Appendix I. Letter of Intent

Chişinău

September 3, 2019

Mr. David Lipton
Acting Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431 USA

Dear Mr. Lipton:

1. Moldova's new government is committed to restore the functioning of democratic institutions and return the country on the path of sustained growth. Our quick and decisive actions to reverse policy slippages that led to the suspension of international support in 2018 have already improved the outlook for domestic stabilization and international financial support. We are now resuming an ambitious reform program, supported by the Fund's Extended Fund Facility and Extended Credit Facility Arrangements. We met all quantitative performance criteria and 2 out of 4 structural benchmarks. We expect continued solid economic growth and financial stability, anchored by prudent macroeconomic policies and accelerated efforts to improve governance. This will help foster inclusive economic development, job creation, and poverty reduction. Despite a generally favorable economic outlook, challenges remain.

2. We commit to completing the clean-up of the financial sector, maintaining sustainable fiscal policy while protecting priority spending, and strengthening our institutional frameworks:

- In the **financial sector**, we will conclude the transfer of control of the last of the three systemic banks to a fit and proper investor by end-2019, complete the removal of unfit shareholders in domestic non-systemic banks, and strengthen our AML/CFT regime. We will mitigate risks arising from the non-bank financial sector.

- Our **fiscal policy** will focus on mobilizing domestic resources, improving spending efficiency, and unlocking donor financing. Our priorities include broadening the tax base, strengthening tax administration and tax compliance, enhancing public investment management, and improving allocation of social spending.

- We will strengthen the NBM's **monetary policy framework**, guided by its inflation targeting regime and underpinned by exchange rate flexibility. We will reinforce the NBM's emergency liquidity assistance framework. We will refrain from any initiative that would undermine the NBM's institutional and policy independence.

- We will accelerate our efforts to **recover assets** stolen in the 2014 bank fraud. We will engage international partners to investigate and prosecute perpetrators. We will also engage independent and reputable asset recovery experts to recover stolen assets.

- In the **energy sector**, we will pursue a predictable and transparent tariff policy based on sound methodologies and enforced by an independent and professionally qualified regulator.

3. On the basis of our performance to date, fulfillment of strong prior actions, and policy commitments outlined in the attached Supplementary MEFP, we request (i) the completion of the combined fourth and fifth reviews under the Extended Credit Facility and Extended Fund Facility arrangements; (ii) completion of the inflation consultation; (iii) the extension of the arrangements to March 20, 2020; (iv) the addition of a sixth program review based on end-December 2019 quantitative performance criteria (Table 1) and new structural benchmarks (Table 2); and (v) the rephasing of the outstanding program purchases with SDR 33.6 million and SDR 14.4 million to be disbursed at the time of the combined fourth/fifth and the sixth reviews, respectively.

4. We remain strongly committed to take additional measures that may become appropriate for the successful implementation of the program. We will consult with the Fund in advance on the adoption of these measures and on any revisions to the policies contained in the attached SMEFP. We will provide information requested by the Fund to assess implementation of the program. Maintaining our commitment to the policy of transparency, we consent to the publication of this letter, the attached SMEFP, and the accompanying Executive Board documents on the IMF's website.

Sincerely yours,

Sandu

Maia Sandu
Prime Minister, Government
of the Republic of Moldova

N. Gavrilița

Vadim Brînzan
Minister of Economy
and Infrastructure

Natalia Gavrilița
Minister of Finance

Octavian Armaşu
Governor
National Bank of Moldova

Attachments: Supplementary Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies

I. Recent Developments and Outlook

1. **We are taking decisive steps to bring Moldova back on track for sustained economic development and stability.** The political crisis that emerged in the aftermath of the parliamentary elections has subsided, as the transition of power to the new government has been peacefully achieved. We are taking urgent steps to correct policy slippages, strengthen our democratic institutions, and restore international support.

2. **Economic growth remained stable.** Real GDP grew by 4 percent in 2018 in the context of ongoing demand recovery and a positive external environment. Higher real incomes and a sharp pick-up in investment supported strong domestic demand growth. The external trade deficit continued to widen, with imports significantly outpacing growth of exports. Despite continued appreciation of the leu through 2018, robust financial account inflows facilitated accumulation of international reserves. CPI inflation averaged 3.1 percent in 2018.

3. **The 2018 fiscal balance overperformed program targets with a large margin.** The augmented overall deficit undershot program target by 2 percent of GDP, reflecting stronger-than-projected revenues and significant under-execution of capital spending. The undershooting of the budget deficit and non-disbursement of external loans led to a decline in the stock of public debt to about 30 percent of GDP.

4. **We expect an improved medium-term growth outlook**. The prospects for external financial support have improved due to our sustained policy efforts. Strong macroeconomic policies, including prudent management of public finances, are expected to underpin growth, which is forecast at 3.5 percent in 2019 and around 4 percent thereafter. CPI inflation is expected to temporarily overshoot the upper bound of the NBM's target variation interval towards end-2019 and to return to the NBM's 5 percent target by mid-2020.

II. Policy Framework

A. Financial Sector Policies

Our overarching goal is to safeguard the hard-earned macro-financial stability and foster financial intermediation for stronger and more inclusive growth. Building on the progress achieved thus far, our immediate objective is to complete the rehabilitation of the banking sector, strengthen financial safety nets, and tackle regulatory gaps and emerging vulnerabilities in the non-banking sector.

5. **Moldovan banking sector is resilient.** Banks are well capitalized, with the capital adequacy ratio at 26.3 percent in May 2019. All banks remain liquid, with over 51.6 percent of assets held in liquid instruments, with a sizable share of assets held in NBM reserves and government bonds. Profitability ratios are healthy. We recognize the need to further reduce the level of nonperforming loans (NPLs), which remain high at 10.9 percent across the banking system.

6. **Regulatory reform implementation has advanced, supported by EU technical assistance.** The Law on Bank Activity, transposing EU CRD IV/CRR Directive on credit institutions, is in force since January-2018 and implementation of the supporting secondary legislation is well advanced. First COREP reports on capital requirements were presented in August 2018, and first ICAAP reports were presented in April 2019. Regulation on large exposures has entered into force in April 2019, and the regulation on related parties has been updated. Regulations on banking supervision have been enacted, including on the supervisory review and evaluation process (SREP, February 2019) and the organization of on-site inspections (January 2019). The regulation on consolidated bank supervision is undergoing public consultation review. Our overarching goal is to implement a fully-fledged risk-based and forward-looking supervision, built around the annual SREP process. We have attained recognition by the European Banking Authority among non-EU jurisdictions with confidentiality regimes equivalent to EU CRD IV, which deepens supervisory cooperation and information exchange.

