



# **HIGH-LEVEL SUMMARY TECHNICAL ASSISTANCE REPORT**

## **REPUBLIC OF MOLDOVA**

Climate Module of the Public Investment Management  
Assessment

**November 2023**

**Prepared By**

*Arturo Navarro, Katja Funke, Marina Marinkov, Murray Petrie, and Eivind Tandberg*

**PARTNERS: Government of Japan**

## **DISCLAIMER**

*The contents of this document constitute a high-level summary of technical advice provided by the staff of the International Monetary Fund (IMF) to the authorities of a member country or international agency (the "CD recipient") in response to their request for capacity development. Unless the CD recipient specifically objects within 30 business days of its transmittal, the IMF will publish this high-level summary on IMF.org (see [Staff Operational Guidance on the Dissemination of Capacity Development Information](#)).*

2023 International Monetary Fund HLS/23/18

### **High-Level Summary Technical Assistance Report** Fiscal Affairs Department

**Republic of Moldova: Climate Module of the Public Investment Management Assessment**  
Prepared by Arturo Navarro, Katja Funke, Marina Marinkov, Murray Petrie, and Eivind Tandberg

**The *High-Level Summary Technical Assistance Report* series provides high-level summaries of the assistance provided to IMF capacity development recipients, describing the high-level objectives, findings, and recommendations.**

**ABSTRACT:** Moldova has committed to an ambitious climate change mitigation and adaption agenda, which is underpinned by significant public investments, particularly in the energy sector which accounts for more than 2/3 of the country's GHGs. The country is in the process of updating its public investment management framework, offering a window to enhance climate sensitivity of the framework, and of adopting regulation to align to EU standards. The Climate Module of the Public Investment Management Assessment (C-PIMA) proposes reforms across multiple areas, underscoring as priority areas project appraisal and selection and budgeting and portfolio management.

JEL Classification Numbers H50, H54 ,Q5 (consult <a href="https://www.aeaweb.org/econlit/jelCodes.php">https://www.aeaweb.org/econlit/jelCodes.php</a> )
--

Keywords: Public investment; climate change; public finance
---

## Background

During the 2023 Spring Meetings, the Moldovan Ministry of Finance (MoF) expressed its interest in completing the Climate Module of the Public Investment Management Assessment (C-PIMA). The findings and recommendations arising from this CD activity will inform the ongoing process of strengthening public investment management (PIM) and Moldova's access to the IMF Resilience and Sustainability Fund.

Moldova has committed to an ambitious climate change mitigation and adaptation agenda despite its small share of global emissions. In the country's updated Nationally Determined Contribution (NDC 2020), the government committed to reduce Greenhouse Gas (GHG) emissions by 2030 to less than 70 percent of the 1990 emission level and aims to become climate neutral by 2050 as indicated in the draft Law on Climate Action. Given that most of the country's GHG emissions are stemming from the energy sector, a key measure to achieve these targets will be to increase the share of renewable energy sources, which is likely to rely on government investment.

The 2019 PIMA acknowledged the strength of the design of the PIM framework, but its effectiveness was undermined by the limited coverage of key public investment regulations, which excluded projects that were externally funded or executed through budgetary funds.

Against this background, the tasks of the CD activity were to: (i) assess progress in implementing the recommendations of the 2019 PIMA in areas relevant to the Climate PIMA assessment; (ii) analyze the sensitivity of Moldova's public investment practices to climate objectives using the C-PIMA analytical framework; (iii) identify main gaps and weaknesses in public investment management and its climate sensitivity and propose a prioritized action plan for addressing them; and (iv) recommend follow-up areas of technical support that could be provided by FAD or other development partners.

## Summary of Findings

**Moldova has introduced important changes to improve its PIM framework, which offers an opportunity to strengthen climate-related considerations.** A new Government Decision (GD) on capital investment projects that increased the coverage of the PIM regulation to all projects, irrespective of funding source or sponsoring entity was adopted in 2022. The framework proposed in this regulation will support more transparent and consistent management of public investments and establishes criteria to ensure that projects are appropriately identified, appraised, and formulated before being considered for inclusion in the budget. A new Order of the Ministry of Finance with the instructions to implement this new GD is yet to be issued and could be updated to strengthen climate change considerations. The findings and recommendations presented in this C-PIMA report aim to complement the government's reform efforts by incorporating a stronger climate change perspective.

**Climate change sensitive PIM is at a nascent stage in Moldova.** The authorities have taken steps aimed at increasing climate change awareness across government institutions, and new regulations and strategic documents have been recently adopted, are under consultation, or being drafted. However, these initiatives are generally at early stages and are yet to be incorporated in PIM practices and the management of climate related risks.

**In certain areas, Moldova has started to implement good practices.** Climate considerations have been consistently introduced into key planning documents at the national level, and existing regulation requires that environmental impact assessments, including climate implications, are undertaken during project preparation. In a few key economic sectors—such as energy—the regulatory framework for state owned enterprises and public corporations guides climate change related decision-making. In addition, budget reserves to cover some of the fiscal impacts of natural disasters are in place and have been used

recently. Several important plans, strategies, and legislation are currently being drafted or are pending approval.

**Some key reforms need to be introduced to ensure that a climate-sensitive approach to public investment becomes operational.** There is limited coordination across the central and local governments due to the lack of specific guidance or firm regulation on the matter. Project selection does not consider climate-related issues although project appraisal may include it. Because of limited understanding of the climate-related risks to public infrastructure, the government has not yet taken steps to mitigate them. Finally, there are gaps in the regulatory framework for managing climate implications on infrastructure.

## Summary of Recommendations

**The report includes recommendations and proposes an action plan to strengthen the climate sensitivity of Moldova’s public investment management framework.** The successful implementation of reforms will need strong leadership from the ministries of Finance and Environment, as the accountable entities on PIM and environmental policy, as well as the finalization and adoption of key regulation and strategies related to PIM and climate change.

**Improving project appraisal and selection, budgeting and portfolio management are the main priorities.** Current practices in these areas are weak and there is limited work being done to strengthen them, particularly on budgeting. The ongoing update of sector strategies should ensure their alignment with the adopted development plan Moldova 2023, and together with the adoption of a disaster risk management strategy should improve climate sensitivity of the PIM framework.

**The report recommends strengthening the project appraisal and selection process to include analysis of the impacts of climate change.** The forthcoming PIM regulation should include climate vulnerability as part of the total cost reflected in the cost benefit assessment and not only in the risk assessment. Developing a traffic light system for identifying projects with a positive, neutral, and negative impact on emissions will inform the project selection process.

**The report also underscores the importance of strengthening the information on climate-related spending.** To close the existing information gap, the MoF should require line ministries sponsoring major new public investment projects to provide data in their budget submissions on the estimated climate impacts and climate vulnerability. Based on this input, the MoF should identify major climate-related investment projects, based on inputs from ministries and publish a table with this information alongside budget documentation, that should support the buildup of an asset register including climate-related vulnerabilities.