International Monetary Fund

Moldova and the IMF

Press Release:
IMF Executive Board Completes Second Review Under the Extended Credit Facility and the Extended Fund Facility Arrangements with Moldova, Approves US$79 Million Disbursement
April 7, 2011

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

March 24, 2011

MOLDOVA: LETTER OF INTENT

Chişinău, March 24, 2011

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street NW
Washington, DC 20431 USA

Dear Mr. Strauss-Kahn:

The economic program supported by the IMF is playing a crucial role in restoring stability and rebuilding confidence in Moldova. With growth significantly exceeding projections in 2010, GDP has broadly recovered to pre-crisis levels. Inflation is under control, and the fiscal deficit has narrowed substantially. These remarkable results were achieved notwithstanding the challenges that the economy faces: fiscal adjustment and promotion of export-led growth require profound structural reforms; rising international food and fuel prices rekindle inflation pressures; job creation lags behind and unemployment still exceeds pre-crisis levels.

The program is broadly on track. All quantitative performance criteria for end-September and most indicative targets for end-December 2010 were observed. However, the difficult political environment of 2010 and unforeseen technical complications have taken their toll, and several structural benchmarks under the program were delayed. In the coming period, we will move expeditiously to implement these measures, as well as the new reforms set forth in our agreement with the IMF. The 2011 fiscal budget consistent with the program objectives will be adopted as a prior action for completion of this review. In addition, we have prepared the Annual Progress Report on the implementation of our National Development Strategy and circulated it to the IMF Executive Board for information.

In consideration of our strong record of program implementation, we request the completion of the second review of the program supported by the Extended Credit Facility and the Extended Fund Facility arrangements and the associated disbursement of SDR 50 million. As the Executive Board consideration of our request falls in early April 2011, we also request waivers of applicability of the relevant end-March performance criteria. The third program review, assessing performance based on end-March 2011 performance criteria and relevant structural benchmarks, is envisaged for June 2011.

Moldova remains committed to improving the well-being of the population through reforms that promote sustainable growth and reduce poverty. In the period ahead, our program will focus on maintaining the targeted pace of fiscal adjustment; reining in inflation pressures; strengthening financial stability of the banking sector; restructuring the energy sector; rolling out the long-awaited education and other structural reforms that would support Moldova's reorientation toward export-led growth.

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

Sincerely yours,

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

/s/
Valeriu Lazăr
Deputy Prime Minister
Minister of Economy

/s/
Veaceslav Negruţa
Minister of Finance

/s/
Dorin Drăguţanu
Governor
National Bank of Moldova

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

SUPPLEMENTARY MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

March 24, 2011

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

I. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

2. **Growth outperformed expectations in 2010, and the economic expansion is set to continue.** Real GDP rebounded by 6.9 percent in 2010, more than offsetting the economic contraction of 6 percent recorded in 2009. We expect the economic growth to return to its sustainable pace of 4½-5 percent in 2011 and thereafter. Expansion of domestic demand, exports, and investment are expected to drive activity in the near term, with tailwinds from trade liberalization reforms, a more favorable external environment, and improving competitiveness.

3. **Barring severe external shocks, disinflation should continue in 2011-12.** Despite adjustment of energy tariffs, depreciation of the leu, and higher excise rates, inflation remained under control at around 8 percent in 2010, while core inflation declined below 5 percent. Under our baseline assumptions for international food and energy prices, we expect that inflation will decline further to 7½ percent in 2011 and about 5 percent by end-2012, the medium-term target set by the NBM. However, we recognize the risk that further surges in international food and energy prices and faster than expected rebound in domestic demand can temporarily push headline inflation above the projected path.

4. **Strong economic recovery boosted budget revenues and helped improve the fiscal position.** In 2010, revenue significantly exceeded the program projections in nominal terms, but underperformed as percent of GDP, mainly due to high contribution to growth of the largely untaxed agriculture. Expenditure targets were also comfortably met, albeit largely due to under-spending of the capital budget caused by capacity constraints. As a result, the cash budget deficit narrowed to 2½ percent of GDP in 2010, far below the program target of 5.4 percent of GDP.

5. **After a sharp drop to single digits in 2009, the external current account deficit widened in 2010 and will remain elevated in 2011.** Rising demand for consumer and investment goods has pushed the current account deficit to an estimated 12¾ percent of GDP in 2010. The same demand factors, along with higher costs of energy imports, will likely propel the deficit even higher in 2011. The elevated deficit in 2011 will be largely financed by official assistance, private capital flows, and FDI. As the economy's borrowing space is filling up quickly, we realize that further external borrowing should proceed at a more measured pace. We expect that from 2013, thanks to our export

promotion efforts and economic recovery in trading partners, higher exports will more than offset the rise in imports, and the current account deficit would decline towards 10 percent of GDP.

6. **The situation in the financial sector has improved as well, with domestic credit rebounding and nonperforming loans declining.** After the decline of 2009, domestic bank credit expanded by about 13 percent in 2010, and interest rates have declined. Meanwhile, the share of nonperforming loans declined to 13.3 percent, in part reflecting write-offs. Moreover, banks maintain large liquidity and capital buffers, remaining resilient to potential risks.

