International Monetary Fund

Republic of Moldova
and the IMF

Republic of Moldova: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

Press Release:
IMF Executive Board Completes Fourth Reviews Under the Extended Credit Facility and the Extended Fund Facility Arrangements with Moldova, Approves US$77.5 Million Disbursements
February 1, 2012

January 12, 2012

The following item is a Letter of Intent of the government of the Republic of Moldova, which describes the policies that the Republic of Moldova intends to implement in the context of its request for financial support from the IMF. The document, which is the property of the Republic of Moldova, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

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REPUBLIC OF MOLDOVA: LETTER OF INTENT

Chişinău, January 12, 2012

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431 USA

Dear Ms. Lagarde:

Sound macroeconomic policies under our IMF-supported program have propelled the real GDP well beyond its pre-crisis level in 2011. Alongside, external trade has boomed and the financial sector generally continued to strengthen. The expected slowdown in global economic activity is likely to cool Moldova's growth momentum in the period ahead, but—owing to the success of our program—we will face these challenges from strong fiscal and external positions.

Program implementation is broadly on track, although some end-September program conditions were missed. Weak tax collection resulted in overshooting the performance criterion on the general government budget deficit by 0.4 percent of GDP. The indicative target on reducing general government expenditure arrears was missed as well due to underpayment of district heating bills by the Chişinău municipality, and the implementation of the structural benchmark on reforming the debt restructuring framework was delayed owing to protracted internal discussions. All other quantitative performance criteria, indicative targets, and structural benchmarks for end-September were met.

As a matter of priority, we will put in place measures to eliminate these slippages. As prior actions, we will amend the 2011 budget and strengthen tax administration to ensure compliance with the budget deficit target by end-year. The Chişinău municipality will restrict its expenditures until end-2011 to eliminate its arrears. And the Government has already approved the legal amendments reforming the debt restructuring framework and submitted them to Parliament. These measures and continued implementation of reforms in other program areas will support our broader policy goals of improving the well-being of the population and reducing poverty by maintaining macroeconomic stability, promoting sustainable growth, and reducing the still high structural fiscal deficit.

In consideration of our strong record of program implementation and the proposed corrective actions we request the completion of the fourth review of the program supported by the Extended Credit Facility and the Extended Fund Facility arrangements and the associated disbursement of SDR 50 million. We also request a waiver for nonobservance of the end-September performance criterion on the general government budget deficit. The fifth program review, assessing performance based on end-March 2012 performance criteria and relevant structural benchmarks, is envisaged for end-June 2012.

We believe that the policies set forth in the attached Supplementary Memorandum of Economic and Financial Policies (SMEFP) are adequate to achieve program objectives but will take any additional measures that may become appropriate for this purpose. We will consult with the IMF on the adoption of such additional measures in advance of revisions to the policies contained in the SMEFP, in accordance with the Fund's policies on such consultation. We will provide the Fund with the information it requests for monitoring progress during program implementation. We will also consult the Fund on our economic policies after the expiration of the arrangement, in line with Fund policies on such consultations, while we have outstanding purchases in the upper credit tranches.

Sincerely yours,

/s/
Vladimir Filat
Prime Minister
Government of the Republic of Moldova

/s/
Valeriu Lazăr
Deputy Prime Minister
Minister of Economy

/s/
Veaceslav Negruţa
Minister of Finance

/s/
Dorin Drăguţanu
Governor
National Bank of Moldova

Attachments: Supplementary Memorandum of Economic and Financial Policies (SMEFP)
Technical Memorandum of Understanding (TMU)

SUPPLEMENTARY MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

January 12, 2012

1. The present document supplements and updates the Memoranda of Economic and Financial Policies (MEFPs) signed by the authorities of the Republic of Moldova on January 14, 2010, June 30, 2010, March 24, 2011, and June 27, 2011. It accounts for recent macroeconomic developments and introduces policy adjustments, as well as additional policies necessary to achieve the objectives of the program. We remain determined to meeting our commitments made previously under the program.

I. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

2. **After two years of solid growth, a slowdown seems to be in the works.** In the first half of 2011, real GDP grew by 7½ percent surpassing its pre-crisis level, and the unemployment rate declined to 6¼ percent. Broad-based growth was supported by strong domestic demand—fuelled by rising incomes and bank credit—and booming exports facilitated by a combination of favorable external environment, new capacity, and improved access to international markets. However, inflows of remittances have begun to moderate, and the expected slowdown in global economic activity is likely to weigh on Moldova's growth performance. Therefore, we project real GDP growth to cool down to 6 percent this year and 3½ percent in 2012.

3. **Moderation of demand should narrow the current account deficit next year.** Rising international energy prices and import demand overshadowed the substantial export growth of about 57 percent so far in 2011. However, slowdown of domestic demand is expected to reverse this trend in 2012, narrowing the current account deficit from 11¾ to 10½ percent of GDP. In the medium term, the deficit should contract further to about 8 percent of GDP on the back of sustained reform and export promotion efforts, as well as tailwinds from economic recovery in trading partners and increased access to EU and CIS markets.

4. **Current pressures on inflation should fade by early 2012.** Inflation has been hovering around 8–9 percent since July, jolted by a series of food and energy price shocks as well as robust domestic demand. These effects would likely run their course by end-2011, when inflation is expected to reach about 9 percent. Helped also by the impact of the monetary policy tightening in mid-2011, inflation would decline to 6½ percent by end-2012.

5. **The financial sector remains strong despite some challenges.** The banking sector's continued write-off of bad loans and robust lending reduced the non-performing loans (NPL) ratio from 13 percent at end-2010 to 9.7 percent at end-October 2011. Credit growth net of write-offs remained at a healthy rate of 22 percent, while liquidity and capital adequacy ratios remain well above regulatory norms. Two banks that faced challenges (¶13) have applied corrective actions prescribed by the National Bank of Moldova (NBM) and do not appear to pose systemic risks.

II. Revised Policy Framework for 2011–12

6. **Notwithstanding the looming economic slowdown, we are determined to achieve the key objectives of our IMF-supported program by end-2012.** Our focus will remain on preserving macroeconomic stability, strengthening public finances, accelerating structural reforms to support the fiscal strategy and promote growth, and solidifying the stability of the financial sector. Specifically:

- *The fiscal adjustment will be completed,* helped by speedy implementation of key structural reforms**.** In this context, we will move expeditiously to correct this year's slippages, implement the next stage of the education reform, put into effect the tax policy amendments aimed at broadening the revenue base, decisively improve tax administration, and rationalize current expenditure. We will cement these gains by placing preservation of fiscal sustainability as the cornerstone of our medium-term budget framework (MTBF).

