Moldovan fragile tango between increasing external financing needs and strategic communication

POLICY BRIEF

Dumitru Vicol and Vadim Pistrinciuc

Executive summary

The magnitude and the cost of external financial support are directly linked to the ability of Moldovan political elite to manage challenges. The perception of external loans in English news is positive enhancing Moldova's credibility on international level. However, financial assistance is repeatedly subject to public mistrust, excessive politicisation and manipulations on local front. Authorities do not assure proper transparency of the negotiation process, nor a strategic public communication about the value and conditions of external assistance. Moldovan governments' long-term experience in performing closed-door preparations for financial support fuelled mistrust in authorities and often backfired.

Financing needs ill continue to increase amid negative reverberations of COVID-19 crisis. Moldova would need to attract at least USD 500 million for budget expenditures and at least USD 650 million for additional public investments in the following 5 years. The government might borrow at least USD 330 million from the IMF and EUR 100 million from the EU to finance its structural reforms. Moldova should not ignore the great value of the financial aid that comes in line with grants packages. The conditionalities related to EU financial assistance are opportunities and additional arguments in favour of long-time postponed reforms. Any crisis is also an opportunity to enhance a drastic reform process and focus on modernisation priorities. Bilateral loans shall be treated carefully, but in tandem with Eurobonds may become main vehicles to finance much-needed public investments. However, the engagement of civil society during the prioritisation process of reforms or national projects remains a challenge. Therefore, transparency and genuine public consultations are the chief cornerstones for successful external financial assistance considering constant political tensions.

Every dollar or euro that Moldova is borrowing from abroad has a financing cost for the lender who is also asking some implicit or explicit guarantees.

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Introduction

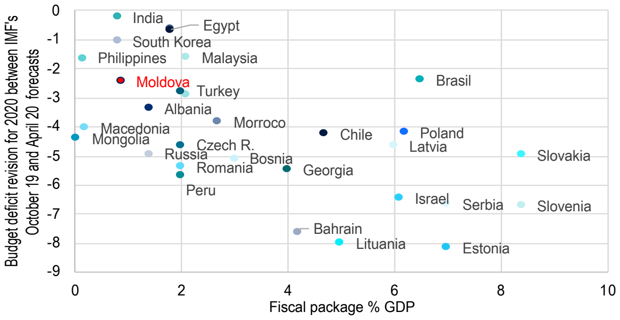
Moldova is an experienced beneficiary of financial support. Nonetheless, its magnitude and cost depend on the abilities of political elites to manage the economic, political and communication challenges. The political tensions and society anxiety around the Russian loan agreement in April-May[1] was a template on how strategic communication mistakes might thwart a much-needed financial support. At the same time, confusion created by the incoherence of political rhetoric regarding the EU has also obstructed the financial assistance from Brussels[2].

The following policy brief will summarise potential available loans to finance reforms and economic restructuring amid current global trends. It will also suggest a strategy for the Moldovan authorities to design a cohesive relationship with major stakeholders to attract the necessary financial funds.

1. COVID-19 crisis has triggered an acerbic competition for financial support

The government of Moldova is estimating a budget deficit of MDL 16.2 billion (USD 830 million) or 7.52% of GDP in 2020, 4.27 p.p. more compared to December version due to significant budget revenues shortfall. The IMF revised downwards in April its October 2019 outlook, the net government lending (similar to budget balance) by 2.45 p.p. which is less than 3.95 p.p. average for developing countries (Chart 1). At the same time, COVID fiscal stimulus for businesses such as subsidies for companies that entered the "technical unemployment" or tax relief measures are around 0.9% of

Chart 1: Budget gap widening for 2020 and fiscal stimulus in Moldova are less than in the rest of developing world



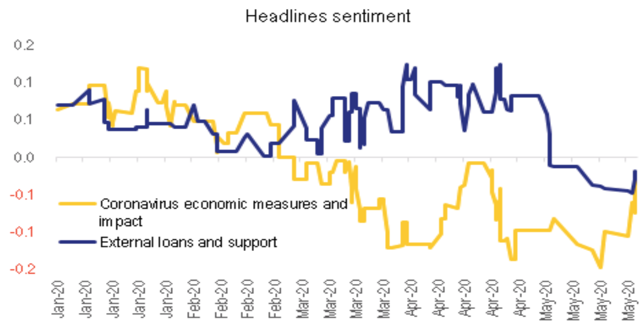
GDP, which is smaller than peers.

