About the Republic of Moldova

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History

Moldova is an integral part of Europe and has a rich history. This country is situated in the contact zone between different cultural and historic trends – Carpathian-Balkan, Central-European and Eurasian, and during its multi-millennial history harmoniously absorbed diverse cultural traditions of Proto-Indo-Europeans and archaic Indo-European peoples, including the Thracians, Slavs, Celts, Goths, Huns, etc., thus obtaining specific and unparalleled features.

On the territory of the Republic of Moldova we find a special concentration of historical and archeological monuments (approximately eight thousand) which have a cultural and historical value not only at the national level, but also in the general context of human European values.

The territory of Moldova was populated from ancient times. Numerous archeological vestiges confirm the existence of human beings in these places since the epoch of the Inferior Paleolithic (approximately 500 thousand years ago).

At the end of the Vth and beginning of the IVth millennium B.C., in the Eneolithic epoch, the Cucuteni-Tripolie, one of the most remarkable cultures, was formed, with incomparable performances in the field of art of those times.

The Getho-Dacian civilization is dated back to the VI-I centuries B.C., and was spread throughout Moldova. Since 105 B.C. - after the conquest of Dacia by Emperor Trajan,
the local population was romanized, taking from the conquerors their language and advanced culture of the Roman Empire.

After the evacuation of the Roman legions from these territories (in 271, in the reign of Aurelian), there began the “migrating nations” epoch (Goths, Huns, Avars, Slavs), which ended up with the formation of the Moldovan feudal state in 1359. Bogdan I is considered to be its founder.

In 1812 as a result of the Russian-Turkish Peace Treaty signed in Bucharest, the eastern part of Moldova situated between the Prut and Nistru rivers, named Bessarabia, was annexed to the Russian Empire, thus being a Russian province until 1918.

In 1918 the supreme authority of the Bessarabian state – Sfatul Tarii, decided to unite with Romania. This unity lasted till 1940, the year when the country was annexed by the Soviet Union as a consequence of the Ribbentrop-Molotov Pact of 1939. Moldova functioned as a territorial entity within the USSR until the last decade of the XXth century.

On the 27th of August 1991, Republic of Moldova became an independent and sovereign State

**Geography**

The Republic of Moldova lies in the central part of Europe in the northwestern Balkans. Moldova occupies an area of 33,843.5 km\(^2\).

The capital of Moldova is Chisinau. On the North, East and South Moldova is surrounded by Ukraine, and on the West it is separated from Romania by the Prut River.

The total length of the national boundaries is 1,389 km, including 939 km with Ukraine and 450 km with Romania. The most northerly point is the village of Naslavcea (48º21´ N 27º35´ E), while the most southerly point, Giurgiulesti (45º 28´ N 28º 12´ E), which is the only settlement on the bank of the Danube. The most westerly point is the village of Criva (48º16´ N 26º30´ E) and the most easterly point is the village of Palanca (46º 25´ N 30º 05´ E).

The Republic of Moldova belongs to the group of countries located in the Black Sea Basin. It maintains close mutually advantageous commercial ties with these countries as well as the countries located in the Danube Basin. The southern border of the country extends almost as far as the Black Sea, which can be accessed through the Nistru Liman and the Danube River.
The physical and geographical position of the Republic of Moldova has determined the specific features of its natural conditions.

The relief of the country represents a hilly plain sloping from the northwest to the southeast and having an average elevation of around 147 m above the sea level. The central part is occupied by Codrii woods, the most elevated topographical region with the maximum altitude of 429.5 m at Hill Balanesti, Nisporeni Raion (district) and a terrain strongly fragmented by valleys and dales. Erosion, land-sliding and recent tectonic upward movements have led to the formation of hartops (Romanian: valleys between hills), which represent amphitheatres with open ends facing river valleys. Many rural settlements are located in such landforms. The picturesque landscape of Codrii, which resembles a piedmont region, was named Basarabian Switzerland by Vasily Dokuchayev, a Russian geomorphologist and soil scientist. The terrain of the southwest of the country and the region along the lower course of the Nistru River represents a less fragmented plain.