7. **Efforts to rehabilitate the banking sector are paying off.** In particular, the transfer of ownership in the three systemic banks is nearly complete:

- The transfer of control of **Victoriabank** is concluded, with the special supervision regime lifted in August 2018. Banca Transilvania, Romania's largest bank, is the largest shareholder in Victoriabank, which together with the EBRD, a minority shareholder, jointly hold a controlling stake of 66.7 percent. The new majority shareholders are implementing appropriate corporate governance, risk management, and controls.

- The sale of 41.1 percent of **Moldova-Agroindbank**'s shares to an international consortium of investors (EBRD, Horizon Capital, and AB Invalda) in July 2018 signified another success of the banking sector's rehabilitation. To facilitate the sale of the shares issued to replace the cancelled shares of unfit bank shareholders, we employed pre-agreed back-to-back purchase and sale of shares to a fit-and-proper investor, thereby effectively minimizing legal risks to the investor. The Executive Board members nominated by new shareholders at the General Shareholders Meeting in November 2018 have been certified as fit-and-proper, and the special supervision regime was lifted in April 2019.

- In **Moldindconbank** (MICB), the back-to-back sale mechanism was also employed, resulting in the acquisition of the controlling 63.89 percent stake in February 2019 by Bulgaria's non-bank Doverie United Holding, a Sofia Stock Exchange listed company. Following a mandatory tender offer to minority shareholders, the new shareholder consolidated its majority stake to 77.62 percent. The General Shareholders Meeting on June 28, 2019 elected a Supervisory Board, which has been submitted for the NBM's review and confirmation. We remain committed to follow through with ensuring fit-and-proper certification of incoming managers to instill confidence in the bank's management, consistent with our plan to exit temporary administration regime in an orderly manner.

8. **We performed detailed investigations of shareholders of all domestic non-systemic banks and acted decisively on the findings of investigations of concerted action and fitness and probity of the shareholders.** In January 2019, the legal rights of shareholders acting in concert in two banks were suspended and a temporary administrator appointed in one of these banks.

9. **The implementation of unwinding of related party exposures is proceeding as planned.** As per program commitments, time-bound action plans were adopted in July 2018 for all domestic banks that are not part of foreign banking groups. As of May 2019, three out of seven banks have brought their exposures in line with prudential limits, while remaining banks reduced their exposures in accordance with the action plans. In consultation with the Fund, we updated the regulation on banks' transactions with related parties to calculate such exposures net of loan loss provisions for the purpose of meeting prudential requirements.

10. **We made progress in strengthening our safety nets, crisis prevention and contingency planning frameworks.**

- The coverage limit of the Deposit Guarantee was raised to 50 thousand lei and the coverage was expanded to legal entities (effective January 1, 2020) to better contribute to financial stability.

We made initial steps to strengthen governance and operational capacity of the Deposit Guarantee Fund and have appointed all members of its Supervisory Board.

- We have adopted the Law on National Financial Stability Committee, creating a designated interinstitutional structure tasked with coordinating the implementation of macroprudential policy and activities to prevent and remedy financial crisis situations. In line with the implementation provisions, the Committee's inaugural meeting was held on January 23, 2019.

11. The Central Securities Depository (CSD) is now fully operational. Secure, efficient, and well-regulated payment and clearing systems for the settlement of financial transactions where counterparty risks are effectively controlled and managed is an important pre-condition for a healthy financial system and its development. Towards this objective, the CSD is designed to guarantee the safety of securities, ensure the transparency of financial markets, and help develop new financial market instruments. The CSD began operations at end-July 2018 with the transfer of public debt securities, followed by the transfer of registers of bank and insurance companies completed in May 2019. The shareholder records in joint-stock companies traded at Moldova Stock Exchange and all other joint stock companies will be transferred to CSD by end-2019, and end-2020, respectively.

12. Looking forward, we will concentrate our efforts and actions in the following areas:

- **Strong and professional financial sector supervision will remain the cornerstone of our country's financial stability.** An appropriately strengthened NBM governance structure and independence has provided the foundation for the successful progress towards the program's financial sector objectives. In particular, broader and stronger legal powers granted to the supervisors as well as commensurate legal protection of NBM staff are important pre-conditions for supervisor's ability to act in an impartial and professional way. Safeguarding the NBM's ability to enforce appropriate supervisory and regulatory actions in a timely manner is key to ensuring stability and soundness of the banking system. To this end, we will amend the Law on the NBM, the Law on Bank Activity, and other relevant legislation to ensure that the NBM's supervisory function is carried out in an unhindered manner.

- **The NBM will allow MICB to exit temporary administration in an orderly manner (end-December 2019 structural benchmark, reset from end-October 2018).** The temporary administration regime, in place since October 2016, will be withdrawn only once adequate governance structures are in place. A priority will be given to ensure prudent management of the bank and avoid any conflict of interest or reputational hazards. In this context, the NBM will enforce rigorous professional standards for the bank's new management team and enhanced monitoring of its related party exposures and cross-border transactions. Our supervisory powers, such as dividend payout restrictions, will be exercised based on the supervisory judgement.

- **We will complete efforts to clean up ownership of two domestic non-systemic banks.** In line with the shareholder removal legal framework, the NBM adopted decisions requesting to remove unfit shareholders in two domestic non-systemic banks (**prior action**) and will implement steps prescribed by the framework—including the sequential share price reduction mechanism—for the newly issued shares with a view to attract sound investors, safeguard the banks' capital, and ensure fit-and-proper qualifications of its shareholders and managers.

- **The NBM will enforce continued implementation of the agreed time-bound unwinding plans for related party exposures.** We will ensure continued prudential effectiveness of the NBM's Regulation on Banks' Transactions with Related Parties.

- **Financial safety nets, crisis-preparedness, and contingency planning.** To further strengthen our legal and operational frameworks for emergency liquidity assistance (ELA), we will approve amendments to the Law on the NBM and other relevant legislation to ensure that ELA is extended only to solvent banks **(prior action)**. We will adopt related secondary legislation and implement the modified ELA operational framework before end-2019. We will also step up our efforts to fully operationalize the National Financial Stability Committee and strive to improve policy coordination among its members.

13. We commit to mitigate risks arising from the non-bank financial sector by strengthening its supervisory and regulatory framework.