With financing needs surging in developing world, Moldova has rushed to identify additional funds. The perception of external loans is positive (Chart 2) when analysing the polarity of English economic headlines on Moldova from Google (using a

[1] SEE News, "Moldova's top court declares 200 mln euro loan agreement with Russia unconstitutional", May 8, https://seenews.com/news/moldovas-top-court-declares-200-mln-euro-loan-agreement-with-russia-unconstitutional-698112
[2] Balkan Insight, "Moldova Risks Losing EU Cash Over Delayed Reform", June 4, https://balkaninsight.com/2020/06/04/moldova-risks-losing-eu-cash-over-delayed-reform/

Machine Learning technique[3]) since the beginning of the year. Nonetheless, the headlines on the unconstitutionality of the Russian loan weighed on the positive sentiment.

Chart 2: External loans and support for Moldova is usually perceived positively



Source: *Google, authors calculations*

In a recent op-ed[4], we argued that Moldova's real GDP has to grow by 5% for 6 years from 2022 onwards to recover GDP lost during the crisis and reach the GDP performance that would have increased steadily at pre-COVID growth of 3.8%. Replicating a IMF model[5], Moldova's fiscal multiplier of public investments is 1.2 at best. Therefore, Moldova would need additional public investments of at least USD 135 million for 6 years from 2022 onwards to push pre-crisis 3.8% real GDP growth to 5% (Table 1). Assuming external loans would finance at least 1% of the budget deficit in upcoming years, Moldova would need to attract at least USD 500 million for

Table 1: Moldova needs 6 years of 5% real GDP growth fuelled by USD 135 millions of public investments per year to recoup COVID-19 GDP loss

		Years to catch-up	Public investments (USD mn)
2020 GDP growth (October)	3.8%		
2020 GDP growth (April)	-3.0%		
2021 GDP growth (April)	4.1%		
Fiscal multiplier of public investments	1.2		
GDP growth at 4% 2022 onwards		34	23
GDP growth at 4.5% 2022 onwards		10	79
GDP growth at 5% 2022 onwards		6	135

Source: National Bureau of Statistics of Moldova, authors calculations

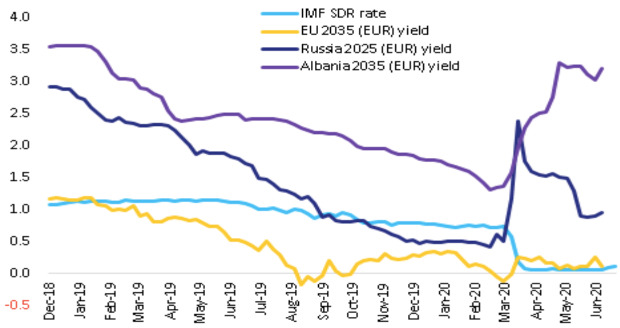
[3] VADER Sentiment Analysis, https://github.com/cjhutto/vaderSentiment
[4] Dumitru Vicol, Mihai Mogâldea, Post-crisis solutions COVID-19: how can we facilitate the recovery of the economy with the support of external partners? Op-Ed, April 17, https://www.ipn.md/en/post-crisis-solutions-covid-19-how-can-we-facilitate-the-recovery-of-the-economy-7978_1072951.html
[5] Izquierdo et al., Is the Public Investment Multiplier Higher in Developing Countries? An Empirical Exploration, 2019, IMF, https://www.imf.org/en/Publications/WP/Issues/2019/12/20/Is-the-Public-Investment-Multiplier-Higher-in-Developing-Countries-An-Empirical-Exploration-48836

budget expenditures from the IMF & the EU. It will also need at least USD 650 million for additional public investments from bilateral loans and Eurobonds in the following 5 years.

