Nr. 01-79-3654

Chişinău, April 4, 2023

Letter of Intent

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

Dear Ms. Georgieva:

1. The attached provides updates to the Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) of December 15, 2022. The MEFP reports on recent economic developments, reviews progress in implementing Moldova's program under the ECF/EFF arrangements and sets out macroeconomic and structural policies that we plan to implement.

2. In the wake of spillovers from the protracted war in Ukraine, the rising cost of living, and weaker-than-anticipated agricultural production, our economy endured a severe recession in 2022. We anticipate a modest economic recovery in 2023, driven by a rebound in domestic demand and agricultural output, higher growth across trading partners, and supportive monetary and fiscal policies. So far, we have managed to preserve energy security in the near term through careful implementation of our contingency plans, which allowed us to diversify our gas supply sources. After reaching its high in October 2022, inflation has decelerated, prompting monetary policy relaxation. The ECF/EFF program continues to play a crucial role in triggering substantial help to overcome the challenges posed by intensifying external and internal headwinds.

3. In a challenging environment, we have managed to keep program implementation on track for the most part. We met all end-December 2022 quantitative and indicative targets. We also met two structural benchmarks: in August 2022, we selected the director of the Anti-Corruption Prosecution Office (APO), and in March 2023, we amended the secondary legislation to include tax expenditure reviews in the yearly state budget planning process. However, we missed two end-December 2022 structural benchmarks on amendments to limit the mandates of the Anti-Corruption Prosecution Office (APO) and the National Anti-Corruption Center (NAC) to high-level corruption and to the criminal and criminal procedure codes to add clear criteria for the application of simplified proceedings. These were implemented as prior actions for this review in April 2023.

4. We are requesting a waiver for non-observance of the continuous performance criterion on the non-accumulation of external payment arrears based on corrective measures taken. Russia terminated the moratorium on repayment of obligations related to old commercial debt and requested an amendment of the debt contract to allow for repayment in rubles and avoid accumulating fines after January 30, 2023. We requested the initiation of discussions on options to meet the obligations under the contract. Meanwhile, in line

with the TMU, we created an escrow account at the NBM on March 31 and deposited the outstanding amounts (in US dollars, the original contract currency) to ensure that we do not incur arrears under the program.

5. To support our ongoing efforts, we request the completion of the third review of the ECF/EFF program and the release of the fifth tranche in the amount of SDR 70.95 million (41.13 percent of the quota, or approximately US$94.9 million). We believe that the policies outlined in the accompanying MEFP are sufficient to meet our program's objectives. We are prepared to take further actions, as necessary, to achieve our program objectives. According to IMF policies, we will consult with staff prior to adopting such measures, revising the policies outlined in this MEFP, or adopting additional measures that diverge from program objectives. In accordance with our commitment to transparency, we approve publication of this letter, the MEFP and its attachments, and the accompanying staff report by the IMF.

Sincerely yours,

Dorin Recean
Prime Minister

Veronica Sirețeanu
Minister of Finance

Octavian Armașu
Governor National Bank of Moldova

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

Appendix I. Letter of Intent

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Washington, DC 20431 USA

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/s/

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Prime Minister

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Veronica Sirețeanu
Minister of Finance

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Governor
National Bank of Moldova

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

Attachment I. Memorandum of Economic and Financial Policies

I. Macroeconomic Developments and Outlook

1. **Russia's war in Ukraine continues to fuel security and socio-economic concerns.** Our country's proximity to the war and Russia's continued presence in the breakaway region of Transnistria continues to pose exceptional uncertainty. We continue to host more Ukrainian refugees per capita than our European peers, about 4 percent of Moldovan population, of which females and children comprise 60 percent and 40 percent, respectively. Effective March 1, 2023, our government approved temporary protection for Ukrainian refugees and certain third-country nationals, to facilitate access to employment, accommodation, emergency primary medical assistance, public education for children, and some social assistance. With the war entering its second year, geopolitical tensions in the region continue, increasing the risks of destabilization in Moldova. Meanwhile, the continued influence of vested interests and the resumption of protests compromise the fragile social fabric and political stability. Against this backdrop of risks, the new government, in place since end-February, will prioritize strengthening state institutions, supporting economic recovery, enhancing contingency planning, and enforcing state security.

2. **We have managed to safeguard energy security so far, but risks remain.** We have successfully diversified our sources of gas supplies and decoupled from dependency on Gazprom. In line with the contingency plans, this was achieved by leveraging fiscal buffers and EBRD credit lines. However, risks remain in the electricity sector due to dependency on month-to-month contracts of electricity supplies from Transnistria. In February, MGRES provided about 88 percent of the total electricity demand, while Romania and domestic suppliers contributed about 12 percent. We have secured electricity deliveries from MGRES for March 2023, but uncertainty remains with respect to future supplies.

3. **The economy contracted sharply in 2022, and a modest recovery is expected in 2023.**

- *Growth*. The economy is estimated to have contracted by 5.9 percent in 2022, significantly larger than projected at the time of the second review of the program. Economic activity was adversely affected by depressed domestic demand due to the soaring cost of living, spillovers from the protracted war in Ukraine, weaker-than-expected agricultural production, and an overall tight policy mix. We project economic activity to grow modestly by 2 percent in 2023 on account of: (i) a recovery of domestic demand supported by higher public wages and pensions, public infrastructure spending, lower inflation, monetary easing, and improved credit conditions; (ii) a rebound of agricultural output as the sector recovers from the drought last year; (iii) favorable tailwinds from stronger growth of trading partners; and (iv) a supportive fiscal policy stance.

- *Inflation*. Headline inflation declined to 25.9 percent yoy in February 2023 from a peak of 34.6 percent in October 2022. Although inflation remains high, it is expected to continue decelerating in the coming months, steered by carefully calibrated monetary policy and supported by moderating global food and energy prices.

- *Fiscal position.* The fiscal deficit in 2022 was 3.3 percent of GDP, reflecting continued trends of under-execution, particularly on goods and services and capital expenditures. Adjusting for the recapitalization of the energy state owned enterprise (SOE), Energocom, to secure gas reserves, the general government deficit reached 5.5 percent of GDP, compared to the budget-approved deficit of 6.2 percent of GDP. Revenue performance remained resilient, underpinned by an inflationary effect on value-added and corporate income taxes, while excise duties grew moderately, reflecting war-related trade disruptions and subdued domestic consumption. On expenditure, targeted transfers for households, wages, and the procurement of natural gas for the winter season led to increased spending in 2022H2. Cash buffers reached MDL 1.9 billion (0.7 percent of GDP) at the end of 2022, reflecting strong external support, revenue overperformance, and expenditure under-execution.

- *External*. The current account deficit reached about US$1.6 billion (15.3 percent of GDP) in 2022Q3, driven by a sizeable trade deficit, reflecting weak exports (in part due to poor agricultural output) and higher energy price-induced imports. Gross foreign exchange (FX) reserves recovered above pre-war levels to about US$4.5 billion as of end-February 2023, boosted by significant disbursements of external financial support and due to increased reserve requirements for foreign exchange-denominated deposits. At this level, the FX reserves provide adequate cushions against external shocks.

- *Monetary and financial policies.* The strong disinflationary outlook has led to an easing of the monetary policy cycle, already reversing some of the tightening initiated in July 2021. The financial sector has continued to show resilience, with deposits and liquidity buffers exceeding pre-war levels. However, credit growth has moderated on the back of tighter monetary policy, the introduction of borrower-based prudential measures, and tighter due diligence to contain excessive risk taking.

4. Risks remain high and tilted to the downside, and the outlook is subject to extreme uncertainty. The duration of recent shocks and the outlook for the energy sector are highly uncertain. Prolonged or additional energy shocks could aggravate Moldova's economic outlook, resulting in fiscal and balance of payments pressures, stifled consumption, and output losses. Should inflationary pressures increase, confidence deteriorate further, or additional external shocks occur, policy trade-offs may become even more challenging. Social unrest over the cost-of-living crisis and political discontent over—appropriate but difficult—policy decisions may also upset Moldova's fragile socio-political equilibrium. Further escalation of the war leading to new waves of refugee inflows to Moldova, or a deterioration of security and economic conditions in Transnistria, could put additional pressures on public finances. However, a faster recovery in domestic demand and a stronger rebound in economic activity of trading partners present upside risks to the outlook.

