

Item	Periodicity
Total debt service due by creditor, and debt service paid.	Monthly within three weeks of the end of each month
Disbursements of grants and loans by creditor	Monthly, within three weeks of the end of each month
<b>Other data</b> (to be provided by NBS)	
Overall consumer price index.	Monthly within two weeks of the end of each month.
National accounts by sector of production, in nominal and real terms.	Quarterly within three months of the end of each quarter.
Export and import data on value, volume, and unit values, by major categories and countries.	Monthly within two months of the end of each month.

INTERNATIONAL MONETARY FUND

REPUBLIC OF MOLDOVA

**Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criterion—Informational Annexes**

Prepared by the European Department  
(In consultation with other departments and the World Bank)

June 30, 2008

<b>Mission dates</b>	May 7–21, 2008
<b>Team</b>	G. Justice (head), N. Gigineishvili, S. Hida, M. Alvesson (all EUR), I. Asmundson (PDR) and J. Mathisen (resident representative).
<b>PRGF</b>	The three-year PRGF arrangement was approved with the conclusion of the 2006 Article IV consultation on May 5, 2006. Cumulative access was SDR 80.08 million (65 percent of quota). Owing to external shocks faced by Moldova, and in light of the authorities' adjustment efforts, cumulative access was increased to SDR 110.88 million (90 percent of quota) at the first review on December 15, 2006. SDR 31.97 million was disbursed at that time, and SDR 21.7 million following completion of the second review on July 13, 2007. SDR 11.44 million was disbursed following completion of the third review on March 12, 2008, with an equal amount available upon completion of the fourth review.
<b>Exchange system</b>	Moldova has accepted the obligations of Article VIII, Sections 2, 3 and 4, of the Fund's Articles of Agreement. Its exchange system remains free of restrictions on payments and transfers for current international transactions (Annex I).
<b>Donor coordination</b>	The mission liaised with the World Bank (Annex II), the EBRD (Annex III), the UNDP and other donors, particularly the European Commission.
<b>Data</b>	National Bureau of Statistics ( <a href="http://www.statistica.md/">http://www.statistica.md/</a> ), National Bank of Moldova ( <a href="http://www.bnm.org/english/index_en.html">http://www.bnm.org/english/index_en.html</a> ), Ministry of Finance ( <a href="http://www.moldova.md">www.moldova.md</a> ). Despite some weaknesses, data provision is adequate for surveillance, and Moldova subscribes to the SDDS (Annex IV).
<b>Outreach and publication</b>	The mission met with members of parliament, trade unions, industry, the financial sector, NGOs, and the academic community. A press briefing was held at the end of the mission. The authorities have agreed to publication of the staff report and all program documents.

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**ANNEX I: MOLDOVA—FUND RELATIONS**  
(As of May 31, 2008)

I. **Membership Status:** Joined August 12, 1992; Article VIII

II. <b>General Resources Account:</b>	<b>SDR million</b>	<b>Percent of Quota</b>
Quota	123.20	100.00
Fund holdings of currency	133.62	108.46
Reserve tranche position	0.01	0.00

III. <b>SDR Department:</b>	<b>SDR million</b>	<b>Percent of Allocation</b>
Holdings	0.64	N/A

IV. <b>Outstanding Purchases and Loans:</b>	<b>SDR million</b>	<b>Percent of Quota</b>
Extended arrangements	10.42	8.46
PRGF arrangements	95.96	77.89

V. **Latest Financial Arrangements:**

<b>Type</b>	<b>Approval date</b>	<b>Expiration date</b>	<b>Amount approved (SDR million)</b>	<b>Amount drawn (SDR million)</b>
PRGF	5/5/2006	5/4/2009	110.88	76.56
PRGF	12/21/2000	12/20/2003	110.88	27.72
EFF	05/20/1996	05/19/2000	135.00	87.50