- *The NBM will continue to target mid-single digit inflation while allowing exchange rate flexibility.* Alongside, we plan to adopt amendments to the legal framework to enhance the NBM's independence and governance, and improve coordination between the NBM and the Ministry of Finance (MoF) with regard to liquidity management.

- *Financial sector policies will seek to solidify stability and crisis preparedness* by intensifying supervision of troubled banks, enacting the long-awaited reform of the insolvency framework, and putting in place an effective mechanism to promote shareholder transparency.

- *We will persevere with key structural reforms.* We will aim to normalize payments of current bills and ensure cost-recovery in the energy sector, advance privatization plans, complete the transition to a system of targeted social assistance, and press forward with cutting red tape, reducing barriers to trade, and improving competitiveness.

A. Fiscal Policy

7. **We are committed to overcoming earlier setbacks and meeting the 2011 budget deficit target of 1.9 percent of GDP.** Worryingly weak tax collection—notably value-added tax (VAT) and payroll taxes—amid a booming economy is projected to result in an end-year revenue shortfall of MDL 417 million (0.5 percent of GDP) relative to the approved budget. Furthermore, the fiscal space has been squeezed by MDL 150 million (0.2 percent of GDP) due to accumulation of applications for agricultural subsidies in excess of the budget allocation. These missteps require compensating measures of about 0.7 percent of GDP. We plan to fill this gap with offsetting savings from further cuts in various current expenditure (0.4 percent of GDP) and the expected under-utilization of the capital budget (0.3 percent of GDP). We amended the 2011 budget to reflect these changes as a **prior action.**

8. **In this context, our immediate priority is to reverse the recent fiscal slippages.** To this end:

- *We will assign increased urgency to upgrading tax administration.* To safeguard budget deficit targets, the MoF issued an order in early November (**prior action**) to the State Tax Inspectorate (STI) to intensify monthly inspections of high-risk taxpayers and extend the program for voluntary compliance to all large taxpayers with respect to their VAT and payroll tax payments. In parallel, by end-2011 we will enact legal amendments to allow indirect assessment of individuals' income based on their assets and other indicators. Concurrently, the STI will establish a unit responsible for high-wealth individuals tasked with audit of relevant tax returns, enforcement, and outreach. Furthermore, by end-June 2012, we will extend the scope of the large taxpayer office to cover at least 50 percent of tax revenue and improve its audit capacity with particular focus on VAT and payroll tax compliance. Finally, the STI will review and improve its compliance strategy for 2012 to include more sectors of the economy.

- *We will reform the mechanism for allocating agricultural subsidies to bring commitments in line with available funds.* In 2011, acceptance of subsidy applications has stopped on October 31. After amending the 2011 budget, we will issue a new Government decision distributing the new budget allocation of MDL 150 million among the subsidized activities, while leaving no accepted applications unfunded in 2011. Going forward, the mechanism for allocation of subsidies will be amended along the following principles: i) the number of subsidized activities will be reduced to allow better prioritization of the state assistance; in particular, fertilizer and pesticides subsidies will be excluded; ii) subsidy applications will be accepted after the adoption of the Government decision on the scope and allocation of the subsidies until November 1 of the budget year; iii) to ensure the credibility of the budget allocation, subsidy payments before November 1 of the budget year will amount to no more than 75 percent of the calculated amount for each application, and the possibility of adjusting the unpaid amount will be reflected in the contract with the subsidy recipient; iv) before making final subsidy payments, the subsidy norms will be adjusted based on the volume of applications to match the budget allocation, in line with the policies of the Ministry of Agriculture and Food Industry; v) no legal provisions will be made to pay subsidies for applications filed in the previous cycle. The scope of subsidized activities in 2012 will be approved by Parliament as part of the 2012 budget. A Government decision consistent with the above principles will be approved by end-March 2012 **(structural benchmark)**.

- *The Chişinău municipality has committed to eliminate its heating arrears by end-2011* (¶16).

9. **Building on these efforts, we aim to complete the fiscal adjustment by lowering the budget deficit to about 0.9 percent of GDP in 2012 and ¾ percent of GDP in the medium term.** This level would ensure the budget's ability to sustain itself without relying on exceptional levels of

external assistance. In line with our overall fiscal strategy, the remaining consolidation will be achieved by a combination of revenue gains (0.3 percent of GDP) and continued decline in current expenditure (1½ percent of GDP) partly offset by higher investment (0.7 percent of GDP). The sizable gains from the reintroduction of the corporate income tax (CIT) and adjustments in the excise rates will be partially offset by the extension of cash VAT refunds to the whole country and the loss in direct taxes due to the declining share of the wage fund in GDP. As a **prior action**, we will adopt a 2012 budget consistent with the targeted budget deficit and supported by the tax policy and expenditure reforms (¶10). To firmly anchor the fiscal policy going forward, by end-June 2012 we will adopt a medium-term budget framework (MTBF) for 2013–15 with a budget deficit target of about ¾ percent of GDP. The wage bill and spending on goods and services will be capped at 9½ and 8¾ percent of GDP respectively creating space for capital expenditure to rise to 6¼ percent of GDP by 2015 in line with improved implementation capacity.

10. **Achieving these goals will require unyielding implementation of key reforms underpinning the fiscal strategy.** Emphasis will be placed on the following areas:

- A new *fiscal responsibility framework* will introduce a rule-based fiscal framework, enhancing fiscal discipline, and improving transparency. These principles form the cornerstone of a new law on public finance and accountability to be adopted in Parliament by end-March 2012.

- Comprehensive *tax policy reform* in line with ¶12 of the SMEFP dated June 27, 2011 will be enacted before end-2011 to put revenue on a sustainable basis and stimulate investment. Key elements include re-introduction of the CIT with a single rate of 12 percent **(structural benchmark)**; extension of cash VAT refunds for post-2011 purchases of investment goods to the entire country **(structural benchmark)**; and adjustment of selected excise rates in line with the EU integration agenda. In addition, we will reintroduce a personal income tax (PIT) for software developers on the same base they currently use for social security contributions (two average economy-wide wages). Moreover, the municipality of Chişinău intends to raise its real estate tax rate by 0.02 percentage points across the board.