II. Program Developments

5. Our program implementation remains strong quantitatively, but the challenging context caused some delays in the implementation of the structural reform agenda. We met all the quantitative performance criteria (QPCs) and indicative targets (ITs) for end-December 2022. Of the three structural benchmarks (SBs) for end-December 2022, we: (i) established the special pre-selection committee, which includes experts with international experience, and appointed an individual with the necessary skills and irreproachable reputation to the head of the Anti-corruption Prosecution Office (APO) ahead of schedule as reported at the second review; (ii) amended the relevant legislation to narrow the mandates of the APO and the National Anticorruption Centre (NAC) to high-level corruption with a delay in April 2023 (missed SB, **prior action** for this review); and (iii) amended the criminal and criminal procedure codes to add clear criteria for simplified proceedings and to prohibit the reduction of a term of imprisonment in corruption cases below the statutory minimum with a delay in April 2023 (missed SB, **prior action** for this review). We have adjusted the relevant secondary legislation to institutionalize tax expenditure reviews to be part of our annual state budget planning process (**end-March 2023 SB**).

6. We request a waiver for non-observance of the continuous performance criterion on no accumulation of external payment arrears based on corrective measures taken. Russia terminated the moratorium on debt repayments on January 30, 2023. The Russian Ministry of Finance asked for the immediate action by the Moldovan authorities to amend the contract to allow for repayment in rubles—that could be received through a transit currency—to avoid accumulating fines after January 30. As the change of payment currency requires an amendment to the existing debt contract, we have requested an initiation of discussions on options to meet obligations under the contract. Meanwhile, in line with the TMU, we have created an escrow account at the NBM on March 31 and deposited the outstanding amounts (in US dollars, the original contract currency) to ensure that we do not incur arrears under the program, with the following conditions: (i) no third party (including the Treasury or the Ministry of Finance) will have access to the Funds deposited on the account; (ii) funds deposited on the account can only be used to service the debt to the Russian Federation, according to the repayment schedule and in line with international sanctions; and (iii) funds accumulated on the account can only be transferred back to the Ministry of Finance if there is legal evidence of an agreement to service the debt through other instruments or if funds need to be transferred to another account with the same purpose.

7. We are interested in access under the newly created Resilience and Sustainability Facility (RSF), with discussions taking place in the context of the upcoming fourth ECF/EFF review. Our country’s exposure to adverse climate events is similar to other European countries. However, our adaptation capacity is significantly weaker due to limited investments in climate-related infrastructure, weaknesses in climate risk and disaster management, and public finance management frameworks. The RSF resources could help close adaptation gaps by supporting climate-related policy goals and sustainable long-term economic development, while catalyzing official and private financing to support green investments.

III. Policy Framework

A. Fiscal Policy

8. **The approved 2023 budget is focused on mitigating the economic and social fallout of the war and the energy shock**. The budget is in line with the macro-framework agreed with the IMF staff to bring the general government deficit to 6 percent of GDP. It prioritized measures to respond to the cost-of-living crisis and ensure energy security. To safeguard **social protection,** we indexed pensions in line with growth in social security contributions (1.2 percent of GDP) and increased allocations for existing social assistance programs, including Ajutorul Social Program and APRA—heating assistance (0.5 percent of GDP). To mitigate purchasing power erosion due to **high cost of living,** we increased public sector wages (0.5 percent of GDP). To protect the most vulnerable from **energy price shocks**, we allocated emergency contingency funds for energy and implemented the targeted energy poverty reduction scheme (1.6 percent of GDP). On the revenue side, we widened the VAT base by removing exemptions on specific imported items, increased excises for tobacco and alcohol (in line with discussions in the EU accession process), and supported the small, micro, and medium-sized enterprises (SMMEs) by approving a zero-rate on undistributed income (subject to a sunset clause) to support their liquidity positions. The deficit will be financed by funding from our development partners, notably the EU's macro-financial assistance, World Bank's development policy financing, the IMF, and from domestic sources.

9. **As pressures from the overlapping energy and cost-of-living crises subside, we plan to gradually reorient our spending priorities towards supporting economic recovery.** We see increasing infrastructure spending, particularly in roads, and addressing severe capacity constraints in the civil service as priorities. Towards these objectives, we are starting preparation for a supplementary budget that would reflect most recent expenditure execution, revenue trends, and available external financing. We are committed to achieve these within the agreed general government fiscal deficit target under the program, while preserving adequate contingency buffers to safeguard energy security envisaged in the originally approved budget.

10. **We recognize that the risks around the baseline are high, particularly with increasing security threats and an uncertain energy outlook.** Accordingly, we continue to update our contingency plans and policies in consultation with the IMF to the evolving risk landscape. Should these risks materialize (¶4), we will also seek additional financial support from our partners in the form of grants and concessional loans.

11. **Our medium-term fiscal policy will continue to be guided by the overarching objective of pursuing developmental goals while preserving fiscal sustainability.** We will focus on revenue mobilization efforts aimed at greater efficiency in tax administration while reducing tax expenditures. The nominal depreciation and response to shocks will increase public debt towards 45 percent of GDP, the level anchoring the program. We are committed to a declining path over the medium term once the current crises dissipate to retain sufficient buffers against contingent liability risks and shocks. Our

medium-term budget framework will target general government deficits of about 4.6 to 3.4 percent of GDP in 2024–26. Underpinning this will be reforms to mobilize domestic revenues, improve tax administration, and promote development-focused spending—prioritizing capital spending on roads, energy diversification, and water, investments in health and education, as well as encouraging SMME growth and job creation—supported by enhanced spending efficiency, domestic market development, and strengthen fiscal governance and transparency.

Reforms to Strengthen Revenue Mobilization

12. Tax policy and tax and customs administration reforms remain priorities. In consultation with IMF staff, we plan to:

- **Identify tax relief provisions for phasing out.** We have adjusted the relevant secondary legislation to institutionalize tax expenditure reviews to be part of our annual state budget planning process (**end-March 2023 SB**). Building on the progress made, we intend to extend the tax expenditure analyses to include excise, customs, and real estate tax (**end-December 2023 SB**). Moving forward, we intend to prepare a proposal identifying tax expenditures to be phased out based on cost-benefit analysis. This will help eliminate abusive practices, reduce tax system inefficiencies, and mobilize domestic revenues.

- **Continue strengthening tax administration.** We will continue to improve the organizational structure and capacity of the State Tax Service (STS) in line with IMF TA, including TADAT recommendations, by: (i) strengthening STS capacity to investigate and refer tax crimes for prosecution by signing relevant protocols, addressing gaps in legislation, and organizing training and technical assistance from the IMF; (ii) launching the automatic exchange of information with the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes by September 1, 2023; (iii) introducing a General Anti-Avoidance Rule provision in the Tax Code to counter domestic and international abusive tax practices (**end-September 2023 SB**); and (iv) implementing an automated tax filling compliance program to improve on-time filing of tax returns, including by assigning penalties for late- or non-filing (**end-December 2023 SB**).

- **Continue phasing out the favorable treatment of carbon emissions.** Road fuel excises are adjusted annually by nominal GDP growth with a view to converge towards minimum EU levels by 2025. After the energy crisis subsides, we will review the energy sector taxation regime, following a thorough assessment of social and economic considerations.

- **Advance customs reforms in a number of important areas.** The Parliament approved a new customs code in August 2021, developed in consultations with the EU, that aims to align our customs regulations and procedures with international best practices and bring it closer to EU directives effective January 1, 2024. To support the implementation of the new customs code, we are developing relevant regulations. In line with our commitments with the EU and to strengthen deterrence capacity of anti-smuggling policies, we amended the relevant legislation to: (i) reduce the legal threshold for determining smuggling as a criminal offence and raised administrative fines for such violations; and (ii) define the smuggling offense base to include duties, taxes, and other fees. The WHO Protocol to Eliminate Illicit Trade in Tobacco Products, which aims to reduce revenue leakages and smuggling, was ratified in Parliament in March 2022. Going forward, we will update the relevant legislation to facilitate implementation of the Protocol.

- **We will leverage the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime to strengthen tax compliance.** Existing AML/CFT tools, such as for identifying the beneficial owners of entities and accounts, can be used to enhance corporate transparency, to facilitate detection and enforcement of tax offences and incidences of abusive profit shifting (including to non-transparent offshore jurisdictions), and to trigger tax controls. In this regard, we aim to improve the exchange of information between authorities and the quality of beneficial ownership information, as well as strengthen the cooperation between the tax authority, financial intelligence unit, and law enforcement bodies.