VI. **Projected Obligations to Fund<sup>1</sup>:** (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2008	2009	2010	2011	2012
Principal	7.86	11.79	5.54	3.92	10.53
Charges/Interest	0.63	0.55	0.42	0.39	0.37
<b>Total</b>	<b>8.49</b>	<b>12.35</b>	<b>5.96</b>	<b>4.31</b>	<b>10.90</b>

<sup>1</sup> Disbursements made after November 28, 2000—with the exception of disbursements of emergency assistance and loans from the Poverty Reduction and Growth Facility—are expected to be repaid on the expectations schedule. Countries may request the IMF Executive Board to make repayments according to the obligations schedule if their external payments position is not strong enough to meet the repayment expectations without undue hardship or risk. Please note: Repayments under the Supplemental Reserve Facility are scheduled to be repaid on the expectations schedule.

## **VII. Safeguards Assessments:**

Under the Fund's safeguards assessment policy, the National Bank of Moldova (NBM) is subject to an assessment with respect to the PRGF arrangement approved on May 5, 2006 and its subsequent augmentation requested in November 2006. The assessment was completed on October 13, 2006 and concluded that safeguards in place at the NBM appear adequate, however, certain vulnerabilities were identified in the governance and control system. Recommendations made to address these vulnerabilities have been implemented according to information received from the authorities.

## **VIII. Exchange Arrangement:**

Moldova has accepted the obligations of Article VIII, Sections 2, 3 and 4, of the Fund's Articles of Agreement. Its exchange system remains free of restrictions on payments and transfers for current international transactions.

Moldova's exchange rate regime was reclassified from a de facto peg (to the U.S. dollar) to a managed float in April 2006.

Prior to the introduction of the Moldovan leu on November 29, 1993, the Russian ruble (supplemented by NBM-issued ruble denominated coupons) was the legal tender in Moldova. The government introduced the leu at a conversion rate of one leu equal to 1,000 Moldovan rubles and an exchange rate of one dollar equal to lei 3.85. The leu remained broadly stable around MDL 4.75/\$ until mid-October 1998. It has since depreciated against the dollar and traded at MDL 11.32=\$1 on December 31, 2007.

Foreign exchange was initially traded on the Chişinău Interbank Foreign Currency Exchange (CIFCE). Operations of the CIFCE started at the beginning of 1993, and daily auctions commenced in early February 1995. An active foreign exchange cash market exists within authorized banks and foreign exchange bureaus. From November 16, 1993 through end-October 1998, the U.S. dollar exchange rate established in the CIFCE was the official exchange rate quoted by the NBM. Since November 2, 1998, the official rate as announced by the NBM is determined as the weighted average of all daily market transactions. The NBM quotes exchange rates of the leu for other currencies on the basis of the leu-U.S. dollar rate and the cross-rate relationships between the U.S. dollar and the currencies concerned in the international market.

## **IX. Article IV Consultation:**

The last Article IV consultation was concluded on March 12, 2008 Country Report Nos. 08/139 and 08/132.

## **X. FSAP Participation:**

Moldova received an FSAP mission in May 2004; the FSSA was presented to the Board at the time of the 2004 Article IV discussions. An FSAP update mission visited in October 2007; the FSSA update is presented to the Board with the current Article IV Consultations report.