The mineral resources of the Republic of Moldova are mainly represented by sedimentary rocks, such as limestone, chalk, gypsum, sand, sandstone, bentonite, tripoli, and diatomite, which can be used in construction, cement and glass production, food processing, chemical and metallurgical industries etc. Among other nonmetallic minerals that have been identified on the territory of the Republic of Moldova are graphite, phosphorite, zeolite, fluorite, barite, iodine and bromine as well as several industrial metals such as iron, lead, zinc and copper. Moldova has small deposits of lignite, crude oil and natural gas.

The climate of the Republic of Moldova is moderately continental. It is characterized by a lengthy frost-free period, short mild winters, lengthy hot summers, modest precipitation, and long dry periods in the south. The average annual temperature increases southward from around 8-9°C in the north to around 10-11°C in the south. The average annual precipitation varies between 600-650 mm in the north and the center and 500-550 mm in the south and the southeast.

The hydrographic network includes more than 3,000 rivers and rivulets, of which 10 exceed a length of 100 km. The main rivers are the Nistru (1,352 km, including 657 km within the borders of the country), the Prut (976 km, including 695 km within the borders of the country), the Raut (286 km), the Cogalnic (243 km, including 125 km within the borders of the country), the Bic (155 km), and the Botna (152 km). Moldova has about 60 natural lakes and 3,000 reservoirs. The largest Moldovan lakes are Beleu, Dracele, Rotunda, Fontan, Bic and Rosu, each with a water surface area exceeding 1 km². The largest reservoirs in the country, each with a water capacity exceeding 30 million m³, are Costesti-Stanca, Dubasari, Cuciurgan, Taraclia, and Ghidighici.
There are about 2,200 natural water springs in Moldova. Around 20 deposits of mineral waters with more than 200 water springs have been identified and explored. The most valuable are those mineral waters which contain such curative components as sulfides, iodine, bromine, boron and radon. In terms of their therapeutic values, Moldovan mineral waters are analogous to such world-known mineral waters as Karlovy Vary in the Czech Republic, Borjomi in Georgia and Yessentuki-17 in the Northern Caucasus Region of the Russian Federation.

The soil cover of Moldova is fertile and various consisting of more than 745 varieties. Chernozem (Russian: black earth) occupies around three-fourth of the land area of the country. Brown and gray forest soils cover around 11% of the country’s land area. Floodplain, or alluvial, meadow soils occupy around 12% of the land area of Moldova.

The flora of the Republic of Moldova is rich and includes more than 5.5 thousand species of wild-growing plants. The rich natural botanical diversity of the Republic of Moldova is strongly influenced by its geographic position and the characteristics of its topography and climate. At the landscape level, the territory of the Republic of Moldova is situated within three natural zones – forest, forest-steppe and steppe. Forests occupy around 11% of Moldovan territory. Broad-leaved forests typical for Central Europe predominate. The largest forest tracts represented by the forest reservations Codrii Moldovei and Plaiul Fagului are located in the center of the country. The forest ecosystems of the country contain 45 native species of trees, 81 native species of shrubs and 3 native species of woody vines. Among the commonest native species of woody plants growing in our forests are the English oak (Quercus robur), durmast oak (Quercus petraea), pubescent oak (Quercus pubescens), European ash (Fraxinus excelsior), European hornbeam (Carpinus betulus), Russian elm (Ulmus laevis), sycamore maple (Acer pseudoplatanus), little-leaved linden (Tilia cordata), European white birch (Betula pendula), and the European beech (Fagus sylvatica).

