

## Foreign Investment Guide

# Why Invest in Moldova?

- ✓ **It is a stable parliamentary democracy**
- ✓ **It has a sound legal framework that is highly supportive of private enterprise development**
- ✓ **The government is committed to boosting foreign investment and privatisation**
- ✓ **It has the 0 % corporate tax**
- ✓ **It has a well educated, multi-lingual labour force**
- ✓ **Companies from 86 countries have invested in Moldova**
- ✓ **It is a border country of the European Union with Autonomous Trade Preferences covering 12,000 products**
- ✓ **It is at the crossroads of commercial routes that join Western Europe and the Commonwealth of Independent States (CIS) with which it has Free Trade Agreements**
- ✓ **It is a member of the IMF, World Bank (IFC, MIGA, IDA) EBRD, WTO, CEFTA, CEI and CIS**



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## Key numbers

### Area:

total: 33 846 square km  
land: 33 009 square km  
water: 837 square km

### Climate:

Temperate continental (warm summers and mild winters)

### Natural resources:

Lignite, phosphorites, gypsum, arable land, limestone

### Land use:

agricultural lands: 58%  
forest: 13%  
populated area: 9%  
other: 20%

### Population: - 4,127,203

### Largest cities

1	Chisinau	785,218
2	Tiraspol	158,069
3	Balti	148,561
4	Tighina	97,027
5	Cahul	35,481
6	Ungheni	35,157
7	Soroca	28,407
8	Orhei	25,680

### Ethnic groups:

Moldovan	83.7 %
Ukrainian	6.6 %
Russian	1.7 %
Gagauz	4.5 %
Romanian	1.4 %
Bulgarian	1.7 %
Other	0.4 %

### Religions:

Eastern Orthodox 93.3%  
Jewish 1.4%  
Baptist and other 5.3%

### Languages:

Moldovan  
Russian  
Gagauz (a Turkish dialect)

### Literacy:

total population: 99.1%  
male: 99.7%, female: 98.5%

## Overview of Moldova

Moldova is situated in South Eastern Europe, north of the Balkan Peninsula. With an area of 33,846 square kilometres (about 12,600 square miles), it is the second smallest member of the Commonwealth of Independent States (former Soviet Union republics). It stretches 350 km from North to South and 150 km from East to West. In the North and East Moldova borders Ukraine and in the West it borders Romania.



The Republic of Moldova has been an independent State since August 27, 1991 following the collapse of the Soviet Union. It joined the United Nations on March 2, 1992. Despite a sometimes turbulent history, it has emerged as a stable democratic state based on the rule of law.

The country's topography is diverse, ranging from the steppes of the North and South, to forested and mountainous highlands in the centre. This area retains the ancient name Codru, meaning "old forest". These beautiful forests continue to be of great environmental importance. Underground water reserves, mostly drinking water, are estimated at 200 million cubic metres. The soil is black earth (chernoziom) and is rich in humus. This extremely favourable combination of climatic and soil conditions creates high yields of cereals, grapes, tobacco, fruit and vegetables. Agricultural production continues to be a bulwark of the economy. Wine production is especially important as are the clothing sector, food processing, and information and communications technology.



# Why Invest in Moldova?

## The Economy

Since 2000 - following a decade of economic decline - Moldova has achieved and maintained macroeconomic stability. Fiscal management has been prudent, with a roughly balanced budget in recent years. Inflation has decrease from average 12 % in the past four years to 7.3 % in 2008. Public debt has fallen sharply, from 29.2% of GDP in 2006 to 23.5% in 2007 and 18.5% in 2008, and arrears have been cleared as part of a rescheduling agreement with the Paris Club.

The national budget revenues amounted to \$ 2.4 billion representing an increase of 14.3% over 2007. Total industrial output amounted to \$ 2.8 billion (2008) or a 0.7% increase compared to the previous year's levels.

The government's economic stabilisation and structural reform programmes have made several notable and positive achievements:

- The privatisation programme has been successfully completed;
- The foreign trade sector has been privatised and liberalised;
- Monetary stability has been achieved;
- Full current account currency convertibility has been introduced;
- National accounting and audit standards based on international standards have been implemented;
- The banking system has been privatised and streamlined;
- The process of land privatization has been successfully completed.

## The Trade and Investment Environment

Moldova's objective is to provide a transparent and supportive business environment. The Constitution of the country guarantees the inviolability of both foreign and domestic investors by incorporating principles protecting the supremacy of international law, the market economy, private property, provisions against unjust expropriation, provisions against confiscation of property, and separation of power among government branches.

Moldova is committed in its European integration efforts, on both the political and economic fronts, and it aims to strengthen economic relations with neighbouring Balkan countries. Moldova enjoys ATP trading facilities (covering 12,000 products) in its export operations with the 27 nation European Union that is a serious attraction point for potential investors.

