

UN Socio-economic Response and Recovery Plan

Pillar 3. Economic response and recovery



**COVID-19
RESPONSE**

Socio-Economic Taskforce Meeting
Promotion of the UN Socio-Economic
Response and Recovery Plan
February 2021

Economic Response and Recovery

Protecting jobs, small and medium-sized enterprises, and the informal sector workers



UN entities: **9** Partners: **11** Projects: **14** Requirements: **\$36.3M**

Response

- Rapid and gender-responsive socio-economic assessments and advice on nature-based solutions for development, including for small and medium enterprises
- Integrated, country-specific policy advice and programme support
- Support to young people and social partners for entrepreneurship and social innovation in response to COVID-19 (including social entrepreneurship)
- Support for strategies for green fiscal stimulus packages
- Business match-making and advisory services support, expanding small business start-up support services, so as to provide affected groups – including returning migrants and persons affected by the decrease of remittances – with gainful livelihood opportunities
- Addressing the specific needs and vulnerabilities of returning migrants and households affected by the decline of remittances-sourced income and valorizing their skills and assets
- Investments to improve the productivity and working conditions in micro and small firms
- Technical support to women micro and small entrepreneurs
- Support for the digitalization of industrial and production processes, stimulating innovation in local enterprises to improve productivity and trade readiness
- Support for mechanisms to rebuild skills, requalify returning migrants and develop skills in sectors affected by deskilling, brain drain and brain waste
- Digital payments support, e-commerce and digital solutions to enable secure access to

services needed at a time of crisis, particularly by vulnerable groups

Recovery

- Redoubling efforts to create green and sustainable jobs, to address skills gaps, documenting qualifications, and rebuilding skills for returning migrants
- Increase investment opportunities - including diaspora investment- especially in the green economy.
- Increasing fiscal spending on public employment programmes to promote greater labour market resilience to future crisis, while combatting discrimination and addressing inequalities
- Ensuring decent work, equal treatment, with respect to rights and benefits among workers in various contractual arrangements and the self-employed, as well as unpaid care workers
- Redoubling efforts to increase the contribution of trade to structural transformation in a manner that is consistent with the 2030 Agenda's concept of trade as a "means of implementation".



Impact of the pandemic



Business environment: administrative and mobility limitations, broken supply and distribution networks, limited access to markets (mostly external but also internal), weak or absent information and communications technology (ICT) infrastructure and solutions, slow or inflexible governmental bureaucracy and regulations and limited access to capital.

MSMEs: 71% of value added and employ 60 % of the workforce. Falling demand for products and services, restrictions to their activities, and disruptions of supply

Agriculture: accounted for 11% of GDP in 2019. Vulnerability of producers due to pandemic related restrictions, insufficient rainfall, disruptions of food supply chains, diminished export demand. Lack of credit and liquidity in the system affecting medium and large enterprises and producers. Lack of technical capacity to respond to COVID-19 challenges.

Remittances: Falling due to pandemic, affect families, particularly in rural areas.

Without remittances, 224,000 people in Moldova would fall below the poverty line.

Migrants and their dependents lack sufficient opportunities to channel savings into income generating activities or to investment opportunities .

Digitalization: digitalization of economy is mostly limited to ICT sector. MSMEs have difficulties setting up online presence. Urban-rural divide: 75% urban have internet access vs 51% rural. Many older people, rural households, rural children, and young people are unable to access services and products because poor digital literacy, lack of hardware and lack of infrastructure



Economic Sectors



Non-food wholesale and retail trade was severely impacted especially during lockdown, due to demand decrease, supply issues and decrease in production and non-food goods consumption



Transportation was affected mainly due to the reduced passengers' mobility and reduced demand for goods. By comparison to July 2019, the passengers' traffic was reduced by almost 49%. The average number of employees within this sector also decreased in the 2nd quarter of 2020, compared with the similar period of 2019, by 15.7%.



The hardest hit sector remained accommodation and food services, as most hospitality venues remained closed in spring. **Hospitality** employees were among the most affected in the overall economy especially the ones working in the urban areas. The average number of employees decreased in the 2nd quarter of 2020 (compared with the similar period of 2019) with more than 60%.



Sales in **Manufacturing** were affected by the dynamic of the external markets in the first two months of 2020, followed by a massive dropdown during the lockdown period (March-April), with a negative peak in April, with almost 50% decrease linked to quarantine period in the EU states.