II. Revised Policy Framework for 2011-12

A. Fiscal Policy

7. **Building on the better-than-expected fiscal outcome in 2010, the structural fiscal adjustment will stay on course in 2011-12**. Our goal is to bring down the structural fiscal deficit excluding grants—the fiscal deficit adjusted for the effects of economic cycles—from 5½ percent of GDP at end-2010 through 4½ percent of GDP in 2011 to 3½ percent of GDP by 2012. This would largely rid the budget from its dependency on exceptional foreign aid and make public finances more resilient to macroeconomic risks. In this context, we will continue to contain the unaffordable public sector wage bill and low priority current spending, while strengthening revenue through selected tax policy measures and improved tax administration. Using the created fiscal space to increase infrastructure investment and provide well-targeted social assistance to the most vulnerable will allow us to achieve our broader development goals.

8. **As a next step, we will adopt a 2011 budget with a deficit of 1.9 percent of GDP as a prior action.** We project that the budget revenue will amount to 37¾ percent of GDP in 2011, on account of continued progress in the tax administration reform, increased excise rates on tobacco and hard liquor—in line with our EU Association agenda—and updates of selected local taxes and fees. Implementation of various structural reforms, described below, will allow us to reduce current expenditure by 1½ percent of GDP to 34**½** percent of GDP. At the same time, priority social assistance spending will be safeguarded, and capital expenditure will increase to 5¼ percent of GDP. We will seek to maintain the targeted structural fiscal adjustment in case the economic outlook and budget revenue deviate from our current projections.

9. **With immediate fiscal pressures easing, structural reforms will help contain the large public sector wage bill while creating space for poverty reduction actions.** The significant optimization efforts in the education sector (¶19) will help finance the increase of teachers' wages planned for September 2011. During 2011, other public wage restraints will remain in place as described in Law 355, as amended in October 2009. The only exception will be made for low-income auxilliary personnel in the budget sector (with salaries below MDL 1500), whose wages will be indexed by 8.5 percent on average from July 1, 2011 to alleviate the impact of higher than expected food and fuel prices and to avoid disincentives to labor market participation. Moreover, public sector

employment will be capped at 212,000 positions by end-2011, reflecting the effects of the education reforms, while all vacant positions in excess of that level will be eliminated in 2011.

10. **Greater emphasis will be placed on synchronizing fiscal consolidation efforts at the central and local levels.** The local governments will be granted greater control over local tax rates and fees to allow better revenue planning. In particular, by end-March 2011, we will ensure parliamentary passage of the necessary legal amendments to remove ceilings on existing local taxes and fees. This would allow the Chişinău municipality to raise at least MDL 100 million in additional revenues to finance, among other things (discussed in ¶21), its program of granting wage supplements and heating assistance in 2011. The practice of granting these payments will be discontinued at end-2011. The Ministry of Finance will verify compliance with these commitments.

11. **Going forward, we will continue trimming down current spending while creating sufficient space for the large public investment needs.** In 2012, we aim to reduce the budget deficit further to ¾ percent of GDP, mainly through further rationalization of current spending (1 percent of GDP), sustained by structural reforms (¶¶19-22) that will commence in 2011 and bear fruit over the medium term. Ensuring sustainability of public finances in the medium term will also require implementation of the following measures:

- To reduce spending on goods and services, we will persevere with our procurement reform, assisted by the World Bank. The reform, to be phased in during 2011, will lower the budget costs by automating the bids for delivery of goods and services in the government's centralized procurement agency.
- To improve control over budget planning and execution, we have drafted a law on public finance and accountability which will introduce a rule-based fiscal framework, enhance fiscal discipline, and improve transparency. We expect the law to be passed by Parliament by end-September 2011 and used in the preparation of the 2012 budget.
- To ensure the most effective allocation of capital expenditure, we will review the list of existing and envisaged capital projects, with a view to prioritize execution on the basis of their viability and economic growth potential. The review will also take into account past execution rates and capacity for implementation.
- To ensure implementation of the recently approved tax compliance strategy, by April 30, 2011, the State Tax Service (STS) will put in place operational plans for the strategy implementation, including audit, collection of arrears, and taxpayer service activities (**structural benchmark**). In addition, by September 30, 2011, we will draft and submit to Parliament legislation to allow indirect assessment of individuals' income based on their assets and other indicators as specified in the compliance strategy. On this basis, by December 31, 2011, we will prepare operational plans to strengthen audit, enforcement, outreach to, and education of high-wealth individuals regarding their tax compliance.