- **Non-bank credit organizations.** We will adopt measures to strengthen financial stability of the sector, promote consumer protection and responsible lending practices, and mitigate household indebtedness risks. To that end, in consultation with the Fund, we will amend the legislation governing activities of non-bank credit organizations (**structural benchmark, end-October 2019**) to: (i) prohibit such entities from accepting deposits from the public, as per provisions of the Law on Bank Activity, (ii) oblige non-bank credit organizations to report new credit activity to the credit bureaus, (iii) introduce limits on total cost of consumer credits, and (iv) introduce an effective, proportionate, and dissuasive sanctioning regime. We will also enhance risk-based supervision and adopt necessary regulations to strengthen ownership transparency, governing bodies, asset classification, risk management, and internal control frameworks.

- **In the insurance sector**, we will implement the recommendations of the World Bank's 2018 diagnostics mission. We will tighten regulatory requirements and enhance supervision of capital adequacy and solvency, reserving, and asset valuation. We will take appropriate actions against insolvent companies and imprudent business practices. In collaboration with the World Bank, we will develop and adopt a legislative framework to shift from compliance-based to risk-based supervision over the medium-term.

B. Monetary and Exchange Rate Policies

14. Inflation temporarily breached the lower limit of the inflation consultation clause by a small margin. CPI inflation slowed to 0.9 percent in December 2018—0.1 percentage point below the outer band of the consultation clause—before rising to 2.2 percent the following month. As discussed in the May-2018 Inflation Report, inflation had been expected to ease driven by previous exchange rate appreciation and lower regulated and food price inflation. But the magnitude of the slowdown surprised, given a combination of further exchange rate appreciation, downside news to food prices, and larger-than-expected cuts to energy tariffs. In line with advice from IMF staff, the NBM judged appropriate to not ease monetary policy given that: (i) monetary policy operates with lags and therefore it would have mostly affected 2019 inflation; and (ii) the NBM's forecast pointed to a sharp inflation pick-up in 2019. Inflation rose in line with expectations in early 2019, reaching 5.4 percent in July, driven by a lower exchange rate at the turn of the year and higher regulated, food and tobacco price inflation. The NBM has since tightened monetary policy, in line with IMF staff advice.

15. The NBM's monetary policy framework will continue to be anchored by its inflation target. The NBM stands prepared to gradually adjust its policy rate to steer inflation towards the 5 percent target. The June 2019 policy rate increase signifies entering the monetary policy tightening phase. A policy tightening bias is now in place dictated by emerging inflationary pressures. The key drivers of near-term inflation include public and private sector wage growth, expansionary fiscal measures unveiled over the past year, exchange rate fluctuations, and expected adjustments to energy tariffs.

16. The NBM will not resist exchange rate movements driven by fundamentals, intervening in the foreign exchange market only to smooth excessive volatility. Moldova's vulnerability to external shocks requires having a flexible exchange rate as an effective shock absorber. The NIR targets set under the program are consistent with this commitment. To facilitate two-way flexibility and reduce the NBM's market footprint, we will develop and adopt a FX intervention strategy consistent with the inflation-targeting regime and IMF technical assistance guidance (**structural benchmark, end-December 2019**).

17. The NBM will strengthen its operational framework to enhance monetary policy transmission, liquidity management, and domestic currency intermediation. To this end, the NBM will:

- Adhere to the base rate as its primary monetary policy tool;
- Gradually recalibrate the reserve requirement ratios and remuneration policy by simultaneously reducing the MDL reserve requirement ratio and increasing the reserve requirement ratio on foreign currency liabilities, to be maintained in MDL, if market conditions allow;
- Allow further reductions in MDL reserve requirement ratio as structural excess liquidity normalizes.

18. The NBM will enhance its policy communication to anchor inflation expectations and ascertain policy awareness and credibility. Its external communication will give greater prominence to key considerations that weigh on monetary policy decisions. The NBM will continue to refine its forecasting process to strengthen outputs and decision-making. It will also establish regular information exchanges with relevant counterparts and stakeholders.

19. The NBM's ability to deliver on its policy mandates is conditional upon its institutional and policy independence. To this end, we will refrain from any initiative that would endanger the NBM's institutional and policy independence. We also commit to not amend the law regulating the securitization of emergency loans extended by the NBM to the three failed banks.

C. Fiscal Policy

20. Our 2019 fiscal plans are consistent with commitments under the program to preserve fiscal sustainability while protecting priority spending. To achieve this objective, we adopted amendments to the 2019 Budget consistent with the augmented deficit ceiling of MDL 6,219 million (**prior action**), equivalent to 3.0 percent of GDP. The amended budget: (i) redistributes gains from savings on employee vacancies in the budgetary sector towards covering higher wage bill needs of the local governments; (ii) reduces net on-lending to SOEs in line with expected project disbursements; (iii) rationalizes capital spending to reflect lower execution in the first six months of the year; (iv) increases excises for heat-not-burn and fine-cut tobacco products; (v) removes exemptions on income from lotteries and sports betting for winnings above MDL240; (vi) limits tax-free sales at duty-free shops to travelers leaving Moldova by sea or air; and (vii) removes tax exemptions on petroleum products sold in the customs control area.

21. Our 2020 fiscal plans aim to facilitate adequate developmental and social spending, in line with an augmented deficit of 3.0 percent of GDP. Towards this objective, we took measures to mobilize resources by rationalizing tax expenditures and raising revenue on CIT, PIT, VAT, excises, and property taxes. Specifically, we approved amendments to the Tax and Customs Codes (**prior action**) effective January 1, 2020 to (i) broaden the capital gains tax base to 100 percent for legal persons and 50 percent for individuals; (ii) increase the reduced VAT rate for HORECA from 10 to 20 percent; (iii) remove the personal allowance for annual incomes above MDL 360 thousand; (iv) remove tax exemptions applied to meal vouchers provided by employers; (v) remove VAT exemptions on goods imported by public-private partnerships; (vi) unify excise duty rates for cigarettes with and without filter; (vii) consolidate environmental taxes to increase tax on plastic packaging products by 20 percent; (viii) increase rates on personal income tax withheld in advance, from 7 to 12 percent; and (ix) reduce tax-free personal exemptions on merchandise shipped by mail to 200 euros.