#### **XI. Use of Fund Resources:**

On February 4, 1993, Moldova purchased Fund resources totaling SDR 13.5 million, equivalent to 15 percent of quota under the Compensatory and Contingency Financing Facilities (CCFF). This was followed by a first drawing under the Systemic Transformation Facility (STF) of SDR 22.5 million, equivalent to 25 percent of quota, which was approved by the Board on September 16, 1993. On December 17, 1993, the Board approved a purchase of Fund resources under a stand-by arrangement (SBA) in the amount of SDR 51.75 million and the drawing of the second tranche of the STF totaling SDR 22.5 million. On December 19, 1994, Moldova made a second purchase under the CCFF totaling SDR 12.2 million, equivalent to 13.5 percent of quota, in conjunction with the second review of the SBA that expired at end-March 1995. The Board approved a successor SBA for Moldova in an amount totaling SDR 58.50 million (equivalent to 65 percent of quota) on March 22, 1995. Three purchases, totaling SDR 32.4 million (equivalent to 36 percent of quota), were made under the arrangement. An Extended Arrangement amounting to SDR 135 million (equivalent to 150 percent of old quota) was approved by the Executive Board on May 20, 1996. At the time of the third review, the program was extended by one year to May 19, 2000. While the fourth review was completed, the program expired on May 19, 2000 without the completion of the scheduled last review because parliament rejected twice an important program condition. Five purchases totaling SDR 87.5 million (equivalent to 97 percent of old quota) were made under the EFF arrangement. A PRGF arrangement was approved on December 21, 2000 in the amount of SDR 110.88 million (equivalent to 90 percent of quota). SDR 9.24 million was disbursed on December 29, 2000, followed by SDR 9.24 million on February 23, 2001, and SDR 9.24 million on July 26, 2002. The arrangement expired in December 2003 with only one review completed. A new PRGF arrangement was approved on May 5, 2006 in the amount of SDR 80.08 million (equivalent to 65 percent of quota). SDR 11.44 million was disbursed on May 10, 2006. An augmented arrangement was approved on December 15, 2006 in the amount of SDR 110.88 million (equivalent to 90 percent of quota). SDR 31.97 million was disbursed on December 21, 2006, SDR 21.71 million was disbursed on July 30, 2007, following completion of the second review on July 13, 2007, and SDR 11.44 million was disbursed following completion of the third review on March 12, 2008, with an equal amount available upon completion of the fourth review.

#### **XII. Resident Representative:**

Mr. Mathisen began his assignment in December 2005.

**XIII. Resident Advisors:**

An FAD resident advisor, Mr. Agarwal, completed a posting to support the development of the treasury in June 1998. Peripatetic return visits were conducted through 1999.

During 1998, Mr. and Mrs. Faulk were assigned as resident advisors on banking supervision at the NBM. During 1999, they paid various follow-up visits as external experts. In July 1999, an FAD resident tax administration advisor, Mr. Vandenberghe, was extended for a third six month period to support the development of a large taxpayer unit. His contract ended in mid-2000. A MCM resident advisor on monetary policy implementation and liquidity management supported the NBM between January and June 2007. A new MCM resident advisor to assist the NBM in capacity building in preparation for inflation targeting is expected to take up post in the nearest future.

**XIV. Short-Term Assistance:**

Mr. Antao conducted regular visits to assist the Ministry of Finance on macroeconomic analysis since mid-1997. From April 1996 to July 1998, Mr. Richards paid regular visits as a regional balance of payments statistics advisor to Moldova, Armenia, and Georgia.

Mr. Van Sluys and Dr. Peeraer visited Chişinău on several occasions in 1998/99 to assist in the area of supervision of commercial bank's foreign exchange activities. Mr. Thompson has been advising the NBM on accounting issues since 1999 and visited Moldova regularly during the past three and a half years, including for preparation of the NBM international audits. Mr. Ponomarenko visited Moldova several times in 2002–04 to assist the Department of Statistics and Sociology (DSS) in the area of national accounts. Mr. Astin has been visiting Moldova regularly to help the DSS reform the methodology for the CPI and PPI.

Mr. Tandberg, the Regional Public Finance Management Advisor for the Countries of Southeastern Europe, has been advising the Ministry of Finance on public finance management since 2006.

