, the proposed DO 2 IRs and sub-IRs reflect USAID's strategic shift towards more actively supporting integration of a sustainable and competitive Moldovan private sector into the European and other international markets. To address outmigration and demographic trends, USAID will foster pathways between rural and urban areas to create more economic opportunities. Aligned with Redefining the Relationship guidelines, USAID and the Government of Moldova will transition to a stronger partnership focused on policy reforms and institutional improvements that will advance achievement of a competitive European Moldova.

USAID will strategically transition its business model from providing firm-level support to serving as a technical advisor for business associations and other stakeholders such as banks and financial institutions. This support will enable these institutions to leverage their improved capacity as leaders, facilitators, and co-implementers to reach across a broader range of promising business and industrial sectors. The emphasis will be on improving business processes and productivity that will enhance Moldova's self-reliance. At the same time, USAID will transition from supporting basic work-skill capacity and skill-set identification to focusing specifically on market requirements identified by potential employers. This will include expanding the STEM talent pool – targeting particularly youth, women and vulnerable populations – and retaining this talent in-country thereby reducing outmigration.

USAID believes that these DO 2 programmatic shifts – including efforts to mitigate energy security vulnerabilities – will significantly strengthen USAID efforts during the next five years to promote sustainable economic growth rooted in Euro-Atlantic integration, respond to the aspirations of the Moldova people, and reduce the impact of malign influences.

Biodiversity and Climate Risks

With reference to DO 2, the FAA I I9 Biodiversity Analysis noted that the agriculture, tourism and energy sectors have low to moderate climate risk (as does the country generally). Other

vulnerabilities highlighted in the biodiversity analysis include the potential for water scarcity (due to increasing temperature and frequency of extreme weather anomalies), and possible negative impact on the agriculture, tourism and electricity sectors. The same sectors are also vulnerable to biodiversity protection issues, as identified by the FAA analysis. Diversified economic activity is seen as potentially helping to slow rural-to-urban migration, thereby mitigating negative environmental impact in densely populated areas. As noted by the Climate Risk Screen (see Annex E), climate change has the potential to drastically affect the agriculturally-dependent Moldova. USAID addresses this vulnerability by ensuring the sustainability of our investments and promoting premium Moldovan brands and products to help them compete globally. Both analyses noted the potentially positive impact of innovative approaches by the business community to promote best practices, energy efficiency, green technologies and inclusive economic growth. Both analyses recommended that additional, more specific analyses be completed at the project and activity levels for climate-sensitive sectors including agriculture, tourism and energy. As needed, additional analyses will be undertaken in accordance with USAID's routine requirements and procedures. Private sector partners will be encouraged to apply and promote environmentally friendly technologies, improve energy efficiency, develop resilient business practices and make investments that help to mitigate any perceived risks.

*SPECIAL OBJECTIVE (SpO 3)

Moldova is facing a generational energy crisis, exacerbating the country's chronic energy insecurity. In spite of this crisis, the shifts in the European energy landscape following the Russian invasion of Ukraine provide an immense opportunity to address historic weaknesses in Moldova's energy security. The Mission will prioritize the following: (1) mitigating near-term fiscal impacts and risks of energy shortages, (2) providing Moldova with the capacity to generate its own electricity and better connect with Europe, and (3) diversifying sources for natural gas and electricity imports to enhance energy security.

Link to Goal and Potential Areas of Backsliding

Moldova's energy self-sufficiency is among the lowest in the world: only around 25% of its energy demand is covered by domestic production, from co-generation (heat and power) plants, biomass, and variable renewable energy sources. Moldova imports 100% of its gas and coal consumption, nearly all of its oil consumption, and around 65% of its electricity from Transnistria's M-GRES, which is fueled by natural gas provided by the Russian-controlled Gazprom. The potential for backsliding in Moldova remains high given corruption, heavy reliance on energy imports, and inefficient energy systems. Malign influence threatens to undermine progress.

Given these realities, SpO3 will support USAID efforts throughout the duration of the CDCS

to strengthen energy security. This is intended to be a time-bound special objective, as the Mission anticipates the resource envelope to decline in future years once critical infrastructure is established.

Development Hypothesis and Description

IF Moldova can accelerate its integration to European energy markets and deploy cost-competitive lower carbon energy solutions while strengthening resilience to energy supply shortages, **THEN** energy security will be strengthened.

The associated Intermediate Results under the SpO are as follows:

- IR 3.1 Regional Energy Integration Accelerated
- IR 3.2 Cost Competitive and Lower Carbon Energy Solutions Deployed
- IR 3.3 Resilience to Energy Supply Shortages Strengthened

IR 3.1, *Regional energy integration accelerated*: USAID will support the GOM's efforts to diversify their energy sources with a particular focus on joining ENTSO-E as a full member. Assistance will include, but not be limited to, supporting the adoption of policies, legislation, and regulations consistent with EU and ENTSO-E requirements, strengthening of regulatory bodies, establishing a market operator, and building the capacity of the transmission system operator. USAID will support Energocom's (state-owned energy supplier) ability to purchase gas and electricity on the open market, and work with authorities to establish the conditions for a dynamic electricity market. In order to increase the number of physical connections to the Romanian grid, USAID will fund the expansion of transmission connections for increased power trading and generation.

IR 3.2, *Competitive low-carbon energy solutions deployed*: The GOM's energy security and European ambitions are consistent with the deployment of more domestic low carbon energy solutions. USAID will support the modernization of the Moldovan transmission and distribution system which will increase the flexibility and reliability of the system, facilitate trade of electricity, and integration of variable renewable energy. Assistance will improve the planning capabilities of Moldovan authorities, optimizing their infrastructure expenditures and sending clear signals to the private sector on investment opportunities. To reduce costs and need for new generation, USAID will provide frequency control and balancing reserves, and support market-oriented reforms to incentivize energy efficiency improvements.