- Our *public sector wage policy* in 2012 will follow previous agreements. Specifically, we will implement the wage policies delayed from 2009 as described in the MEFP dated January 14, 2010, and as reflected in the amended Law 355 as of end-2009. The budget wage bill will also reflect the policies described in the new Law on Wages of Civil Servants, which limits the wage bill increase for civil servants to 12 percent. These policies are consistent with our wage bill target of MDL 8,745 million for 2012.

- In close cooperation with the World Bank, we will continue to implement a comprehensive reform of the oversized *education sector*—a major impediment for growth and fiscal sustainability—to improve its quality and efficiency while reducing the net fiscal cost by

0.5 percent of GDP upon completion. The reform will receive additional impetus from the legal amendments aimed at unblocking further optimization of the sector (¶19 of the SMEFP dated March 24, 2011). Having secured Government adoption, we will seek approval of these amendments by Parliament before end-March 2012 **(structural benchmark)**. This will support the credibility of the 2012 budget by enabling savings of 0.2 percent of GDP after setting aside funds to improve quality and facilitate the reform. Furthermore, to preserve safe and adequate access to education, we will make rehabilitation of school bus routes a priority for the Road Fund in 2012–13.

- Raising *efficiency of public investment* will be critical to promote growth. We have already reviewed and prioritized the list of capital projects envisaged for 2012 on the basis of their viability, economic growth potential, and capacity for implementation. Furthermore, the MoF has developed proposals to reform the mechanism for allocating capital expenditure along the same lines. We plan to finalize these proposals in consultation with IMF staff, and by end-March 2012, the new mechanism will be adopted by the Government and applied starting 2013.

- Other structural reforms *rationalizing the use of health care* and *improving public procurement* will proceed as planned (¶11 of the SMEFP dated March 24, 2011). Specifically, in 2012, the mechanism for sick leave benefits will be further improved by increasing the number of sick leave days covered by employers to 3; a copayment of 20 lei will be introduced for primary visits by uninsured patients, excluding the most vulnerable and people with chronic diseases; and an electronic system of collecting bids for supplies of goods and services will be put in place in the Government's central procurement agency.

- Finally, to ensure the credibility of the budgeted wage bill, the 2012 budget will be based on a target of 208,700 positions in the public sector, including 125,900 positions in the education sector by end-2012 (consistent with the targets set in ¶19 of the SMEFP dated March 24, 2011), along with maintaining the freeze on hiring of non-teaching personnel. To this end, we will include in the 2012 budget a provision on establishing a wage bill ceiling for the education sector of MDL 4,770 million.

B. Monetary and Exchange Rate Policies

11. **The NBM's current monetary policy stance will be eased against the outlook of receding inflation risks.** Strong inflation pressures during 2011 and substantial excess liquidity in the banking system prompted several hikes of the policy interest rate and reserve requirements during the year. This helped contain inflation within single digits. Next year, the expected slowdown of demand and waning impact of earlier food and energy price shocks should steer inflation toward the NBM's objective of 5 ±1½ percent. Therefore, the NBM has cut its policy rates by 150 basis points in December-January and plans to continue with gradual policy easing going forward. Should the

inflation outlook improves even faster than expected, the policy easing could accelerate in 2012. That said, the still rapid growth of monetary aggregates warrants continued vigilance. Meanwhile, the NBM should maintain exchange rate flexibility, limiting its interventions in the foreign exchange market to smoothing erratic movements.

12. **The operational and legal aspects of monetary policy will be upgraded next year.** Significant drawdown of government deposits at the NBM throughout 2011 worked to weaken the impact of monetary policy tightening thereby complicating sterilization of excess liquidity. To minimize such counter effects, the MoF and NBM will seek to improve their coordination by reactivating the joint Liquidity Committee. Furthermore, by end-2011 the NBM will propose legal amendments to the central bank law to increase its independence in line with international best practice and establish appropriate mechanisms of internal control over NBM's corporate governance.

C. Financial Sector Policy

13. **The NBM's supervision efforts will be focused on continued diagnosis and remedial actions in vulnerable banks.**

- A small bank (Universalbank) has recently struggled to maintain adequate capital and liquidity, prompting special supervision and later special administration by the NBM. Unless the bank is recapitalized, the NBM plans to continue with an orderly scaling down of the bank's operations in line with the recently introduced bank resolution tools.

- We have relieved the majority state-owned Banca de Economii (BEM) from the legacy of its involvement in the resolution of the failed Investprivatbank (¶17 of the SMEFP dated June 27, 2011). This has allowed the bank to maintain comfortable capital adequacy and liquidity ratios. To further strengthen the bank, we will address its under-provisioning to minimize fiscal and financial stability risks. Specifically, in consultation with IMF staff, the NBM will introduce a program of remedial measures involving, among other things, close oversight over the bank's lending and collateral policies and compliance with the NBM's risk management requirements. Implementation of these measures will be assessed in the context of the NBM's next on-site audit. The MoF, through its representatives on the Board of BEM, will press for improving internal audit and control and for strengthening the Board's oversight over the bank management.

- More generally, the Government remains committed to keep BEM strong in preparation for its privatization and will consider an increase in the bank's capital should such a need arise. By end-January 2012, the Government will reactivate its contract with the existing privatization advisor and ask them to prepare an action plan and a timetable for privatizing BEM (**structural benchmark**).

14. **In parallel we have set out to improve the transparency of our banking system.** Recent legal disputes over—and dubious transfers of—ownership in several banks point to significant deficiencies of the existing legal framework. Several legal amendments already implemented significantly reduce the risk of such incidents in the future. But the key underlying deficiency—non-transparent ownership in banks—remains. Besides inviting unlawful behavior and endangering financial stability, it creates risks for money laundering, tax evasion, and gives rise to reputational concerns for the entire banking system. Therefore, the NBM will create an inter-agency working group tasked with developing—with technical assistance from the IMF and the World Bank—legal amendments to ensure full transparency and disclosure of ultimate controllers in banks in line with Basel Core Principles and Financial Action Task Force standards. We will develop these amendments by end-March 2012, and ensure their parliamentary passage by end-June 2012 **(structural benchmark)**.

