

COMMENTARY FOR ANNUAL BUDGET 2023

The Budget Law for 2023 was adopted in the second reading on 22 December 2022 by the Parliament of the Republic of Moldova. The document was drafted in the context of unprecedented circumstances in 2022: war in the neighbouring country, the energy crisis, the economic crisis, the refugee crisis, unfavourable weather conditions, but also in the context of inflationary processes with a pronounced impact on the budget. The state budget law for 2023 is based on economic GDP growth of 2% and average annual inflation of 16%.

In 2023, state budget revenue will be 64.9 billion lei (3.16 billion euros), 9.3% more than the revenue specified in the 2022, and expenditure will be 83.2 billion lei (4.05 billion euros), 12.5% higher. The state budget deficit of 18.3 billion lei (€890 million) will be covered from internal and external sources.

The draft was criticised by civil society and the opposition because it was approved on 7 December 2022 by the Government, 3 hours after its publication by the Ministry of Finance, without sufficient time for stakeholders to examine it. After only 2 of the 10 working days according to the legal procedure, with a lack of transparency and time for public consultations, it was voted by the Parliament in first reading on 12 December.

The main expenditures included in the 2023 budget are:

- compensation for energy bills for vulnerable people;
- the monthly allowance for budget employees;
- compensation payments for low-income earners;
- entrepreneurship programmes;
- ensuring increased financial allowances for feeding children and students in educational institutions;
- increase scholarships for students and sportsmen;
- supporting the work of theatres, circus and concert organisations and others.

A fost majorat salariul minim pentru personalul din sectorul bugetar cu 14,29 %. În anul 2022 guvernul s-a concentrat pe plăți sociale și compensații pentru a combate criza prețurilor, dar în 2023 se reorientează spre creșterea salariilor bugetarilor. În contextul multiplelor crize și a unui deficit bugetar fără precedent, politica guvernului pentru anul 2023 este de a crește veniturile, mai ales ale celor mai nevoiași.

Pensiile nu au fost indexate conform inflației de 30% pentru anul 2022, dar doar cu 14%. Această majorare inechitabilă prin mecanismul unei sume fixe este un instrument care se aplică în situații de criză și lipsă de bani.

The minimum wage for state employees was increased by 14.29%. In 2022 the government focused on social payments and compensation to combat the price crisis, but in 2023 it is shifting its focus to increasing state employees' salaries. In the context of multiple crises and an unprecedented budget deficit, the government's policy for 2023 is to increase incomes, especially for the most vulnerable.

Pensions have not been indexed according to the inflation of 30% for 2022, but only by 14%. This unfair increase through the mechanism of a fixed amount is an instrument that is applied in situations of crisis and lack of money.

There is an increase compared to 2022 in the budget allocated to:

- Ministry of Labour and Social Protection by 254.22%, which is due to the growth of the fund for the reduction of energy vulnerability for some categories of citizens;
- Ministry of Defence by 88.14%, which is due to risks arising from the neighbouring country where there is an ongoing war.

There is a decrease compared to 2022 in the budget allocated to:

- Ministry of Infrastructure and Regional Development by 6.82%;
- Ministry of Agriculture and Food Industry by 3.32%;
- Ministry of Environment by 8.88% and 6.17% in the environmental protection programme.

The gender perspective is missing in the State Budget Law for 2023. Ministry of Finance, through circular no. 06/2-07/66 of 29.09.2022 regarding the development and definition of the medium-term budgetary framework 2023-2025 process, requested the central public authorities to include gender-sensitive information in the budget proposals, such as objectives, goals and performance indicators. However, it does not specify guidance on gender responsive budget allocations.

The document Medium Term Budgetary Framework 2023-2025 developed in 2022 which stipulates Budget Subprogramme 9013 *Ensuring equal opportunities between women and men under Social Protection Budget Program* does not reflect allocations for promoting gender equality in all sectors but only for supporting the institutional mechanism for gender equality and has remained unchanged for the last 3 years. The subprogramme was not approved in the Budget Law for 2023 and the content of the program should be revised and the allocations should be increased.

In subprogramme 8600 *Youth and Sport*, although the budget allocated has been increased by 8.84% compared to 2022, it still does not reflect concrete allocations for the promotion of gender equality.

The only subprogramme 5004 *Supporting small and medium-sized enterprises has performance indicator Number of new jobs created for women through financial support programmes* to track gender disaggregate. However, allocation subprogramme was reduced by 30% compared to 2022.

The extremely short deadlines established for the public consultation of the draft State Budget Law 2022 didn't allow for expertise and debate with civil society and other stakeholders.

Analysis of the documents and the Information Note accompanying the State Budget Law 2023 reveals that gender perspectives are missing, being present only in one subprogramme, and gender disaggregated data by key subprogrammes still poses a big challenge for gender-responsive budgeting in Moldova.