Nr. 01-79-8753

Chişinău, September 7, 2022

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 provide updates to the Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) of April 26, 2022. The MEFP reports on recent economic developments, reviews progress in implementing Moldova's program under the ECF-EFF and sets out macroeconomic and structural policies that we plan to implement.

2. The spillovers from the war in Ukraine and international sanctions on Russia and Belarus continue to weigh on the economic outlook. Higher food and energy prices, the influx of refugees, and trade disruptions are leading to higher inflation and, widening current account and fiscal deficits, stagnating economic growth. We resorted to monetary policy interventions and foreign exchange buffers as the first line of defense to contain pressures in the financial sector and the foreign exchange market. With support from the Fund and other international partners, our policies aim to mitigate the challenges posed by the multiple crises.

3. Notwithstanding a challenging environment, we have managed to keep program implementation on track. We met all quantitative and indicative targets for end-June 2022. We believe external factors, including energy and food supply shocks, remain the key drivers of inflation and expect inflation to revert to the NBM target band by 2024. The structural benchmark to appoint the head of the Anti-Prosecution Office was met in June, well-ahead of schedule. We also met the structural benchmarks on publishing a comprehensive tax expenditure analysis, expanding the IT-based staff registry, and operationalizing the integrated taxpayer register. Amending emergency liquidity assistance regulation was implemented with a delay in August, while the structural benchmark on strengthening the institutional autonomy of the NBM is proposed to be reset to end-October. We are proposing one new benchmark, reflecting our commitment to the program's overarching objectives.

4. Given the overall strong performance under the program and the policies in the enclosed MEFP, we request the completion of this review and the release of the related disbursement and purchase in the total amount of SDR 20.65 million, which will bring total drawings under the

arrangement to SDR 185.95 million. We also request modification of the inflation consultation clause due to persistent external shocks; modification of the performance criteria on the cash deficit of the general government, and indicative targets, in line with the updated projections and agreed policies; and setting end-December 2023 targets. We believe that the solid policies and measures outlined in the attached update of the MEFP are appropriate to achieve the program objectives for sustaining the economic recovery and the major structural and development reforms needed to transform it. We stand ready to take additional measures, as appropriate, to achieve these objectives. We will consult with IMF staff before adopting such measures, or in advance of revisions to the policies contained in this MEFP, or before adopting new measures that would deviate from program goals, consistent with IMF policies on such consultations. In line with our commitment to transparency, we authorize the IMF to publish this letter, the MEFP and its attachments, and the accompanying staff report.

Sincerely yours,

N. Gavrilița

Natalia Gavrilița
Prime Minister

Andrei Spînu
Deputy Prime Minister,
Minister of Infrastructure and Regional Development

Octavian Armașu
Governor
National Bank of Moldova

D. Budianschi

Dumitru Budianschi
Minister of Finance

Sergiu Gaibu
Minister of Economy

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

Appendix I. Letter of Intent

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

Chişinău, September 7, 2022

Dear Ms. Georgieva:

1. The attached provide updates to the Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) of April 26, 2022. The MEFP reports on recent economic developments, reviews progress in implementing Moldova's program under the ECF-EFF and sets out macroeconomic and structural policies that we plan to implement.

2. The spillovers from the war in Ukraine and international sanctions on Russia and Belarus continue to weigh on the economic outlook. Higher food and energy prices, the influx of refugees, and trade disruptions are leading to higher inflation and, widening current account and fiscal deficits, stagnating economic growth. We resorted to monetary policy interventions and foreign exchange buffers as the first line of defense to contain pressures in the financial sector and the foreign exchange market. With support from the Fund and other international partners, our policies aim to mitigate the challenges posed by the multiple crises.

3. Notwithstanding a challenging environment, we have managed to keep program implementation on track. We met all quantitative and indicative targets for end-June 2022. We believe external factors, including energy and food supply shocks, remain the key drivers of inflation and expect inflation to revert to the NBM target band by 2024. The structural benchmark to appoint the head of the Anti-Prosecution Office was met in June, well-ahead of schedule. We also met the structural benchmarks on publishing a comprehensive tax expenditure analysis, expanding the IT-based staff registry, and operationalizing the integrated taxpayer register. Amending emergency liquidity assistance regulation was implemented with a delay in August, while the structural benchmark on strengthening the institutional autonomy of the NBM is proposed to be reset to end-October. We are proposing one new benchmark, reflecting our commitment to the program's overarching objectives.

4. Given the overall strong performance under the program and the policies in the enclosed MEFP, we request the completion of this review and the release of the related disbursement and purchase in the total amount of SDR 20.65 million, which will bring total drawings under the arrangement to SDR 185.95 million. We also request modification of the inflation consultation clause due to persistent external shocks; modification of the performance criteria on the cash deficit of the general government, and indicative targets, in line with the updated projections and agreed policies; and setting end-December 2023 targets. We believe that the solid policies and measures outlined in the attached update of the MEFP are appropriate to achieve the program objectives for sustaining

the economic recovery and the major structural and development reforms needed to transform it. We stand ready to take additional measures, as appropriate, to achieve these objectives. We will consult with IMF staff before adopting such measures, or in advance of revisions to the policies contained in this MEFP, or before adopting new measures that would deviate from program goals, consistent with IMF policies on such consultations. In line with our commitment to transparency, we authorize the IMF to publish this letter, the MEFP and its attachments, and the accompanying staff report.