## XV. Technical Assistance:

The following table summarizes the technical assistance missions provided by the Fund to Moldova since January 2002.<sup>2</sup>

### Moldova: Technical Assistance Provided by the Fund, 2002–07

Department	Subject/Identified Need	Timing	Counterpart
MAE	Payments system; liquidity projection and monetary policy framework; central bank accounting and internal audit; and bank supervision.	May 2002	NBM
MFD	Payments system	Missions 2003 and 2004	NBM
STA	National accounts	March 2002, Dec. 2002, March 2003, Apr. 2004	DSS
STA	Price statistics	Nov. 2003, Sept 2004, Nov. 2005, July 2006	DSS
STA	Money and banking statistics	April 2004	NBM
MFD/LEG	Anti-money laundering	April 2004, Aug. 2006	MDA Gov. NBM
FAD	Modernization of the LTU and VAT	May 2004	MOF
MFD	Foreign exchange regulation and banking supervision	December 2004	NBM
STA	Money and banking statistics	May 2005	NBM, DSS
MFD	Internal audit (National Bank)	June 2005	NBM
STA	SDDS	November 2005	NBM, DSS, MOF
MFD	Central bank independence, monetary policy, and monetary operations	December 2005	NBM
FAD	Public finance management	March 2006, Oct. 2006	MOF
FAD	Tax administration	July 2006	MOF
MCM	Central bank recapitalization and normalizing relations between the central bank and ministry of finance	August 2006	NBM, MOF
MCM	Improving monetary policy operations, creating preconditions for an inflation targeting framework and analyzing financial sector stability	September 2006	NBM
MCM	Development of the foreign exchange system	September 2006	NBM
FAD	Public finance management	October 2006	MOF

<sup>2</sup> For technical assistance before 2002, see previous reports.

FAD	Tax policy reform; follow-up on tax reform implementation	March-April 2007	MOF
LEG	AML/CFT law for Moldova	June 2007	MOE, NBM
FAD	Public finance management	June 2007	MOF
FAD	Tax administration	September 2007	MOF
MCM	Monetary Policy Framework	September 2007	NBM
STA	Monetary and financial statistics	April 2008	NBM, NCFM

Note: MoF: Ministry of Finance; NBM: National Bank of Moldova; MoE: Ministry of Economy; DSS: Department of State Statistics, NCFM: National Commission on Financial Markets.

## ANNEX II: MOLDOVA—IMF—WORLD BANK RELATIONS

(As of June 10, 2008)

Lead Country Officer Mr. Sergiy Kulyk

Telephone: (202) 458 4068

### A. Partnership in Moldova's Development Strategy

1. Moldova's development agenda for 2008 to 2011 had been set out in its National Development Strategy (NDS. The 2008 Joint IDA-IMF Staff Advisory Note (JSAN), which was discussed by the respective Executive Boards in March 2008, provides the government with advice on future implementation of the NDS.
2. The World Bank has taken the lead in the policy dialogue on a number of structural issues relevant to economic growth and poverty reduction, including private sector development, infrastructure, health, education, social protection, and agricultural sector reforms.
3. On May 13, 2008 the Bank Executive Board approved a US\$10.0 million *Second Poverty Reduction Support Credit (PRSC2)*. The credit, the second in a planned annual series, aimed to support the Government's efforts to accelerate economic growth and improve the efficiency of its social programs and public administration. It directly supported implementation of Moldova's NDS, as well as the EU-Moldova Action Plan. The PRSC program supports selected areas of the Government reform agenda with the objective of: (i) improving the investment climate; (ii) improving the efficiency and management of public resources; and (iii) strengthening pension and social assistance systems.
4. Recent analytical work of the Bank includes an *Investment Climate Assessment*, a *Country Procurement Assessment Review*, a *Country Financial Accountability Assessment*, a *Trade Diagnostic Study*, the second *Poverty Assessment*, an *Education Policy Note*, a *Health Policy Note*, an *Agricultural Note*, a *Country Economic Memorandum* and a *Public Expenditure Review*. Bank is also providing technical assistance to the government in the areas of *poverty monitoring*, *public administration* and *civil service reform and governance*, and *social protection*.
5. In a number of areas—social sectors, environment, infrastructure—the Bank takes the lead in the dialogue. The Bank is also leading in the areas of support for the private sector development and agricultural sector reform. Bank analysis serves as input into the Fund program. In other areas—trade and customs reform, financial sector policies, public sector management—both institutions work together. Finally, in areas like fiscal, monetary, and exchange rate policies, and tax administration, the IMF takes the lead.

