Statement by Girmai Abraham  
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Moldova: Country Assistance Strategy

We welcome this joint Bank/IFC Country Assistance Strategy for the Republic of Moldova and commend staff for the participatory process that preceded its preparation, with the active participation of various stakeholders including government officials, international donors, NGOs and the private sector. The basic objectives of the CAS conform with the government’s medium-term strategy of creating a solid foundation for long-term macro-economic sustainability, private sector development and a broad-based public sector reform program. We are pleased with the efforts of the government, which is supported with an IMF-EFF program to put the macro-economic program on the proper course. Actions taken in areas of price and trade liberalization, financial stabilization, privatization, agriculture and energy reforms are commendable. However, the country’s development challenges still remain daunting and more needs to be done to arrest the continuing decline of output.

It is disturbing to note that poverty in Moldova is not only severe but also growing at an accelerated rate. We agree that economic recovery and restructuring of social services are essential for ameliorating the situation. This would entail, inter alia, an efficient government apparatus that is corruption-free. We, therefore, support efforts being geared towards ensuring better public expenditure management, well targeted social programs that protect the vulnerable groups and efficient public administration.

Given the importance of agriculture as the major source of growth for Moldova, we support the government’s strategy to restore growth through strengthening the role of the private sector in agriculture and putting in place a sound land reform. In this connection, we believe that the intentions of the authorities to develop a viable micro-credit system is in order and needs to be given top priority in the Bank’s assistance strategy.

The recent financial crisis in the region has impacted negatively on Moldova’s economic agenda. While the government has accelerated its privatization program, we find that foreign
direct investment is still at a low level. We, therefore, believe that the Bank’s proposed strategy
to support private sector development in order to increase efficiency and competitiveness is a
step in the right direction. The proposed plan to create an enabling environment for private sector
development through legal and institutional reforms is commendable, as a fair and predictable
legal system is key to attracting investment and developing a vibrant private sector. In this
regard, we hope that with the opening of the IFC resident mission in the country, the Corporation
will be in a better position to increase its activities. We would like to see more IFC participation
in the area of micro-finance to assist small and medium enterprises, especially private farmers.
We also expect to see an active role by the resident mission in the non-lending services area. The
role of the World Bank Institute in the areas of human, institutional and consensus building as
well as in combating corruption needs to be strengthened. Another concern that needs more
attention during the economic restructuring process relates to unemployment, which is expected
to be high in the short run as an increasing number of working poor will be out of work. We
wonder what plans are there to protect these groups from any further deterioration in their living
conditions over the next few years.

On partnership, while we are pleased with the close collaboration among the donors, we
feel that there is need to clearly delineate roles for donors according to their respective
comparative advantage. With respect to the external environment, it is likely that it will continue
to remain unfavorable in the short run, given the uncertainty surrounding the economy as a result
of the current economic crisis and the economic slowdown forecast for the neighboring countries
as well as trading partners. Under the circumstances, the country’s financial requirement will
remain high and hence it is imperative that significant donors support should be provided to
enable the Moldova authorities to forge ahead with their reform programs.

We have no difficulty in supporting the proposed lending scenarios and their associated
triggers. We would, however, hope that the Bank will exercise the necessary flexibility in the
event that the economy is destabilized by severe domestic or external shocks.

In closing, we support this Country Assistance Strategy and wish the people of Moldova
every success in achieving their objectives.