22. We are committed to continued efforts to strengthen tax administration and improve tax compliance. We recognize that repeated past tax and capital amnesties eroded public trust in state institutions and undermined the legitimacy and fairness of the tax system. To demonstrate our commitment to fight tax evasion and strengthen the tax audit and investigative functions of the STS, we will:

- Amend the Tax Code (**prior action)** to (i) remove provisions that provide for the deduction of up to MDL 500,000 from the indirect method assessment of estimated taxable income, (ii) sunset by 2022 the carryover provision that allows for off-setting expenditures exceeding reported income against cash declared under the 2012 'Capital liberalization scheme';

- Amend the 2018 Capital and Tax Amnesty Law to remove the provision that the STS cannot perform audits prior to January 1, 2018 (**prior action**);

- Formally propose a date and adopt an action plan for the automatic exchange of information with the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (**structural benchmark, end-December 2019**) with a view to start the automatic exchange of information on financial assets with other countries by end-2022; and assess scope for including a General Anti-Avoidance Rule provision to counter domestic and international abusive tax practices;

- Enhance the completeness and accuracy of the integrated taxpayer register, in collaboration with the IMF and the World Bank;
- Undertake a comprehensive review of tax audits with a view to focus on risk-based approaches, strengthen the audit program design, and improve tax debt collection.

23. **We will continue strengthening the organizational structure and institutional capacity of the State Tax Service.** We see the establishment of the STS in April 2017 as an important step forward in our determination to modernize tax administration in Moldova. We intend to further align its function-based organizational structure, and consolidate divisions and branches around tax administration functions, such as tax payer service, registration, filing compliance, audit, and others. We will enhance the role of the executive council to drive strategic initiatives and reduce involvement of STS senior management in operational activity. The recently created Crime Establishment and Control Division will proactively identify tax crimes, with a clear priority given to the investigation of the most serious cases.

24. **We commit to strengthening our unitary pay system in the budgetary sector.** Since its introduction in December 2018, implementation of the new salary system has led to wage bill pressures due to (i) the absence of a comprehensive staff registry, and (ii) the adoption by parliament of ten reference values for different categories of budgetary sector employees. To improve control over the wage bill, we will develop technical specifications for a comprehensive IT-based staff registry by December 2019, with a view to have the registry fully operational by end-2020. We will also develop and adopt a time-bound plan by mid-2020 to phase out multiple reference values to improve budgetary process and medium-term planning.

25. **We intend to implement reforms to the pension system that ensure its long-term sustainability.** To this end, we will consult with the World Bank to evaluate the consequences of reducing the employer social contribution rate in the private sector, and we will refrain from ad hoc measures that put the pension system at risk.

26. **We will continue to enhance targeting and effective coverage of our social assistance programs**. We will update eligibility and benefit parameters of targeted social assistance programs, such as Ajutor Social and Heating Allowance, in coordination with other income support policies to prevent decline in coverage and to maintain benefits adequacy. We will revisit the list of documents required to apply for targeted benefits and expand the set of active labor market programs to social assistance beneficiaries to help reduce their reliance on cash transfers.

27. To support our medium-term fiscal objectives, we will take measures to strengthen our fiscal institutional frameworks. We will integrate findings from the 2018 spending review of Higher Education and Vocational Training into our MTBF and annual budget processes starting with the MTBF 2021–23. To this end, we plan to integrate spending review guidance into budget regulations. We are piloting our second spending review in the agriculture sector to better evaluate our spending needs.

28. We give high priority to promoting growth-enhancing investment in public infrastructure. Towards this objective, we plan to undertake a Public Investment Management Assessment (PIMA), supported by IMF technical assistance. We will use the findings of this assessment to improve planning, allocation, and implementation stages of the public investment management cycle.

29. We will continue expanding our fiscal risk statement. In particular, we will improve coverage, monitoring and reporting of risks emanating from enterprises fully or partially owned by the state and public-private partnerships, and take actions to reduce those risks.

30. We remain committed to eliminating audited state and local government arrears. We aim to improve the monitoring of arrears and prevent their accumulation. In particular, we will enforce full implementation of Article 67 of the Law on Public Finances and Fiscal Responsibility.

31. The development of the domestic government bond market remains one of our debt management objectives. To that end, the Ministry of Finance will continue to seek to enhance its communication with state securities market participants and extend the maturity of state securities.

D. Structural Reforms

32. Greater transparency, predictability, and good governance in the energy sector are our priority. Our objective is to have a predictable and transparent tariff policy based on sound methodologies and enforced by an independent and professionally qualified regulator. This will depoliticize tariff-setting and support medium-term growth by reducing uncertainty and improving the business environment.

- In the electricity sector, we will adopt in October 2019 tariffs fully based on the February 2018 methodology, including: (i) the settlement of the differences in the assessment of past financial deviations from April 2017-February 2018, and (ii) the approval of the basic costs for the first financial year of the 2018 methodology.

- In the gas sector, we will adopt 2019 tariffs fully based on the existing methodology and purchase price of natural gas (**structural benchmark, end-October 2019**).

- We will strive to align our energy sector regulatory framework to best European practices to promote much-needed energy investment. We will continue collaboration between stakeholders on energy-related issues, including with the Energy Community Secretariat and the World Bank.

33. We will take measures to strengthen economic governance. Our efforts will include enabling a level playing field for companies through fair and effective competition policies, easing entry into business, ensuring transparent government procurement, strengthening the rule of law and improving regulatory quality. We will promote strong tax, customs, and AML/CFT frameworks; and implement Moldova's commitments under the DCFTA and the EU Association agreements.

34. We will accelerate our efforts to recover assets stolen in the 2014 bank fraud. We have set up a parliamentary committee to expedite the investigation of activities related to the banking fraud. Going forward, we will:

- Address the authorities and judicial cooperation bodies of the European Union and the United States of America requesting to initiate an international investigation and prosecution of perpetrators of the bank fraud;

- Evaluate by end-October appropriate modalities to recover proceeds of the bank fraud, including by engaging independent international legal and forensic experts to (i) initiate civil and criminal proceedings in key foreign jurisdictions, (ii) make claims against parties who have facilitated or benefited from the fraud, and (iii) provide support to regulatory authorities and law enforcement bodies;

- Step up coordination, under the leadership of the Prime Minister, among all relevant stakeholders, including the NBM, prosecutor's office, National Anticorruption Center, Criminal Asset Recovery Agency, and AML Agency.

35. Enhance the capacity of National Integrity Authority (ANI) as a truly independent strong pillar of our anti-corruption framework, in cooperation with the World Bank. Asset and interest declarations of public officials will be reviewed in a timely and credible manner. We will adopt guidelines for declarants on the beneficial ownership of assets which should be reflected in the asset and interest declarations.