- We will reform the outdated mechanism for sick leave benefits. By March 31, 2011, we will amend legislation to assign the financial responsibility for the first day of sick leave to the employee and the second day to the employer, effective July 1, 2011 **(structural benchmark for end-April)**. Further legal amendments—to accompany the passage of the 2012 budget—will increase the number of sick leave days covered by employers to 3 in 2012, 4 in 2013, and 6 in 2014.
- Early retirement privileges will be gradually phased out. By March 31, 2011, we will adopt legislation that, starting July 1, 2011, would raise the statutory retirement age of civil servants, judges, and prosecutors by six months every year until it reaches the regular retirement age **(structural benchmark for end-April)**. This legislation will also extend the requirement to pay social contributions to all persons employed in Moldova in line with bilateral treaties. Another related piece of legislation, also to be passed by March 31, 2011, will put in place a policy of increasing the years of contribution required for full pension eligibility from 30 to 35 years (and from 20 to 25 years for military and police personnel), by 6 months every year, starting July 1, 2011.
- Building on the findings and recommendations of the recent IMF TA mission, we will implement measures to rationalize the use of health care. In particular, from January 1, 2012 we will introduce a copayment of 20 lei for primary care visits for uninsured patients, to motivate them to enroll into the health insurance system. From January 1, 2013, we will introduce small copayments for each doctor and hospital visit (5 lei for primary care, 10 lei for specialists, and 20 lei for hospital admissions) for all other categories of patients, including those who currently receive medical services free of charge. This policy will raise revenue and deter the use of unnecessary care, thus reducing the burden on the system. To this end, by end-April 2011 we will prepare an action plan detailing needed legislative changes, technical preparations, and public information campaign.

B. Monetary and Exchange Rate Policies

12. **The NBM's monetary policy will be focused on achieving its end-2012 inflation objective of 5 ± 1½ percent.** Given the fast economic recovery, closing output gap, and inflation pressures from rising international food and energy prices, the NBM's monetary policy stance will gradually shift from supporting the recovery to addressing inflation risks. Specifically, it should focus on anchoring expectations—thereby countering the second-round effects from surging food and energy prices—and preventing excessive credit expansion. In this context, the NBM's recent tightening measures—the 100 basis points hike in the policy interest rate and the increase in required reserve ratio from 8 percent to 11 percent— adequately address current inflation concerns. Further tightening should be conditional on marked acceleration of credit growth or rising inflation expectations.

13. **At the same time, the NBM will continue to strengthen the operational and legal aspects of its monetary policy framework.** Consistent with the transition to inflation targeting, the

indicative target for reserve money under the program will be discontinued after March 2011. Nevertheless, the NBM will continue to monitor money growth closely as an indicator of the state of domestic demand and sharp sustained moves may warrant policy action. In parallel, the NBM will continue to further enhance its communication, research, and forecasting capacities. As regards the legal framework, by end-September 2011, the NBM will propose amendments to the central bank law to strengthen its independence in line with the international best practice and establish appropriate mechanisms of internal control over NBM's corporate governance.

14. **Alongside, the NBM's exchange rate policies will remain consistent with program objectives.** Specifically, NBM interventions in the foreign exchange market will continue to aim at smoothing erratic movements, but not resist sustained depreciation pressures. Should capital inflows exceed program projections, the NBM will accelerate the pace of reserve accumulation to ensure adequate buffers against the still high external vulnerabilities.

C. Financial Sector Policy

15. **To strengthen financial stability, we will address the quasi-fiscal liabilities stemming from recent crisis management efforts.** The Government's decision to shield from losses the depositors of Investprivatbank (IPB) that failed in 2009 was a necessary step to avoid potential panic and deposit runs. However, paying out these deposits by means of a loan from the majority state-owned Banca de Economii (BEM) to IPB—in turn, enabled by a liquidity-providing loan from the NBM—has created a burden on BEM's balance sheet that is now inhibiting its development. To address this problem, by end-May 2011 the Government will issue to BEM a long-term bond equal to the residual face value of BEM's loan to IPB by either purchasing this loan or—subject to agreement of BEM's minority shareholders—recapitalizing the bank. Meanwhile, the NBM will consider a limited extension of its loan to BEM to mitigate the attendant liquidity risk, and will work with BEM and the IPB liquidator to accelerate the sale of IPB assets. The Deposit Guarantee Fund will assume the responsibility for the net cost of the payout to IPB depositors and may introduce an extraordinary deposit insurance premium to gradually reimburse the Government for the cost of the bond issued to BEM.

16. **To handle future risks better, we aim to put in place the remaining elements of our contingency planning framework.** Recent strengthening of the bank resolution framework and the establishment of a high-level Financial Stability Committee (FSC) were followed by signing of a memorandum of understanding (MoU) between key institutions involved in responding to financial emergencies. As a next step, we aim to put in place specific contingency plans for each MoU participant by end-June 2011. These plans will establish a contingency framework based on a clear set of instruments, division of roles, responsibilities, as well as coordination channels between the involved parties.