Sincerely yours,

/s/
Natalia Gavrilița
Prime Minister

/s/
Andrei Spînu
Deputy Prime Minister,
Minister of Infrastructure and Regional Development

/s/
Octavian Armașu
Governor
National Bank of Moldova

/s/
Dumitru Budianschi
Minister of Finance

/s/
Sergiu Gaibu
Minister of Economy

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. The war in Ukraine and international sanctions on Russia and Belarus worsened an already complex economic and social landscape but the EU candidacy status offers an anchor for reform progress. While the impact of the war is yet to fully materialize, pressures appear contained so far. Only a fifth of the refugees out of the estimated equivalent of 19 percent of the population crossing the Moldovan border have remained in the country. The Moldovan leu depreciated by almost 7 percent since the beginning of the war and foreign exchange market pressures have since abated. After declining by about 10 percent, bank deposits are recouping steadily to pre-war levels. However, recent security incidents in the region of Transnistria have led to growing concerns about Moldova being drawn into the conflict. Against this backdrop, we applied for the EU membership in March and the European Council granted the candidate status for EU accession on June 23, contingent on specific steps in the areas of rule of law, anti-corruption, eliminating vested interests, and economic reforms.

2. With the duration and consequences of the war highly uncertain, the recent crisis continues to weigh heavily on the Moldova's economy.

- *Growth.* The economy grew by 1.1 percent in 2022Q1, annually, supported by net exports and public consumption. Exports appear to be more resilient to trade disruptions while the service sector continues to benefit from reorientation of trade flows from Ukraine through Moldova's transport infrastructure. However, GDP growth is expected to stagnate in 2022 held back by the adverse effects of drought conditions on agricultural production, supply disruptions and rising input costs on the agricultural sector and worsening global economic outlook.

- *Inflation.* Annual CPI inflation increased steadily to 33.5 percent in July 2022, driven by surging energy, commodity, and food prices on global markets, as well as adjustments in energy tariffs.

- *Fiscal position.* The general government deficit reached 1.3 percent of GDP in 2022H1. Revenue performance was resilient, reflecting the inflationary impact on value-added taxes, the residual impact of robust economic activity in 2021 on corporate income taxes, and higher-than-expected non-tax revenues. However, excise and foreign trade taxes slowed down reflecting the impact of the war. With trade-related revenues representing about 40 percent of total revenue last year, downside risks to the revenue base from trade disruptions remain elevated. Policies to mitigate the crisis shored up spending on transfers (30 percent), goods and services (14.5 percent), and wages (12 percent). However, substantial expenditure pressures continue to stem from escalating energy prices, inflation, and support for the most vulnerable and refugees. There is limited uptake of domestic securities.

- *External*. The current account deficit widened to US$0.5 billion in 2022Q1 while gross foreign exchange reserves recovered to US$3.6 billion (about 5 months of prospective imports of goods and services) as of end-June 2022, providing substantial cushion against exchange rate pressures and market uncertainty.

- *Monetary and financial policies*. Recognizing the risk of high inflation becoming entrenched, the National Bank of Moldova (NBM) continued the tightening cycle and hiked the base rate and liquidity reserve requirements. The banking sector withstood the wave of liquidity pressures during February to April 2022. However, credit risks, especially to the retail lending portfolio, are growing. Nevertheless, the increase in the systemic buffer rate, the restrictions on dividend payout, borrower-based measures, and tighter credit worthiness assessment regulations will boost capital buffers and help contain excessive risk-taking.

3. Adverse risks to the outlook remain significant. A sharper-than-anticipated increase in energy prices or disruptions in energy supply could impair public and private balance sheets. Uncertainty surrounding energy security due to the country's dependence on supply from Russia and Transnistria could materialize in the disruption of supplies and thus exert sizeable fiscal costs. Food security risks may also amplify as the war persists owing to significant food imports from Ukraine, but also given the drought conditions. Escalation of the war closer to the Moldovan border could hurt confidence, exert pressure on the Moldovan lei, undermine domestic securities markets, culminate into system-wide deposit runs, and impose challenging policy trade-offs. Rising costs of living could threaten social cohesion. In addition, a further worsening of the growth outlook in Europe and agricultural conditions could weigh on net exports. Our first line of defense against these considerable risks is our steadfast implementation of the comprehensive package of reforms. Financial support from the IMF and other multilateral and bilateral partners should help anchor confidence in the face of adverse shocks.

4. Most of the conditionality for the First Review were implemented, reflecting our strong commitment to the program despite the challenging environment. We met all the quantitative performance criteria (QPCs) and indicative targets (ITs) for end-June 2022. Our structural reform agenda is also progressing apace, with all but one end-June structural benchmarks (SBs) implemented. One of the end-December SBs is also met, well in advance.

- ***End-June SBs***: We published the comprehensive tax expenditure analysis to serve as an input for identifying tax relief provisions for phasing out. We expanded the coverage of the comprehensive IT-based staff registry to all central government employees. We operationalized the integrated taxpayer register in June 2022. We adopted the amendments to the ELA regulation and the internal ELA procedures in August 2022. The end-June SB on strengthening the provisions for the institutional autonomy of the NBM was not met and is proposed to be reset to end-October 2022 (¶14) to allow more time for consultations with all stakeholders.

- ***End-December SBs***: We appointed the head of the Anti-Prosecution Office (APO) in June well-ahead of the December program deadline who assumed office on August 1, 2022.