36. We will further strengthen our AML/CFT framework by implementing the 2018 AML Law and MONEYVAL recommendations. We will:

- Promote better reporting of suspicious transactions under the new reporting system by ensuring that all types of reporting entities become more familiar with their business-specific ML/TF threats and vulnerabilities, and better equipped to apply risk-based assessment tools and appropriate customer due diligence;
- Develop and implement a new suspicion-based transaction reporting IT system for all types of reporting entities; the NBM will implement an IT solution for monitoring bank shareholders' transparency and off-site analysis for AML/CFT purposes by end-2020;
- Adopt the Law on Sanctions for violations of ML/TF rules, in line with MONEYVAL recommendations and in coordination with the Council of Europe and European Union, by December 2019; meanwhile, we will take appropriate legislative actions to ensure the NBM's ability to sanction AML/CFT violations of entities under its supervision;
- Initiate a new National ML/TF Risks Assessment (NRA), with the support of the international partners, such as World Bank, to be completed by October 2020;
- Adopt guidelines for the exchange of AML/CFT information among all relevant stakeholders by mid-2020.

37. We remain committed to achieving sustainable and more inclusive growth. Improving the business environment and attracting foreign investments are key to fostering technological advancement and raising investment in infrastructure and human capital. In this context, we will continue reforms in education, health, and social policies, thereby raising human capital and helping counter migration and demographic pressures.

38. Effective policy-making requires timely, accurate, and comprehensive data. To this end, we commit to allocating adequate and sufficient resources to the National Bureau of Statistics.

E. Program Monitoring

39. The program will continue to be monitored through semi-annual reviews, prior actions, quantitative and performance criteria, indicative targets, and structural benchmarks. The quantitative performance criteria, inflation consultation clause, and indicative targets are set out in Table 1, and further specified in the Technical Memorandum of Understanding (TMU). The prior actions, along with proposed structural benchmarks, are set out in Table 2.

Table 1. Moldova: Quantitative Performance Targets, June 2018 – December 2019

(Cumulative from the beginning of calendar year; millions of Moldovan lei unless otherwise indicated)

	Jun 2018				Sept 2018		Dec 2018				Mar 2019			Sep 2019	Dec 2019
	EBS/17/130 Target	Revised Target	Actual	Status	Prog. Target 3rd rev.	Actual	Prog. Target 3rd rev.	Adjusted Target 5/	Actual	Status	Prog. Target 3rd rev.	Adjusted Target 5/	Actual	Prog. Target 4th and 5th rev.	Prog. Target 4th and 5th rev.
1. Quantitative performance criteria 1/															
Ceiling on the ***augmented*** cash deficit of the general government	3,548	4,290	-789	**Met**	4,986	-1,499	5,681	6,949	2,009	**Met**	1,985	1,957	357	4,345	6,219
Of which: on-lending agreements with external creditors to state-owned enterprises	257	275	103		309	272	618	396	396		30	2	2	199	299
Floor on net international reserves of the NBM (stock, millions of U.S. dollars) 2/	2,349	2,431	2,550	**Met**	2,592	2,678	2,629	2545	2,688	**Met**	2,752	2,668	2,510	2,480	2,570
2. Continuous performance criteria															
Ceiling on accumulation of external payment arrears (millions of U.S. dollars)	0	0	0	**Met**	0	0	0	0	0	**Met**	0	0	0	0	0
Ceiling on absorption by the government of losses or liabilities and making of payments on behalf of utilities and other companies	0	0	0	**Met**	0	0	0	0	0	**Met**	0	0	0	0	0
3. Indicative targets															
Ceiling on the stock of accumulated domestic government arrears 3/	0	0	12	**Not met**	0	12	0	0	3	**Not met**	0	0	3	0	0
Ceiling on the general government wage bill	7,244	7,616	7,005	**Met**	10,935	10,119	14,030	14,030	13,733	**Met**	3,968	3,968	4,034	12,270	15,983
Floor on priority social spending of the general government	9,463	9,291	9,332	**Met**	13,985	14,085	19,280	19,280	19,261	**Not met**	4,873	4,873	4,943	15,889	21,720
Floor on project spending funded from external sources 4/	647	433	366	**Not met**	1,366	641	2,963	2,963	1,114	**Not met**	148	148	142	1,102	2,142
4. Inflation Consultation Bands (in percent)															
Outer Band (upper limit)	5.6	5.2			5.0		5.0				5.8			8.2	9.5
Inner Band (upper limit)	4.6	4.2			4.0		4.0				4.8			7.2	8.5
Center point	3.6	3.2	3.2		3.0	2.4	3.0		0.9		3.8		2.8	6.2	7.5
Inner Band (lower limit)	2.6	2.2			2.0		2.0				2.8			5.2	6.5
Outer Band (lower limit)	1.6	1.2			1.0		1.0				1.8			4.2	5.5

1/ Indicative targets for September and March.
2/ The NIR target is set as specified in the TMU.
3/ As of January 2017, domestic expenditure arrears exclude local governments.
4/ N/A - target is new for 2018, and thus applicable only going forward.
5/ The NIR Targets for December 2018 and March 2019 have been adjusted as per the TMU for the shortfall in EU Grants and Loans and IMF budget support.

