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After Fraud and Money–Laundering Shock, Moldova Wants New Start

By Andra Timu

(Bloomberg) -- Moldova's banks now have reliable shareholders and the country is seeking to attract more who are clean, its central bank chief said, after money laundering scandals and a \$1 billion fraud pushed it to the brink of default.

Europe's poorest country will continue to clean up its financial sector and strengthen supervision capacity following an International Monetary Fund–led program that produced a "180-degree turnaround" in the banking industry, Governor Octavian Armasu said in a phone interview on March 13.

"It was a very big effort but we now have new shareholders, reliable ones for Moldova's biggest banks," Armasu said. "The risk of negative situations happening in the future has significantly declined because now we have an anti–money laundering law and the central bank has been given instruments for supervision. But we still have a lot to learn."

When asked about the the coronavirus and Moldova's economy, he said it was too early to make an assessment but that he first expected a slowdown in exports.

Moldova completed a \$179 million agreement with the IMF and got its last tranche of \$20 million last week. It happened just as the coronavirus hit the European Union, which is the destination for about 70% of the former Soviet state's exports.

The government in Chisinau plans to start talks over a new deal with the Washington–based lender to focus on improving the economy and the quality of institutions. Armasu said he agrees with the IMF that economic growth is too low to boost the citizens' living standards and a new loan will "help us improve our fiscal stance."

The nation of 3.5 million people ranks 120th of 180 countries in Transparency International's Corruption Perceptions Index, among the worst in Europe.

"We'd be happy to have more investors and banking groups present in Moldova because they would bring increased stability to the industry and we're making efforts to ensure that," Armasu said.

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