## B. IMF-World Bank Collaboration in Specific Areas

### Areas in which the World Bank leads

6. Areas in which the Bank leads the policy dialogue are social sectors, infrastructure, and environment. In the **social sphere**, the Bank has carried out *Poverty Assessments* to monitor and evaluate progress in alleviating poverty. A *Health and Social Assistance Project* supports the implementation of comprehensive reform of the public pension system and the introduction of a regulatory framework for private pension funds. The project also supports the implementation of the new organizational structure for social insurance. The Bank has also supported two *Social Investment Fund (SIF) Projects* to assist in the building of local community and municipal capacity and skills through the rehabilitation of social infrastructure. The SIF also focuses on improving the delivery of social services, creating short-term employment and opportunities in rural areas by financing small-scale public works and supporting micro-business development.

7. In **health**, the *Health and Social Assistance Project* is focused on improving the health status of the Moldovan population and increasing the quality and efficiency of public health services by improving access to essential services by the poor. The recently closed *Moldova AIDS Control Project* aimed at improving Moldova's health status and assisted in achieving the health-related Millennium Development Goals by reducing mortality, morbidity, and transmission of HIV/AIDS. An additional operation to help Moldova combat *Avian Influenza* is under implementation.

8. In **education**, the *Quality Education in Rural Areas Project* supports the Government's education program to enhance the quality of teaching and learning, increase access and equity, improve the efficiency in public spending for education, and strengthen education planning and monitoring.

9. With regards to **infrastructure** development, the Bank is concentrating on upgrading basic utility services impacting the population at large and the poor in particular. The *Energy II Project* has two main components: (i) power system infrastructure—investments to upgrade and rehabilitate metering, dispatch and communications, selected priority rehabilitation of the electricity of the electricity transmission network, and institutional development and regulation of the electricity market; and (ii) heating supply and consumption—investments in improving heating supply and energy efficiency in selected public buildings. A *National Water Supply and Sanitation Project* (May 2008) is aimed at (i) to improving the coverage, quality, efficiency, and sustainability of water and sanitation services in selected urban and rural communities; and (ii) enhancing the capacity of Ministry for Construction and Territorial Development (MCTD) to prepare and supervise the implementation of investment program and to provide technical assistance to the operating Apa Canals. The *Moldova Road Sector Program Support Project* (March 2007) is aimed at reducing road transport costs for road users in Moldova by improving the condition and quality of its road network and the way it is managed. The Bank team has recently conducted a brief *assessment of the information and communication technologies (ICT) sector* of

Moldova. A more detailed telecommunications sector diagnostic note that identifies challenges facing the sector will be prepared in FY 09.

10. The Bank has supported a number of **environmental** projects. The *Agriculture Pollution Control Project* focuses on significantly increasing the use of environmentally friendly agricultural practices by farmers and agro-industry thereby reducing nutrient discharge from agricultural sources into the Danube River and Black Sea. A number of technical assistance activities are also under implementation. A *Biodiversity Strategy Development* is assisting the government in implementing Articles 6 and 8 of the Convention on Biological Diversity. The *Environmental Infrastructure Project* was approved by the Board in FY07. The objectives of the project are to improve the quality of sanitary services in Northern Moldova and reduce the discharge of pollutants, including nutrients into the Nistru River and demonstrate and disseminate cost-effective nutrient reduction strategies and technologies for municipal wastewater sources.