Reforms to Improve Budget Quality and Fiscal Transparency

13. We firmly believe in the importance of transparent budgeting. To that effect, we will prioritize the following actions:

- **Institutionalize spending reviews.** We see spending reviews as critical for identifying the scope for efficiency improvements and cost effectiveness in key sectors. We completed a spending review for the education and agriculture sectors and plan to complete a spending review in the health sector in 2023. With a view to implement relevant recommendations from the completed spending reviews, we plan to consolidate the network of universities by absorbing smaller higher education institutions and merging research institutes with universities, while directing efficiency gains towards improving the educational process. We will work closely with our UN partners to conduct additional social sector spending reviews as a prerequisite for any major reforms in this area, as well as monitoring the implementation of recommendations of spending reviews related to improved quality of education, as well as effectiveness and equity of public spending for children and other vulnerable groups.

- **Improve the credibility of the Medium-Term Budget Framework (MTBF).** Our budgets are currently subject to significant under-execution of planned expenditures and may not fully consider the short- and medium-term fiscal impact of approved policies. We plan to adopt the MTBF for the period 2024-26 by end-May. In line with the objective of improving public financial management systems, we will continue efforts to preserve multiyear fiscal discipline. With the IMF technical assistance, we will work towards strengthening the MTBF preparation and implementation process. We aim to establish binding (for the first budget year) and indicative (for the following two years) multiyear expenditure limits. A stronger MTBF will ensure that citizens are aware of the full multiyear fiscal impact of new policies and their effect on long-term fiscal sustainability and will also serve as an early warning system to take corrective action when needed.

- **Implement the Public Finance Management (PFM) Strategy**. In February 2023, we approved the strategy to strengthen the PFM systems for 2023-30. The strategy aims to improve planning and budgeting to increase public finances' efficiency, performance, and transparency. It articulates strategic interventions aimed at improving the fiscal framework, strengthening the planning, execution, and reporting of public finances, improving revenue administration to increase collection, strengthening the public procurement system, and increasing transparency and accountability.

- **Strengthen fiscal responsibility framework and budget transparency.** We will review the performance of our fiscal responsibility framework in place since 2018 with a view to reduce the procyclicality of the deficit rule, limit escape clauses, and strengthen fiscal oversight and budget transparency.

- **Strengthen public procurement**. We publish the beneficial ownership information of all entities contracting with public authorities on the website of the Public Procurement Agency (PPA). We plan to roll out a new e-procurement system to cover all public procurements, with a view to support transparent public procurement processes and delivering cost-efficient services. We are strengthening capacity within the relevant governmental bodies to improve efficiency and fast-track procurement of government contracts. The government also intends to approve a roadmap for the next four years by approving the Public Procurement Development Program, with a view to further harmonize the national regulatory framework with the Acquis Communautaire, finalize the secondary regulatory framework, develop the capacity of public procurement specialists, and promote centralized public procurement.

- **Enhance disclosure and management of fiscal risks.** We have made progress in identifying and reporting fiscal risks and published a fiscal risk statement as an addendum to our budget documents starting 2018. In 2020, we expanded it to include key PPPs, large SOEs, and government guarantees including the Prima Casa housing support program. With the help of EU technical assistance, we are applying a new methodology to assess fiscal risks stemming from SOEs operating in the energy sector. We plan to expand coverage of this methodology to strategic SOEs in other sectors and expand the narrative within the Fiscal Risk Statement. We will continue to improve the coverage, monitoring, inter-agency coordination, and reporting quality of contingent liabilities in our fiscal risk statements going forward (see SOE reforms).

- **Strengthen debt and cash management.** Despite recent progress, especially with respect to data quality and inter-agency coordination, financial instruments are limited and concentrated in short-term maturities, and the government securities market remains shallow. In September 2022, we amended the law on public debt (Law 419/2006) and the secondary legislations in March 2023 to: (i) improve the quality of the statistical data of the public sector debt (based on IMF mission recommendations); (ii) regulate the direct issuance of government securities to retail investors and their transactions on the primary and secondary markets; (iii) regulate the monitoring of the primary dealer's activity; and (iv) regulate the authorization process of contracting debt and issuing guarantees. To deepen the debt market for government securities and facilitate domestic financing, we will strengthen our operational capacity, and take steps to further develop the primary dealer system and develop a new platform for retail investors. To preserve debt sustainability, we will remain prudent regarding our borrowing strategy, including by prioritizing grants and donor financing on highly concessional terms.

- **Tackle the shadow economy to create fiscal space.** The share of employment in Moldova's shadow economy is estimated at around 23 percent, comprising mainly of agriculture (about 61 percent of the total shadow economy), construction (about 22 percent), and HoReCa (about 7 percent) sectors. This employment includes undeclared work and income that would add to GDP and tax revenues if reported. The estimated losses in tax revenue are about 5-7 percent of GDP, including due to envelope wages (about 30 percent of the corporate wage bill). A functional review of the state labor inspectorate by the International Labor Organization (ILO) pointed to a weak legal framework, absence of deterrent sanctions, and weak capacity as critical constraints. Against this background, we aim to reform the state labor inspectorate to improve its governance, build capacity for better risk analysis, and enforce dissuasive sanctions. Our overarching objective is to create more fiscal space, promote fair competition, improve labor market conditions, and to crowd in informal participants into the social safety net.

Reforms to Make Expenditures Efficient, Sustainable, and Growth-Friendly

14. We aim to improve the outcomes of our public services to support our growth and equity objectives. We will:

- **Strengthen our public investment management (PIM) framework to enhance the execution and quality of public investment and close large infrastructure gaps.** Guided by the 2019 PIMA report recommendations, we aim to strengthen the planning, allocation, and implementation stages of our PIM cycle. To this end: (i) in March 2022, we published on the Ministry of Finance webpage five reports on the execution of investment projects undertaken by the developmental funds (Regional Development Fund, Road Fund, Environment Fund, Energy Efficiency Fund, and foreign-financed projects) in the previous fiscal year, with a requirement to update these reports annually as part of the budgetary preparation and reporting; and (ii) in September 2022, we amended legislation and regulations to expand the coverage of the existing PIM framework to include projects implemented by the state budget, externally funded projects, and development funds. To facilitate the implementation, enhance transparency, and further strengthen the PIM framework, we will: (i) mandate compliance with the Regulation 684 for all new eligible public investment projects considered for funding under the MTBF and State budget effective from 2024; and (ii) develop a registry for investment projects approved for the implementation by the State budget, externally funded projects, and developmental funds, and make all supporting documentation public. With the IMF technical assistance, we plan to undertake a **Climate Public Investment Management Assessment**, the C-PIMA diagnostic, to identify potential improvements in public institutions and processes to build climate resilient infrastructure by 2023H1.

- **Strengthen the unitary pay system in the budgetary sector.** We plan to undertake an analysis of the unitary pay system in the budgetary sector to improve the wage-compression ratio, strengthen the budgetary process, and address critical staffing needs. Towards this objective, and leveraging recommendations of IMF technical assistance, we plan to improve reporting of public funds going towards employee expenses to include public institutions, continue consolidating reference values in the government pay scheme, and review the cost-of-living adjustment mechanism for public sector pay. In December 2021, we launched a fully operational comprehensive IT-based staff registry, as a pilot, covering employees of the Ministry of Finance and the STS; and are working on expanding the system to cover the Customs Service, the Financial Inspectorate, and the PPA. We have expanded the coverage of a comprehensive IT-based staff registry to all ministries and are working to also cover all remaining employees of central government.

- **Ensure the sustainability of the pension system.** Our pension system has significant challenges, including a narrow contribution base, an ageing population, and falling replacement ratios. Effective from April 2023, we increased pensions by 14.5 percent in line with projected social security contributions growth. In consultation with the World Bank, we intend to continue broadening the contribution base to address sustainability risks.

- **Enhance social assistance programs.** In consultation with the World Bank, we initiated the reform of the Ajutorul Social program which strives to strengthen the support of the most vulnerable families and improve the targeting of social assistance programs. We also intend to shift resources from categorical (including ad-hoc categorical payments) to means-tested payments and make remote application to means-tested programs operational. The reform also includes a simplification of the proxy test, clarifying qualification criteria for Ajutorul Social and APRA (cold-season benefit) and improving the interoperability of information systems. In close cooperation with our UN partners, we will continue monitoring the impact of the war on living standards and adjust the assistance level accordingly to ensure coverage of the most vulnerable, especially families with children. We updated our Poverty Reduction Strategy Paper (PRSP), "European Moldova - 2030", and adopted it in Parliament in November 2022.