2. No one offers free money

Every dollar or euro that Moldova is borrowing from abroad has a financing cost for the lender. For example, the European Investment Bank is borrowing from capital markets at very low interest rates thanks to its prime credit rating (AAA) and subsequently support investment projects in Moldova. The EU is also borrowing from markets issuing 15-year bonds to finance macro-financial assistance for Moldova, for example (Chart 3). At the same time, most of these types of development loans or external assistance are coming hand in hand with some conditionalities and financial monitoring, which are guarantees that the funds will be returned. Also, the convention is that the IMF, multilateral creditors, such as the World Bank, are paid before bilateral creditors, bond holders and banks during a sovereign default. This is reducing the risk and, respectively, the interest rate for offered loans.

Chart 3: Funding cost of the IMF, the EU, Russia and Albania.



Source: Bloomberg, authors calculations

3. The IMF comes to the rescue

The world's lender of last resort offered USD 235 million to support the urgent balance of payment needs. The IMF is a quota-based institution whereas quota is determining the resource contributions, voting power and access to financing. The surge of demand for loans from more than 100 countries led the Washington-based lender to increase the emergency assistance under (1) Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) (Table 2), from 50% to 100% of the quota per year, and from 100% to 150% of the quota on a cumulative basis, net of scheduled repurchases. Moldova's full-fledged Extended Credit Facility/Extended Fund Facility program (ECF/EFF) with the IMF completed on March 20. Therefore, the IMF offered in April USD 157.84 million under Rapid Credit Facility (10 years, 0% interest rate, 5 years and 5-month grace period, SDR 57.5 million (IMF currency), 33.3% of the quota) and USD 156.7 million under Rapid Financing Instrument (5 years, 1.5%, 3 years and 3-month grace period, 0.5% commission, SDR 115 million, 66.7% of the quota) without ex-post reform priorities[6].

Table 2: IMF lending programs

Purpose	Facility	Financing	Duration	Conditionality
Present, prospective, or potential BoP need	SBA	GRA	Up to 3 years, but usually 12-18 months	Ex-post
	SCF	PRGT	1 to 2 years	
Protracted BoP need/ medium-term assistance	EFF	GRA	Up to 4 years	Ex-post, with focus on structural reforms
	ECF	PRGT	3 to 4 years, extendable to 5 years	
Actual and urgent BoP need	RFI	GRA	Outright purchase	No Fund-supported program/ex-post conditionality, but prior actions possible
	RCF	PRGT	Outright disbursement	
Present, prospective, or potential BoP need (very strong fundamentals and policies)	FCL	GRA	1 or 2-year	Ex-ante (qualification criteria) and annual reviews for the two-year arrangements
Present, prospective, or potential BoP need (sound fundamentals and policies)	PLL	GRA	6 month (liquidity window) or 1 or 2-year	Ex-ante (qualification criteria) and ex-post
Non-financial/ signaling instruments	PSI	n/a	1 to 4 years, extendable to 5 years	Ex-post
	PCI	n/a	6 months to 4 years	

Source: IMF

Moldova might borrow at least USD 330 million from the IMF at 1.1% annual interest rate. Moldova has already accessed 100% of its quota this year; therefore, it will be eligible for another 50% or SDR 86.25 million (USD 117.6 million) only next year. Therefore, a full-fledged programme is the next milestone to finance its budget. The government has already started the discussion regarding a new programme. Moldova has had 9 arrangements with the IMF since the beginning of its membership in 1992.

In the last decade, Moldova was under ECF/EFF programmes for six and half years (Chart 4). Armenia's last EFF arrangement finished in May 2017 and was followed by a three-year SBA programme in May 2019 worth USD 248.2 million (139.75% quota). In addition, the IMF granted a USD 175 million (100% of its SDR 128.8 quota) augmentation in April as an equivalent of RCF/RFI emergency lending. Considering Armenian example, Moldova might follow suit with a similar three-year

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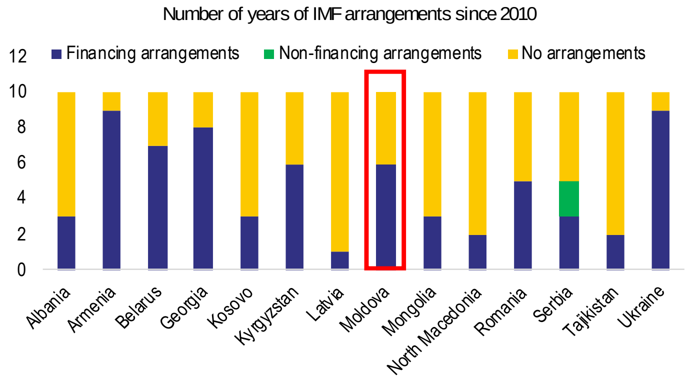
6 IMF, "IMF Executive Board Approves US$235 Million in Emergency Assistance to Moldova to Address the COVID-19 Pandemic", April 17, https://www.imf.org/en/News/Articles/2020/04/18/pr20173-moldova-imf-executive-board-approves-emergency-assistance-to-address-covid-19

