Speaking notes for the press conference

First of all, I would like to thank the Prime Minister for the hospitality he and his team has extended to us over the last two weeks. We have had very good discussions with the government and the NBM, and I am very much encouraged by the authorities' determination to tackle the serious economic problems Moldova is facing now. The discussions have been difficult, but constructive. I particularly appreciated the positive attitude of the Prime Minister.

We have agreed on the main policies that can be supported by a three year IMF program of about 590 million USD. The policy package will now undergo a review by IMF management and subsequently be submitted for approval to the IMF Executive Board. In addition, Moldova can immediately use its SDR allocation from the IMF (the equivalent of 180 million USD) to cover budget financing needs. Together with substantial new donor assistance, the program provides adequate financing for the 2009 and 2010 fiscal commitments and aims to reverse over time the widening fiscal imbalances that occurred in late 2008 and 2009, while increasing budget expenditure for investment and social protection.

The discussions occurred against the background of a severe economic crisis in Moldova. The economy is expected to contract by 9 percent this year, remittances to fall by 37 percent, and exports by 20 percent. The impact of the crisis has been compounded by policies in early 2009, leading to a dramatic fall in domestic demand. The sharp increase in government consumption has crowded out public investments and left wage and social commitments unfunded. The crisis and the recent policies have also fuelled a sharp increase in real interest rates and a fall in credit, and placed the economy in a downward spiral.

The agreed policies aims to stabilize the economy and provide a sound basis for a recovery, while increasing investment and social spending to mitigate the impact of the crisis on vulnerable groups. We strongly endorse the government's commitment to:

1. Reverse the structural fiscal deterioration in 2009 over the next three years by limiting the fiscal deficit to 7 percent in 2010, 5 percent in 2011 and 3 percent in 2012, while raising public investment and social spending;

2. Maintain flexible monetary and exchange rate policies to keep inflation under control, maintain competitiveness, and build sufficient foreign reserves to cushion the economy from external shocks;

3. Ensure financial stability by close monitoring of the financial sector, accompanied by swift actions if and when necessary;

4. Implement structural reforms to revive the economy by improving the business environment and removing existing rigidities to support an investment and export led growth.

Achieving the objectives of the program hinges on the government's ability to implement the agreed policies as well as stimulating domestic and foreign investments.

The IMF stands ready to continue to support Moldova in its endeavor to reform the economy and unleash rapid growth that would improve the living standards of the population.