- **Implement a targeted energy poverty reduction program.** Toward this objective, we launched the Energy Vulnerability Reduction Fund (EVRF) starting with the 2022-23 heating season to protect the vulnerable from rising energy costs and support the transition of households towards more energy-efficient appliances. We registered 760,000 out of 1,300,000 homes for the subsidy. About 78 percent of the households were classified as highly vulnerable across the five categories (including a non-eligible category) based on welfare indicators, income proxies, family characteristics, type of heating system, and consumption levels. Benefitting from lower international energy prices and more favorable weather conditions, the scheme has realized monthly savings of about 20-30 percent of the total estimated cost of about MDL 1 billion a month, providing a welcome buffer for the 2023-24 heating season. The subsidy is implemented through the EVRF (Law approved by the Parliament on July 28, 2022). We will work with the UN agencies to improve targeting and achieve integration of Ajutor Social, APRA, and EVRF to further increase the efficiency of reducing poverty rates and vulnerability of beneficiary families to future shocks.

- **Scale up investment in disaster and climate risk mitigation and response.** With support from the World Bank, we are conducting diagnostics which will form the basis for the Country Climate and Development Report (CCDR) and will be completed by FY2023-24. Sectors particularly exposed to climate change relates risks include: (i) agriculture and forestry, key pillars of the economy, especially for employment, as well as water and infrastructure, including at the local and municipal level; and (ii) the energy sector, where the distribution and transmission infrastructure may be impacted by extreme weather and potential to reduce energy imports through development of renewable sources could be compromised. Moldova's systemically important agricultural sector continues to be vulnerable to natural disasters, with imminent risks to the livelihoods of numerous producers and households. In cooperation with the World Bank, we will explore measures to strengthen the sector's resilience, including by building farmers' capacity for sustainable agricultural practices and climate adaptation measures, expanding access to irrigation, adopting drought-resistant crop varieties and anti-hail protection, and developing innovative insurance schemes. In addition, Moldova is exposed to significant and potentially high-impact seismic risks which can have a devastating impact on the country, both in terms of loss of life and the economy.

- **Strengthen gender equality efforts**. Labor force participation remains low for women at 35 percent compared to 43.1 percent for men, while wages for women average 13.7 percent lower than for men due to education, age, and working-time differences. Going forward, our priorities include improving work-life balance by introducing flexible work arrangements and improving access to childcare to facilitate faster reintegration of women into the workforce following maternity leave. We will also work with the UN agencies to build capacity for incorporating gender equality into the broader PFM reform agenda by providing guidelines to line ministries for tracking and reporting gender sensitive information.

B. Monetary Policy

15. The NBM stands ready to adjust its monetary policy stance consistent with its inflation targeting framework. Our monetary policy decisions continue to depend on the inflation outlook and adjustments are guided by the 12–24-month inflation forecasts, with the objective of keeping inflation within the target band.

- ***Policy rates.*** Forward-looking and data-dependent monetary policy helped to contain the second-round effects of inflation and anchor expectations. After peaking in October 2022, headline inflation started to decline sharply, and we forecast the deceleration to continue in 2023. Against this disinflationary outlook, the NBM lowered the required reserves ratio in domestic currency by 6 percentage points in two steps to 34 percent, effective January and February 2023, to boost market liquidity and lending to the public and private sectors. The required reserves for foreign currency deposits were left at 45 percent widening the gap to 11 percentage points. The NBM also lowered the policy rate from 21.5 percent in August 2022 to 14 percent in March 2023. However, given the exceptional uncertainty, we remain agile to adjust the pace of monetary policy normalization if high inflation proves to be more persistent or second-round effects emerge. We envisage additional easing to be conditional on headline and core inflation firmly remaining on a downward path.

- ***Foreign exchange interventions.*** The MDL appreciated somewhat against the US dollar since late December 2022 (but remains below its pre-war level), supported by strengthened confidence, a large interest rate differential, and robust external inflows. The considerable external financial support and improved market conditions have enabled gross foreign exchange reserves to be rebuilt to about $4.5 billion by end-December 2022, more than reversing the foreign exchange losses at the onset of the war. The NBM stands ready to allow necessary exchange rate adjustment and will continue to manage reserves conservatively, limiting interventions to counteracting excessive exchange rate volatility while also actively communicating its intervention strategy to the market.

- ***Contingency measures.*** While remaining committed to the outlined policy approach, in the face of unprecedented uncertainties, the NBM stands ready to undertake necessary contingency measures should severe downside risks materialize and endanger macroeconomic and financial stability. In consultation with IMF staff, these measures would be used in combination with a broader macroeconomic adjustment package.

C. Financial Sector Policies

16. The banking sector remains resilient, but risks remain. Banks remain adequately capitalized at 29.5 percent, while aggregate asset quality registered some deterioration, with nonperforming loans at 6.6 percent of total loans at end-January. Liquidity buffers are improving on the back of some reserve requirements relaxation and deposit mobilization. The liquidity coverage ratio at 281 percent exceeded the prescribed 100 percent limit by a large margin but was lower than its pre-war level of over 300 percent. Total deposits have recovered, currently about 6 percent above the pre-war level, while the share of FX in total deposits marginally declined to 40 percent. Return on equity and return on assets were 23.9 percent and 4.1 percent, respectively, pointing to favorable profitability. Nevertheless, increased loan loss provisioning on account of deteriorating asset quality and elevated credit risk could weaken future bank profitability. Risks of renewed deposit withdrawals remain significant given the proximity and continuation of the war. Two banks lost their correspondent bank relationships due to sanctions on Russia and have since established new ones.

17. Banks' lending to households is slowing, but we remain vigilant about the potential buildup of systemic risk. Restrictive monetary policy stance and the regulations for responsible lending, including a loan-to-value (LTV) threshold of 80 percent and a debt service-to-income (DSTI) threshold of 40 percent as well as tighter creditworthiness assessments, have contributed to the slowing credit growth. The new real estate and consumer credit loans decreased by 63.9 percent and 25.7 percent (y/y), respectively, in January 2023. With banking credit growth below its long-term trend, we maintained the counter-cyclical buffer rate at zero and the systemic buffer rate at 1 percent.

18. We remain committed to further strengthening the institutional autonomy and governance of the NBM, in consultation with the IMF. Against a highly uncertain background, the central bank's independence remains critical for ensuring effectiveness in preserving macroeconomic and financial stability. In this regard, we are strongly committed to fully implement safeguards recommendations. In consultation with IMF staff, we adopted amendments of relevant legislation to strengthen provisions for: (i) procedures and criteria for the appointment, resignation, and dismissal of the Governor and Deputy Governors and members of the Supervisory Board; (ii) prohibiting influence from public and private parties; and (iii) clarifying managerial responsibilities for the governor and the Executive Board. Going forward, we will assure NBM's operational autonomy over its assets and introduce staggering mandate for the current NBM's Supervisory Board members, in line with safeguards recommendations.

19. We are fully committed to preserving recent banking sector reforms. To this end, we will ensure that preservation of the actions undertaken in the process of the removal of shareholders that do not fulfill the fitness and probity criteria—including those acting in concert—is reinforced. We are determined to bring perpetrators of the fraud to justice through an independent and comprehensive investigation, prosecution, and judicial process. In this context, we recognize financial stability risks arising from legal proceedings against banks as legal entities. Against this background, we are strengthening our crisis management arrangements by complementing discussions on financial stability and fiscal risks in the banking system at the level of the National Committee for Financial Stability (NCFS) with also considering these risks at the level of the Supreme Security Council. We have prepared—and will regularly update and discuss in the NCFS—comprehensive contingency plans to: (i) ensure that all provisions and capital charges applied to banks due to pending legal decisions are in line with IFRS and NBM regulations; (ii) require credible and time-bound capital restoration plans in cases where capital falls below prudential limits alongside other supervisory corrective actions; and (iii) if necessary, implement resolution actions identified by competent authorities to preserve financial stability in line with the Bank Recovery and Resolution Law (BRRL).

20. The NBM continues to take all necessary steps in ensuring proper corporate governance and professional management of banks. While we support initial public offerings (IPOs) by domestic banks on reputable stock exchanges abroad, we remain committed to preserving the strength of our supervision framework, particularly including access to information about shareholders, supervisory powers over shareholders, investor jurisdiction regulations, and bank governance.