11. In the area of **rural and agricultural development**, the Bank's recently closed *First Cadastre Project*. The project helped establish a system of clear and enforceable ownership rights so as to promote the privatization of land the development of real markets in Moldova. The two *Rural Investment and Services Projects (RISP1 and RISP2)* increase rural incomes and living standards by promoting rural entrepreneurship, agricultural production, economic diversification, and trade in the rural areas. The projects also provided investment and working capital at commercial terms to support a broad range of agribusiness. *Additional financing to RISP2 project* (May 2008) will extend support to irrigation, especially in the wake of the devastating 2007 drought.

12. While the Bank has taken the lead in the areas of the structural reform described above, the IMF has a strong interest in these areas since many of them are critical to achieving macroeconomic stabilization and enhancing growth prospects. Accordingly, there is a high degree of consultation and coordination between the two institutions on these matters.

### **Areas of shared responsibility**

13. The Bank and Fund are working jointly in a number of areas:

14. **Private Sector Development.** While substantial progress in improving Moldova's business environment has been made, a challenging reform agenda remains. Both the Bank and the Fund have focused on this agenda in their assistance programs, including SAC III, PRSC program, and PRGF arrangement and the surveillance exercise. The Bank has undertaken a number of studies, including the *Investment Climate Assessment*, the *Business Environment and Enterprise Performance Survey* (together with EBRD), a *Diagnostic Review of the Environment for Foreign Investment*, and a number of *Costs of Doing Business Surveys*, *Building the Microeconomic Foundations for Private Sector Competitiveness* (Technical Note) to gauge ongoing developments in this area and determine the most important impediments to private sector development and its competitiveness. The Bank's *Private Sector Development II (PSD II) Project* strengthened the competitiveness of private

and public enterprises in Moldova through the hands-on training of local managers abroad (human capital investment) and creation of a Competitiveness Center (market information and benchmarking). The *Competitiveness Enhancement Project* builds upon successes of the *PSD II* credit by providing support for the business environment improvement and modernization of the standardization and metrology system. The IFC has promoted financial sector development by extending credit lines to a number of private banks for on-lending to private sector. A number of technical assistance missions have been undertaken to improve banking legislation and banking supervision, including the joint WB IMF *Financial Sector Assessment Program (FSAP)* and its *Update* (recently completed).

15. In the area of **Public Sector Management**, the Bank's *Public Economic Management Review*, *Country Procurement Assessment Review* and *Country Financial Accountability Assessment* examine fiscal adjustment and reform efforts in the social sectors and suggest policy measures to strengthen public expenditure management and actions needed to build capacity for increased government effectiveness. The *Country Economic Memorandum* entitled *Moldova: Opportunities for Accelerated Growth* contains recommendations for improving the macroeconomic environment, enhancing the opportunities presented by the large inflow of remittances, creating a more dynamic and diversified private sector. The recently closed Bank project *Trade and Transportation Facilitation in Southeast Europe* (part of the Stability Pact initiative), aimed to strengthen and modernize the Customs Administration and other border control agencies with the objective reducing non-tariff costs to trade and transport and preventing smuggling and corruption at border crossings. The *Public Finance Management Project* is helping the Moldovan Authorities to develop a budget planning and execution system by institutionalizing the medium-term expenditure planning and modernizing budget classification, and is assisting in upgrading the internal control and audit system in the central government bodies. In preparation for the mid-term review of this project, a Public Expenditure and Financial Accountability Assessment (PEFA) was recently completed and all donors, including the Fund, were consulted. The Fund has also provided technical assistance to improve tax and customs administration, government financial statistics, and public expenditure policies.

### C. The World Bank Group Strategy

16. Bank is now in the process of consultations on the new Country Partnership Strategy (CPS) for Moldova for FY09-12. It will be submitted to the Executive Board in the fall of 2008.