15. **The long-overdue measures strengthening the debt restructuring framework are ready to be rolled out.** The Government approved the legal amendments to enhance the speed and predictability of collateral execution by credit institutions and to strengthen their incentives to restructure nonperforming loans (¶15 of the SMEFP dated June 30, 2010). Parliamentary adoption is envisaged before end-March 2012 **(reset structural benchmark)**. Furthermore, with technical assistance from the World Bank and in consultation with IMF staff, we will seek to strengthen and simplify other aspects of the insolvency framework. Specific draft legal amendments in this area will be adopted by the Government by end-March 2012. In the meantime, we will continue working on finalizing the contingency planning framework and optimizing the financial sector supervisory framework (¶16–18 of the SMEFP dated March 24, 2011).

D. Structural Reforms

16. **Achieving stability in payment of current bills in the energy sector is a key short-term challenge.** Despite the signing of the Memorandum of Understanding (MoU) in the energy sector, the Chişinău municipality's failure to meet its commitment to pay its bills to the heating company Termocom (¶21 of the SMEFP dated March 24, 2011) has undermined orderly implementation and forced Termocom to contract new bank loans to pay its current bills. This, combined with pressure from the municipality to limit the heating tariff increase, substantially worsened Termocom's financial position at the outset of a difficult heating season. To address these challenges:

- The Chişinău municipality will reduce its expenditures and repay its remaining 2011 arrears to Termocom of MDL 62 million by end-2011 without accumulating new arrears. The municipality has already identified MDL 60 million savings for this purpose, pending approval of the municipal council. Furthermore, the Mayor of Chişinău has issued an order making payments to Termocom a priority by freezing all discretionary expenditure until Termocom arrears and current bills are paid in full. The same provision will also be included in the municipality's 2012 budget.

- Meanwhile, the Ministry of Economy, in cooperation with relevant stakeholders, will coordinate discussions to put in place a durable framework for payment of current bills in the heating sector by end-November 2011. Key elements of the framework will be along the lines of ¶21 of the SMEFP dated June 27, 2011 or ¶21 of the SMEFP dated March 24, 2011. Furthermore, by end-November 2011, the Chişinău municipality will ensure through the Termocom's managing bodies that the company is prohibited from contracting new bank loans until the draft energy sector framework is put in place. The Ministry of Economy, through its controlling stakes, will enforce the same restriction for Chişinău's combined heating and powers plants (CHPs).

- By end-2011, the Government will approve the energy sector restructuring concept and decisions on launching the process of corporate, financial, and institutional restructuring of the sector, developed in close cooperation with the World Bank.

- In addition to the recently adopted measures to support cost recovery in the heating sector (¶22 of the SMEFP dated June 27, 2011), under the auspices of the Ministry of Economy we will create a joint working group consisting of the representatives of Ministry of Regional Development and Construction, Ministry of Environment, the Chişinău municipality, Termocom, the water distributor Apă Canal, and representatives of the civil society with the aim to end persistent under-billing for water delivery and develop a framework to reconcile common and individual hot and cold water meters in Chişinău by end-2011.

17. **We will keep up our efforts to reduce the state's presence in the economy.** Government decisions substantially shortening the list of companies not subject to privatization and expanding the list of companies subject to inclusion in regular privatization auctions will be adopted by end-March 2012. Alongside, drawing on the results of the ongoing privatization advisory work at Moldtelecom, by end-March 2012 the Ministry of Economy will propose a roadmap for introducing private participation in the company and implementing accompanying sector reforms. In the context of our accession to the common aviation space with the EU, we are in the process of incorporating Air Moldova amid continuing search for potential investors.

18. **Reforms to cut red tape, safeguard competitiveness, and stimulate trade are broadly on track.** First, a strategy to comply with the EU veterinary and food safety standards has been adopted by the Government in August 2011. Second, legal amendments to relax the requirement for repatriation of export proceeds by extending the repatriation period and reducing penalties for noncompliance have been submitted to Parliament. Third, the Government has approved a concrete action plan to remove nontariff barriers to trade identified by the Ministry of Economy. Finally, a new draft law on state inspections that will considerably reduce the number of state inspections while increasing accountability is awaiting Government approval.

19. **We plan to complete the transition to the system of targeted means-tested social assistance in 2012 with additional safeguards for the people in need.** Improved capacity of social services and continuous awareness campaigns have raised applications and expanded enrollment in the means-tested *Ajutor Social* to 70 percent of potential beneficiaries in 2011. Maintaining this trend will allow us to phase out the old nominative compensation system, except for Chernobyl victims and war veterans, from April 1, 2012. Legal amendments to this effect will be adopted along with the 2012 budget. To smooth this transition and to better assist the vulnerable groups in coping with higher energy prices, we will undertake the following measures:

- The guaranteed minimum income (GMI) will be increased to MDL 640 from January 1, 2012, raising the total amount of assistance under *Ajutor Social* by 23 percent.

- The cold-month assistance will be raised to MDL 150 per month. Moreover, we will authorize the approval of cold-month assistance in November and December 2011 for families who would otherwise become eligible only in January 2012 when the higher GMI sets in. Furthermore, a one-off supplement of MDL 50 per month will be provided during November 2011 through March 2012 to all households eligible for the cold-month assistance.

- Finally, the Ministry of Labor and Social Protection will allocate additional resources to strengthen its capacity to promptly process applications for *Ajutor Social* in order to ensure adequate access to social assistance.

20. **Alongside, we will continue to discourage excessive dependency on social aid and promote active and flexible labor market.** The legal amendments adopted in July 2011 have made access to social assistance to the unemployed conditional on active job search and non-refusal of job offers. Unemployment insurance benefit is now based on actual—as opposed to average economy-wide—wage, and prior employment required for eligibility for unemployment benefits was lengthened from six to nine months. Going forward, we will consider making participation in public works mandatory for recipients of unemployment benefits. Legislation to delink the wages in economy from the minimum guaranteed wage, to be adopted by Parliament by end-2011, will reduce wage setting rigidity and promote merit-based compensation in the economy. Finally, the Ministry of Labor and Social Protection is expected to complete its analysis and approve an action plan to put other benefits and social payments on a means-tested basis by end-June 2012.