The main challenge faced by **Agriculture** is related to the draught that affected the country this year, corroborated with the poor irrigation infrastructure system. This led to a decrease of vegetal production by 26.8% in S1 2020 compared with the similar period of the last year.



The **Healthcare** system is the most affected in terms of capacity and medical staff due to the current evolution of COVID-19 pandemic in Moldova. The medical personnel are overwhelmed and exposed to burnout in day-to-day activities.



Education: Although the schools and universities adapted to remote learning, the COVID-19 pandemic is disrupting learning for an entire generation and school closures affect disadvantaged populations much more severely.

Our scenarios predict **a slow recovery until June 2021**, when it is expected that the analysed sectors will reach the level of 2019, in terms of weight in GDP.

The impact of COVID-19 on export-oriented MSMEs

Non-tariff barriers combined with in-country and global health and safety measures to disrupt end-to-end supply chain activities and exacerbate the MSMEs' economic vulnerability (UNECE survey-based assessment)



Non-tariff measures as a main transmission channel

Non-tariff measures were not used to their full potential

- ❑ **Capacity shortfalls perpetuated non-tariff barriers**
 - Issuance of trade documents slowed down by continued reliance on paper-based procedures.
 - Border control slowed down by continued overreliance on physical inspection
 - Lack of adequate infrastructure facilities at customs terminals
 - Product retesting in destination markets: Lack of internationally recognized conformity assessment bodies
- ❑ **Connectivity gaps: transport & regional cooperation arrangements**
 - Underdeveloped railway system
 - Extended clearance times at the Romanian side of the Leușeni-Albița border crossing point (BCPs)
 - Quota-based arrangements for regulating road freight resulted in shortages in freight permits

The lingering effect of COVID-19

Increased economic vulnerability

Supply shortages

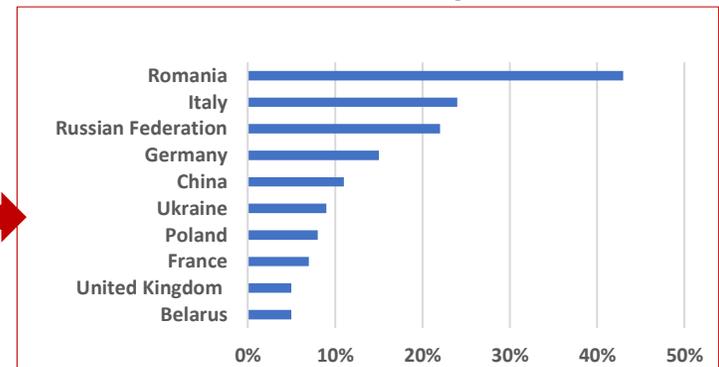
Only 7 % found new international suppliers

Health & safety measures

- ❑ **Partner countries:** border closures, closure on non-essential businesses and at the border arrangements translated into:
 - Delayed deliveries (imports & exports)
 - Inflated transport costs (imports & exports)
 - ❑ **Moldova:** at the border arrangements and border closures (latter affected 30% of BCPs in March-July 2020).
 - ❑ Lack of clarity over health measures at Turkish BCPs
- Monetary policy**
- Increased prices owing to the depreciation of MDL against the USD (imports).

Dwindling international demand

Lost export markets (% of respondents)



Building back better: trade as a means of implementation



Whole-of-government with an emphasis on linking relief to development objectives and the achievement of SDGs

- Financial support to address the MSMEs and forwarders liquidity crisis
 - Legal support for settling commercial disputes
 - Strengthen cross-border cooperation with Romania
 - Intensify the exchange of information with relevant Turkish authorities
 - Revise the existing road freight permits issuance system
- Complete transition to a paperless trading environment (Customs led Single Window)
 - Equip border Customs terminals with the required infrastructure
 - Support MOLDAC in its efforts to develop competence in new areas
 - Complete restructuring of the Moldovan railway sector
 - Expand MSMEs support services: linkages and productive capacity development

Limited Support: Only 8 % of the MSMEs received government support (tax deferrals & grants linked to agri- credit schemes) and the forwarding industry is at the brink of collapse