II. Policy Framework

5. The current crisis emphasizes the need to push forward with governance reforms and address developmental needs to create conditions for sustainable and inclusive growth. On the fiscal front, complementary efforts to strengthen revenue and spending outcomes while advancing energy and SOE reforms would help preserve buffers. Implementing the inflation targeting framework resolutely, leveraging on an independent central bank, would help ensure price stability. In the financial sector, improved regulatory and macroprudential toolkits should contain financial stability risks. Once the crisis dissipates, we will redirect our efforts to a set of macro-critical policies and ambitious structural reforms to bolster the rule of law, reduce corruption, and strengthen fiscal and financial governance, facilitate external financing, and create a solid foundation for strong and inclusive growth.

A. Fiscal Policy

6. We remain committed to the policy objectives of responding to the compounding shocks of war in Ukraine, energy insecurity, high inflation, and persistent pandemic while taking steps to address development goals.

- In May, we approved a *first supplementary budget* in line with the macroeconomic framework agreed with the IMF staff to bring the general budget deficit to 7.2 percent of GDP subject to financing availability. The supplementary budget allocated more support to secure energy supplies and supported households and businesses against higher energy prices (1.2 percent of GDP), provided for humanitarian needs and additional wage costs (0.4 percent of GDP), and further replenished the flexible emergency funds in the budget as a contingency (0.3 percent of GDP).

- However, higher-than-expected revenue collection and external grants warrant the approval of a *second supplementary budget* to effectively address hardship posed by high food and energy prices on the vulnerable. We are committed to a deficit of 6.2 percent of GDP in 2022 (**prior action**). We will provide additional targeted support through: (i) two one-off payments to pensioners, capped at a threshold, covering 87 percent of the current beneficiaries (0.4 percent of GDP); (ii) a structural pay increase for public sector employees in the two lowest salary segments (0.1 percent of GDP) and a one-time payment for all civil servants (0.3 percent of GDP), (iii) an increase in the allocation to the energy vulnerability fund that provides targeted support for rising energy costs (0.2 percent of GDP), and (iv) additional allocations to social programs such as school meal programs, as well as heating and child allowances (0.1 percent of GDP).

- Our fiscal policy priorities for 2023 will focus on structural changes to improve the impact of our social assistance programs, addressing capacity constraints in the civil service, and securing external grants to meet our financing needs. We are committed to: (i) increasing pensions in line with the current inflation-indexation formula, and implementing the Silver Fund program that will increase benefits to a small group of older pensioners; (ii) scaling up the Ajutor Social program by revisiting average benefits, expanding eligibility, or applying alternative targeting methods; (iii) continue gradually increasing public sector wages to mitigate the purchasing power erosion and to attract and retain qualified staff; and (iv) continue implementing the targeted energy poverty reduction scheme. In the event that further shocks materialize and additional support for vulnerable groups is required, we will reprioritize spending within the budget and reduce capital expenditures to support priority spending needs. We will target a deficit of 6 percent of GDP in 2023 to ensure support for economic recovery. However, the risks around the baseline are exceptionally high and firmly tilted to the downside and the expenditure envelope underpinning this fiscal stance may constrain our ability to react to emerging fiscal needs, including the extension of the energy poverty reduction scheme to cover the full 4 months of the winter season. In this context, and to retain adequate fiscal buffers and reduce reliance on short-term domestic financing, we plan to seek additional external financial support of at least MDL 2.5–3.5 billion (0.8–1.2 percent of GDP) in the form of grants and concessional loans. Should further risks materialize, the appropriate use of these buffers will be discussed with staff in the context of future reviews.

- Over the medium term, we remain committed to meeting our fiscal sustainability objectives while pursuing our developmental goals. We will focus on measures to support higher revenue collection and greater efficiency in tax administration, while improving budget execution. 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 3.5-5.0 percent of GDP in 2024–26. Underpinning this will be reforms to mobilize domestic revenues, improve tax administration, and development-focused spending—prioritizing capital spending on roads, energy diversification, and water, investments in health and education, as well as supporting SME growth and job creation—supported by enhanced spending efficiency, domestic market development, and strengthen fiscal governance and transparency.

Reforms to Strengthen Revenue Mobilization

7. Tax policy and tax and customs administration reforms remain a key priority. In consultation with IMF staff, we plan to:

- **Identify tax relief provisions for phasing out.** We will adjust the relevant secondary legislation to institutionalize tax expenditure reviews to be part of our annual state budget planning process **new end-March 2023 SB**. Building on the progress made, we intend to extend the tax expenditure analyses to include other taxes (excise, customs, and/or property). 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 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; and (iii) introducing a General Anti-Avoidance Rule provision in the Tax Code to counter domestic and international abusive tax practices by end-2022; and (iv) developing a comprehensive tax filling compliance program and legislative changes to introduce mandatory registration of taxpayers.

- **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 pandemic and energy crises subside, 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, 2023. In line with our commitments with the EU and to strengthen deterrence capacity of anti-smuggling policies, we amended the relevant legislation (i) to reduce the legal threshold for determining smuggling as a criminal offence and raised administrative fines for such violations, and (ii) to define the smuggling offense base to include duties, taxes, and other fees. We also intend to ratify the WHO Protocol to Eliminate Illicit Trade in Tobacco Products in the course of this program, with the aim of reducing revenue leakages and smuggling.

- **We will leverage the 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 and strengthen the cooperation between the tax authority, financial intelligence unit, and law enforcement bodies.