17. **Looking ahead, as credit growth picks up speed, the NBM will need to strengthen its bank supervision framework by improving data collection and reducing scope for regulatory**

arbitrage. To this end, the NBM, based on best international practices, will develop a new reporting system for commercial banks allowing a more detailed analysis of financial sector data. In addition, by end-September 2011, the NBM and the National Commission for Financial Markets, with assistance from the World Bank, will explore options and make proposals to consolidate all credit institutions—including banks, leasing companies, savings and credit associations, and microfinance institutions—as well as insurance companies and pension funds under a common supervisory framework. Finally, by end-September 2011, the NBM in cooperation with the World Bank will evaluate the feasibility of establishing a public credit bureau to promote information exchange and prudent lending policies by banks.

18. **Despite earlier delays, measures to strengthen the debt restructuring and contract enforcement frameworks are being developed and will be implemented in the coming months.** The NBM has already allowed faster reclassification of restructured loans into lower-risk categories. We will now ensure by end-September 2011 parliamentary passage of the legal amendments described in the SMEFP of June 30, 2010 (¶15), to enhance the speed and predictability of collateral execution by banks and to strengthen incentives for banks to restructure nonperforming loans **(structural benchmark)**. Furthermore, with technical assistance from the World Bank and in consultation with the IMF staff, we will seek to strengthen and simplify other aspects of the insolvency framework. Specific draft legal amendments in this area will be adopted by the Government by March 2012.

D. Structural Reforms

Raising Efficiency of the Public Sector

19. **In the coming months, we will roll out the comprehensive reform of the oversized education sector.** Its main goals are to eliminate excess capacity, create a leaner and better-equipped education system with adequately trained and paid staff, and provide education that meets demands of the modern economy. The reform will seek class, school, and employment consolidation. A large part of the eventual budget savings and financial assistance from the World Bank will be used to improve school quality, secure transportation for students, and repair school bus routes. Nevertheless, the reform will save about 0.5 percent of GDP on a net permanent basis from 2013 on. Our reform strategy is based on the following elements:

- *Class size optimization.* By September 1, 2012, we will increase class size to 30-35 students in large schools and 25-30 students in the rest. For this purpose, we will pass legal amendments to eliminate the existing norms prescribed in the Law on Education by end-July 2011. This would reduce the number of teaching positions by 1,736, including 390 positions in 2011, and lead to estimated annual savings of about MDL 94 million.
- *Optimization of the school network.* Gradual consolidation of the school network through closure of schools with low enrollment and securing transportation of students to nearby "hub" schools will commence this year. Its full implementation during 2011-13 would reduce

the number of teaching and non-teaching positions by 2,661 and 1,426 respectively and, when completed, will generate savings of about MDL 136 million a year. We will aim to limit the attendant transportation costs to MDL 61 million per year, and will seek grant assistance from the international financial community to defray this cost.

- *Reduction of non-teaching personnel and vacant positions.* As a first step, we will immediately freeze hiring of non-teaching staff and eliminate 2,400 vacant positions in the sector. Alongside, we will include in the budget law for 2011 a provision establishing wage bill ceiling for education sector, resulting in all rayons reducing personnel in education institutions on average by 5 percent from their level of end 2010 (5,300 positions nationwide) before academic year 2011/12. These measures would provide savings of MDL 175 million on a full-year basis.

- *Increasing flexibility of labor relations in the sector*. Local authorities also need support and more flexibility to be able to consolidate schools and classes. By end-July 2011, we will adopt legal amendments to the Labor Code and other enabling legislation to (i) make fixed-term (one year) contracts mandatory for teachers beyond retirement age; and (ii) allow school principals' hiring and dismissal decisions to be based on business need and performance rather than tenure. Estimated annual savings from this measure amount to MDL 48 million.

- *Rollout of a per-student financing system.* Following successful implementation of per-student financing in the pilot rayons of Cauşeni and Rişcani, the system will be expanded starting January 1, 2012 to 9 additional rayons, as well as municipalities of Chişinău and Balţi. The system will create strong incentives to optimize schools' financial performance. Its nationwide implementation will take place in 2013.

- *Putting social protection costs in education on a means-tested basis.* By end-June 2011, in consultation with the World Bank and other partners, we will conduct a thorough review of all social expenditure in the education budget (scholarships, dormitory assistance, school meals, etc.) to explore options for better targeting of such assistance to the most vulnerable groups.

In consultation with the World Bank, the Government will develop and, by end-March 2011, adopt a detailed action plan to implement this reform.

20. **We will reform the civil service in a way that increases efficiency without destabilizing the fiscal position.** To this end, we have developed descriptions of new job functions and responsibilities for staff in central government administration along with a merit- and performance-based wage system for civil servants. Implementation of this reform will start in October 2011, and will ensure that the reform does not affect the aggregate public sector wage bill as a ratio to GDP.

21. **As regards the energy sector, we will strive to achieve a stable framework for payments of current bills, pending a comprehensive sector restructuring strategy to be finalized and implemented in cooperation with the World Bank and other partners.** To ensure a stable

functioning of the sector, the Ministry of Economy, the Chişinău municipality authorities, and the key participants in the energy sector will seek to negotiate in good faith a MoU with the following key elements: (i) a monthly schedule of payments to energy suppliers that is consistent with typical collection lags in Termocom's receivables during the heating season, (ii) full repayment of current arrears by Termocom before the following heating season; (iii) a mechanism for covering the cash gap arising from collection lags in Termocom or a bank guarantee from the Chişinău municipality backing Termocom's adherence to the agreed payment schedule; (iv) creditors' commitment to abstain from blocking bank accounts as long as the MoU is observed. In this context, the Chişinău municipality will budget for and pay in full its remaining debt to Termocom of MDL 64 million by end-March 2011.