IR 3.3, *Resilience to energy supply shortages strengthened*: USAID will provide near-term assistance to directly and tangibly support the GOM's ability to overcome disruptions of Gazprom gas supply and/or cessation of electricity sales to the right bank from M-GRES. Support includes improving the ability of the GOM to execute emergency action plans and public communications campaigns in the event of gas and electricity shortfalls, as well as direct

budget support to procure unsubsidized electricity from Ukrainian and Romanian suppliers. Assistance may also include alternative power generation for critical infrastructure, such as generators for hospitals delivered in the spring and summer of 2023. USAID will also help identify and contract with alternative suppliers of gas and arrange for gas storage. Activities under this IR will phase down more rapidly than IRs 1 and 2.

Host Country Priorities

Moldova's energy objective is to create a competitive and sustainable energy sector, integrated into the European energy infrastructure and markets, ensuring energy security, so that consumers can have continuous access to energy at affordable prices. Its priorities are:

- Enhance energy security
- Develop competitive energy markets and regional integration
- Promote energy efficiency
- Develop sustainable renewable energy
- Protect consumers and reduce energy poverty.

Other Development Actors

There are multiple other development actors in Moldova. The major ones working in the energy sector include:

World Bank

European Bank for Reconstruction and Development

European Investment Bank

EU/Energy Community Secretariat

UN Development Program

German Development Bank, KfW

French Development Agency

V. Monitoring, Evaluations and Learning (MEL)

USAID/Moldova's Monitoring, Evaluation and Learning (MEL) approach seeks to measure the extent to which the country is achieving agreed upon strategic priorities, advancing its Journey to Self-reliance, and evolving towards a partner-to-partner relationship with the U.S. that will advance mutual interests.

The Performance Management Plan (PMP) will provide an assessment framework that will inform the implementation of USAID/Moldova's projects and activities. It will monitor achievement of its development objectives and, ultimately, the CDCS Goal. The learning agenda, indicators, evaluations, stakeholder consultations and other actions with learning outcomes will be conducted to track progress towards achieving CDCS results and to identify roadblocks that must be overcome. It will test development hypotheses related to DO 1 (level

and effectiveness of civic engagement and responsiveness of targeted public institutions), and DO 2 (integration with Western markets and enhanced competitiveness), and SpO 3 (energy security strengthened). Special attention will be given to reviewing progress with regard to high priority themes that cut across and affect the successful implementation of the entire portfolio. For example, Learning Agenda questions will review progress and identify any obstacles related to achieving sustainability, advancing inclusion of youth, women, and vulnerable groups, reducing outmigration, and mitigating malign influences.

Monitoring tools will include: (1) monitoring Moldova's J2SR Country Roadmap commitment and capacity rankings, (2) establishing metrics for current contextual issues – identified as assumptions and risks in this document – that can influence the implementation of the strategy. and (3) selecting performance indicators at the IR and sub-IR levels to track the extent to which outcomes support the logic of the Results Framework is moving successfully from IRs to DOs and towards the CDCS Goal. This three-tiered approach will support a more flexible implementation model with a focus on Moldova's commitment and capacity related to USAID development objectives. It will enhance the ability to more rapidly respond to contextual shifts. It will provide data-based assessments of progress vis-à-vis IRs and Sub-IRs.

Progress as identified by the metrics, evaluations and other learning exercises will serve as the basis for tailoring interventions. Regular portfolio reviews and mid-course stocktaking will allow for informed, actionable responses to the shifting realities in Moldova. Mission wide portfolio reviews and mid-course stocktakings will also serve as tools to periodically revalidate the Results Framework and development hypotheses and to measure progress against milestones.

USAID/Moldova believes that this approach – implemented as a collaborative effort among all partners – will inspire continued tactical thinking even after approval of the strategy, link both the CDCS and the PMP to on-the-ground realities and allow for quick operating modifications as required. Based on lessons learned from previous and ongoing monitoring and assessment efforts, USAID will develop a comprehensive evaluation plan related directly to project and activity implementation. Well thought-out evaluation questions and methods will be at the core of the process. Cross-pollination of expertise from the two technical offices and joint planning sessions will be pursued when designing evaluations with cross-cutting areas like youth, gender and outmigration.

Specific J2SR-related learning questions will include considering the extent to which USAID's approach to building partnerships is generating increased and more effective citizen engagement, and the degree to which business associations are becoming effective change agents in promoting private sector enterprises and linkages to Western markets. In advancing the J2SR approach, USAID will continue building the MEL capacity of its local partners in order to ensure that outcomes are being captured and transformed into more effective

implementation. Self-assessment tools and innovative online approaches to surveying, along with technology-enhanced communication channels, will expand two-way MEL-related interaction. USAID will assist partners in institutionalizing MEL practices in their own structures, enabling them to set and measure their own objectives complementary to the ones of USAID.

Redefining the Relationship, USAID will elevate the usage of government data sources, statistics provided by the Moldova National Bureau of Statistics (NBS), local NGOs and development partners. The NBS has been constantly improving its capacity as an active provider of information in the areas of population, agriculture, rural development, external trade and job creation. Local organizations have been actively involved in monitoring and data collection in the areas of elections, public funds management, and the two percent law (taxpayers can designate two percent of their income tax to CSOs). They have involved citizens in collecting data for the CSO and Media Sustainability Indexes. At the same time, USAID will continue to rely on international development partners for additional reliable data, including from the International Organization for Migration, regarding trends related to outmigration and the diaspora, the World Bank for its Doing Business and other reports, and the FAO for indicators related to food security, drought and other agriculture specific metrics.

VI. Annexes

I. Journey to Self-Reliance Country Roadmap