

SU/22/66

May 11, 2022

The Acting Chair’s Summing Up
Republic of Moldova—Ad Hoc Review Under the Extended Credit Facility;
Request for Augmentation and Rephasing of Access, Modification of Performance
Criteria, and Completion of the Inflation Consultation Under the Extended Credit
Facility and Extended Fund Facility Arrangements
Executive Board Meeting 22/44
May 11, 2022

Executive Directors commended the Moldovan authorities for their strong commitment to the Fund-supported program, despite the challenging environment. Directors noted that the spillovers from the war in Ukraine and international sanctions on Russia and Belarus, including trade disruptions, higher and more volatile energy prices, and the continued influx of a large number of refugees, have had a significant impact on Moldova and led to increased external financing needs.

Directors commended the authorities for their swift response to the crisis and welcomed the adoption of the supplementary budget to protect vulnerable households, accommodate refugees’ humanitarian needs and maintain social cohesion. Directors underscored, however, that strong implementation of the budget envelope as well as careful monitoring of revenue performance and additional spending pressures will be important going forward. They emphasized that fiscal plans should remain anchored by a strong commitment to debt sustainability. Given the unprecedented uncertainty, Directors welcomed the authorities’ readiness to activate contingency plans, should risks materialize.

Directors welcomed the central bank’s decisive policy response to increased inflation. They noted that the financial sector has remained resilient despite temporary liquidity pressures. Going forward, Directors broadly concurred that careful calibration of monetary tightening to balance financial stability and growth objectives will be important. Further foreign currency interventions should be limited to preventing a disorderly adjustment of the exchange rate and curbing excess exchange rate volatility.

Directors commended the authorities for keeping the program on track and making good progress on key reforms, including the completion of structural commitments on fiscal governance, financial sector oversight, oversight of state-owned enterprises, and strengthening anti-corruption legislation. They encouraged continued progress on the integrated taxpayers’ register, the comprehensive tax expenditure analysis, and the reinforcement of the National Bank of Moldova’s institutional autonomy.

Directors emphasized that the program's focus on addressing significant governance weaknesses and institutional vulnerabilities remains critical and welcomed the emphasis on strengthening the rule of law and financial supervision. They noted that continued reforms under the program—if appropriately sequenced and resolutely implemented—will boost productivity, unlock private investment and support inclusive, sustainable growth.