21. **To boost economic growth and promote poverty reduction, we will adopt a new medium-term National Development Strategy (2012–20).** The previous strategy (2008–11) expires at the end of this year. The new strategy—based on input from line ministries and government agencies—will be adopted by Parliament by end-March, 2012, after consultations with civil society and our external partners. It outlines seven priority areas for reforms and development: education, access to financing, road infrastructure, business regulation, energy efficiency, justice system, and social assistance. Upon its implementation, the strategy is expected to add 12 percentage points to

GDP growth over the 9-year horizon and reduce the national poverty rate to less than 15 percent by 2020.

E. Program Monitoring

22. **The program will be monitored through semi-annual reviews, prior actions, quantitative performance criteria and indicative targets, and structural benchmarks.** The phasing of purchases under the arrangement and the review schedule are set out in Table 1 of this memorandum. The list of the quantitative performance criteria and indicative targets remains as set in ¶27 of the MEFP dated January 14, 2010, except that the target on reserve money has been discontinued after March 31, 2011. We are requesting modifications of the performance criterion for the overall cash deficit of the general government for end-March 2012 (Table 2). Moreover, we are proposing new performance criteria and indicative targets for September 30, 2012 and December 31, 2012. The prior actions for completion of the fourth review, existing and proposed structural benchmarks are outlined in Table 3. The understandings regarding the quantitative performance criteria described in this memorandum are specified in the attached TMU. A modification of the adjuster on the ceiling on the overall cash deficit of the general government is proposed, to allow domestically-financed investment to offset the shortfall in the foreign-financed investment, while still preventing higher current spending (TMU ¶25).

Table 1. Moldova: Disbursements, Purchases, and Timing of Reviews Under the ECF/EFF Arrangements 1/

Date 2/	Conditions	Amount (millions of SDR)			Percent of quota		
			of which			of which	
		Total	ECF	EFF	Total	ECF	EFF
January 29, 2010	Board approval of the Arrangement	60.00	40.00	20.00	48.70%	32.5%	16.2%
July 16, 2010	Observance of end-March 2010 performance criteria and completion of first review	60.00	40.00	20.00	48.70%	32.5%	16.2%
April 6, 2011	Observance of end-September 2010 performance criteria and completion of second review	50.00	40.00	10.00	40.58%	32.5%	8.1%
July 13, 2011	Observance of end-March 2011 performance criteria and completion of third review	50.00	20.00	30.00	40.58%	16.2%	24.4%
December 31, 2011	Observance of end-September 2011 performance criteria and completion of fourth review	50.00	16.96	33.04	40.58%	13.8%	26.8%
June 30, 2012	Observance of end-March 2012 performance criteria and completion of fifth review	50.00	13.92	36.08	40.58%	11.3%	29.3%
December 31, 2012	Observance of end-September 2012 performance criteria and completion of sixth review	49.60	13.92	35.68	40.26%	11.3%	29.0%
	Total	369.60	184.80	184.80	300.0%	150.0%	150.0%

Source: IMF staff estimates and projections.

Note: A total of SDR 95 million of access under the ECF has been disbursed to the account of the Ministry of Finance at the National bank of Moldova for budget support. This amount was spread over the first three purchases as follows: (i) SDR 40 million from the first purchase; (ii) SDR 40 million from the second purchase, and (iii) SDR 15 million from the third purchase.

1/ Moldova's quota is SDR 123.2 million

2/ For past purchases, actual dates are shown. For potential future purchases, the earliest possible dates are shown.

Table 2. Moldova: Quantitative Performance Criteria and Indicative Targets, December 2010–December 2012 1/

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

	2010		2011							2012					
	Dec. 31		March 31		June 30		Sept. 30		Dec. 31	March 31		June 30		Sept. 30	Dec. 31
	Indicative targets		Performance criteria		Indicative targets		Performance criteria		Indicative targets	Performance criteria		Indicative targets		Performance criteria	Indicative targets
	Program	Adjusted program	Progra m	Adjusted program	Program	Adjusted program	Program	Adjusted program	Program	Program	Revised	Program	Revised	Program	Program
1. Quantitative performance criteria															
Ceiling on the overall cash deficit of the general government 2/	3,596	3,491	685	610	994	1,121	1,119	1,093	1,596	218	312	470	505	673	837
Actual		1,786		518		1,363		1,407							
Ceiling on net domestic assets of the NBM (stock) 2/	-6,224	-5,609	-5,594	-5,051	-7,003	-6,531	-6,509	-6,137	-6,500	-6,190		-5,754	-5,949	-6,170	-5,856
Actual		-7,049		-7,090		-6,781		-6,551							
Floor on net international reserves of the NBM (stock, millions of U.S. dollars) 2/ 3/	1,464	1,414	1,430	1,423	1,603	1,565	1,707	1,677	1,730	1,706		1,682	1,702	1,776	1,821
Actual		1,594		1,614		1,652		1,699							
Ceiling on contracting or guaranteeing of non-concessional external debt of the general government (millions of U.S, dollars) 3/	125		50		80		80		80	80		80		80	80
Actual	28		0		0		0								
2. Continuous performance criteria															
Ceiling on accumulation of external payment arrears (millions of U.S. dollars) 2/	0		0		0		0		0	0		0		0	0
Actual	0		0		0		0								
3. Indicative targets															
Ceiling on change in domestic expenditure arrears of the general government	-107		0		-25		-50		-50	0		-24	-12	-24	-24
Actual	-187		63		1		-41								
Ceiling on the general government wage bill	7,550		1,830		4,064		5,807		7,844	2,028		4,538	4,628	6,650	8,745
Actual	7,317		1,767		3,939		5,677								
Floor on priority social spending of the general government 4/	9,634		2,369		4,933		7,391		10,457	2,590	2,482	5,179	5,181	7,852	10,696
Actual	9,717		2,403		5,118		7,657								
Memorandum items:															
EC Macro Financial Assistance budgetary grants (millions of euros)	50		0		20		20		50	0		0		0	0
Actual	40		0		0		20								
Budget support grants	…		…		…		797		1,488	236	288	236	288	506	981
Actual							549								
Official external budget support and project grants and loans from the European Commission and the World Bank (millions of U.S. dollars)	232		20		88		126		201	30		40	59	91	160
Actual	180		13		50		96								
Foreign-financed project loans	1,070		299		834		1,117		1,331	165	52	350	373	551	748
Actual	619		132		368		719								
Other capital expenditures 5/			…		…		…		…	448		793		1,714	3,000
Actual															
Reserve requirement ratio	8		8		11		14		14	14		14		14	14
Actual	8		11		11		14								

Sources: Moldovan authorities; and IMF staff estimates and projections.

