

# Who Will Pay for New Year Gifts from the Government of Moldova?

Marina Dragalin

Moldova started 2019 with discouraging economic forecasts, which had repeatedly deteriorated even before the new power crisis. Hope for a revival of the country's economy that briefly reared its head during the ACUM-PSRM coalition was undermined by political events in recent weeks and finally crushed by the seven measures of support promised by the Dodon-Chicu government.

Formed last week, the government of Ion Chicu identifies itself as "technocratic", focused on socio-economic problems. However, it is obvious that the activities of the new Cabinet are mainly dedicated to the preparation for 2020 presidential elections and will be similar to the last year of the democrats government: Moldova will experience next high-profile social and infrastructure projects.

It is known that Igor Dodon is already negotiating with a Chinese company on the construction of a bypass road around Chisinau worth \$ 400 million, and Ion Chicu went to Moscow to agree on Russia's financing of road repairs worth about \$ 300 million.

Besides, on November 18, President Dodon announced seven measures to support the Moldovan population: 700 lei for pensioners, pensions indexation twice a year, almost triple increase in allowances for doctors moving to the village, increase in salaries of state employees, etc. The positive effect of such statements on the political positions of the President is obvious. Taking into account the standard of living in Moldova and some promises (for example, the

introduction of a bill on 5-years pensions payment to living spouses of citizens deceased immediately after retirement), seven Dodon's proposals are real 'seven miracles' for surviving people.

According to experts, such steps of the government will cost more than 2 billion lei. It is unclear how a stable deficit budget of the country will sustain the next electoral race, if such expenses are declared already at the start. According to the socialist leader, the authorities have already found financial support for social initiatives, but they do not go public about where and how much.

The ACUM's statements that the government of Maia Sandu is authors of 5 of the 7 initiatives might be true. In this case, even the last government could find the money for them. "The comrade took the budget worked out by the last government and appropriated it," says MP Dan Perciun. This is also said by former Finance Minister Veaceslav Negruta: "Dodon stole all the statements of the government he overthrew last week".

At the same time, the former Minister of Health in the government of Sandu Ala Nemerenco emphasizes that such populist ideas have already led to a budget deficit. She said IMF and World Bank experts had warned of the dangers of indexing pensions twice a year, and the Sandu government was preparing other solutions that would not harm the pension system.

Ion Chicu himself is sure that he will not have to raise taxes or tax pressure on economic agents and citizens. "The budget already provides 1.1 billion lei for all projects. Public sector employees need another 1.12 billion lei to raise their salaries, and this amount was planned in the budget back in December 2018," Chicu reports.

At the same time, according to preliminary estimates, the budget deficit in 2020, as in the current year, will be about

6 billion lei. The new government plans to cover half of the missing funds from income from investment projects, interconnection of energy systems and from a World Bank loan, and another 3 billion lei by issuing securities.

The government also expects external financial support, although it's a long chance. It is obvious that the relations with the European Union will change a lot. Judging by the signals coming from the EU, there will be no continuation of macro-financial assistance in the previous volumes, and the Moldovan authorities are used to patching the budget with it. Maia Sandu pointed out that it was she who achieved the resumption of macro-financial assistance from the EU, and Brussels will not give a penny to the government of Chicu.

In addition, cooperation with the IMF is also in question. In July, there was talk of a \$ 45 million tranche by the end of the year. However, a few months ago, both Dodon and Chicu strongly criticized the agreements with the IMF: Dodon called the agreements with the Fund inconsistent with the national interests, and Ion Chicu criticized the attitude of IMF officials to Moldova in general. In this context, it is naive for the socialist government to expect a tranche of European money.

Thus, the initiatives of the new government not only do not solve the problem of low incomes in the future, but also undermine the potential of the Moldovan economy: money for populist pre-electoral initiatives will have to be found, as democrats did during two years, from money for road construction and repair or other 'non-social' items.

At the same time, the PSRM needs to demonstrate strong evidence of changes for the better in order to justify the collapse of the coalition and alliance with the democrats. Otherwise, the left flank of Moldovan politics will have a hard time in the next elections.

Another thing is frightening in this situation: as history shows, no one in Chisinau is concerned about ensuring the independence and survival of the economy of the Republic, even in the most distant future. In the context of the usual power instability in Moldova, every year prevailing of political logic over the economy quickly and irrevocably reduces the chances of the country's revival.