ECF/EFF or SBA program worth at least 140% of its SDR 172.5 million quota or approximately USD 330 million. The borrowing limit under EFF/SBA is 145% of quota for any 12-month period, and a cumulative limit over the life of the arrangement of up to 435% of quota. This would be the equivalent of USD 1.02 billion for the case of Moldova. Considering that the lending rate comprises a) market determined SDR, which is now 0.05% (Chart 3), and b) 1% surcharge, the interest rate of potential IMF programme worth 140% quota (USD 329 million) might oscillate around 1.05%.

Chart 4: IMF arrangements years Moldova vs peers



Source: IMF

The crisis is the perfect time for structural reforms financed by the IMF. There is a non-written rule that the IMF is usually not agreeing a new programme six months before an election neither with a caretaker government. Nonetheless, the perilous situation in the world is likely make IMF more flexible fuelling the probability of a new arrangement before the presidential election in November. A list of structural reforms will accompany potential IMF loans. The current pandemic crisis has created a prolific background for stringent reforms; hence, the government should not miss this opportunity.

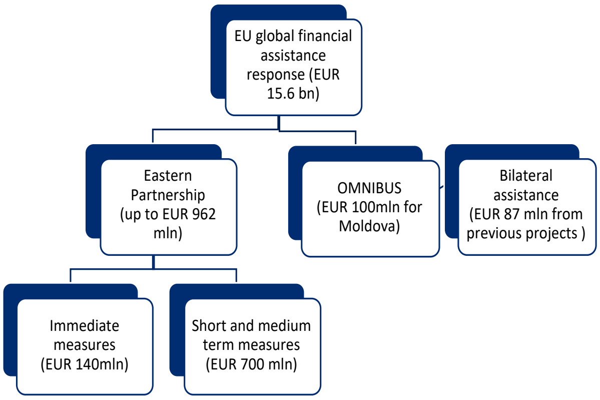
The engagement of civil society in the prioritisation process remains a challenge. The society has always criticised the IMF programmes. Therefore, strategic communication is essential to suppress political speculations. Although IMF negotiations are usually confidential, the government should respect the binding legislation on transparency. An agreement with the IMF should be a part of a comprehensive modernisation vision of the country. Moldova has around 300 development documents. Therefore, it is crucial to formulate a simple, time-framed vision and list of development priorities funded by potential external credits. This should be presented and debated in the society without damaging the confidentiality of the IMF negotiations. This would help shape a IMF programme endorsed by public alleviating political criticism.

One of the main cornerstones of IMF arrangement is likely to be the territorial reform implying the shrinkage of local government on the back of digitalisation. This reform should come in tandem with development strategies based on infrastructure investments and improvement of business prospects (industrial areas, for example). Another important feature is the boost of transparency, oversight and governance of the SOE. Moldova has one of the largest SOEs per capita in the region, which has been widely criticised. However, the post-pandemic world will cement a more significant role of governments in the economy. Therefore, the focus might deflect from privatisation to profitability. Other reforms would focus on informal economy and VAT fraud via incentivising non-cash transactions, promoting electronic auditing and risk profiling limiting bureaucrats' discretionary decisions, effective prosecutions of tax crimes by large corporates and high-wealth individuals. As public investments will also become one of the workhorses to foster and restructure potential growth, the programme should also enhance public investment management by increasing its transparency and accountability.