**ANNEX III: MOLDOVA—RELATIONS WITH THE EBRD**

(As of end of May 2008)

The EBRD's strategy in Moldova is aimed primarily at supporting private sector development in the country and increasing policy dialogue with the authorities. In particular, the Bank will pursue the following operational objectives:

- I. The Bank will continue to pursue investment opportunities in all enterprise sectors including, without limitation, the food processing, manufacturing, information and communication technology (ICT), retail and property sectors. Well performing companies will be provided with direct financing including through ETC instruments. The Bank will facilitate foreign investment either by investing alongside foreign strategic investors or by assisting the development of local companies which in due course may attract foreign investment. Working capital may be provided to agribusinesses under the recently established warehouse receipt system. The Bank will continue to provide non-financial support to private enterprises through its Turn Around Management (TAM) and Business Advisory Services (BAS) programs;
- II. The Bank will provide its local partner banks with access to its SME and MSE credit lines, its Trade Facilitation Program (TFP) as well as its Medium-sized Co-financing Facility (MCOFF). The Bank will seek to extend its cooperation to new partner banks and will assist in the development and promotion of new financial instruments such as mortgage financing, leasing and energy efficiency credit lines. On the equity side, the Bank may consider further investment in banks, leasing companies and mortgage providers. The Bank will further enhance its support for the development of microfinance particularly (but not exclusively) in Moldova's regions. The Bank will explore opportunities to support the emergence of the non-banking financial sector;
- III. Given Moldova's sovereign debt capacity constraints and the IMF's concessionality requirements, the Bank will - to the extent possible - co-finance public infrastructure projects with other IFIs and donors to ensure maximum leverage of grant and concessional financing. To enable Moldova to take full advantage of its new EU neighborhood status, the Bank will give priority to infrastructure projects that promote regional integration and interconnection with neighboring countries. The Bank is also committed to resume its municipal infrastructure lending provided sufficient grant financing can be attracted to address affordability constraints. The Bank will continue to support private infrastructure investments.

Sixty three projects have been signed totaling €239.7 million of EBRD resources, including: (i) a wine export promotion project, which is targeting the main Moldovan wineries and glass producer, through restructuring of the sector (€24.6 million) and equity investment into a glass producer (€6.4 million); (ii) an energy efficiency project for upgrading the heating distribution

networks in Chisinau (€7.8 million); (iii) several credit lines and equity investment for Moldova-Agroindbank for on-lending to small and medium enterprises (€29.3 million in total); (iv) several credit lines, a co-financing facility and equity investment for Victoriabank (€12.5 million in total); (v) three credit lines and a co-financing facility for Mobiasbanca (€6.4 million); (vi) credit lines for Moldinconbank and Banca Sociala (€9.2 million in total); (v) a project for linking Moldovan satellite earth stations to the Eurovision Network (€0.8 million); (vi) a road rehabilitation loan (€9.6 million); (vii) partial financing for construction of a new oil terminal at Giurgulesti (€9.6 million); (viii) credit facilities for micro enterprises through local banks (€5.4 million); (ix) rehabilitating Chisinau's water services (€17.6 million); (x) Chisinau Airport Modernization (€7.4 million); (xi) trade facilitation program for Victoriabank, Moldova-Agroindbank, Moldinconbank, Mobiasbanca and Banca Sociala (regional TFP—€18.1 million in total); (xii) equity participation in and a loan to ProCredit and a loan to Rural Finance Corporation – two micro-finance companies (€3.2 million in total); (xiii) equity participation and loan financing for three privatized power distribution companies (€26.9 million); (xiv) a loan (MMF) totaling €3.0 million and a credit line of €5 million to Banca Sociala to extend medium-to long-term loans of up to €500,000; (xv) equity and loan participation for SUN Communications (€1.9 and €3.7 million, sequentially); (xvi) a loan facility in the amount of up to €30 million, including €12.5 million for Phase 1 and €17.5 million for Phase 2 for a road rehabilitation project; (xvii) DLF Orhei Vit- a financing of new capital investments into the existing facilities and increased working capital needs of the Company through a €4 million facility; (xviii) a credit line for Eximbank for on-lending to small and medium enterprises (€2.6 million); (xix) an equity investment (€3.3 million) and a co-financing facility (€1.3 million) for Mobiasbanca.