1/ 'Program' columns up to June 2012 refer to targets in effect during the third review of the program; 'Adjusted program' columns refer to program targets incorporating adjusters as defined in the TMU; 'Revised' columns refer to targets, if any, that were revised during the fourth review.

2/ Adjusters apply to the ceiling on the overall cash deficit of the general government, ceiling on net domestic assets, floor on net international reserves, and ceiling on reserve money. The indicative target on reserve money was discontinued after March 2011.

3/ Program target based on the program exchange rates.

4/ The priority social spending of the general government is the sum of essential recurrent expenditures directed to social protection.

5/ Defined as total capital expenditures minus foreign-financed project loans.

Table 3. Moldova: Prior Actions and Structural Benchmarks for the Fourth Review

Measure	Due	Status	Objective
Prior action for the fourth review			
Parliamentary passage of an amended 2011 budget with a deficit target in line with the program objectives (¶7) 1/	PA	Done	Maintain fiscal adjustment in 2011 on track.
Ministry of Finance will issue an order to the State Tax Inspectorate to intensify monthly inspections of high-risk taxpayers and extend the program for voluntary compliance to all large taxpayers with respect to their VAT and payroll tax payments (¶8) 1/	PA	Done	Overcome revenue weakness relative to the economy's performance.
Parliamentary passage of a 2012 budget with a deficit target in line with the program objectives, supported by tax policy and expenditure reforms (¶9) 1/	PA		Maintain the programmed speed of structural fiscal adjustment.
Structural Benchmarks			
Fiscal consolidation and governance			
Re-introduce the corporate income tax (CIT) with a single rate of 12 percent (¶12) 2/	31-Dec-11	Done	Increase tax revenue.
Cabinet approval of mechanism to bring commitments on agricultural subsidies in line with available funds (¶8) 1/	31-Mar-12	Proposed benchmark	Control spending and maintain fiscal discipline.
Parliamentary approval of legal amendments to continue the reform in the education sector (¶10) 1/	31-Mar-12	Proposed benchmark	Support the 2012 budget.
Financial stability			
Parliamentary passage of legal amendments to facilitate debt restructuring and speed up execution of collateral on bank loans (¶15) 1/	30-Sep-11	Delayed. Proposed for reset for end-March	Clean bank balance sheets and reduce structural impediments to bank lending.
Parliamentary passage of legal amendments to strengthen disclosure of bank owners (¶14) 1/	30-Jun-12	Proposed benchmark	Raise transparency in the banking sector to strengthen confidence by depositors and prevent further raider attacks.
Supporting growth and mitigating fiscal risks			
Adoption of legal and regulatory amendments to introduce a minimum payment of 40 percent of the monthly heating bill and set August 1 as a legal deadline for settling all heating bills for the past heating season, as well as raise the heating fee for apartments disconnected from central heating from 5 percent to 20 percent of the average building heating bill (¶22) 2/	30-Sep-11	Done	Ensure financial soundness of the heating companies and current payments for imported natural gas.
Extend the option to receive value-added tax (VAT) cash refunds for new purchases of investment goods (excluding buildings and cars) to the entire country (¶12) 2/	31-Dec-11	Done	Promote new investment and establish equitable taxation regime for all companies.
Government will reactivate its contract with Banca de Economii's privatization advisor BNP Paribas and ask the advisor to prepare an action plan and a timetable for the bank privatization (¶13) 1/	31-Jan-12	Proposed benchmark	Promote market-oriented decision-making at Banca de Economii.

1/ Paragraph numbers refer to paragraphs of the SMEFP dated January 12, 2012.

2/ Paragraph numbers refer to paragraphs of the SMEFP dated June 27, 2011.

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 Memorandum of Economic and Financial Policies (MEFP) and describes the methods to be used in assessing the program performance with respect to these targets.

F. Quantitative Program Targets

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

- the ceiling on the overall cash deficit of the general government;
- the ceiling on the net domestic assets (NDA) of the National Bank of Moldova (NBM);
- the floor on the net international reserves (NIR) of NBM;
- the ceiling on contracting or guaranteeing of nonconcessional external debt of the general government;
- the ceiling on accumulation of external payment arrears of the central government (continuous).

Indicative targets are set on:

- the ceiling on reserve money (applicable up to the test date of March 31, 2011 and discontinued thereafter);
- the ceiling on change in domestic expenditure arrears of the general government;
- the ceiling on the general government wage bill;
- the floor on priority social spending of the general government.

G. Program Assumptions

3. For program monitoring purposes, U.S. dollar denominated components of the NBM balance sheet will be valued at program exchange rates. The program exchange rate of the Moldovan leu (MDL) to the U.S. dollar has been set at 12.3000 MDL/US$. Amounts denominated in other currencies will be converted for program purposes into U.S. dollar amounts using the cross rates as of end-September 2009 published on the IMF web site

http://www.imf.org, including US$/EUR = 1.4643, JPY/US$ = 89.7700, CHF/US$ = 1.0290, US$/GBP = 1.6113, CNY/US$ = 6.8290, SDR/US$ = 0.631164.

H. Institutional Definitions

4. The **general government** is defined as comprising the central government and local governments. The **central government** includes the state budget (including special funds and special means, as well as foreign-financed projects), state social insurance budget, and health insurance budget. The **local governments** include special funds and special means, as well as 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.

I. Program Definitions

5. **Net international reserves (NIR) of the NBM** in convertible currencies are defined as gross reserves 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 and controlled by the NBM, including holdings of securities denominated in convertible currencies that are freely usable for settlement of international transactions, calculated using program assumptions on bilateral exchange rates. Excluded from reserve assets are capital subscriptions to foreign financial institutions, long-term non-financial assets, funds disbursed by the World Bank or other international institutions assigned for on-lending and project implementation, assets in nonconvertible currencies, 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 in convertible currencies are defined as use of Fund credit by the NBM, and convertible currency liabilities of the NBM to nonresidents with an original maturity of up to and including one year. Liabilities arising from use of Fund credit by the NBM do not include liabilities arising from the use of SDR allocation and use of Fund credit by the general government. Excluded from reserve liabilities are liabilities with original maturities longer than one year.