Reforms to Improve Budget Quality and Fiscal Transparency

8. **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 have launched a spending review in the health sector. 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.

- **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. To this end, we are regularly monitoring and publishing on the Ministry of Finance webpage the information about budgetary allocations on refugee-related spending.

- **Strengthen public procurement**. In November 2020, we amended secondary legislation on procurement to require provision and publication of beneficial owner information as part of the regular package of documents submitted for tenders. We also published a report on pandemic-related spending for 2020, including beneficial owner entities contracting with the government. In June 2021, we also published an audit report by the Court of Accounts on the use of health resources to combat the pandemic in 2020. We now publish the beneficial ownership information of all entities contracting with public authorities on the website of the Public Procurement Agency. We intend to roll out a new e-procurement system to cover all public procurements by January 1, 2023, with a view to support transparent public procurement processes and delivering cost-efficient services. 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 under the Prima Casa housing support program. 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. We submitted to Parliament the amendment to the law on public debt (Law 419/2006). Among others, the amendment aims 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 dealers activity, and (iv) regulate the authorization process of contracting debt and issuing guarantees. We expect the law to be adopted by Parliament in October. 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.

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

9. 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.** Our PIM framework is broadly in line with good international practices, but inconsistent application and narrow coverage significantly limit its effectiveness. 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, 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) we will 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 development funds (**end-September 2022 structural benchmark)**. To enhance transparency and further strengthen the public investment management framework, we mandated publication of supporting documentation, as required by Section 2 of Regulation 1029 on public capital investments, for projects approved for the implementation by the State budget, externally funded projects, and developmental funds.

- **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 recommendation of recent IMF technical assistance, we plan to improve reporting of public funds going towards employee expenses to include public institutions, continue to consolidate 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 Public Procurement Agency. We have expanded the coverage of a comprehensive IT-based staff registry to all central government employees (**end-June 2022 structural benchmark**).

- **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, and a deteriorating deficit due to double indexation and policy reversals. We corrected the policy slippage of reducing the retirement ages for men from 63 to 62 years and for women from 59 to 57 years, which had put our pension system under significant pressure, by repealing in parliament the relevant legislation. In consultation with international partners, we also modified the indexation formula to ensure viable replacement ratios. Also, we raised the minimum pension by 68 percent to MDL 2,000 in October 2021 to align with the calculated subsistence level. In April 2022, we raised the pension components below the average monthly salary by 14 percent, in line with inflation, and topped up all pensions by a fixed amount computed as half of real GDP growth applied to the amount of average pension. In consultation with the World Bank, we intend to continue broadening the contribution base to address sustainability risks. We intend to make the pension system more equitable by introducing changes to the Silver Fund program, which will increase benefits to a small group of older pensioners, taking into account age and seniority at work.

- **Enhance social assistance programs.** In consultation with the World Bank, we initiated the reform of the Ajutorul Social program which strives to increase the allocations and improve the targeting of social assistance programs, by shifting resources from categorical (including ad-hoc categorical payments) to means-tested payments, and by increasing the coefficients given to the most vulnerable members of recipient families, and by making 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. We commit to updating our Poverty Reduction Strategy Paper (PRSP) by end-December 2022.

- **Launch a well-targeted energy poverty reduction program.** Towards this objective, we are committed to implement the energy poverty fund to protect the vulnerable from rising energy costs and support the transition of households towards more energy-efficient appliances. The energy poverty reduction scheme will target about 80 percent of the Moldovan population progressively reducing the extent of the energy subsidy across 5 categories of households (including a non-eligible category) based on welfare indicators, income proxies, family characteristics, type of heating system, and consumption levels. Under the current energy prices, the cost of the subsidy is estimated to be about MDL 1 billion a month during the 2022–23 heating season. The subsidy will be implemented through the Energy Vulnerability Reduction Fund (Law approved by the Parliament on July 28, 2022).

- **Scale up investment in disaster and climate risk mitigation and response.** 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.

- **Strengthen gender equality efforts.** Gender difference in labor force participation is relatively small, but the share of women who are inactive has been on the rise, the wage gap remains significant, and women are concentrated in poorly remunerated public-sector jobs. We intend to implement a range of family-friendly policies to provide better childcare services and facilitate earlier return to work for parents. We will work with U.N. agencies and other stakeholders to analyze measures to enhance parental leave and childcare policies, and to remove gender-biased distortions.

B. Monetary Policy

10. Inflation materialized within the outer band of the inflation consultation clause in June 2022. Inflation surged to 31.8 percent (y/y) in June driven by energy and food price increases. There is also continued pass-through of imported goods to domestic prices from the depreciated exchange rate. Despite significant tightening of monetary and liquidity conditions, the NBM and IMF staff share the view that high inflation is likely to persist into the fourth quarter of the 2022 before easing gradually. With the modification of the inflation consultation band, inflation is expected to fall within the consultation band in September and is projected to return to the target only by 2024.

11. The NBM has moved swiftly to provide a comprehensive response to rising inflation and external pressures.

- ***Policy rate.*** On May 5 and June 3, we increased the policy rate by 3 percentage points each time to 18.5 percent to combat the accelerating and persistent inflation which reached 31.8 percent in June. The NBM stands ready to continue tightening monetary policy stance in a data-dependent manner to address second round effects from rising commodity prices and anchor expectations.

