

BUFF/10/106

July 14, 2010

**Statement by the Staff Representative on the Republic of Moldova
Executive Board Meeting
July 16, 2010**

1. **This statement provides additional information on economic developments in Moldova that became available since the issuance of the staff report.** The additional information does not change the thrust of the staff appraisal.
2. **On June 30, Parliament passed an amended 2010 budget in line with the understandings in the Supplementary Memorandum of Economic and Financial Policies.** This was a prior action for the First Review of the program (see SMEFP Table 3).
3. **The latest available data have been favorable and broadly in line with staff's projections.** Industrial production grew by 11 percent in May relative to the same period last year, providing further evidence of a sustained recovery. Twelve-month inflation in June fell to 7.8 percent, in line with expectations that the effect of earlier hikes in energy prices would be short-lived. In May, growth in credit to the economy turned positive on a 12-month basis for the first time since June 2009, helping to increase banks' profits and stabilize the NPL ratio at 17.3 percent. Available monetary and fiscal data for May are in line with the June quantitative targets.
4. **On June 24, the World Bank approved an Economic Recovery Development Policy Loan for Moldova in the amount of US\$25 million.** The loan will be used to fund priority expenditure for economic recovery and social protection and lay the foundations for a sustained post-crisis recovery in Moldova through exports and private investment.
5. **In early July, Russia's consumer protection agency blocked Moldovan wine—a main export product—from the important Russian market.** Citing poor quality, the agency rejected sizable consignments. The Moldovan and Russian authorities are discussing the matter. Meanwhile, the Moldovan authorities have advised Moldovan exporters to suspend shipments to Russia until the issue is resolved.
6. **Heavy rains have caused widespread floods in recent days.** While the situation is still evolving, the damage is likely to be significant, with hundreds of houses destroyed, thousands of people displaced, and large areas of crops flooded. The authorities have appealed to the private sector and the international community for emergency financial assistance in the form of grants.
7. **The authorities have consented to the publication of the staff report and the SMEFP.**