The fauna of the Republic of Moldova is relatively rich and diverse. More than 15.5 thousand species of animals exist in the Republic of Moldova including 461 species of vertebrates and more than 15,000 species of invertebrates. The vertebrates are represented by 70 species of mammals, 281 species of birds, 14 species of reptiles, 14 species of amphibians and 82 species of fish. The commonest native species of mammals are the long-eared bat (Plecotus auritus), serotine (Eptesicus serotinus), common hedgehog (Erinaceus europaeus), European mole (Talpa europaea), common shrew (Sorex araneus), Eurasian noctule (Nyctalus noctula), Eurasian red squirrel (Sciurus vulgaris), common hare (Lepus europaeus), European suslik (Citellus citellus), spotted suslik (Citellus suslicus), house mouse (Mus musculus), Norway rat (Rattus norvegicus), common wood mouse (Apodemus sylvaticus), yellow-necked field mouse (Apodemus flavicollis), red-backed vole (Clethrionomys glareolus), common field vole
(Microtus arvalis), red fox (Vulpes vulpes), Eurasian deer (Capreolus capreolus), wild boar (Sus scrofa), Eurasian badger (Meles meles), stone marten (Martes foina), European polecit (Mustela putorius), and the least weasel (Mustela nivalis).

There are 5 scientific reservations in the country with a total area of around 19.4 thousand ha. Two forest reservations are located in central Moldova – the Codrii Reservation and the Plaiul Fagului Reservation. Two other reservations are located on the Prut floodplain – the Prutul de Jos reservation and the Padurea Domneasca Reservation. The fifth scientific reservation – the Iagorlac Reservation – serves for the protection and study of the unique aquatic ecosystem of the Nistru River.

Culture

Culture of the Republic of Moldova

The culture of the Republic of Moldova represents a large gamut of cultural activities: literature, theatre, music, fine arts, architecture, cinematography, broadcasting and television, photographic art, design, circus, folk art, archives and libraries, books editing, scientific research, cultural tourism and so on.

Interpretative Art

Three concert performing institutions carry out the academic concert activity: “Serghei Lunchevici” National Philharmonic Society (2 concert halls, symphony orchestra, choral chapel, folk songs group); Organ Hall (chamber orchestra and chamber choir); National Palace („Moldova-concert” Concert and Impresario Organization: artistic formations of music and folk dance, light music).

Theatre

The Republic of Moldova has a total of 22 theatrical performance institutions: 18 drama theatres, an opera and ballet theatre, an ethno-folkloric theatre and 2 puppet shows. 17 are situated in the country capital and 5 – in other areas. The most important theaters successfully participate in festivals abroad, organize international festivals inside the country, tours to France, Italy, USA, Russia, Japan, China, Romania, other countries.

Fine Arts
The term „fine arts” naturalized in the Republic of Moldova includes three genres: painting (monumental and easel painting), graphics (easel, books, posters, advertisement and others) and sculpture („en ronde-bosse” plastic, bas-relief, high relief, perspective relief etc.). Over the last years in Moldova there appeared „video-art”, „kinetic sculpture”, „computer graphics”, „body-art”, „performance” and others.

The folk art is being represented by a reach variety of genres, types and species. The most of them are referred to the sphere of „decorative arts”: ceramics, popular carpet, traditional clothes, stonework and woodwork, leather, rod, metal working, popular toys etc.

Exhibition halls: „Constantin Brancusi” Exhibition Center, Moldova National Museum of Arts, private exhibition galleries.

Folklore

The Moldovan folklore has a strong basis of Dacian-Latin origin and embraces a system of popular confessions and customs, which are specifically defined by means of music and dance, oral poetry and prose, mythology, rites, popular theatre etc. This cultural inheritance in all its manifestations represents a large area of national art of special value, which not only preceded its cultural forms but also continued to develop in the modern era conferring to the professional culture its ethnical originality.

Cultural Inheritance

The Republic of Moldova has an important cultural inheritance of incontestable value: archeological sites, dwelling houses, country estates, fortresses, cloisters / monasteries and churches, monumental art works, monuments and technical equipment, building ensembles – squares, streets, quarters, villages and urban centers or traditional architecture ethnographic areas.

The mobile cultural inheritance is owned by 87 country museums, of them 5 museums and 7 branches are directly subordinated to the Ministry of Culture and Tourism; 66 of them – to local public authorities. Their funds include about 700.000 units which are a part of national and world culture and history.