In addition to banking projects, some 86 Technical Cooperation projects have been completed or approved (totaling €15.2 million).

**ANNEX IV: MOLDOVA—STATISTICAL ISSUES**

1. Economic and financial data provided to the Fund are generally adequate for surveillance and program monitoring. In July 2005, a ROSC Data Module found that while the quality of macroeconomic statistics has improved significantly in many areas in the past few years, accuracy and reliability need to be enhanced further regarding compilation of fiscal and national accounts statistics.
2. Moldova subscribed to the SDDS in May 2006, and became the sixth country which has graduated from the GDDS to the SDDS. Participation in the GDDS began in February 2003.
3. **National accounts statistics** are prepared according to the 1993 SNA methodology. Estimates do not include the Transnistria region for which data have not been collected since 1991. GDP is estimated from the production and the expenditure sides, annually and quarterly. The data are prepared in current and constant (previous-year) prices, and annual data are revised—in two stages—as updated information becomes available. However, the quarterly data remain unadjusted, thus limiting their consistency with the revised annual data. Overall, the national accounts statistics need improvement in the following areas: (i) improving the accuracy of the data sources (quarterly reporting of all basic statistics on a discrete basis, industrial production index and price indices following international standards); (ii) benchmarking the annual and the quarterly data; and (iii) estimating the consumption of fixed capital in line with international standards.
4. **Price statistics** still have several shortcomings. Price collection for the CPI and PPI is limited geographically and new observations are not imputed. The weights of the CPI basket, underestimate the share of durable goods. The PPI is not a transaction price index, and covers a small population of industrial establishments. The industrial production index is compiled from data in constant prices adjusted to price changes by establishments themselves.
5. **Labor market statistics** have been substantially revised following the 2004 population census, substantially improving data reliability. While the methodology, training and practices of surveyors have improved, the most substantial revision was the expansion of sampling, thus achieving a more accurate reflection of the labor market situation. No comprehensive attempt has been made to revise the old series based on new methodology.
6. **Fiscal statistics.** In January 2008, the IMF Government Finance Statistics Advisor for Southeastern Europe at the Ljubljana *Center of Excellence in Finance* (CEF) visited Chisinau during January 21-25. The purpose of the visit was to develop an understanding of and assess the environment for the production of government finance statistics — both annual and subannual — according to the methodology of the *GFSM 2001* and to discuss with the authorities a work program for 2008 in that area. The authorities have indicated a need to

review the newly introduced budget classification, which will be undertaken in liaison with the CEF Public Finance Management Advisor. The Advisor also has requested the support of the MoF in reporting of monthly fiscal data (the *GFSM 2001* Statement of Sources and Uses of Cash) to STA for publication in *International Financial Statistics*. In addition, World Bank technical assistance has been provided to improve the budgetary reports of local authorities as well as the Social Fund. The authorities reported annual cash-based data through fiscal year 2006 in the *GFSM 2001* format for publication in the *2007 GFS Yearbook*.

7. **Balance of payments.** The compilation methodology follows the fifth edition of the *Balance of Payments Manual*. Problems remain related to: (i) under-reporting of imports and exports; (ii) collection of data on services; (iii) measurement of private capital inflows, including direct investment data; and (iv) treatment of transactions with Transnistria. Besides the balance of payments statistics, Moldova disseminates quarterly international investment position and external debt statistics. Data on international reserves and foreign currency liquidity are disseminated monthly.

8. **Monetary and financial statistics** are broadly in line with international statistical standards and of a generally good quality. The NBM has compiled and submitted a complete set of monetary data beginning from December 2001 using Standardized Report Forms (SRFs). Monetary data are reported by the NBM on a regular basis and are being published in the *IFS Supplement*. An STA technical assistance mission in April 2008 assisted the NBM in expanding the coverage of monetary statistics to include other financial corporations.