6. **Reserve money** is defined as currency in circulation (outside banks), vault cash of banks, total required reserves, and balances on correspondent accounts of banks in the NBM in lei. For the purpose of assessing compliance with the program targets, the value of reserve money will be calculated as arithmetic average of its values for the last 5 working days before and including the program test date.

7. **Net foreign assets (NFA) of the NBM** are defined as gross reserves in convertible currencies (defined in paragraph 5) plus foreign assets in nonconvertible currencies, funds disbursed by the World Bank or other international institutions assigned for on-lending and project implementation, and foreign assets pledged as collateral or otherwise encumbered, including claims in foreign exchange arising from transactions in derivative assets, and net other foreign assets, minus foreign exchange liabilities of the NBM to nonresidents.

8. **Net domestic assets (NDA) of the NBM** is defined as the difference between reserve money (defined in paragraph 6) and net foreign assets (NFA) of the NBM. For the purpose of assessing compliance with the program targets, the value of NDA will be calculated as arithmetic average of its values for the last 5 working days before and including the program test date.

9. For the purposes of calculating overall cash deficit of the general government, **net credit of the banking system** 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).[1] The Ministry of Finance will provide data on the holdings of government securities and foreign-financed projects.

10. The **ceilings on the overall cash deficit of the general government** are cumulative from the beginning of calendar year and will be monitored **from the financing side** as the sum of net credit of the banking system to the general government, the general government's net placement of securities outside the domestic 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[2] for direct budgetary support and for specific projects minus amortization paid, and privatization proceeds stemming from the sale of the general government's assets, after deduction of the costs directly associated with the sale of these assets.

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[1] For the calculation of the net credit of the banking system to general government the following accounts will be excluded: 1731, 1732, 1733, 1735, 1761, 1762, 1763, 1801, 1802, 1805, 1807, 2711, 2717, 2721, 2727, 2732, 2733, 2796, 2801 and 2802.

[2] Debt is defined as in footnote 3.

11. **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.

12. **External debt ceilings** apply to the contracting or guaranteeing by the general government or any other agency acting on behalf of the general government of (i) short-term external debt (with an original maturity of up to and including one year) and (ii) non-concessional medium- and long-term debt with original maturities of more than one year. Debt denominated in currencies other than the U.S. dollar shall be converted to the U.S. dollars using program assumptions on bilateral exchange rates. The debt ceilings will not apply (i) to loans classified as international reserve liabilities of the NBM, (ii) to changes in indebtedness resulting from refinancing credits and rescheduling operations of existing debt, (iii) to credits from international financial institutions (IFIs), including credits extended by the Fund.

13. For program purposes, the definition of **debt** is set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274, adopted on August 24, 2000 and revised on August 31, 2009).[3] 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.

14. 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

[3] Debt is defined as 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. Arrears, penalties, and judicially 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.

(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.

15. **Concessionality** will be calculated using currency-specific discount rates based on the OECD commercial interest reference rates (CIRRs) and taking into account all details of the loan agreement, inlcuding maturity, grace period, payment schedule, upfront commision, and management fees. The ten-year average of CIRRs will be used as the discount rate to assess the concessionality of loans of an original maturity of at least 15 years, and a six-month average of CIRRs will be used to assess the concessionality of loans with original maturities of less than 15 years. To both the ten-year and six-month averages, the following margins will be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–30 years; and 1.25 percent for over 30 years. Grant element of the loan can be calculated using the concessionality calculator available at the IMF web site http://www.imf.org.[4] For program purposes, a debt is **concessional** if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. The discount rates used for this purpose are the CIRRs published by the OECD.

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

17. For the purposes of the program, general government **expenditure arrears** are defined as non-disputed (in or out of court) payment obligations that are due but not paid for more than 30 days. They can arise on any expenditure item, including transfers, debt service, wages, pensions, energy payments and goods and services. Arrears between the state, local government, and social and health insurance budgets, are not counted towards the expenditure arrears' ceiling on the general government.

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[4] Currently available at http://www.imf.org/external/np/pdr/conc/calculator/default.aspx.

18. The **general government wage bill** will be defined as sum of budget spending on wages and salaries of public sector employees. This will include current spending reported in line "Wages" of the general government budget according to the program classification of the annual budget except for salaries of the social and health funds' employees.[5]

19. The priority **social spending of the general government** is defined as the sum of essential recurrent expenditures for social assistance, unemployment insurance, and pension payments by the Social Insurance Fund as well as 95 percent of health expenditures.

J. Adjusters

20. The adjusters set in this TMU apply for assessing compliance with the program's quantitative targets starting from end-March 2010.

21. The **ceiling on the overall cash deficit** of the general government will be increased by the amount paid in cash for recapitalization of the NBM or by the face value of government securities issued for the same purpose.

22. The **ceiling on the overall cash deficit** of the general government will be adjusted upward—that is, the deficit target will be increased—by the net value of government securities that are recorded as budget expenditure in the context of resolving the failed Investprivatbank.

23. The **ceiling on the overall cash deficit** of the general government will be adjusted upward (downward)—that is, the deficit target will be increased (reduced)—by the full amount of any shortfall (excess) between actually disbursed and programmed Macro Financial Assistance budgetary grants from the European Commission (EC), valued at the exchange rates at the program test dates.

24. From end-September 2011, the **ceiling on the overall cash deficit** of the general government will be adjusted upward (downward)—that is, the deficit target will be increased (reduced)—by the amount of any shortfall (excess) between the total amount of actually disbursed and programmed budget support grants excluding Macro Financial Assistance budgetary grants from the European Commission (EC). The upward adjustment is capped at the equivalent of MDL 250 million, valued at the exchange rates at the time of disbursement.

