

In Stock. Moldova's Budget 2020

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The week coming to an end had a lot of economic news for Moldova. The highlight is, of course, the approval of the state budget and fiscal policy for 2020. The document and the statements made by the EU and IMF representatives on financial assistance to Moldova portend another difficult year.

All you need to know about the budget for 2020 is that it was drawn up in a hurry. By law, the government must submit to Parliament draft fiscal policy by September 15, and the budget by October 15, so that to publish the main financial document of the country by December 27. But if it is usual for the Moldovan government to be late with the adoption of the budget, keeping the draft document confidential (until the adoption) is for the first time in recent years.

Another result of the haste is the 'overnight' growth of the budget deficit by more than a billion lei. The planned 6.1 billion lei reached 7.4 billion lei by Wednesday. The Minister of Finance Puscuta explains these amendments to the budget as a loan for the construction of roads. According to him, the real budget deficit will be only 2.6 billion lei and its basic part next year will be even 600 million lei less than in 2019. The new government plans to offset the budget deficit from three sources: through the help of external partners, placing state securities and privatizing state property.

According to the adopted financial document, in 2020 the revenues of the Moldovan state will amount to 44.1 billion lei, and expenses to 1.55 billion lei. The State Secretary of the Ministry of Finance Tatiana Ivanicichina gave other information last Monday. Revenues were expected to be 0.7

billion lei more (69.9 billion lei) and expenditures 1.3 billion lei less (75.3 billion lei).

At the same time, the Cabinet insists that the budget is “truly investment”: a “budget for investment, job creation and welfare growth” has been developed for 2020. Capital expenditures are expected to increase by more than 70 %, most of which will come from the Road Fund for the construction and repair of roads. They did not forget to include about 1.2 billion lei for spending on social programs announced by President Dodon.

Besides the budget, the government approved a draft fiscal policy for 2020 on Wednesday. The draft of the Ion Chicu’s government has little difference from the similar draft of the Cabinet of Maia Sandu. Of course, the socialist government has added several their proposals to the draft by predecessors, but 90% of the proposed changes to the Tax Code and other legislation migrated from the developments of the ACUM government.

This situation attracted attention and comments of ex-allies of socialists in the coalition. Former Finance Minister Natalia Gavrilita protested the adoption of the budget without prior discussion and the increase in the budget deficit to 7.4 billion lei. “This is 3.25% of GDP. The Ministry of Finance does not say how it is going to cover this deficit. These decisions will have a bad impact on the country in the coming years. They were taken overnight, very irresponsibly”, said the former head of the Ministry of Finance.

MP from the PAS party Radu Marian also asks a fair question about the methods of filling the budget gaps. “Will they borrow from the Russians in exchange for state-owned enterprises? Will they lend at higher rates, shifting debts onto the shoulders of citizens, as they did with the billion?” asks Marian. His colleague Alexander Slusar, from the Dignity and Truth Platform, adds that due to Igor Dodon’s political

ambitions, Moldova's public debt could rise to record 66 billion lei.

The socialists themselves think about the need to patch these holes in the budget somehow, given that it's not that easy to get the Russian help apparently. For example, earlier statements about Russia's plans to allocate about 300 million US dollars for the repair of Moldovan roads were premature. It is no coincidence that Prime Minister Ion Chicu, who criticized the agreements with the IMF at the beginning of the year, on Monday actively discussed with the IMF's Mission Chief Ruben Atoyán the expansion of cooperation and agreed on the next mission of the Fund's experts to Moldova in January-February 2020.

Obviously, 2020 will not be easier for Moldova than 2019. The current authorities like all before still prefer to spend a few free funds on one-time pre-election actions, rather than invest them in the real development of the economy. Experts fear that this situation will sooner or later lead to the final collapse and loss of independence of the Moldovan economy.