- ***Reserve requirements.*** As part of the efforts to temper inflationary pressures, we raised the reserve requirement ratio for MDL and non-convertible currencies by 8 percentage points to 34 percent since January and also increased the required reserves for foreign currency by 9 percentage points to 39 percent in July. The NBM stands ready to continue to adjust reserve requirements, if needed.

- ***Foreign exchange intervention.*** Given the exceptionally challenging market conditions, the NBM undertook sizeable foreign exchange sales equivalent to 10 percent of FX reserves to limit excessive exchange rate volatility during February to April 2022. The MDL depreciated by about 7 percent as of end-June. However, the central bank interventions have since eased and the improving market conditions facilitated a partial reversal of foreign exchange reserves losses incurred during February-April. We are mindful that the scope and duration of the war-induced confidence pressures and energy and food inflation remain uncertain. We face a difficult policy context involving the need to ensure that banks have sufficient liquidity while also having to preserve buffers to forestall emerging shocks in a complex environment. We therefore stand 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 our 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

12. Financial sector stability is a necessary condition for achieving our economic objectives. Thanks to past reforms, the banking sector withstood severe liquidity pressures due to the war in Ukraine. Since the war began in February through end-April, individuals withdrew close to 11 percent of their bank deposits in FX and MDL, while corporates mostly switched about 3 percentage points of their portfolio to FX and total deposits portfolio of legal entities decreased by 5 percent. We deployed a full range of tools, including MDL standing facilities, FX swaps and interventions while ensuring a steady supply of FX banknotes. With improved market confidence, total deposits have now recovered to about 5 percent below the pre-war level, while corporate deposit dollarization reverted to pre-war level of 45 percent. The system-wide liquidity coverage ratio (LCR) at 224 percent at end-June is above the prescribed level but lower than the pre-crisis level of 358.3 percent (end-2021), partly reflecting the recent increases in reserve requirements. We are closely monitoring the liquidity position of each individual bank all of which are currently above the prescribed level. We have adopted the amendments to enhance the ELA framework as well as the internal procedures (**end-June 2022 SB**). We are prepared to undertake other contingency measures to address the buildup of liquidity risk. With a capital adequacy ratio of 29.3 percent at end-June, banks remain well capitalized to withstand significant loan losses. Nonperforming loans appear manageable at 6.7 percent at end-June, but a significant worsening of debtor balance sheets especially from purchasing power erosion due to high inflation and rising interest rates could erode capital buffers for some banks. To conserve the capital position of banks in an environment of heightened uncertainty, we have advised banks against any dividend payouts until the shock is weathered. Profitability continues to be favorable with ROE and ROA at 15.9 and 2.7 percent respectively at end-June 2022.

13. We have taken actions to mitigate excessive credit growth in certain segments and will remain vigilant on the buildup of systemic risk. Overall credit growth remains robust but below its long-term average and retail credit growth accelerated strongly in 2021. Reflecting these developments, we have maintained the board-based countercyclical capital buffer rate at 0 percent while raising the systemic buffer rate by 2 percentage points calibrated to banks' retail credit exposure. This together with the activation of borrower-based tools in July 2022, following the approval of the responsible lending regulation in May 2022, as well the tightening of our monetary stance will ensure that risks related to rising retail credit are mitigated.

14. We remain committed to further strengthening the institutional autonomy and governance of the NBM, in consultation with the IMF. Against a highly uncertain background and soaring inflation, 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 particular, in consultation with IMF staff, we plan to adopt amendments of relevant legislation to strengthen provisions for (reset as **end-October 2022 structural benchmark**, previously end-June 2022 structural benchmark): (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) managerial responsibilities for the governor and the executive board.

15. 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).

16. We completed the transparency of shareholders and beneficial owners process in one non-systemic bank. Even though the implementation of steps prescribed by the shareholder removal legal framework were suspended at an early stage, the strengthened framework for the finality of supervisory decisions allowed for the process to be finalized, ensuring new fit-and-proper ownership in this bank. The NBM continues to take all necessary steps in ensuring proper corporate governance and professional management of the bank.

17. 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, in 2023, the NBM will 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 **(end-June 2023 structural benchmark).** We also plan to conduct a comprehensive review of the bank liquidation framework with a view to strengthen liquidation procedures. The NBM is allocating more staff in the Financial Stability department to enhance monitoring of systemic risks. We are closing gaps in the macroprudential framework, including by (i) amending the NBM Law to provide an explicit legal mandate for financial stability in July 2022, and (ii) strengthening NBM's macroprudential toolkit to introduce caps on loan-to-value (LTV) and debt-service-to-income (DSTI) ratios for financial institutions as well as tighter credit worthiness assessment regulations in May 2022. The NBM also intends to update the macro-solvency stress testing framework. Also, we plan to amend the NBM Act, the Law on Bank Activity, and other relevant legislation to ensure that the NBM is able to 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.

18. 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 bolster inter-agency cooperation. In line with IMF TA recommendations, we approved secondary ELA regulations to enhance rules for collateral eligibility, risk controls, and internal procedures **(end-June 2022 structural benchmark)**.

19. We are improving oversight of the non-bank sector's viability, corporate governance, and risk management practices. We have adopted amendments to Law 192/1998, to strengthen provision safeguarding the NCFM's autonomy. Going forward, 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, savings and lending associations, credit history bureaus, insurance companies, and insurance intermediaries to the NBM effective July 1, 2023. We are enhancing intra-authority coordination to intensify preparations, including via a comprehensive action plan prescribing steps to clarify the legal framework, advance capacity building, foster business continuity, implement necessary regulatory changes, and manage communication.