21. We are determined to strengthen our financial supervision, including by bolstering our financial crisis management and macroprudential frameworks in line with the FSSR recommendations. To this end, the NBM has made progress towards preparing the targeted review of the BRRL and the relevant secondary legislation, in line with good practices as appropriate to Moldova and based on IMF staff recommendations, to identify shortcomings, introduce more flexibility to the MREL requirement, the conditions of access to the resolution fund, and the participation of the Deposit Guarantee Fund (DGF) in the financing of the resolution measures (**end-June 2023 SB**). We have also advanced in the comprehensive review of the bank liquidation framework with a view to strengthen liquidation procedures, including by introducing a forced liquidation procedure that achieves public policy objectives without hindering the discharge of other functions of the NBM. We are closing gaps in the macroprudential framework, including by amending the NBM Law to provide an explicit legal mandate for financial stability. The NBM also intends to update the macro-solvency stress testing framework. We also intend to amend the relevant legislation to ensure that the NBM can conduct its supervisory work without being curtailed by inappropriate deadlines or other impediments to proper financial sector supervision which were introduced by the 2019 Administrative Code.

22. We pledge to bolster financial safety nets. We will enhance the DGF's capability to pay out insured deposits in case of future bank failure, including by conducting stress tests for both the DGF and banks. We will strengthen the resolution preparedness of the NBM for the implementation of the Bridge Bank Tool and Bail-in tool, including preparation of operational plans, and enhance inter-agency cooperation.

23. We pledge to contribute to greening the financial system and ensuring that climate risks do not threaten financial stability in line with the NBM's strategic plan. Toward the objective of building climate resilience, we intend to: (i) foster green finance by integrating climate risk in financial sector supervision, including issuing guidance for banks and other financial institutions on the governance, management, reporting, and disclosure of climate-related risks; and (ii) develop the capacity to monitor climate risks in the financial sector to eventually conduct and publish climate stress tests. The NBM is building capacity in green regulation and supervision through various workshops and Sustainable Banking and Finance Network (SBFN) Working Groups and, in line with its strategic priorities, intends to develop its framework for green and sustainable finance by 2025. We also amended our reserves management framework to explicitly allow for investment in green bonds.

24. We are improving oversight of the non-bank sector's viability, corporate governance, and risk management practices. Our immediate focus remains in line with the prior commitment to transfer the regulatory and supervisory responsibilities for the oversight of Non-Bank Credit Organizations (NBCO), savings and lending associations, credit history bureaus, insurance companies, and insurance intermediaries to the NBM effective July 1, 2023. We are addressing the remaining operational aspects, including the transfer of the National Commission for Financial Markets (NCFM) archives, normative acts, ongoing judicial processes, and human resources.

- ***NBCOs.*** The activation of loan-to-value (LTV) and debt-service-to-income (DSTI) ratios as well as stricter credit worthiness assessment for the NBCOs on September 1, 2022, has contributed to a slowdown (y/y) in non-bank credit by 21.9 percent in December 2022, respectively. We are upgrading the reporting requirements of NBCOs to closely monitor their compliance with the responsible lending regulation and aim to have it ready by July 2023.

- ***Insurance Companies.*** We have modified solvency and liquidity indicators reporting to update the valuation of corporate shares and depreciation of real estate while properly accounting for liabilities under legal disputes. In April 2022, we adopted a new law on insurance and reinsurance activity to transpose Pillar II (corporate governance) and Pillar III (reporting standards) of the Solvency II framework. To facilitate implementation of Pillars II and III of the Solvency II frameworks, the NCFM will develop all critical secondary legislations. The NCFM will adopt secondary legislation on licensing, qualified shareholders, and fit-and-proper and prudential requirements (**end-June 2023 SB**). Going forward, the NBM plans to conduct a Balance Sheet Review for all insurers to evaluate their readiness for the subsequent implementation of Pillar I. In line with the approved financial recovery plan, one insurer has successfully recapitalized. Since April 2022, one insurer is under special administration to foster regulatory compliance due to weak corporate governance and non-compliance with regulatory standards. As this insurer failed to comply with the regulations, even under special administration, the license was revoked on March 9, 2023. The new law on Motor Third Party Liability Insurance, which was adopted in April 2022 will become effective on April 1, 2023.

25. We are strengthening the regulatory frameworks for capital markets and upgrading the institutional architecture for financial consumer protection.

- ***Central Securities Depository (CSD).*** We plan to consolidate supervision of capital markets by transferring the capital market–related supervisory competencies of the CSD from the NBM to the NCFM. We have set up an intra-agency working group to establish the CSD's supervision, ownership, and governance under the new regulatory framework. We have drafted legislation amending the normative acts of the Single Central Securities Depository Law to clarify the regulatory and supervisory responsibilities between the NBM and NCFM to promote the safety, efficiency, and integrity of the capital market and securities settlement systems.

- ***Financial consumer protection.*** We plan to entrust the NCFM with the financial consumer protection mandate, including well-defined financial consumer protection responsibilities for all financial services. We have developed the concept note for the institutional architecture underpinning the reform, which clearly defines the objectives and responsibilities between the NBM and NCFM. The draft legislation amendments necessary for the reform are under discussion, with a view to approve the legislation by July 1, 2023. We will also ensure adequate funding of the NCFM to perform its new mandate.

26. We are taking steps towards improving financial inclusion. To this end, the NBM is actively modernizing the financial market infrastructure to facilitate cashless payments through the development of the instant payment scheme and, in time, the PSD2-based open banking system. We are working towards joining Single Euro Payments Area (SEPA). As recommended by the FSSR, we are updating the regulatory framework for online identity verification system (e-KYC procedure) by September 2023 which will improve customer services and use of regulated financial services. This will also increase the reach and effectiveness of our AML/CFT regime. The NBM's fintech division proactively engages with the private sector in order to develop new products based on the instant payments infrastructure that leverage digital services and provide modern, fast, efficient and inclusive financial services for consumers and SMMEs. We are committed to developing an inter-agency committee with a mandate to develop, implement, and monitor NFIS.

27. We are committed to protecting our financial sector from illicit financial flows. Towards this end, we will continue to strengthen our AML/CFT regime, particularly by addressing vulnerabilities identified in the 2019 MONEYVAL assessment. To enhance the ability of financial institutions to play their role of gatekeepers, we have been conducting outreach to the sector on better understanding of risks, the implementation of a risk-based approach, and more effective application of preventive measures focusing on suspicious transactions reporting, politically exposed persons, and the identification of beneficial owners. We commit to continuing these efforts, including through targeted supervisory activities. We will also strengthen the capacity of regulatory authorities and improve the coordination among all relevant actors, including regulatory authorities, law enforcement, and private sector. We have adopted a National AML/CFT Strategy for 2020–25 and will update our National Risk Assessment, develop the accompanying action plan, and publish the results.

D. State Owned Enterprises and Energy Sector Reforms

28. Reforming the SOE sector remains a priority to improve efficiency and contain fiscal risks. Our SOE sector undermines competition, productivity, and private investment, while posing significant fiscal risks. The sector suffers from weak performance associated with poor governance and oversight, noncommercial mandates, and weak capacity and independence of Supervisory Boards.

- We adopted a state-ownership strategy—for all SOEs operating at the central government level—to identify public enterprises to undergo reorganization, privatization, or liquidation, as well as plans to strengthen their governance in December 2022. The rationales of the strategy, include: (i) supporting national economic interests; (ii) maintaining critical infrastructure; (iii) producing strategic goods and services; and (iv) providing basic social services.

- Going forward, we will complete a triage of SOEs owned by the central government, in line with the approved state-ownership strategy (**end-December 2023 SB**). As a first step towards this goal, we will establish a working group comprising of line ministries to implement the triage based on the procedures and indicators set out in the state-ownership strategy. We also intend to propose a privatization strategy for small and large enterprises and set economic benchmarks to identify the most opportune conditions for launching de-nationalization efforts.

- With the support of the World Bank, we submitted to Parliament the amendments to the Law on State and Municipal Enterprises in February. These amendments authorize the PPA to: (i) ensure the adoption by SOEs of a corporate governance code according to the model approved by the Government, and (ii) evaluate the performance of SOE Executive Board members. Other proposed modifications introduce Audit Committees for Public Interest Entities as executive bodies of SOEs and allow for inclusion of independent members in the composition of SOE Boards. In addition, we submitted for the Government's approval the regulations on the selective process of Supervisory Board members of SOEs and their remuneration.

29. Safeguarding energy security remains our priority amidst mounting risks. Tariff adjustments are a critical element of the policy response to import price increases, with fiscal support subject to the availability of resources in the budget. We have also taken measures to reduce energy consumption.

- ***Natural gas.***
  - As part of the contingency plan to safeguard energy security, in 2022, we recapitalized Energocom with about MDL 6.1 billion (2.2 percent of GDP) using budgetary resources to

secure gas reserves. Together with the EUR 300 million EBRD credit line, this allowed us to accumulate sufficient gas reserves (equivalent to several months of winter consumption) for the current winter season. Energocom continues to buy gas from the markets thereby decreasing the average price for the gas in storage.