INTERNATIONAL MONETARY FUND 16

REPUBLIC OF MOLDOVA

17 INTERNATIONAL MONETARY FUND

REPUBLIC OF MOLDOVA

Table 2. Moldova: Prior Actions and Structural Benchmarks Under the ECF/EFF

	Measure	Timeframe	Status
Prior Actions for Board Consideration of the Review			
1	Adopt amendments to the 2019 budget consistent with the augmented deficit ceiling (MEFP ¶20).		Met
2	Approve amendments to the Tax and Customs Codes (effective Jan. 1, 2020) to rationalize tax expenditures and raise revenues (MEFP ¶21).		Met
3	Amend the Tax Code to (i) remove provisions for the deduction of up to MDL 500,000 from the indirect method assessment of estimated taxable income, (ii) sunset by 2022 the carryover provision from the 2012 'capital liberalization scheme' (MEFP ¶22, first bullet).		Met
4	Amend the 2018 capital and tax amnesty law to remove the provision that the STS cannot perform audits prior to Jan. 1, 2018 (MEFP ¶22, second bullet).		Met
5	Approve amendments to the NBM Act and other laws to ensure that ELA is extended only to solvent banks (MEFP ¶12, fifth bullet).		Met
6	NBM adopte decisions requesting to remove unfit shareholders in two domestic non-systemic banks (MEFP ¶12, third bullet).		Met
Structural Benchmarks			
Financial Sector			
1	Finalize onsite inspections in banks that are part of foreign groups.	End-May 2018	Not met. Implemented in Jan. 2019.
2	NBM to allow a systemic bank to exit temporary administration in an orderly manner.	End-October 2018	Not met. Reset to End-Dec. 2019.
3	NBM to remove unfit shareholders in domestic non-systemic banks.	End-March 2019	Not met. Reset as PA#6.
4	NBM to ensure that credible time-bound action plans are in place for unwinding RP exposures for all domestic banks that are not part of foreign groups.	End-July 2018	Met
Energy sector			
5	In the electricity sector, new tariffs will be fully based on the February 2018 methodology and will also reflect differences in the assessment of financial deviations from April 2017-February 2018.	End-June 2018	Met
Proposed Structural Benchmarks			
Fiscal Sector			
1	Formally propose a date and adopt an action plan for the automatic exchange of information with the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (MEFP ¶22, third bullet).	End-December 2019	
Financial Sector			
2	Amend the legislation on non-bank credit organizations to: (i) prohibit accepting deposits from the public, (ii) oblige reporting new credit activity to the credit bureaus, (iii) introduce limits on total cost of consumer credits, and (iv) strengthen sanctioning regime (MEFP ¶13, first bullet).	End-October 2019	
3	NBM to allow a systemic bank to exit temporary administration in an orderly manner (MEFP ¶12, second bullet).	End-December 2019	Reset from End-Oct. 2018
4	Develop an FX intervention strategy to facilitate two-way flexibility and reduce the NBM's market footprint (MEFP ¶16).	End-December 2019	
Energy sector			
5	Adopt 2019 gas tariffs fully based on the existing methodology and purchase price of natural gas (MEFP ¶32, second bullet).	End-October 2019	

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the variables subject to quantitative targets (prior actions, performance criteria and indicative benchmarks) established in the Supplementary Memorandum of Economic and Financial Policies (SMEFP) and describes the methods to be used in assessing the program performance with respect to these targets.

A. Quantitative Program Targets

2. The program will be assessed through performance criteria and indicative targets. Performance criteria are set with respect to:

- the floor on the net international reserves (NIR) of NBM;
- the ceiling on the augmented overall cash deficit of the general government, i.e., the overall cash deficit of the general government augmented by on-lending agreements with external creditors to state-owned enterprises (SOEs);
- the ceiling on accumulation of external payment arrears of the general government (continuous).
- the ceiling on absorption by the government of losses or liabilities and making of payments on behalf of utilities and other companies (continuous);

Indicative targets are set on:

- the ceiling on the general government wage bill;
- the floor on priority social spending of the general government;
- the ceiling on stock of accumulated domestic government arrears (continuous);
- the floor on project spending funded from external sources, to comply with the Article 15 paragraph 1 of the Fiscal Responsibility Law, starting in 2017 for the 2018 budget.

In addition, the program will include a consultation clause on the 12-month rate of inflation.

B. Program Assumptions

3. For program monitoring purposes, all foreign currency-related assets will be valued in U.S. dollars at program exchange rates. The program exchange rate of the Moldovan leu (MDL) to the U.S. dollar has been set at 19.8698 MDL/US$ (the official rate as of June 30, 2016). Amounts denominated in other currencies will be converted for program purposes into U.S. dollar amounts using the cross rates as of end-June 2016 published on the IMF web site http://www.imf.org, including US$/EUR = 1.1102, JPY/US$ = 102.9, CHF/US$ = 0.976, US$/GBP = 1.3488, CNY/US$ = 6.6445, RUB/US$ = 64.1755, SDR/US$ = 0.711134876. The holdings of monetary gold will be valued at US$1,320.75 per one troy ounce.

C. Institutional Definitions

4. The **general government** is defined as comprising the central government and local governments. The **central government** includes the state budget (including foreign-financed projects), state social insurance budget, and health insurance budget. The **local governments** include the local budgets (including foreign-financed projects). No new special or extrabudgetary funds will be created during the program period. Excluded from this definition are any government-owned entities with a separate legal status.

D. Program Definitions

5. **NIR of the NBM** are defined as gross reserves in convertible currencies minus reserve liabilities in convertible currencies.

- For program monitoring purposes, **gross reserves** of the NBM are defined as monetary gold, holdings of SDRs, reserve position in the Fund, and holdings of foreign exchange in convertible currencies that are readily available for intervention in the foreign exchange market or in the securities issued by sovereigns, IFIs and explicitly guaranteed government agencies, with a minimum credit rating for such securities of AA-.[1] Excluded from reserve assets are capital subscriptions to foreign financial institutions, long-term non-financial assets, funds disbursed by international institutions and foreign governments assigned for on-lending and project implementation, assets in non-convertible currencies, NBM's claims on resident banks and nonbanks, and foreign assets pledged as collateral or otherwise encumbered, including claims in foreign exchange arising from transactions in derivative assets (futures, forwards, swaps, and options).

- **Reserve liabilities of the NBM** are defined as use of Fund credit by the NBM, convertible currency liabilities of the NBM to nonresidents with an original maturity of up to and including one year, and convertible currency liabilities of the NBM to residents, excluding to the general government and the mandatory FX reserves of domestic banks in the NBM. Liabilities arising from use of Fund credit by the NBM do not include liabilities arising from the use of SDR allocation.

For program monitoring purposes, the stock of reserve assets and reserve liabilities of the NBM shall be valued at program exchange rate, as described in paragraph 3 above. The data source for gross reserves and liabilities is the Monetary Survey published by NBM in Moldovan Lei, from which the

[1] The credit rating shall be established by applying the average of ratings assigned by international rating agencies (Fitch, Moody's, and Standard & Poor's).

adjustments for program purposes are made. On this basis, and consistent with the definition above, the stock of NIR of the NBM amounted to US2,292.6 as of end- September 2017.

6. For the purposes of calculating overall cash deficit and augmented overall cash deficit of the general government, **net domestic credit of the banking system** (NBM and commercial banks) to the general government is defined as outstanding claims of the banking system on the general government (exclusive of the claims associated with accrued interest, tax and social contribution payments by commercial banks, and foreign financed on-lending by banks), including overdrafts, direct credit and holdings of government securities, less deposits of the general government (excluding accrued interest on government deposits, and including the accounts for foreign-financed projects).[2] This definition will also exclude the securities issued under Law 235/2016 on the issuance of government bonds for execution of Ministry of Finance's payment obligations derived from the State Guarantees Number 807 of November 17, 2014 and Number 101 of April 1, 2015.