4. The European solidarity at its best

The EU support for the Eastern Partnership (EaP) countries during the pandemic crisis has had several dimensions[7]. For the EaP bloc, 140 million EUR were dedicated for immediate needs related to health procurements and SMEs, while more than 700 million EUR are planned for medium-term economic support via commercial loans and guarantees (Chart 5). For Moldova, the EU redirected 87 million EUR from existent projects towards initiatives mitigating negative reverberations of the crisis. The above-mentioned measures are not reflected in the national budget. In addition to the 2nd and 3rd tranches worth of 30 million EUR (10 million EUR grant) and 40 million EUR (20 million EUR grant), respectively, the EU designed another budgetary support instrument coined OMNIBUS macro-financial assistance in amount of 100

Chart 5: The EU's support amid COVID-19 crisis



Source: European Commission

7 Dionis Cenușă, "EU'S ANTI-COVID-19 SUPPORT FOR EASTERN NEIGHBORS – ON THE BASIS OF WHAT CRITERIA?", April 13, https://3dcftas.eu/op-eds/eu's-anti-covid-19-support-for-eastern-neighbors-—-on-the-basis-of-what-criteria?fbclid=IwAR2QlFxpDlH_QlTSEU5sSozPrONzVnE1rPO88_bJFpe9ivu9KQQmS9uJyxs

million EUR[8] with 15-year maturity probably at 0.2% annual interest rate (Chart 3). The first 50 million EUR should arrive in June-July without political conditionalities. The second half might arrive in the early 2021, but some political and reform priorities will be tied to it.

Moldova has the opportunity to initiate a new MFA worth 100 million EUR at 0.2-0.4% interest rate. The odds for accessing 3rd tranche of the 2017-20 MFA are skewed towards zero. However, the government might initiate the negotiations for a new multi-year MFA similar to the one agreed in 2017 in the amount of 100 million EUR. Nonetheless, a potential new MFA is very likely to be conditional on an approved IMF programme. If the IMF flexibility scenario materialises, then Moldova might have a new MFA in place by early 2021.

The EU-driven reforms are needed more than ever. The limited effectiveness of civil society and failed de-monopolisation of the media will unquestionably represent an essential emphasis of the EU. The primary focus of the EU will be the reforms in the justice sector. At the same time, Moldova should expect a monitoring mechanism similar to the Cooperation and Verification Mechanism (already existing in Romania and Bulgaria). This would be part of a more extensive reframed financial and technical assistance, supplemented by a robust monitoring mechanism with qualitative and quantitative results. Therefore, a new National Action Plan for the Implementation of the Association Agreement is necessary. There will be few priorities to implement as part of the new midterm Action Plan, such as the decentralisation reform. Also, the reform priorities of the third tranche of the current MFA, which is about to expire in July, is likely to be reiterated in the second tranche of OMNIBUS financial arrangement and even in a newly agreed MFA. These could include a) increase the coverage level per individual depositor within Deposit Insurance Law and extend deposit protection including nonfinancial corporates and SMEs, b) improvement of the corporate governance of MoldovaTransGaz, ChișinăuGAZ and VestMoldTransgaz, c) adopt a new Customs Code in line with the commitments under the DCFTA and others, d) adopt an implement a new Justice sector reform strategy; e) implement the local public administration reform and territorial decentralisation in line with the OECD and the CoE recommendation; f) organisation of free and fair presidential election.

5. The backdrop of bilateral loans can be very tenuous

The Russian loan was declared unconstitutional. The financial backing of the IMF and the EU is usually directed for supporting the national budget amid the implementation of structural reforms. Bilateral loans are usually used to finance public investments, given that higher interest rates should be compensated by the revenue generation of productive assets. The Moldovan government reached an agreement with the

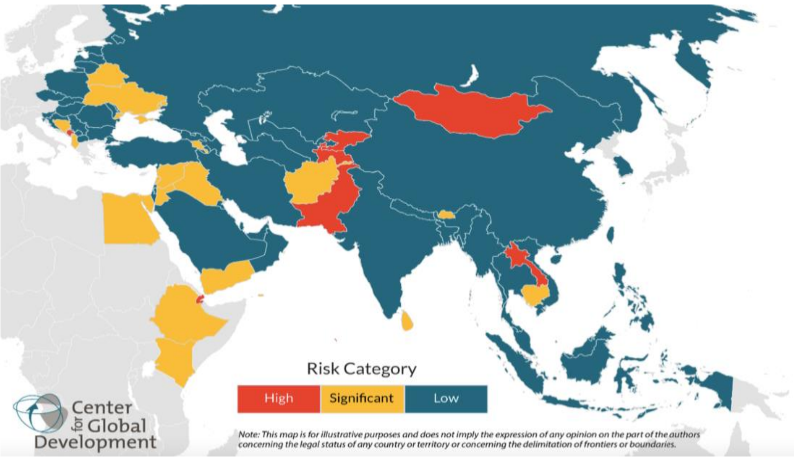
[8] European Commission, “Coronavirus: Commission proposes €3 billion macro-financial assistance package to support ten neighbouring countries”, April 22, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_716