22. **Meanwhile, we will adopt a number of legal and regulatory amendments which would help ensure cost recovery in the heating sector.** By end-August 2011, we will adopt the necessary legal and/or regulatory amendments to raise the heating fee for apartments disconnected from central heating from 5 percent to 20 percent of the average heating bill. This increase is in line with regional practices and would mostly affect consumers with relatively high incomes. At the same time, the Ministry of Regional Development and Construction, the Chişinău municipality, Termocom, and the water distributor Apă Canal will seek to put an end to persistent losses caused by under-billing for hot and cold water delivery; other municipalities will seek to resolve this issue as well. And to facilitate timely collection of heating bills, by end-August 2011, we will adopt the necessary legal and/or regulatory amendments introducing a minimum payment of 40 percent of the monthly bill and setting August 1 as the deadline for settling all heating bills for the past heating season.

23. **With the international investment climate gradually improving, the government will accelerate the efforts to divest its noncore assets.** In the first half of 2011 the government, with assistance from IFC, will put in place an advisor to review various options for private sector participation in Moldtelecom. At the same time, by mid-2011, the government will expand the list of state assets subject to privatization. This will pave the way for privatization of other large public companies. By end-September 2011, the government will approach various international financial institutions, seeking an advisor to explore options to divest Air Moldova as soon as possible. Also by end-September 2011, we shall develop a roadmap for the privatization of Banca de Economii, and, if need be, resume the engagement of the privatization advisor.

Improving the Business Environment and Removing Barriers for Trade

24. **The wheat export ban introduced in response to dwindling grain stocks in early 2011 will be abolished as soon as possible, and we will not introduce any new barriers to trade.** We plan to abolish this ban by end-April 2011, provided that domestic and regional grain shortages are alleviated. Moreover, we shall refrain from introducing any new tariff or non-tariff barriers to exports. In addition, by end-May 2011 we will conduct an assessment of the existing tariff and non-tariff barriers to trade and their consistency with Moldova's WTO commitments with regard to market access, and will develop roadmap for their gradual elimination.

25. **We will continue our reform efforts to cut red tape, safeguard competitiveness, and stimulate investment and exports.** In 2011, we shall continue implementation of the previously agreed measures and introduce a set of new initiatives:

- We will extend the option to receive VAT refunds for new purchases of investment goods (excluding buildings and cars) to the entire country from January 1, 2012. Adoption of legislative amendments by Parliament is expected together with the passage of the 2012 budget.
- We shall continue to review and streamline business regulations and permit requirements to ensure that they do not introduce additional burden on business. We will reduce the frequency of inspection of enterprises by state agencies and review the mandates of agencies so as to remove duplication of functions or merge agencies with similar responsibilities. In performing audits, the STS will refrain from reexamining periods covered by previous audits, unless new material evidence has emerged.
- To promote exports, by end-September 2011, with World Bank assistance, the government will adopt a detailed plan to assist local producers striving to comply with the EU veterinary and food safety standards. This should facilitate the access of Moldovan agricultural products to the European markets. In addition, we will relax the requirement for repatriation of export proceeds by extending the repatriation period and reducing penalties for noncompliance.
- To safeguard competitiveness and promote job creation in the economy, by end-September 2011, we will draft legislative amendments to delink the wages in the economy from the minimum guaranteed wage.

26. **We will continue to focus on poverty reduction and improving targeting of our social assistance while promoting active labor market participation.** Specifically, we intend to raise the Guaranteed Monthly Minimum Income (GMI) from 530 lei to 575 lei effective July 1, 2011 and expand enrollment in the targeted social assistance scheme from 38 percent at end-2010 to 50 percent in 2011 and 65 percent in 2012. Furthermore:

- The new GMI level will serve as a basis for the eligibility income threshold for heating assistance from November 2011 in line with Law 180 passed in July 2010 and Government Decision 1142 from December 2010. Specifically, the threshold will be set at 805 lei, which is 1.4 times the GMI level. In view of insufficient administrative capacity to register all applicants for heating assistance through the means-tested social assistance scheme, we will use the mechanism for heating assistance from November-December 2010 for January-March 2011. Specifically, we will make it available to the beneficiaries of the means-tested social assistance scheme and pensioners with pension below 900 lei.
- By end-April 2011, in collaboration with the World Bank, we will develop and approve a plan to phase out by end-2012 the entire nominative compensation system, except the assistance currently provided to Chernobyl victims and war veterans.