Monitoring of this definition will be based on NBM's monetary survey and Treasury data. The Ministry of Finance will provide data on foreign-financed projects and balances in all other adjustment accounts that are elaborated in footnote 2. On this basis, and consistent with the definition above, the stock of the net domestic credit of the banking system shall be measured from below the line and as of end-June 2016 amounted to MDL 3,508 billion.

7. The overall cash deficit of the general government is cumulative from the beginning of a calendar year and will be monitored from the financing side at the current exchange rate established by NBM at the date of transaction. Accordingly, the cash deficit is defined, as the sum of net credit of the banking system to the general government (as defined in paragraph 6), the general government's net placement of securities outside the banking system, other net credit from the domestic non-banking sector to the general government, the general government's receipt of disbursements from external debt[3] for direct budgetary support and for project financing minus amortization paid, and privatization proceeds stemming from the sale of the general government's assets.

8. **The ceiling on the augmented overall cash deficit of the general government** is the sum of the overall cash deficit (as defined in paragraph 7) and net on-lending to SOEs. Similar to the overall cash deficit, the net on-lending to SOEs is cumulative from the beginning of a calendar year and will be monitored from the financing side at the current exchange rate established by NBM at the date of transaction. That is, the net on-lending to SOEs is defined as the disbursements of on-lending financing from external creditors to SOEs minus their loan repayments.

[2] For the calculation of the net credit of the banking system to general government the following accounts will be excluded: 1711, 1712, 1713, 1731, 1732, 1733, 1735, 1761, 1762, 1763, 1801, 1802, 1805, 1807, 2264, 2709, 2711, 2717, 2721, 2727, 2732, 2733, 2796, 2801, 2802, 2811, 2820 and the group of accounts 2100.

[3] Debt is defined as in footnote 4.

9. **Government securities in the form of coupon-bearing instruments** sold at face value will be treated as financing items in the fiscal accounts, in the amount actually received from buyers. On redemption date, the sales value (face value) will be recorded as amortization, and the coupon payments will be recorded as domestic interest payments.

10. For program monitoring purposes, the definition of **debt** is set forth in point no. 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements (Decision No. 15688-(14/107) adopted on December 5, 2014).[4] This definition applies also to commitments contracted or guaranteed for which value has not been received, and to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector. Excluded from this definition are normal import-related credits, defined as liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion are self-liquidating; they contain pre-specified limits on the amounts involved and the times at which payments must be made; they do not involve the issuance of securities. External debt is defined by the residency of the creditor.

11. For purpose of the program, the **guarantee** of a debt arises from any explicit legal obligation of the general government or the NBM or any other agency acting on behalf of the general government to service such a debt in the event of nonpayment by the recipient (involving payments in cash or in kind), or from any implicit legal or contractual obligation to finance partially or in full any shortfall incurred by the debtor. As a result, onlending from external creditors to SOEs is treated as public guarantee (and hence, for the purpose of the program, is monitored explicitly from above-the-deficit line). On the other hand, onlending from external creditors to the private sector through commercial banks—which are collateralized and of which credit risks from the final borrower are explicitly borne by the commercial banks—are treated as contingent liabilities.

12. For the purposes of the program, **external payments arrears** will consist of all overdue debt service obligations (i.e., payments of principal or interest, taking into account contractual grace periods) arising in respect of any debt contracted or guaranteed or assumed by the central government, or the NBM, or any agency acting on behalf of the central government. The **ceiling on new external payments arrears** shall apply on a continuous basis throughout the period of the arrangement. It shall not apply to external payments arrears arising from external debt being renegotiated with external creditors, including Paris Club creditors; and more specifically, to external

[4] The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

payments arrears in respect of which a creditor has agreed that no payment needs to be made pending negotiations.

13. The **general government wage bill** will be defined as sum of budget spending on wages and salaries of public sector employees—according to economic budgetary classification, including but not limited to employer pension contributions and other social security contributions, and other remunerations (such as bonus payments). This definition of the general government wage bill is in line with current spending reported in line "Wages" of the general government budget according to the program classification of the annual budget except for salaries of SOEs and health care providers that are compensated from the Health Insurance Fund (FAOAM) itself.[5]

14. The **priority social spending of the general government** is defined as the sum of essential recurrent expenditures including pension[6] and unemployment insurance payments from the Social Insurance Fund (BASS, 9008/00286), the *Ajutor Social* (social assistance program 9015/00320) and heating allowance (9015/00322) during the cold season from the central government budget, as well as 94 percent of health expenditures from the main fund of the Health Insurance Fund.

15. For the purposes of the program, general government **domestic expenditure arrears** are defined as non-disputed (in or out-of-court) payment obligations whose execution term has expired and became overdue. They can arise on any expenditure item, including debt service, wages, pensions, energy payments and goods and services. For the purpose of calculating domestic expenditure arrears under the program, local government arrears are excluded.

The **overdue debt is a debt** arising from non-payment of obligations, which have a fixed payment term, and the actual payment has not been effected up to the set term. In cases when the contract does not have the term of payment of receivables, these shall be calculated according to the provisions of Article 80 Paragraph (2) of the Law on Public Finance and Fiscal Responsibility. The term indicated in the contract, for honoring the commitments of a legal entity or an individual towards a public institution shall not exceed 30 days from the date of receipt of funds in the settlement account (except for construction works and capital repairs).

Assessment and reporting of accounts receivable and accounts payable (arrears) shall be done based on the Methodology of Assessment and Reporting of Overdue Receivables and Overdue Accounts Payable (Arrears), approved through the Minister of Finance's Order No. 121 as of September 14, 2016.

[5] For the calculation of the total general government wage bill the following accounts for central government, local government, and special funds from the Treasury system in the Ministry of Finance will be used: category 210000 personnel expenditure.

[6] The pensions include the following subprograms and activities (excluding distribution expenditures and commission fee for cash withdrawals): 9004 with activities 00258–00266, 00277, 00298, 00344, 9005 with activity 00360, and 9010 with activity 00253.

Arrears between the state, local government, and social and health insurance budgets, are not counted towards the expenditure arrears' ceiling on the general government.

16. Absorption of losses or liabilities by the government and making of payments on behalf of utilities and other companies. The program sets a continuous ceiling of zero on absorption by the public sector of losses or liabilities from outside the budgetary sector. Absorption of losses or liabilities is defined as direct payment by the government of the losses or liabilities of other parties or coverage of losses or liabilities by other transactions, such as accumulated stock of the financial deviation of the utility companies, debt-for-equity swaps or a write-off of tax obligations or other state claims.