government of the Russian Federation on a 200 million EUR loan, with 2% interest rate and 10-year maturity. Around 135 million EUR and 65 million EUR were planned for budget expenditures and infrastructure projects, respectively. The financial terms were appealing, but a few contract provisions raised anxiety among some components of society. Given tensioned relationship between Moldova and Russia in the past decade, some of the provisions might be viewed as guarantees for Russia, partly justifying the low and attractive 2% interest rate. Nonetheless, the lack of clarity and significant degree of interpretation pushed the opposition parties to check the constitutionality of the loan, where the Constitutional Court ruled the loan unconstitutional.

Moldova can still access EUR 200 million from Russia, but the probability is diminishing on a daily basis. The government has already asked Russia to renegotiate the loan. However, the Russian loan episode is revealing the moving parts of bilateral loans. Most of them are not following a standardised form and each counterpart are following its national interest, which sometimes might be antagonistic or even a hidden agenda.

Chinese bilateral loans have already become controversial (Chart 6). Driven by its Belt and Road Initiative, Chinese state banks have granted significant loans for infrastructure projects in Asia, Africa and Europe. The main characteristics of these loans are: a) the terms are not public and are somehow masked in the accounting of public finances; b) the companies that implement infrastructure projects are also Chinese companies; c) the financial conditions are appealing, d) no structural reforms are requested. However, in case the country cannot repay the loan, the Chinese authorities have the right to seize some of the country's assets. For example, Montenegro borrowed 809 million euros at 2% over 20 years with a 6-year grace period to build a highway from the port of Bar in Montenegro to Belgrade in Serbia. 70-80% of the infrastructural works have been implemented by the Chinese companies and in case of legal disputes they are mediated under Chinese law. In case Montenegro fails to repay the loan, China has the right to take over assets or even Montenegrin land. At the moment, the money is running out, the project cannot be completed, and the government may have to lend or cede some of its assets to China under the contract. Therefore, any bilateral loan should be taken with a grain of salt and negotiated appropriately.

Chart 6: The risk category of Chinese loans



Source: Centre for Global Development

Polarisation of the political landscape reveals that sovereign loans shall be treated with maximum transparency. Few strategic mistakes have doomed the Russian loan. The first one is the excessive politicisation from the first days of its announcement in November 2019.The pledges for the eventual Russian credit were performed simultaneously with the political blaming of the West, mainly the EU's conditional financial assistance. Second, the lack of transparency, the ignorance of the minimum requirements of the procedural legislation and avoidance of the fully engaged debates in Parliament, led to some controversial and in-the-end, unconstitutional provisions in the loan agreement. Third, the authorities were evasive and unprepared to explain how these funds will be utilised. The lesson learned is crystal clear: the avoidance of basic transparency principles warranting public debates involving opposition parties, CSOs, etc., can lead to severe legal and strategic mistakes.

6. Eurobond is an untapped opportunity for Moldova

Moldova has isolated itself from international financial markets. Similar to bilateral loans, the interest rate of Eurobonds is usually higher than IMF and the EU due to higher financing cost of investors channelling their funds into Eurobonds, lower seniority in case of a default and weaker hand to impose political conditions as guarantees. Moldova issued a 7 million USD Eurobond in 1997 at an interest rate of 9.75%. In 1998, the financial crisis in Russia contributed significantly to a devaluation of the Moldovan leu by more than 100% between August 17 and the end of November. This led to a rapid increase in external debt service and forced Moldova to restructure its Eurobond, which was, in fact, a default in 2002. Since then, Moldova has isolated itself from international financial markets. In recent years, the idea of returning to the financial markets by issuing a Eurobond or diaspora bond has been circulating very often. The advantages of a Eurobond are sizeable: a) attracting reputable investment funds and, respectively, dozens of analysts will write analses about Moldova; b) Moldova will appear on the global investment map; c) foreign investors will finally have a real estimate of the country's risk, which will help them to estimate the feasibility of the projects more efficiently and could bring even more investments; d) Moldovan banks and insurance companies could also issue Eurobonds, which might reduce the cost of financing and, respectively, the interest on loans offered or more advantageous insurance contracts; e) large Moldovan companies could also issue Eurobonds, attracting much-coveted external financing, as Trans-Oil has already done; f) strenghten the development of the local financial market and be among the first steps towards a private pension system;