- Social assistance to the unemployed will be made conditional on active job search, and refusal to accept job offers will disqualify from access to the means-tested social assistance program.
- By end-June 2011, we will amend legislation and regulations related to unemployment insurance with a view to use actual—as opposed to average economy-wide—wage for calculating the unemployment benefit, and to increase the length of prior employment required for eligibility from six to nine months.
- Finally, by end-September 2011, we will conduct a comprehensive review of all other non-means tested social payments and develop reform proposals with a view to start implementation in 2012.

E. Program Monitoring

27. **The program will be monitored through semi-annual reviews, prior actions, quantitative performance criteria and indicative targets, and structural benchmarks.** The phasing of purchases under the arrangement and the review schedule are set out in Table 1 of this memorandum. The list of the quantitative performance criteria and indicative targets remains as set in ¶27 of the MEFP of January 14, 2010, except that the target on reserve money will be discontinued after March 31, 2011. New performance criteria and indicative targets for June 30, 2011, September 30, 2011, December 31, 2011, and March 31, 2012 have been set (Table 2). The indicators set as performance criteria will also serve as indicative targets at end-June 2011 and end-December 2011. The prior action for completion of the second review and structural benchmarks are set out in Table 3. Prior actions, if any and structural benchmarks for the fourth review will be further specified at the time of the third review. The understandings regarding the quantitative performance criteria described in this memorandum are specified in the attached TMU.

28. **In accordance with the rules on the Extended Credit Facility, we have submitted to the Fund an annual progress report on the implementation of the National Development Strategy (2008-11).** This report, to be circulated to the IMF Board of Directors, reflects good progress in poverty reduction. Almost all Millennium Development Goal indicators improved in 2009, despite the impact of the economic crisis, and more than half of the indicators were on track to meeting the targets set for 2010 and 2015.

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

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

Source: Fund Staff Estimates and Projections

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

1/ Moldova's quota is SDR 123.2 million

Table 2. Moldova: Quantitative Performance Criteria and Indicative Targets, December 2009–March 2012

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

	2009	2010								2011				2012
	Dec. 31	March 31		June 30		September 30		December 31		March 31	June 30	Sept. 30	Dec. 31	March 31
		Performance criteria		Indicative targets		Performance criteria		Indicative targets		Perfor-mance criteria	Indicative targets	Perfor-mance criteria	Indicative targets	Perfor-mance criteria
		Program	Adjusted program	Program	Adjusted program	Program	Adjusted program	Program	Adjusted program	Program	Program	Program	Program	Program
1. Quantitative performance criteria														
Ceiling on the overall cash deficit of the general government 1/		1,161	1,117	2,254	2,538	2,711	2,943	3,596	3,491	685	994	1,119	1,596	218
Actual	3,837		865		1,285		1,503		1,778					
Ceiling on net domestic assets of the NBM (stock) 2/ 3/		-5,834	-5,576	-6,411	-5,796	-6,661	-6,046	-6,224	-5,609	-5,594	-7,003	-6,996	-6,894	-6,831
Actual	-6,036		-5,978		-6,087		-6,636		-7,049					
Floor on net international reserves of the NBM (stock, millions of U.S. dollars) 2/ 3/		1,351	1,330	1,407	1,357	1,436	1,386	1,464	1,414	1,430	1,603	1,650	1,711	1,678
Actual	1,341		1,351		1,373		1,465		1,594					
Ceiling on contracting or guaranteeing of non-concessional external debt of the general government (millions of U.S, dollars) 2/		65		125		125		125		50	80	80	80	80
Actual	…	15		15		15		15						
2. Continuous performance criteria														
Ceiling on accumulation of external payment arrears (millions of U.S. dollars) 2/		0		0		0		0		0	0	0	0	0
Actual	0	0		0		0		0						
3. Indicative targets														
Ceiling on reserve money (stock) 3/		10,784		10,889		11,330		11,780		11,990	…	…	…	…
Actual	10,456	10,644		10,471		11,290		12,551						
Ceiling on change in domestic expenditure arrears of the general government 4/		0		0		-82		-107		0	-25	-50	-50	0
Actual	459	-57		-209		-209		-261						
Ceiling on the general government wage bill		1,888		3,905		5,717		7,550		1,830	4,064	5,807	7,844	2,028
Actual	7,000	1,735		3,912		5,483		7,316						
Floor on priority social spending of the general government 5/		2,161		4,504		7,054		9,634		2,369	4,933	7,391	10,457	2590
Actual	6,370	2,211		4,634		7,005		9,717						
Memorandum items:														
EC Macro Financial Assistance budgetary grants (millions of euros)		0		25		25		50		0	20	20	50	0
Actual	0	0		0		0		40						
Official external budget support and project grants and loans from the European Commission and the World Bank (millions of U.S. dollars)		33		126		169		232		20	88	149	221	29
Actual	113	12		44		63		180						
Foreign-financed project loans		175		441		702		1,070		299	834	1,243	1,408	311
Actual	456	104		319		462		612						

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

1/ Adjusters apply to the ceiling on the overall cash deficit of the general government.
2/ Program target based on the program exchange rates.
3/ Adjusters apply to ceiling on net domestic assets, floor on net international reserves and ceiling on reserve money. The indicative target on reserve money will be discontinued after March 2011.
4/ Amount shown at end-December 2009 refers to stock at that time.
5/ The priority social spending of the general government is the sum of essential recurrent expenditures directed to social protection.