- To shield businesses from soaring energy costs, we decided to provide partial compensations capped at 500 cubic meters of natural gas at the end of January 2023. We have allocated MDL 230 million for January-March 2023, of which MDL 25 million was disbursed as of March 13, 2023.

- As a member of the EU's energy platform, we will leverage regional cooperation to advance efforts to reduce dependence on gas imports and address infrastructure bottlenecks and inefficiencies. Specifically, in line with the South-East European regional action plan of the EU energy platform, we ensured that customs regulations enable Moldova to operationalize virtual reverse pipeline flows. We have adjusted the regulatory framework to ensure closer and faster alignment of domestic tariffs with imported prices.

- In agreement with the Energy Community Secretariat, by August 2023, ANRE will issue the final certification for the unbundled gas system operator in line with one of the legally prescribed models.

- ***Electricity.***

  - The war continues to create supply and price uncertainties. During January-March, we were able to secure electricity purchases at a beneficial price based on monthly contracts with MGRES, the electricity producer owned by the Russian company Inter-RAO and located in the Transnistrian region. However, given the shortage of gas imported from Gazprom starting with October 2022, MGRES reduced substantially the generation and supply of electricity, creating a need for procurement from spot markets abroad. Further, escalation of targeted attacks on infrastructure in Ukraine led to domestic supply deficits and subsequent cessation of electricity exports even for Moldova. To bridge the shortfall, we secured supplies from Romania through the ENTSO-E, but capacity remains constrained with quantities volatile and prices broadly higher. Resorting to EU traders or spot market acquisitions to cover for the deficit came at a higher cost while cross-border capacity remains limited at 500 MW. We engaged economic agents and households to save energy during peak hours to help balance the demands on the grid.

  - We continue to adjust electricity tariffs to reflect the higher costs. We also provided a direct compensation to the Central Electricity Supplier (single buyer of renewable and cogenerated electricity linked to district heating) to mitigate the impact of rising prices.

E. Rule of Law and Anti-Corruption

30. Strengthening the rule of law and addressing corruption remain critical priorities. We are committed to combatting high-level corruption, eliminating bad actors in the public sphere, and laying the foundation for strong rule of law in Moldova. Our short-term goals include cleansing the system and developing a rigorous framework to preserve the independence and accountability of judicial actors, which is critical to addressing corruption, reducing avenues for political influence, instilling more trust in our court system, and improving access to and delivery of justice. We also recognize the importance of capacity building and ensuring the effective functioning of key institutions. To achieve the foregoing objectives, we are currently reviewing our national anti-corruption strategy to inform the preparation of a new strategy.

31. We recognize the importance and need to strengthen the independence, integrity, and effectiveness of the judiciary. We endeavor to modernize our judicial system in line with recommendations by international bodies and experts. These priorities are contained in our Strategy on Judicial Independence and Integrity, which was adopted by Parliament in early-December 2021. In March 2022, we passed legislation governing the integrity vetting of candidates for the Supreme Council of Magistrates (SCM) and the Superior Council of Prosecutors (SCP) and their respective colleges, based on a transparent process. This process was formulated in consultation with relevant international bodies and is concluded for members of the SCM and will soon commence for members of the SCP. We have begun working on draft legislation applying this extraordinary assessment process to the Supreme Court of Justice (SCJ). We commit to carrying out these reforms in line with constitutional principles and internationally recognized norms and standards. Our reform agenda includes measures to improve systems of recruitment, appointment, evaluation, promotion, and disciplining of judges once the extraordinary judicial vetting is complete. Recent constitutional amendments have paved the way for important reforms to the SCM, namely on the removal of ex officio members, in line with recommendations by the Venice Commission. Transforming the SCJ into a court of cassation to improve the quality of case law remains one of our top priorities. We will continue ongoing reforms to optimize and increase transparency in our court system.

32. We are committed to enhancing the capacity and integrity of our prosecution service. To improve the effectiveness and accountability of the prosecution service, we passed amendments relating to the extraordinary assessment of the Prosecutor General. To ensure that such evaluations are conducted in accordance with principles enshrined in our constitution, we have developed specific criteria and procedures with the necessary safeguards in place and in consultation with international partners. Reforms are needed to improve the current system of evaluating and disciplining prosecutors, including by streamlining disciplinary proceedings and removing the inspectorate of prosecutors from under the office of the Prosecutor General. Our ultimate objective is to strengthen the independence, accountability, and capacity of the SCP as the prosecutorial governance body. To this end, the eventual removal of ex officio members of the SCP is envisioned.

33. We are fully committed to tackling entrenched corruption by strengthening the anti-corruption legal framework. In September 2020, we amended the Criminal Code to ensure that the main corruption offences are classified as serious offences. As a result of these amendments, extended statute of limitations and application of protection measures for witnesses and other participants in criminal procedures would be possible in connection with these offences. In 2021, we started a comprehensive reform of our criminal law framework to improve the criminal justice process and enable prosecutorial bodies to more effectively pursue cases and sanction perpetrators. As a part of this process, in consultation with Fund staff, we amended the Criminal Procedure Code to add clear criteria and procedures for the application of simplified proceedings and to prohibit the reduction of a term of imprisonment in corruption cases below the statutory minimum (**prior action**, missed end-December 2022 SB).

34. We will promote the integrity, capacity, and independence of key anti-corruption institutions to effectively detect, investigate, and prosecute high-level corruption. In consultation with Fund staff, we improved the selection process for the head of the APO in April 2022 by amending the Law on the Prosecution Service. We then immediately initiated the process for the selection of the head of the APO, in accordance with the amended Law on the Prosecution Service (**end-December 2022 SB**). The recruitment was completed in June 2022 and the new head of the APO took up her post on August 1, 2022. To ensure that the APO can function effectively and efficiently, we have been analyzing our anti-corruption institutional infrastructure to identify ways to improve criminal law enforcement efforts. Towards this end, we amended relevant legislation to focus the efforts of the APO and NAC to high-level corruption involving investigation or prosecution of: (i) public officials of high office, and (ii) corruption "in large proportions" or "resulting in serious consequences", as defined by the Moldova Criminal Code (**prior action**, missed end-December 2022 SB). We also commit to increase the operational autonomy of the APO by allowing it to have control over its human and financial resources. As a first step, we will implement the 2016 Law on the Prosecution Service, which stipulates that the specialized prosecution services shall have their own budgets. To ensure that the APO operates with an independent budget in 2024, we will assign a separate code (level 2 of the organizational budget classification) in the registry of budgetary institutions maintained by the Ministry of Finance to include APO as a separate line item (**revised end-June 2023 SB**).

35. Corruption enforcement is increasingly focusing on high-level corruption and recovering criminal proceeds. During the first six months of 2022, the NAC provided support in parallel financial investigations in cases involving 22 former and current members of Parliament, one former president, and one former Chair of Parliament, as well as 7 prosecutors and 3 judges, all holding leadership positions. We have also confiscated criminal assets in the amount of approximately MDL 630 million in the first half of 2022. We are also developing a database of seized assets, allowing for more transparency into the management of confiscated assets and the kinds of enforcement measures that have been taken following final court decisions. Among the priorities moving forward will be the intensification of scrutiny of high-level officials' sources of wealth, including assets held abroad, leveraging the asset declaration regime and the illicit enrichment offence. Towards this end, we aim to improve the effectiveness of our asset declaration regime, including with respect to October 2021 amendments to Law 132/133 requiring a fair market valuation in asset declarations.

36. We remain resolute in achieving progress on asset recovery from the 2014 banking fraud through criminal justice efforts and channels and cooperation with foreign counterparts, including on the establishment of joint investigative teams. We will bolster coordination among all domestic stakeholders under the leadership of the State Security Council. We will also establish procedures for post-conviction confiscation and identify a responsible body.

F. Economic Statistics

37. We remain committed to improve the quality of our economic statistics. Our efforts continue to be geared towards enhancing the production and dissemination of economic statistics which remain vital for effective macroeconomic policy and decision making. However, the operational capacity of the National Bureau of Statistics is hampered inter alia by (i) limited human and financial resources; (ii) inadequacy of the ICT system; (iii) gaps in the legislative framework regarding the access to personal data from administrative and private data sources for statistical purposes; and (iv) poor inter-institution coordination within the National Statistical System (NSS). To this end, we will develop a new multi-year strategic planning document for further development of the NSS that covers improvements in the production and dissemination of official statistics to enhance the quality and accessibility of statistical data. We will develop legal framework for statistical production in line with relevant EU standards, in particular to enable access to personal data from administrative and private sources for statistical purposes. We plan to strengthen coordination within the NSS and allocate adequate resources to improve data collection and processing.