Increased economic vulnerability

Limited resort to growth enabling coping strategies

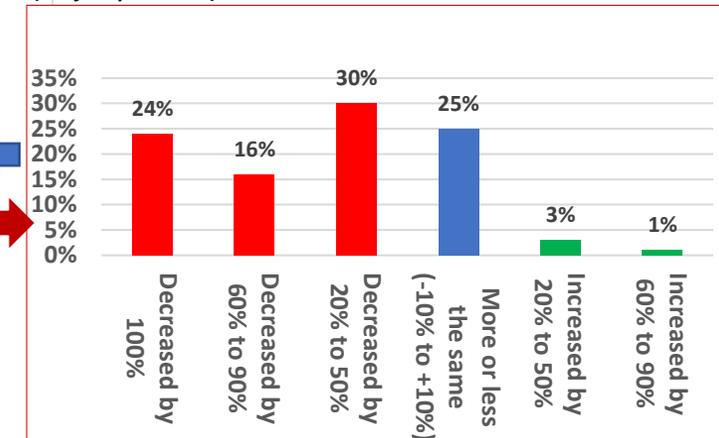
- Only 14% resorted to production repurposing (mainly cloth face masks)
- Only 32% increased engagement in e-commerce, mainly for boosting sales in domestic markets.

Erosive coping strategy

- 53 % put their staff on furlough
- 47% reduced production and another 45 % suspended production
- MSMEs surveyed postponed business expenditures and loan repayments
- 54 % of the MSMEs' owners used personal savings to cover running costs
- 88 % of the MSMEs' emphasized that their survival hinged on continued Government support

Reduced export earnings

MSMEs' export earnings, January-July 2020 compared to 2019 (% of respondents)





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The Response

Economic response and recovery

MSMEs



New projects - to be funded:

- Enhancing the capacities of women entrepreneurs. **UN Women, \$1,500,000**
- Enhancing regional and sectoral innovation ecosystems through a Development of Innovation, Entrepreneurship and Technology Transfer (IET) platforms. **UNIDO, \$ 6,557,403**
- Facilitating the modernization and growth process of Moldovan MSMEs to ensure their competitiveness on both domestic and international markets through the Subcontracting and Partnership Exchange (SPX) Centre. **UNIDO, \$1,695,000**
- Provision of inclusive entrepreneurial and education support for COVID-19 vulnerable groups (youth, women, unemployed, etc) by developing an innovative approach to social distancing infrastructure and programmes. **UNDP, \$367,000**

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Rural development



New projects - to be funded:

- Rural women's economic Empowerment. **UN Women, FAO, \$3,000,000**
- Improving the digitalization of the agriculture sector through the development of an online marketing platform. **FAO, UN Women, \$500,000**
- Supporting smallholder farms in Moldova to successfully overcome the negative effects of COVID-19 and the drought. **FAO, ILO, UN Women, \$1,500,000**

Economic response and recovery

Green recovery



green jobs



sustainable
agriculture



ecosystems

New projects - to be funded:

- Stimulating a green and circular economy through policy support. **UNIDO, FAO**
A policy paper on stimulus measures to support a green and circular economy to be developed.
- Supporting green resilient recovery in the Republic of Moldova. **UNDP, UN Women, \$5,150,000**
The project is a comprehensive programmatic framework to operationalize the EU Green Deal in Moldova, with interventions focusing on policies and regulatory frameworks for green development; awareness raising and capacity building on green agenda; and resilient and sustainable investments to e.g. SMEs for transition to resource –efficient and circular economy.
- Climate Investment and Innovation Fund Programme in Moldova. **FAO, ILO, IOM, \$8,200,000 [Co-funding: Public funding (MARDE): \$ 2.3 M (\$ 580,805) IFAD: \$1 M]**
Creation of CIIF to leverage private and public capital in support of climate-resilient economic development businesses. Capacity of MoARDE to be strengthened and skills of MSMEs, women, migrants and young people will be improved for setting up and development innovative green businesses.

Economic response and recovery

Migrants



New projects - to be funded:

- Supporting the early economic and social recovery from COVID-19 in the Republic of Moldova through the inclusion of returning migrants and vulnerable households dependent on remittances. **IOM, ILO, UNDP, UNICEF, FAO, \$3,570,000**
- Valorizing the capital and entrepreneurial propensity of returning migrants and recipients of remittances through fostering access to finance, entrepreneurship and financial literacy, self-employment, knowledge on social innovation and community development planning and safe and orderly migration options. **IOM, UNDP, FAO, ILO, \$3,750,000**