Table 3. Moldova: Prior Actions and Structural Benchmarks 1/

Measure	Due	Status	Objective
Prior actions for First Review			
Parliamentary passage of an amended 2010 budget with a deficit target in line with the updated SMEFP (¶8).	PA	Done	Maintain the programmed speed of structural fiscal adjustment in light of the faster than expected economic recovery.
Structural Benchmarks			
Fiscal consolidation and governance			
The Ministry of Finance will adopt a tax compliance strategy for 2011, introducing risk-based audit selection, targeting economic agents not fully included in the tax net, and combatting tax evasion practices and outright fraud (¶11).	30-Sep-10	Done	Raise tax collection, reduce the administrative burden on compliant taxpayers, and improve taxpayer services in 2011.
Parliament will adopt legislation to phase out early retirement privileges of civil servants, judges, and prosecutors (¶11).	31-Dec-10	Delayed	Improve financial sustainability of the social insurance system and allow higher pension replacement rates over time.
Parliament will adopt legislation to redistribute the burden of sick-leave benefits between employees, employers, and the Social Fund (¶11).	31-Dec-10	Delayed	Eliminate abuse of the system and improve employers' incentives to monitor absenteeism.
Financial stability			
The MoE, MoF, NBM, NCFM, and DGF will sign a Memorandum of Understanding with rules of coordination and a clear division of responsibilities between them in times of financial distress (¶14).	31-Dec-10	Done with a delay	Ensure quick response to financial emergencies, prevent bank runs and spillovers, and enhance public confidence in the banking sector.
Cabinet approval and submission to Parliament of legal amendments to facilitate debt restructuring and speed up execution of collateral on bank loans (¶15)	31-Dec-10	Delayed	Clean bank balance sheets and reduce structural impediments to bank lending.
Supporting growth and mitigating fiscal risks			
Cabinet approval of a draft legislative amendment to extend the option to receive VAT refunds on purchases of investment goods to the entire country from 2011 on (¶16).	30-Sep-10	Delayed	Improve the business climate and promote investment.
The Ministry of Economy, the Chisinau municipality, and key companies from the thermal energy sector, in consultation with the World Bank and the IMF staff will agree on a restructuring plan for this sector, including Termocom (¶19).	31-Dec-10	Delayed	Ensure a sustainable financial position of the heating sector.

1/ Paragraph numbers refer to the corresponding paragraphs of the SMEFP of June 30, 2010.

Table 3. Moldova: Prior Actions and Structural Benchmarks (Concluded) 1/

Measure	Due	Status	Objective
Prior actions for Second Review			
Parliamentary passage of a 2011 budget with a deficit target in line with the updated SMEFP (¶8).	PA		Maintain the programmed speed of structural fiscal adjustment.
Structural Benchmarks			
Fiscal consolidation and governance			
Parliamentary passage of legislation to phase out early retirement privileges of civil servants, judges, and prosecutors (¶11).	30-Apr-11		Improve financial sustainability of the social insurance system and allow higher pension replacement rates over time (delayed benchmark for end-2010).
Parliamentary passage of legislation to redistribute the burden of sick-leave benefits between employees, employers, and the Social Fund (¶11).	30-Apr-11		Eliminate abuse of the system and improve employers' incentives to monitor absenteeism (delayed benchmark for end-2010).
The State Tax Service will develop operational plans for the implementation of the tax compliance strategy in 2011 (¶11).	30-Apr-11		Raise tax collection, reduce the administrative burden on compliant taxpayers, and improve taxpayer services in 2011.
Financial stability			
Parliamentary passage of legal amendments to facilitate debt restructuring and speed up execution of collateral on bank loans (¶18).	30-Sep-11		Clean bank balance sheets and reduce structural impediments to bank lending.

1/ Paragraph numbers refer to the corresponding paragraphs of the SMEFP.

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

Indicative targets are set on:

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

B. Program Assumptions

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

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

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 special funds and special means, as well as foreign-financed projects), state social insurance budget, and health insurance budget. The **local governments** include special funds and special means, as well as foreign-financed projects. No new special or extrabudgetary funds will be created during the program period. Excluded from this definition are any government-owned entities with a separate legal status.

D. Program Definitions

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

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

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

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

9. For the purposes of calculating overall cash deficit of the general government, **net credit of the banking system** to the general government is defined as outstanding claims of the banking system on the general government (exclusive of the claims associated with accrued interest, tax and social contribution payments by commercial banks, and foreign financed on-lending by banks), including overdrafts, direct credit and holdings of government securities, less deposits of the general government (excluding accrued interest on government deposits, and including the accounts for foreign-financed projects).[1] The Ministry of Finance will provide data on the holdings of government securities and foreign-financed projects.

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

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

[2] Debt is defined as in footnote 3.