G. Program Monitoring

38. Going forward, the program will be monitored through semi-annual reviews. The complete schedule of reviews is set out in the accompanying staff report. The quantitative performance criteria (QPCs), inflation consultation clause (ICC), and indicative targets (ITs) have been extended to include targets for March 2024. Two prior actions related to the missed end-December 2022 SBs in the area of anti-corruption have been proposed for the completion of this review. In addition, we request that the end-June 2023 SB to ensure that the APO operates with an independent budget is revised to reflect we intend to achieve this objective by assigning a separate code in the registry of budgetary institutions maintained by the Ministry of Finance, instead of by amending the Order of the Ministry of Finance no. 208/2015 on Budget Classification as was originally envisaged. The QPCs, ICC, and ITs are set out in Table 1, as specified in the Technical Memorandum of Understanding (TMU) attached to our Letter of Intent dated April 4, 2023. The prior actions, along with the SBs, are set out in Table 2.

Table 1. Moldova: Quantitative Performance Targets, December 2022 – June 2024

	2022					2023				2024
	September		December			March [1]	June	September [1]	December	March [1]
	Prog. Target CR 22/320	Actual	Prog. Target CR 22/320	Actual	**Status**	Prog. Target CR 23/6	Prog. Target CR 23/6	Prog. Target CR 23/6	Prog. Target CR 23/6	Proposed Prog. Target
1. Quantitative performance criteria [1]										
Ceiling on the cash deficit of the general government	14,521	2,950 [5]	17,219	14,976	**Met**	5,130	7,250	10,890	18,527	4,580
Floor on net international reserves of the NBM (stock, millions of U.S. dollars) [2]	2,515	4,347	2,692	4,478	**Met**	2,806	2,946	3,046	3,146	3,300
2. Continuous performance criteria										
Ceiling on accumulation of external payment arrears (millions of U.S. dollars)	0	0	0	0	**Met** [6]	0	0	0	0	0
3. Indicative targets										
Ceiling on the general government wage bill	16,505	15,259	21,783	21,400	**Met**	5,640	12,550	18,630	25,618	6,275
Floor on targeted social spending undertaken by the general government [3]	1,055	1,085	2,065	2,213	**Met**	3,607	4,717	4,882	5,989	2,694
Floor on developmental spending undertaken by the general government [4]	19,390	23,942	28,654	37,693	**Met**	7,530	14,790	22,980	34,940	7,906
4. Inflation Consultation Bands (in percent)										
Outer Band (upper limit)	37.0		33.0			25.0	16.0	11.5	11.0	8.0
Inner Band (upper limit)	35.5		31.5			23.5	14.5	10.0	9.5	6.5
Center point	34.0	34.0	30.0	30.2	**Met**	22.0	13.0	8.5	8.0	5.0
Inner Band (lower limit)	32.5		28.5			20.5	11.5	7.0	6.5	3.5
Outer Band (lower limit)	31.0		27.0			19.0	10.0	5.5	5.0	2.0

1/ Indicative targets for March 2023, September 2023 and March 2024.
2/ The NIR target is set as specified in the TMU.
3/ Includes Energy Vulnerability Reduction Fund (EVRF), heating allowance, payments under Ajutor Social and unemployment insurance programs.
4/ Includes health, educational, and infrastructure spending.
5/ Revised from 1.917 in CR23/6 (MEFP Table 1).
6/ Temporarily breached between January 30, 2023 and March 31, 2023.

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

	Measure	Rationale	Timeframe	Status
Prior Actions				
1	Amend relevant legislation to narrow the mandates of the APO and NAC to high-level corruption involving investigation or prosecution of (i) public officials of high office and (ii) corruption "in large proportions" or "resulting in serious consequences", as defined by the Moldova Criminal Code.	Promote the integrity, capacity and independence of key anti-corruption institutions to effectively detect, investigate, and prosecute high-level corruption.		
2	Amend the Criminal and Criminal Procedure Codes to add clear criteria and procedures for the application of simplified proceedings and to prohibit the reduction of a term of imprisonment in corruption cases below the statutory minimum.	Strengthen enforcement of the anti-corruption legal framework		
Structural Benchmarks				
Anti-Corruption and Rule of Law				
1	Amend relevant legislation to narrow the mandates of the APO and NAC to high-level corruption involving investigation or prosecution of (i) public officials of high office and (ii) corruption "in large proportions" or "resulting in serious consequences", as defined by the Moldova Criminal Code.	Promote the integrity, capacity and independence of key anti-corruption institutions to effectively detect, investigate, and prosecute high-level corruption.	end-December 2022	Not met. Set as prior action #1.
2	Amend the Criminal and Criminal Procedure Codes to add clear criteria and procedures for the application of plea bargaining and other sentence reduction or mitigation provisions and to prohibit the reduction of a term of imprisonment in corruption cases below the statutory minimum.	Strengthen enforcement of the anti-corruption legal framework	end-December 2022	Not met. Set as prior action #2.
3	In accordance with the amended Law on Prosecution Service, establish the special pre-selection committee, which includes experts with international experience, and appoint an individual with the necessary professional skills and irreproachable reputation to the head of the Anti-Corruption Prosecution Office (APO).	Strengthen anti-corruption institutions.	end-December 2022	Met.
4	To ensure that the APO operates with an independent budget in 2024, assign a separate code (level 2 of the organizational budget classification) in the registry of budgetary institutions maintained by the Ministry of Finance to include APO as a separate line item.	Strengthen anti-corruption institutions	end-June 2023	Revised structural benchmark.
Fiscal Governance				
5	Amend legislation and regulations to expand the coverage of the existing PIM framework to include projects implemented by the state budget, externally funded projects, and extrabudgetary funds.	Strengthen the public investment management framework	end-September 2022	Met.
6	Institutionalize tax expenditure reviews to be part of the annual State budget planning process.	Support fiscal consolidation and eliminate inefficiencies and inequities of the tax	end-March 2023	
7	Extend the tax expenditure analyses to include excise, customs duties, and real estate tax.	Support fiscal consolidation and eliminate inefficiencies and inequities of the tax	end-December 2023	
8	Introduce a General Anti-Avoidance Rule provision in the Tax Code to counter domestic and international abusive tax practices.	Strengthen tax administration reforms and revenue mobilization	end-September 2023	
9	Implement an automated tax filling compliance program to improve on-time filing of tax returns, including by assigning penalties for late- or non-filing.	Strengthen tax administration reforms and revenue mobilization	end-December 2023	
Financial Sector Oversight				
10	Strengthen provisions for the institutional autonomy of the NBM: (i) the procedures and criteria for the appointment, resignation and dismissal of the Governor and Deputy Governors and members of the Supervisory Board; (ii) prohibiting influence from public and private parties; and (iii) clarifying managerial responsibilities for the governor and the executive board.	Strengthen the institutional autonomy and governance of the NBM	end-October 2022	Not met. Adopted in December 2022.
11	Prepare a targeted review of the BRRL and the relevant secondary legislation, in line with good practices as appropriate to Moldova and based on IMF staff recommendations, to identify shortcomings, introduce more flexibility to the MREL requirement, the conditions of access to the resolution fund, and the participation of the DGF in the financing of the resolution measures	Strengthen financial safety net	end-June 2023	
12	The NCFM will adopt secondary legislation on insurance on licensing, qualified shareholders, and fit-and-proper and prudential requirements.	Facilitate implementation of the Solvency II insurance framework	end-June 2023	
SOE and Regulatory Framework Reforms				
13	The government will develop and adopt a state-ownership strategy—for all SOEs operating at the central government level—to identify public enterprises to undergo reorganization, privatization, or liquidation, as well as plans to strengthen their governance.	Improve SOE governance and reduce fiscal risks	end-September 2022	Not met. Adopted in December 2022.
14	Complete a triage of SOEs owned by the central government, in line with the approved state-ownership strategy.	Improve SOE governance and reduce fiscal risks	end-December 2023	

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 Memorandum of Economic and Financial Policies (MEFP) 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 cash deficit of the general government;
- the ceiling on accumulation of external payment arrears of the general government (continuous).

Indicative targets are set on:

- the ceiling on the general government wage bill;
- the floor on targeted social assistance spending undertaken by the general government;
- the floor on developmental spending undertaken by the general government.