- ***Nonbank credit organizations.*** The Non-Bank Credit Organization (NBCO) loans have edged up more recently, accounting for 16.6 percent of financial sector assets in 2022Q1. Despite having no net open currency positions, the large share of FX lending at about 30 percent of total loans exposes them indirectly to exchange rate credit risk and funding from non-residents to maturity and liquidity risks, as sudden funding interruptions could undermine rollover efforts. After peaking at 14.9 percent during the pandemic period – mostly as a result of change in loan classification - NBCOs NPL's declined to 12.8 percent in 2022Q1. We have strengthened the law on non-bank credit institutions to facilitate responsible lending by including provisions for due diligence on debtors' repayment capacity and collateralization levels. Towards this objective, we approved regulations on loan-to-value (LTV) and debt-service-to-income (DSTI) ratios as well as tighter credit worthiness assessment for NBCO's in May 2022, which will come into effect on September 1, 2022. In close coordination with NBM, we will upgrade 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.*** 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. We plan to conduct a gap analysis for all insurers to evaluate their readiness for the subsequent implementation of Pillar I. We approved a financial recovery plan for one insurer and imposed a special administration for another insurer to foster regulatory compliance. We are committed to implement resolution mechanisms for insurers that do not meet prudential requirements to safeguard assets, in accordance with new legislation. Also, in April 2022, we adopted a new law on Motor Third Party Liability Insurance, which becomes effective on April 1, 2023.

20. We plan to strengthen the regulatory framework for capital markets. Towards this objective, we plan to consolidate supervision of capital markets by transferring the supervisory competencies of the Central Securities Depository (CSD) from the NBM to the NCFM. As a first step we will set up an intra-agency coordination committee to prescribe the process for supervision, ownership, and governance of the CSD under the new regulatory framework for capital markets.

21. We will develop a comprehensive National Financial Inclusion Strategy (NFIS). We will develop an inter-agency committee with a mandate to develop, implement, and monitor an NFIS. We will target strategies that focus on the development of inclusive financial products and leverage digital services to provide cost-effective financial services for consumers and SMEs. We also intend to augment existing laws to strengthen consumer protection, especially with regards to contract clauses that cover disclosures and define consumer rights. We will bolster the enforcement of consumer protection laws by providing the pertinent agencies with appropriate resources and improving coordination between those agencies.

22. We are committed to protecting our financial sector from illicit financial flows. Towards this end, we will continue to strengthen our Anti-Money Laundering and Countering the Financing of Terrorism (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 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

23. 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. As a first step, to enhance oversight capacity and fiscal risk monitoring, the Public Property Agency requested in February all SOEs at the central government level to submit quarterly financial statements, which are regularly shared with the Ministry of Finance. We will undertake a comprehensive assessment of the financial position of all SOEs operating at the central government level, with a view to identify corrupt practices and legacy contracts that contribute to SOEs fiscal costs. Towards this objective, we have identified SOEs that are economically active (169 out of 268), and we are working with these entities on improving the quality of data reporting. This will be facilitated by adjusting the relevant legal and regulatory framework. 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 (**end-September 2022 structural benchmark**). Going forward, we will expand fiscal and financial monitoring of SOEs to the local government level.

24. We have responded swiftly to the energy crisis, but the recurring shocks call for frontloading energy security efforts. Tariff adjustments are a critical element of the policy response to import price increases, with additional fiscal support subject to the availability of resources in the budget.

- ***Natural Gas***

  - Import prices—partly indexed to spot natural gas prices—have increased sharply over the past months. We increased domestic gas prices in January and again in August to reflect imported prices. We remain committed to keep domestic tariffs aligned with import prices going forward. We provided direct support to residential consumers up to 150m^3 and up to 500m^3 for non-residential clients in a transparent way during the winter 2021–22 heating season. To protect the most vulnerable, we will continue leveraging existing well-targeted social assistance programs. We will implement a new, more targeted framework to support households during the winter 2022–23 heating season (see ¶9). We will also focus on improvements in energy efficiency, including as part of the new targeted support scheme. In agreement with the Energy Community Secretariat, ANRE will issue the final certification for the unbundled gas Transmission System Operator (TSO), by August 2023.

  - We secured a EUR 300 million EBRD credit line for gas storage and emergency purchases in June which will be used to build storage. We have also updated our broader contingency plan and policy options to be prepared for a scenario in which energy prices continue to soar and/or there are significant disruptions in supply. Natural gas supplies from Azerbaijan and Romania are viable alternatives. As a member of the EU's energy platform, we will leverage regional cooperation to advance efforts to reduce gas demand and address infrastructure bottlenecks and inefficiencies. Specifically, in line with the South-East European regional action plan of the EU energy platform, we will ensure that customs regulations enable Moldova to operationalize virtual reverse pipeline flows.

- Electricity. The onset of the war has led to supply and price uncertainty. We have secured a short-term contract with Transnistria and source about one third of our electricity from Ukraine. We are also exploring alternative electricity supplies from Romania, but capacity might be constrained, and prices would be very high. Electricity tariffs were adjusted twice—in March and June—by a total of over 60 percent to reflect higher costs. They are now well aligned. 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. We completed the legislative and regulatory frameworks towards full unbundling of the electricity sector. The 2020 Wholesale Electricity Market Rules (including a functioning balancing mechanism for electricity exchanges) entered into pilot phase on January 1, 2022 and became effective in June.