Moldova can attract 500 million EUR for investments at 4-5% interest rate for 7 to 10 years. The rating agency Moody's assigns Moldova a B3 stable rating, similar to Belarus and Tajikistan and slightly better than that of Ukraine. Before the pandemic crisis, the level of budget interest expenditures is just under 3% of total budget revenues compared to about 9.5% for countries in the same rating category. However, for issuing a Eurobond, a country needs to have at least two ratings from agencies such as Moody's, S&P and Fitch. The former is usually the most conservative and chances are that S&P or Fitch will give a better rating. Evaluating the recent issues of comparable countries such as Albania (Chart 4), Moldova might borrow 500 million euros at around 4-5% with maturity of 7-10 years. Considering the deglobalisation, job automatisation and depressed consumption trends in medium and long-term, the Eurobond could become the investment vehicle to reshape Moldova. Potential infrastructure R&D and industrialisation projects would be a reasonable match for a Eurobond financing. Nonetheless, the project prioritisation cannot be done without the involvement of civil society. The current government has already declared its intention to issue a Eurobond this year or next[9].

[9] The Government of the Republic of Moldova, "Prime minister convenes meeting on Eurobond", May 13, https://gov.md/en/content/prime-minister-convenes-meeting-eurobond

Conclusions

Transparency is the chief cornerstone for successful external financial assistance. Moldova might need to attract at least USD 500 million for budget expenditures from the IMF & the EU and at least USD 650 million for additional public investments from bilateral loans and Eurobonds in the following 5 years (Table 3). Nonetheless, every financial source has its advantages, disadvantages and challenges that the government, parliament and civil society should navigate together. The loans from the IMF and the EU should be dedicated to finance structural reforms such as administrative territorial, SOE transparency, informal economy, new customs code, justice sector strategy, etc. It is crucial that the government propose to public debate its simple, time-framed vision and list of development priorities funded by those loans. The engagement of the civil

Table 3. Summary of potential loans

Loans	Amount	Financial terms	Advantages	Disadvantages	Reforms
IMF	USD 330mln	1.1% in USD for 10 years	external credibility; reforms framework	unpopular	Yes
UE	EUR 140mln	0.4% in EUR for 10 years	strenghten european values; european integration	political tensions	Yes
Bilateral loans (Russia, China)	EUR 200mln	2-4% in EUR for 10 years	may finance public investments	non-standard contracts	No
Eurobond	EUR 500mln	4-5% in EUR for 7 years	may finance public investments; integration into financial markets	more expensive	No

Source: Authors calculations

society and the parliament should formulate a national consensus on reform agenda.

At the same time, Eurobonds and bilateral loans, to some extent, should be dedicated to public investments. As the return of public investments should cover the interest rate of loans, the government, in tandem with experts, should identify those national and strategic projects that are aiming to fulfil objectives established in the national development strategy "Moldova 2030".

Considering the scepticism of the IMF programme, political tensions on the EU integration, mistrust between Russia and Moldova and unchartered territory of the Eurobond, the main recommendations are mentioned in the next section.

Financial assistance is a sensible public issue. Consequently, attempts to politicise the financial aid should refrain. The political stakeholders should comprehend that excessive politicisation of the matter will backfire and will diminish the non-partisan support and civil society's trust in the process.

Due to the low capacity of the in-line ministries to promptly prepare cross-sectorial strategic priorities under different financial assistance solutions (Eurobonds, IMF, sovereign loans), the government and in-line ministries meet difficulties to swiftly define the modernisation priorities and effectively communicate them.