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

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

13. For program purposes, the definition of **debt** is set forth in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (Decision No. 12274, adopted on August 24, 2000 and revised on August 31, 2009).[3] This definition applies also to commitments contracted or guaranteed for which value has not been received, and to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the public sector. Excluded from this definition are normal import-related credits, defined as liabilities that arise from the direct extension, during the normal course of trading, of credit from a supplier to a purchaser—that is, when payment of goods and services is made at a time that differs from the time when ownership of the underlying goods or services changes. Normal import credit arrangements covered by this exclusion are self-liquidating; they contain pre-specified limits on the amounts involved and the times at which payments must be made; they do not involve the issuance of securities.

14. For purpose of the program, the **guarantee** of a debt arises from any explicit legal obligation of the general government or the NBM or any other agency acting on behalf of the general government to service such a debt in the event of nonpayment by the recipient

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

(involving payments in cash or in kind), or from any implicit legal or contractual obligation to finance partially or in full any shortfall incurred by the debtor.

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

16. For the purposes of the program, **external payments arrears** will consist of all overdue debt service obligations (i.e., payments of principal or interest) arising in respect of any debt contracted or guaranteed or assumed by the central government, or the NBM, or any agency acting on behalf of the central government. The **ceiling on new external payments arrears** shall apply on a continuous basis throughout the period of the arrangement. It shall not apply to external payments arrears arising from external debt being renegotiated with external creditors, including Paris Club creditors; and more specifically, to external payments arrears in respect of which a creditor has agreed that no payment needs to be made pending negotiations.

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

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

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

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

E. Adjusters

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

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

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

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

24. The **ceiling on the overall cash deficit** will be adjusted downward (upward)—that is, the deficit target will be reduced (increased)—for any lower (higher) than programmed disbursement of foreign-financed project loans as specified in Table 2 of the MEFP. Owing to monitoring lags, the downward adjustment is capped at a quarter of the programmed amount of foreign-financed project loans. The upward adjustment is capped at the equivalent of US$25 million, evaluated at program exchange rates.

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

25. The ceiling on **reserve money** will be adjusted downward (upward) and the ceiling on **NDA of NBM** will be adjusted downward (upward) symmetrically for any reduction (increase) in the required reserve ratio on the deposits of commercial banks denominated in lei. The adjustment amount will be calculated by multiplying the change in the required reserve ratio by the amount of commercial banks' deposits and liabilities in lei subject to reserve requirements.

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

F. Reporting Requirements

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

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

Item	Periodicity
Fiscal data (to be provided by the MoF)	Monthly, within three weeks of the end of each month
General budget operations for revenues, expenditure and financing (functional and economic)	
General government wage bill	Monthly, within three weeks of the end of each month
Number of budgetary sector positions by ministry	Monthly, within three weeks of the end of each month
Number of employees in the budgetary sector by ministry, and their respective wage bill	Monthly, within three weeks of the end of each month
Expenditure on social assistance as stipulated under activity 457 of social payments paid from the social fund budget	Monthly, within three weeks of the end of each month
Expenditure on pensions and unemployment benefits, and health expenditures as reported by NSIH and NHIC respectively	Monthly, within three weeks of the end of each month
Domestic debt	Monthly, within two weeks of the end of each month
Domestic arrears	Monthly, within three weeks of the end of each month
Privatization receipts received by the budget (in lei and foreign exchange, net of divestiture transactions costs)	Monthly within three weeks of the end of each month
Monetary data (to be provided by the NBM)	Weekly within one week of the end of each week
Monetary survey of the NBM	
Monetary survey for the whole banking system	Weekly within two weeks of the end of each week
Net claims on general government (NBM and commercial banks)	Weekly within two weeks of the end of each week
Financial indicators of commercial banks (from NBM's Banking Supervision)	Monthly within four weeks of the end of each month
Foreign exchange cash flows	Monthly, within two weeks of the end of each month
Foreign exchange operations (NBM data)	Monthly, within two weeks of the end of each month
Foreign exchange market data (volume of trades, interventions, exchange rates)	Daily within 12 hours of the end of each day
NBM's sterilization operations	Weekly within one week of the end of each week
Interbank transactions (volumes, average rates)	Weekly within one week of the end of each week

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

Item	Periodicity
Balance of Payments (to be provided by the NBM)	
Current and capital account data.	One quarter after the end of the previous quarter
Transfers of individuals from abroad through the banking system	Monthly within six weeks of the end of each month
External debt data (to be provided by MoF and NBM)	
Information on all new external loans contracted by the government or government guarantee.	Monthly within three weeks of the end of each month
Total debt service due by creditor, and debt service paid.	Monthly within three weeks of the end of each month
Disbursements of grants and loans by creditor	Monthly, within three weeks of the end of each month
Other data (to be provided by NBS)	
Overall consumer price index.	Monthly within two weeks of the end of each month.
National accounts by sector of production, in nominal and real terms.	Quarterly within three months of the end of each quarter.
Export and import data on value, volume, and unit values, by major categories and countries.	Monthly within two months of the end of each month.