E. Rule of Law and Anti-Corruption

25. Strengthening the rule of law and addressing corruption remain critical priorities. Our predominant aim is to implement reforms to lay the foundation for strong rule of law in Moldova. Towards this end, our immediate 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 will ensure that due process is in place to hold corrupt actors and government officials accused of using public office for private gain fully accountable. These priorities are contained in our Strategy on Judicial Independence and Integrity, which was adopted by Parliament in early-December 2021. We commit to carrying out these reforms in line with constitutional principles and internationally recognized norms and standards. We are also committed to combatting high-level corruption, eliminating bad actors in the public sphere, and to strengthening the integrity, capacity, and independence of key anti-corruption institutions. We are currently reviewing our national anti-corruption strategy, which expires at the end of 2022, to inform the preparation of a new strategy.

26. We recognize the importance and need to strengthen the independence, integrity, and effectiveness of the judiciary. We will continue to modernize our judicial system in line with recommendations by international bodies and experts. We endeavor to continue reforms to the current system of recruitment, appointment, evaluation, promotion, and disciplining of judges. Towards this objective, in March 2022, we passed legislation governing an extraordinary assessment of the judicial sector based on a transparent process, formulated in consultation with relevant international bodies, and this process is underway. We will also continue to increase the transparency and accessibility of information available to the public on judicial activities, including by curtailing the use of closed hearings, removing the closed-door policy of the Superior Council of Magistrates (SCM) decision-making, and ensuring SCM decisions to be accompanied by reasoned explanations. Recent constitutional amendments pave the way for important reforms to the SCM in line with recommendations by the Venice Commission, namely on the removal of ex officio members. Transforming the Supreme Court of Justice (SCJ) into a court of cassation with a view to improve the quality of case law remains one of our top priorities. We will continue ongoing reforms to optimize and consolidate our court system by addressing inefficiencies, improving court management, and strengthening dispute resolution systems.

27. 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 Superior Council of Prosecutors (SCP) as the prosecutorial governance body.

28. 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. Further, we have started a comprehensive reform of our Criminal Procedure Code to improve the criminal justice process and enable prosecutorial bodies to pursue criminal cases and sanction perpetrators more effectively. Towards this end, in consultation with Fund staff, we have started a comprehensive process to amend the Criminal Procedure Code 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 (**end-December 2022 structural benchmark**).

29. 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, and taking into account opinions of the Venice Commission, in April 2022, we improved the selection process for the head of the Anti-Corruption Prosecution Office (APO) by amending the Law on the Prosecution Service **(end-March 2022 structural benchmark)** to: (i) allow legal professionals without prosecutorial experience to apply for the position of head of the APO; and (ii) establish a commission comprised of members with impeccable reputation and high professional and moral qualities to vet candidates for the APO head in a balanced, transparent, and fair manner using objective criteria stipulated by law. The commission included members with recognized ethical standards and international experience in anticorruption prosecution and representatives of civil society. 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 structural benchmark**). The recruitment was completed in June 2022 and the new head of the APO is due to take up post on August 1, 2022. We will also amend 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 **(end-December 2022 structural benchmark)**. We also commit to implementing legal provisions that preserve the operational autonomy of the APO by allowing it to have an independent budget and control over its human and financial resources.

30. 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 MPs, 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 630 million Moldovan lei 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. We also aim to implement a system of non-conviction-based confiscation starting in 2023.

31. 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.

F. Economic Statistics

32. 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; (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

33. The heightened uncertainty and pressing financing needs necessitate frequent program monitoring. The quantitative performance criteria on the cash deficit of the general government, indicative targets, structural benchmarks, and an inflation consultation clause are modified for end-September 2022, end-December 2022, and end-March 2023. The quantitative and continuous performance criteria as well as indicative targets are set for end-June 2023, end-September 2023, and end-December 2023. One prior action and one new structural benchmark have been proposed. The quantitative performance criteria, inflation consultation clause, and indicative targets are set out in Table 1, as specified in the Technical Memorandum of Understanding (TMU) attached to our Letter of Intent dated September 7, 2022. The prior action, along with the structural benchmarks, are set out in Table 2.