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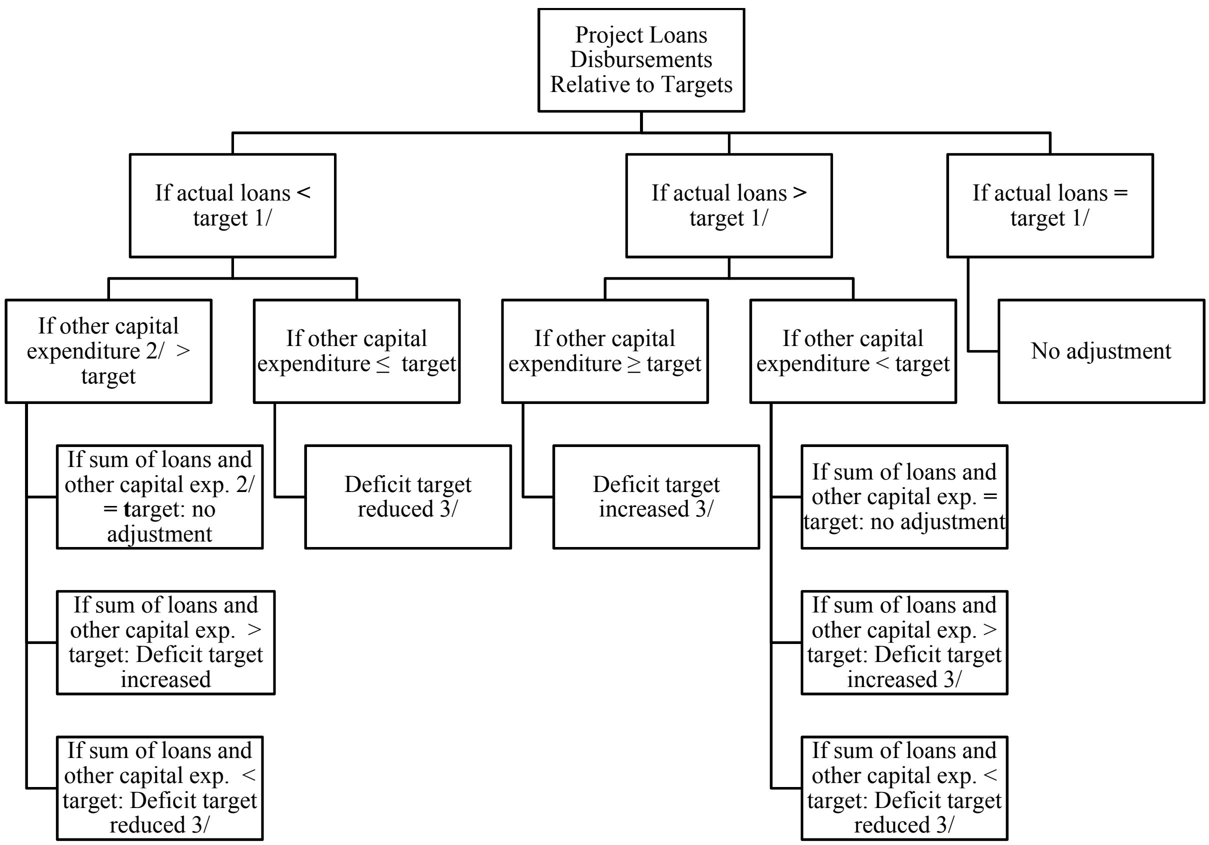
[5] For the calculation of the total general government wage bill the following accounts for central government, local government, and special funds from the Treasury system in the Ministry of Finance will be used: 111, 112, and 116.

25. The **ceiling on the overall cash deficit** will be adjusted downward (upward)—that is, the deficit target will be reduced (increased)—for any lower (higher) than programmed disbursement of foreign-financed project loans as specified in Table 2 of the MEFP. Starting from end-March, 2012, the downward (upward) adjustment of the deficit ceiling will be reduced by the amount of capital expenditure financed from other sources in excess (shortfall) of the programmed allocation at each target date. Owing to monitoring lags, the net downward adjustment is capped at a quarter of the programmed amount of foreign-financed project loans. The net upward adjustment is capped at the equivalent of US$25 million, valued at program exchange rates. Figure 1 outlines the step-by-step process of applying this adjuster.

Figure 1. Application of the Adjuster Described in Paragraph 25



1/ "Target" refers to program target.
2/ "Other capital expenditure" or "other capital exp." stands for total capital expenditure minus foreign-financed project loans.
3/ Caps apply to the reduction or increase of the deficit target, as discussed in ¶25.

26. The ceiling on **reserve money** will be adjusted downward (upward) and the ceiling on **NDA of NBM** will be adjusted downward (upward) symmetrically for any reduction (increase) in the required reserve ratio on the deposits of commercial banks denominated in

lei. The adjustment amount will be calculated by multiplying the change in the required reserve ratio by the amount of commercial banks' deposits and liabilities in lei subject to reserve requirements.

27. The floor on **NIR of the NBM** will be lowered and the ceiling on **NDA of NBM** will be raised symmetrically by any shortfall in the official external grants and loans from the EC and World Bank capped up to an equivalent of US$50 million. For the purpose of this definition, the program exchange rates will apply for calculating the amounts of the grants and loans.

K. Reporting Requirements

28. 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 Table 1. The authorities will transmit promptly to Fund staff any data revisions.

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

Item	**Periodicity**
Fiscal data (to be provided by the MoF)	
General budget operations for revenues, expenditure and financing (functional and economic)	Monthly, within three weeks of the end of each month
General government wage bill	Monthly, within three weeks of the end of each month
Number of budgetary sector positions by ministry	Monthly, within three weeks of the end of each month
Number of employees in the budgetary sector by ministry, and their respective wage bill	Monthly, within three weeks of the end of each month
Expenditure on social assistance as stipulated under activity 457 of social payments paid from the social fund budget	Monthly, within three weeks of the end of each month
Expenditure on pensions and unemployment benefits, and health expenditures as reported by NSIH and NHIC respectively	Monthly, within three weeks of the end of each month
Domestic debt	Monthly, within two weeks of the end of each month
Domestic arrears	Monthly, within three weeks of the end of each month
Privatization receipts received by the budget (in lei and foreign exchange, net of divestiture transactions costs)	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 indicators of commercial banks (from NBM's Banking Supervision)	Monthly within four weeks of the end of each month
Foreign exchange cash flows	Monthly, within two weeks of the end of each month
Foreign exchange operations (NBM data)	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
Interbank transactions (volumes, average rates)	Weekly within one week of the end of each week

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

Item	Periodicity
Balance of Payments (to be provided by the NBM)	
Current and capital account data.	One quarter after the end of the previous quarter
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 government or government guarantee.	Monthly within three weeks of the end of each month
Total debt service due by creditor, and debt service paid.	Monthly within three weeks of the end of each month
Disbursements of grants and loans by creditor	Monthly, within three weeks of the end of each month
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.