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 17.6627/US$ (the official rate as of September 30, 2021). Gold holdings will be valued at US$1,801.50 per troy ounce, the average price during January-September 2021 obtained from the IMF website on primary commodity prices.[1] Assets and liabilities denominated in SDRs and in foreign currencies other than the U.S. dollar will be converted into U.S. dollars at their respective exchange rates of September 30, 2021, as reported in the following table.

[1] https://www.imf.org/en/Research/commodity-prices.

Program Exchange Rates for ECF-EFF Arrangements
(as of September 30, 2021)

Exchange Rate	Program Rate
U.S. dollar / Euro	1.1579
U.S. dollar / Swiss franc	0.9365
U.S. dollar / Pounds sterling	1.3435
U.S. dollar / Japanese yen	111.9100
U.S. dollar / Australian dollar	0.7206
U.S. dollar / Canadian dollar	1.2741
U.S. dollar / Chinese renminbi	6.4634
U.S. dollar / Russian ruble	72.6642
U.S. dollar / SDR	0.7098

Source: https://www.imf.org/external/np/fin/data/param_rms_mth.aspx

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 National Bank of Moldova (NBM)** are defined as gross reserves in convertible currencies minus reserve liabilities in convertible currencies[2].

- For program monitoring purposes, **gross reserves** of the NBM are defined as readily available external assets that are controlled by the NBM for meeting balance of payments financing needs and for intervention in exchange markets. They include 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 agencies, with a minimum credit rating for such securities of AA- and deposits in counterparts with a minimum rating of A-.[3] Excluded from reserve assets are capital

[2] For these purposes, convertible currencies include the Euro, Chinese Renminbi, Japanese Yen, Pound Sterling, U.S. Dollars, Swiss Franc, and the Australian and Canadian Dollars.

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

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.

6. 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 adjustments for program purposes are made. On this basis, and consistent with the definition above, the stock of NIR of the NBM amounted to US$ 3708.75 million as of September 30, 2021.

7. For the purposes of calculating the 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).[4] 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.

8. 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. 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 September 30, 2021, amounted to MDL 8479.3 billion.

9. The **ceiling on the cash deficit of the general government** is defined, as the sum of net credit of the banking system to the general government (as defined in paragraph 7), the general

[4] 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.

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 for direct budgetary support and for project financing minus amortization paid, and privatization proceeds stemming from the sale of the general government's assets. The deficit is cumulative from the beginning of a calendar year and will be monitored from the financing side at the current exchange rate established by the NBM at the date of transaction.

10. 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.

11. Definition of debt, for the purposes of the TMU, is set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Executive Board Decision No. 15688-(14/107), and also includes contracted or guaranteed and non-guaranteed commitments for which value has not been received. For program purposes, the term "debt" is understood to mean a current, that is, 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. Debt can take several forms; the primary ones being as follows:

i. Loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchange of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the loan funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Lease agreements, that is, arrangements under which the lessee is allowed to use a property for a duration usually shorter than that of the life of the property in question, but without transfer of ownership, while the lessor retains the title to the property. For the purposes of this guideline, the debt is the present value (at the inception of the lease) of all the lease payments expected for the period of the agreement, except payments necessary for the operation, repair, and maintenance of the property.

12. 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, on-lending 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, on-lending 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.

13. 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 accumulation of 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. For the purposes of this performance criterion, nonpayment of external debt service to Russia will not give rise to arrears when the Central Government and the NBM cannot pay or settle based on the contractual terms solely due to factors outside the debtor's control (e.g. the transfer of funds being rejected owing to intermediary financial institutions' compliance policies, sanctions or inability to identify the counterparty), as long as the debt service payments have been paid in full into an escrow account[5] held by a third-party by the contractual due date, taking into account any contractual grace period. Funds in such escrow accounts will be used only to satisfy the related external debt obligations, and their use or withdrawal for other purposes would constitute a breach of the PC.

14. 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.[6]

15. The **targeted social assistance spending undertaken by the general government** is defined as the sum of support for unemployment (9012/00322, 9012/0052, 9008/00519, and 9019/0052), the *Ajutor Social* (social assistance program 9015/00320), the Energy Vulnerability Reduction Fund (9019/00529), as well as the heating allowance during the cold season and the government's energy poverty policy (9015/00322) from the central government budget.

[5] In Moldova's legal framework defined as a "designated account to cover arrears".

[6] 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.

16. **Developmental spending undertaken by the general government** is defined as the sum of total capital spending envelop in the annual budget (including foreign-financed projects) and current spending in the areas of health and education (COFOG Functions 07 and 09).

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 ±1.5 percentage point around the central point. The outer band adds an additional ±1.5 percentage point to the inner band. 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.

18. 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

	2022		2023				2024
	September	December	March	June	September	December	March
Outer Band (upper limit)	37.0	33.0	25.0	16.0	11.5	11.0	8.0
Inner Band (upper limit)	35.5	31.5	23.5	14.5	10.0	9.5	6.5
Center point	**34.0**	**30.0**	**22.0**	**13.0**	**8.5**	**8.0**	**5.0**
Inner Band (lower limit)	32.5	28.5	20.5	11.5	7.0	6.5	3.5
Outer Band (lower limit)	31.0	27.0	19.0	10.0	5.5	5.0	2.0

F. Adjusters

19. The adjusters set in this TMU apply for assessing compliance with the program's quantitative targets starting from end-June 2022.

20. The **ceiling on the 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.

21. The **ceiling on the 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.

22. The **floor on NIR** of the NBM will be lowered by any shortfall in the official external grants and loans up to the equivalent of US$79.6 million and US$290.5 million respectively, in 2022, valued at the program exchange rates.

Programmed External Financing Flows [1/]
(Cumulative from the beginning of the calendar year)

	2022		2023				2024
	September Prog. Target	December Prog. Target	March [2/] Prog. Target	June Prog. Target	September [2/] Prog. Target	December Prog. Target	March [2/] Prog. Target
Programmed external financing flows to adjust the floor on the NIR target (US$ million)	278	476	170	341	511	681	35
Programmed external financing flows to adjust the ceiling on the cash deficit (MDL million)	5,494	8,899	3,505	7,010	10,515	14,020	729

1/ Excluding IMF financing.
2/ Indicative targets for March and September.

G. Reporting Requirements

23. **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.

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
Detailed breakdown of salaries of all SOEs and JSCs, by company.	Annually (2019, 2020 and 2021), and quarterly starting Q1 2022
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 pensions, support for unemployment, the *Ajutor Social* (social assistance program), heating allowance for the cold season, and health expenditures from the Health Insurance Fund.	Monthly, within three weeks of the end of each month
Public and publicly guaranteed domestic debt, by instrument, and creditor:	
- Central government domestic debt	Monthly, within three weeks of the end of each month
- Local government domestic debt	Quarterly, within six weeks of the end of each quarter
Debt stock outstanding for all SOEs and JSCs, by company (to be provided by the PPA)	Annually (2019, 2020 and 2021), and quarterly starting Q1 2022
Domestic arrears, by creditor	Monthly, within three weeks of the end of each month
Arrears outstanding for all SOEs and JSCs, by company (to be provided by the PPA)	Annually (2019, 2020 and 2021), and quarterly starting Q1 2022
Onlending to SOEs by type of onlending projects and by external creditors (including loan disbursements and repayments).	Monthly, within three weeks of the end of each month
Breakdown of the borrowing by SOEs and JSCs, between the external project loans that are on-lent (transferred) directly from the budget (central government) to local authorities / line ministries, and other borrowing from commercial banks.	Monthly, within three weeks of the end of each month

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

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 (NBM)	Monthly, within four weeks of the end of each month
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
• liquidity conditions in the foreign exchange market and banks' ability to maintain open foreign exchange positions • volatility of the MDL exchange rate against foreign currencies • gap between the rates of purchasing and selling MDL against the US dollar in the domestic foreign exchange market • change in the exchange rates of MDL against the US dollar quoted by foreign exchange offices • daily change in net opened currency position in all currencies, in total by banking system • •interbank market volatility	Daily data to be provided once every month, within 10 days of the end of each month.
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

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

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 outstanding debt stock, outstanding debt service due, and debt service paid, by creditor (in line with the new Debt Template titled "Decomposition of Public Debt and Debt Service by Creditor" (shared with the Debt Department at MoF).	Quarterly, within six 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, unless otherwise stated)	
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
Detailed financial performance of all state-owned enterprises and joint stock companies operating at the central government level, in line with the agreed input template (from the Public Property Agency).	Annual, within two months following the end of each year (unaudited), and no later than 6 months following the end of each year (audited).