E. Inflation Consultation Mechanism

17. The monetary conditionality will include a set of quarterly inflation targets (measured as the inflation of the headline consumer price index (CPI) published by the Moldovan National Bureau of Statistics) set within tolerance bands. The inner band is specified as +/- 1 percentage point around the central point. The outer band is specified as +/- 2 percentage point around the central point. Deviations from the bands would trigger a consultation with the staff or Executive Board which would focus on: (i) a broad-based assessment of the stance of monetary policy and whether the Fund-supported program is still on track; and (ii) the reasons for program deviations, taking into account compensating factors and proposed remedial actions if deemed necessary.

Should the observed year-on-year rate of CPI inflation fall outside the inner bands specified for the end of each quarter (text table), the NBM will consult with IMF staff on the reasons for the deviation and the proposed policy response. Should the observed year-on-year rate of CPI inflation fall outside the outer bands specified for the end of each quarter (text table), the authorities will consult with IMF Executive Board on the reasons for the deviation and the proposed policy response before further purchases could be requested under the ECF/EFF.

Inflation Consultation Bands

	2019		
	Mar	Sep	Dec
Outer Band (upper limit)	5.8	8.2	9.5
Inner Band (upper limit)	4.8	7.2	8.5
Center point	**3.8**	**6.2**	**7.5**
Inner Band (lower limit)	2.8	5.2	6.5
Outer Band (lower limit)	1.8	4.2	5.5

F. Adjusters

18. The adjusters set in this TMU apply for assessing compliance with the program's quantitative targets starting from end-December 2016.

19. The **ceiling on the augmented overall cash deficit** of the general government will be increased by the amount paid in cash for the purposes of maintaining the financial sector stability or by the face value of government securities issued for the same purpose.

The **ceiling on the augmented overall cash deficit** of the general government will be adjusted upward—that is, the deficit target will be increased—by the amount of any shortfall between the total amount of actually disbursed and programmed budget support from external donors, including MFA (grants) from the European Commission. The upward adjustments for 2019 is capped at the equivalent of MDL 721.3 million, valued at the program exchange rate; and

20. The **ceiling on the augmented overall cash deficit** of the general government will be adjusted downward—that is, the augmented deficit target will be tightened—by the amount of any shortfall between the total amount of actually disbursed and programmed onlending from external creditors to SOEs.[7] The latter is specified in the text table below.

Programmed Onlending to SOEs and Adjustments to Augmented Fiscal Deficit

	2019	
	Q3	Q4
Onlending to SOEs (programmed amount, millions of U.S. dollars)	11.2	16.8
Maximum downward adjustment on the augmented overall cash deficit (millions of Moldovan lei) 1/	198.8	298.7

1/ The adjustments for the year 2019 are evaluated at the exchange rate: 17.74 MDL/USD (the forecast of the Ministry of Economy).

21. The floor on **NIR of the NBM** will be lowered by any shortfall in the official external grants and loans at the equivalent of US$77 million and US$47 million respectively, valued at the program exchange rates. NIR targets will also be adjusted upward (downward) by the surplus (shortfall) in IMF budget support purchases relative to the baseline projection reported in Table 3.

G. Reporting Requirements

22. **Macroeconomic data** necessary for assessing compliance with performance criteria and indicative targets and benchmarks will be provided to Fund staff including, but not limited to data as specified in this memorandum as well as in Table 1. The authorities will transmit promptly to Fund staff any data revisions.

[7] The SOEs explicitly included in this augmented deficit are Termoelectrica, Moldelectrica, Moldovan Railways, and CET-NORD.

Table 1. Moldova: Data to be Reported to the IMF

Item	Periodicity
Fiscal data (to be provided by the MoF)	Monthly, within three weeks of the end of each month
General budget operations for revenues, expenditure and financing (economic and functional classifications)	
General government wage bill at the level of budgets (state budget, local budgets, Social Insurance Fund and Health Insurance Fund) and functional groups	Monthly, within three weeks of the end of each month
Number of budgetary sector positions and employees at the level of budgets (state budget, local budgets, Social Insurance Fund and Health Insurance Fund) and functional groups	Monthly, within four weeks of the end of each month
Social expenditure including pension and unemployment payments from the Social Insurance Fund, the *Ajutor Social* (social assistance program) and heating allowance for the cold season from the central government budget, and health expenditures from the main fund of the Health Insurance Fund	Monthly, within three weeks of the end of each month
Domestic debt	Monthly, within three weeks of the end of each month
Domestic arrears	Monthly, within three weeks of the end of each month
Onlending to SOEs by type of onlending projects and external creditors (including loan disbursements and repayments)	Monthly, within three weeks of the end of each month
Onlending via commercial banks by type of onlending projects and external creditors (including loan disbursements and repayments)	Monthly, within three weeks of the end of each month
Monetary data (to be provided by the NBM)	Weekly, within one week of the end of each week
Monetary survey of the NBM	
Monetary survey for the whole banking system	Weekly, within two weeks of the end of each week
Net claims on general government (NBM and commercial banks)	Weekly, within two weeks of the end of each week
Financial position of commercial banks, including balance sheets, income statement, banking regulation indicators, capital, liquidity, data on credits and deposits (from NBM)	Monthly, within four weeks of the end of each month

Table 1. Moldova: Data to be Reported to the IMF (concluded)

Foreign exchange operations (NBM data)	Monthly, within two weeks of the end of each month
Foreign exchange cash flows of NBM	Monthly, within two weeks of the end of each month
Foreign exchange market data (volume of trades, interventions, exchange rates)	Daily, within 12 hours of the end of each day
NBM's sterilization operations	Weekly, within one week of the end of each week
Balance of Payments (to be provided by the NBM)	One quarter after the end of the previous quarter
Current, capital, and financial account data.	
Transfers of individuals from abroad through the banking system	Monthly, within six weeks of the end of each month
External debt data (to be provided by MoF and NBM)	
Information on all new external loans contracted by the general government or guaranteed by the government.	Monthly, within three weeks of the end of each month
Total public and publicly guaranteed private sector outstanding debt service due and debt service paid, by creditor	Quarterly, within three weeks of the end of each quarter
Disbursements of grants and loans by recipient sector (state/local/SOEs), and by creditor	State: Monthly, within three weeks of the end of each month Local/SOEs: Quarterly, within three weeks of the end of each quarter
Other data (to be provided by NBS)	
Overall consumer price index.	Monthly, within two weeks of the end of each month
National accounts by sector of production, in nominal and real terms.	Quarterly, within three months of the end of each quarter
Export and import data on value, volume, and unit values, by major categories and countries.	Monthly, within two months of the end of each month