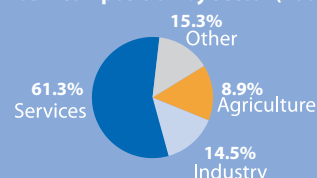
On November 28, 1994 Moldova signed and ratified the Partnership and Cooperation Agreement with the European Union (EU), and in 2005, it signed the Plan of Action with the European Union which calls for strengthening security; improving political, economic and cultural relations; reinforcing cross-border cooperation; and establishing joint responsibility regarding the prevention and settlement of conflicts. The document, though not explicitly mentioning accession to the EU, is in line with the pro-European ambitions of the Moldovan government, which has identified full European integration as a major national goal.

**GDP :**  
\$ 6,048 billion (2008)

**GDP - growth rate:**  
7,2% (2008)

**GDP per capita:**  
\$ 1694 (2008)

**GDP composition by sector (2008):**



**Capital:**  
Chisinau

**Administrative divisions:**  
32 regions, 5 municipalities,  
1 autonomous territorial unit and  
1 territorial unit.

**Regions:**  
Anenii Noi, Basarabeasca, Briceni,  
Cahul, Cantemir, Calarasi, Causeni,  
Cimislia, Criuleni, Donduseni,  
Drochia, Dubasari, Edinet, Falesti,  
Floresti, Glodeni, Hincesti, Ialoveni,  
Leova, Nisporeni, Ocnita, Orhei,  
Rezina, Riscani, Singerei, Şoldanesti,  
Soroca, Stefan-Voda, Straseni,  
Taraclia, Telenesti, Ungheni

**Municipalities:**  
Balti, Bender, Chisinau, Comrat,  
Tiraspol

**Autonomous territorial unit:**  
Gagauzia

**Territorial unit:**  
Transnistria



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## Constitution:

New constitution adopted 29 July 1994, effective 17 August 1994

## Legal system:

Civil law system  
Constitutional Court reviews the legality of legislative acts, presidential decrees and governmental resolutions, as well as reviews the constitutionality the Moldova's adherence to international organisations and treaties.

## Voting:

18 years of age; universal

## Executive branch:

- Head of State: President Vladimir Voronin (since 4 April 2001)
- Head of Government: Prime Minister Zinaida Greceanii (since 31 March 2008)
- First Deputy Prime Minister Igor Dodon (since 31 March 2008)
- Cabinet selected by President, subject to approval of Parliament

## Legislative branch:

- Unicameral parliament consisting of 101 seats distributed among parties and electoral blocs elected by popular vote to serve four-year terms.

## Judicial branch:

- Supreme Court
- Constitutional Court - the sole authority for constitutional judicature

Sources: National Bureau of Statistics,  
National Bank of Moldova  
<http://www.parliament.md>  
<http://www.presedinte.md>  
<http://gov.md>

## Relationships with International Organisations

Moldova became a member of the World Trade Organisation in 2001. It is also a member of:

- The Commonwealth of Independent States (CIS);
- The Council of Europe;
- The European Bank for Reconstruction and Development;
- The International Monetary Fund;
- The International Development Association;
- The International Finance Corporation;
- The International Bank for Reconstruction and Development;
- The Multilateral Investment Guarantee Agency; and
- The Stability Pact for South-Eastern Europe;
- The Central European Free Trade Agreement;
- The Central European Initiative.

Moldova joined the World Bank in 1992. Two years later it joined the International Development Association (IDA) - the soft lending arm of the World Bank. Ever since then, World Bank lending has provided consistent support for the country's economic reform program encompassing policy-based lending, industry and infrastructure, finance and private sector support, agriculture, environment and human development. Presently, industry and infrastructure dominate Bank financing, receiving over a third of all investment funds, followed closely by human development (30%), and agriculture and the environment (22%). Given a more favorable policy environment, improvement in economic management, progress toward satisfying the Country Assistance Strategy (CAS) objectives, and the new program with the IMF, the Bank and a number of bilateral donors are considering providing budget support to assist in the implementation of policy reforms under the Economic Growth and Poverty Reduction Strategy (EGPRSP) during 2006-08.

The European Bank for Reconstruction and Development (EBRD) is also active in Moldova, both in equity investment and providing financing to investors. As of 1 January 2008, EBRD had approved 49 investments in Moldova, total project value € 388,6 mil. EBRD commitments in 2006 were concentrated on the financial and agribusiness sectors and comprised ten projects, one new small and medium-sized enterprise credit line and two microfinance credit lines. Under the existing Medium-sized Co-financing Facility (MCFF), two sub-projects were signed to provide working capital and investment loans to a telecommunications company and two agribusiness projects. The EBRD also invested in four regional funds which target Moldova among other countries.