Authorities should not ignore the financial aid that comes in line with a grant package (WB, Romania, EU funds). The conditionalities related to EU financial assistance are opportunities and additional arguments in favour of long-time postponed reforms. Any crisis is also an opportunity to enhance a drastic reform process especially with those that have been postponed for decades.

Key Recommendations

1. **The government should warrant maximum openness and expert scrutiny over the intention to access financial support.** Any financial support (grants or loans) is about public funds. Thus, it is bound by law to assure transparency, consultation at all steps: negotiation, the purpose of an expenditure. CSOs, as well as an opposition, should refer to the delegated legislation in the field of transparency of the decision-making process that establishes clear transparency rules on decisions involving public funds.
2. **The Government shall perform robust research about economic and financial conditionalities at the early stage of negotiations, especially in the case of the sovereign loans**. This exercise should include the analysis of the reverberations of sovereign loans, especially controversial Russian and Chinese loans, on the national security of countries.
3. **The donor community and development partners should encourage projects that can offer prompt technical assistance to the government to evaluate all types of financial support before and during negotiations**. This would also enhance transparency, strategic communication and genuine public consultations.
4. **Government should use the existing dialogue platforms with CSOs and expert community to scrutinise the potential financial** support **agreements**. This would enhance public endorsement and to minimise eventual hidden agenda.
5. **Government officials, political parties should abstain from excessive politicisation of the entire process of** financial **support management.** Excessive politicisation diminishes the public support for a loan or investment and creates fruitful conditions to misinformation and manipulations.
6. **Prior to the announcement of certain financial support package, Government and political leadership should prepare and publicly present a detailed plan of expenditures in a strict connection with the country's development vision.** Negotiation of the financial assistance package is as well a political exercise and should be regarded and communicated as a part of a vision for the modernisation of the country. Priority should be given to infrastructure projects, industry, business development. This should be presented to the society, debated in the parliament, discussed among relevant CSOs and business associations.
7. **The Government and political leadership of the country should underline the great value and effectively inform the public about the financial aid that comes in line with a grant component (WB, Romania, EU funds).** Conditionalities imposed under EU financial assistance should be perceived as reform opportunities and can be an additional argument in favour of needed reforms.
8. **Moldovan authorities, backed up by our diplomacy, should undertake swift actions in establishing an intense political dialogue with the EU to benefit from all potential financial assistance.**

Abbreviations

IMF	International Monetary Fund
SDR	Special Drawing Rights
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
EU	European Union
WB	World Bank
OECD	Organisation for Economic Co-operation and Development
SOE	State owned enterprises
DCFTA	Deep and Comprehensive Free Trade Area
MFA	Macro-financial assistance
ECF	Extended Credit Facility
EFF	Extended Fund Facility

About the authors

Mr. Dumitru Vicol is a research analyst at an American bank in London covering financial markets of Central Eastern Europe Middle East and Africa since 2017. He is a member of the team that has been voted number 1 in several financial services surveys. Dumitru has also worked five years for major European banks in London, Paris and Dubai. His main focus is the development of investment strategies based on quantitative analysis, using econometric and machine-learning techniques, of monetary and fiscal developments, foreign exchanges and government bonds. Dumitru has been involved in projects related to the advocacy and development of financial instruments such as crowdfunding and diaspora bonds in Moldova. He is a graduate of the London School of Economics, Paris School of Economics, Sorbonne and The Academy of Economic Studies of Moldova.

Dr. Vadim Pistrinciuc is Executive Director of the Institute for Strategic Initiatives (IPIS) and former Konrad-Adenauer-Stiftung visiting fellow based in ECFR's Berlin office. He was a member of parliament in Moldova from 2014 to 2019. He served as deputy minister of labour and social protection between 2009 and 2011, and was a senior political adviser to the prime minister between 2011 and 2013. He advised the prime minister on public administration reforms, political programmes, and political strategies. Prior to that, Vadim served as an expert, project manager, and consultant to projects within international organisations (United Nations Development Programme, UNICEF, and the International Organisation for Migration) in the areas of human rights, public administration reforms, anti-corruption, and social development. He holds a PhD in sociology from Moldova State University.

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Address: București 90 street, of. 20
Chișinău, MD-2001, Republic of Moldova
Tel.: + 373 22 788 989
E-mail: info@ipre.md
Web: www.ipre.md