Table 1. Moldova: Quantitative Performance Targets, March 2022 – December 2023

	2022									2023					
	March 1/		June			September		December		March 1/		June		September 1/	December
	Prog. Target	Actual	Prog. Target	Actual	**Status**	Prog. Target	Revised Prog. Target	Prog. Target	Revised Prog. Target	Prog. Target	Revised Prog. Target	Prog. Target	Revised Prog. Target	Proposed Prog. Target	Proposed Prog. Target
1. Quantitative performance criteria 1/															
Ceiling on the cash deficit of the general government	1,705	1,206	9,845	3,427	**Met**	14,521	14,521	19,781	17,219	3,155	5,130	6,715	7,250	10,890	18,527
Floor on net international reserves of the NBM (stock, millions of U.S. dollars) 2/	3,447	3,260	2,761	3,539	**Met**	2,515	2,515	2,692	2,692	2,806	2,806	2,946	2,946	3,046	3,146
2. Continuous performance criteria															
Ceiling on accumulation of external payment arrears (millions of U.S. dollars)	0	0	0	0	**Met**	0	0	0	0	0	0	0	0	0	0
3. Indicative targets															
Ceiling on the general government wage bill	4,900	4,778	11,102	10,726	**Met**	16,505	16,505	21,485	21,783	5,485	5,485	12,020	10,990	17,130	24,567
Floor on targeted social spending undertaken by the general government 3/	835	620	905	951	**Met**	1,055	1,055	1,546	2,065	980	1,410	1,217	2,020	2,404	3,038
Floor on developmental spending undertaken by the general government 4/	5,976	7,192	12,617	16,141	**Met**	19,390	19,390	28,958	28,654	6,093	7,911	13,290	17,755	22,838	31,520
4. Inflation Consultation Bands (in percent)															
Outer Band (upper limit)	7.0		32.5			29.5	37.0	19.5	33.0	12.4	25.0	8.0	16.0	11.5	11.0
Inner Band (upper limit)	6.5		31.0			28.0	35.5	18.0	31.5	10.9	23.5	6.5	14.5	10.0	9.5
Center point	5.0	22.2	29.5	31.8	**Met**	26.5	34.0	16.5	30.0	9.4	22.0	5.0	13.0	8.5	8.0
Inner Band (lower limit)	3.5		28.0			25.0	32.5	15.0	28.5	7.9	20.5	3.5	11.5	7.0	6.5
Outer Band (lower limit)	3.0		26.5			23.5	31.0	13.5	27.0	6.4	19.0	2.0	10.0	5.5	5.0

1/ Indicative targets for March 2022, March 2023 and September 2023.
2/ The NIR target is set as specified in the TMU.
3/ Includes heating allowance, payments under Ajutor Social and unemployment insurance programs.
4/ Includes health, educational, and infrastructure spending.

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

	Measure	Rationale	Timeframe	Status
Prior Action				
1	Parliament to adopt amendments to the 2022 budget in line with the macro-framework agreed with IMF staff, to bring the 2022 general government deficit to 6.2 percent of GDP, subject to financing availability.	Support macroeconomic recovery and mitigate impact of the pandemic		
Structural Benchmarks				
Anti-Corruption and Rule of Law				
1	Amend relevant legislation, in consultation with Fund staff, and taking into account opinions of the Venice Commission, to: (i) allow legal professionals without prosecutorial experience to apply for the position of head of the APO; and (ii) establish a commission comprised of members with impeccable reputation and high professional and moral qualities to vet candidates for the APO head in a balanced, transparent, and fair manner using objective criteria stipulated by law.	Strengthen anti-corruption institutions	end-March 2022	Not met. Implemented in April.
2	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	
3	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 prohibitthe reduction of a term of imprisonment in corruption cases below the statutory minimum.	Strengthen enforcement of the anti-corruption legal framework	end-December 2022	
4	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.
Fiscal Governance				
5	Publish a comprehensive tax expenditure analysis of VAT and income taxes to identify tax relief provisions to be phased out.	Support fiscal consolidation and eliminate inefficiencies and inequities of the tax system	end-June 2022	Met.
6	Publish a report on the execution of investment projects undertaken by extrabudgetary funds in the previous fiscal year.	Strengthen the public investment management framework	end-March 2022	Met.
7	Operationalize the integrated taxpayer register.	Strengthen tax administration	end-June 2022	Met.
8	Expand the coverage of a comprehensive IT-based staff registry to all central government employees.	Strengthen the unitary pay system in the budgetary sector	end-June 2022	Met.
9	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	
10	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 system	end-March 2023	New structural benchmark.
Financial Sector Oversight				
11	Finalize the comprehensive solvency assessment report by a reputable auditing firm for all insurers issuing green cards based on end-December 2020 data.	Rehabilitate the insurance sector	end-March 2022	Met.
12	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-June 2022	Not met. Reset for end-October 2022.
13	NBM to approve secondary ELA regulations to enhance rules for collateral eligibility, risk controls, and internal procedures.	Strengthen financial safety net	end-June 2022	Not met. Implemented in August.
14	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	
SOE and Regulatory Framework Reforms				
15	The Public Property Agency to require all SOEs at the central government level to submit quarterly financial statements.	Enhance oversight capacity over the SOE sector and strengthen fiscal risk monitoring	end-March 2022	Met.
16	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	

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.

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.[5]

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), as well as the heating allowance during the cold season and the government's energy poverty policy (9015/00322) from the central government budget.

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

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

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			
	June	September	December	March	June	September	December
Outer Band (upper limit)	32.5	37.0	33.0	25.0	16.0	11.5	11.0
Inner Band (upper limit)	31.0	35.5	31.5	23.5	14.5	10.0	9.5
Center point	**29.5**	**34.0**	**30.0**	**22.0**	**13.0**	**8.5**	**8.0**
Inner Band (lower limit)	28.0	32.5	28.5	20.5	11.5	7.0	6.5
Outer Band (lower limit)	26.5	31.0	27.0	19.0	10.0	5.5	5.0

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			
	June Prog. Target	September Prog. Target	December Prog. Target	March 2/ Prog. Target	June Prog. Target	September 2/ Prog. Target	December Prog. Target
Programmed external financing flows to adjust the floor on the NIR target (US$ million)	185	278	476	43	85	128	170
Programmed external financing flows to adjust the ceiling on the cash deficit (MDL million)	3,663	5,494	8,899	915	1,830	2,744	3,659

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	Daily data to be provided once every month, within 10 days of the end of each month.
• 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	
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).