The archeological inheritance of the Republic of Moldova is reach in ancient works of art. There were discovered sculptural models of as far back as the late Paleolithic age. The ceramics of „Cucuteni-Tripolie” culture from the Eneolithic Age is attested in several areas of the Republic of Moldova and it has incontestable artistic valences representing a whole mythology in pictures.
Culture of ethnic minorities

In the Republic of Moldova there are many ethno-cultural associations. 18 minorities – the Ukrainians, Russians, Bulgarians, Gagauzians, Jews, Byelorussians, Poles, Germans, Gypsies, Greeks, Lithuanians, Armenians, Azerbaijani, Tatars, Chuvashs, Italians, Koreans, Uzbeks – have associations which operate under the form of communities, societies, unions, centers, cultural foundations etc.

By virtue of the principle of equality and universality of cultural legislation, the ethnic minorities have the possibility to develop their traditional culture and national art. In Chisinau there is the Russian Dramatic Theatre „A.P.Cehov”; in Ceadir-Lunga (ATU Gagauzia) – the Gagauzian Dramatic Theatre „Mihail Cekir”; in Taraclia – the Theater of the Bulgarians from Bessarabia „Olimpii Panov”.

Tourism

Although it has a small area, the Republic of Moldova as a tourist destination has a great potential represented first of all by the geomorphologic aspect of its territory – an unusual diversity of landscape reservations or scenery and unique geological monuments of European and world value.

Over the last decade the priority forms of tourism in the Republic of Moldova have been: rural, wine, cultural tourism, health and beauty Tourism.

Rural Tourism

Moldova’s agricultural and picturesque countryside proposes various services for tourists wishing to stay in the middle of the nature:

- offering the tourists traditional, rural-style accommodation;
- providing them the opportunity to enjoy country pursuits and activities;
- making them acquainted with the local folklore, entertainment and traditions;
- displaying handicrafts to the tourists and giving them the opportunity to participate in their production;
- offering handicrafts for purchase.

Wine Tourism

Vineyards also constitute attractions of the countryside. Over centuries Moldova has
gained rich traditions of growing grapes and wine production. There are 142 wineries in the Republic of Moldova, of which 23 have experience and facilities to receive visitors. Here tourists can experience and learn about the complex production processes, see bottling and, of course, sample the final product. The Republic of Moldova’s wine enjoys a good reputation internationally for its quality.

As a wine country, the Republic of Moldova offers visitors opportunities to choose their favourite itineraries: underground cellars and towns, wine storage facilities, wine processing factories, production processes of sparkling wine, divin, heres, balsam, etc. Combined with the vineyards that surround them into the tourist route "The Wine Road in the Republic of Moldova", the wineries represent a substantial reason to visit the country. They are also means of promoting the Moldova’s best tourism product.

**Cultural Tourism**

The Republic of Moldova has a rich cultural heritage which may be of great interest to tourists. 140 cultural heritage sites may be included in the tourist circuit. The earliest visible remains of the built heritage are Geto-Dacian sites and Roman fortifications. The remains of medieval fortresses, archaeological complexes such as Orheuil Vechi, cave monasteries, nobles’ mansions and peasant houses offer a diversity of visitor attractions. Chisinau, the capital city, features a good number of cultural heritage monuments, fine examples of domestic architecture from the 19th and 20th centuries, which might be considered as tourist attractions as well.

The Republic of Moldova has 87 museums with rich collections of art. Additionally, museums are mostly housed in buildings of a special architectural importance. All of these have their specialist audiences, but at least 20 are of interest to the general public.

Part of the national tourist product is the variety of cultures represented in different parts of the country. The Republic of Moldova is an amalgam of many nationalities and cultures with many traditions, languages, folklore, cooking, etc. There are over 880 folk music groups in the Republic of Moldova, most of them reflecting the distinct traditions of their districts and ethnic origins. It is worth mentioning the national craftsmanship both because of cultural value and also because it supplies souvenirs for tourists.

**Health and Beauty Tourism**

The existing balneoclimateric health resorts in the Republic of Moldova could become a substantial balneotherapeutic and tourist product internationally, provided that a
proper infrastructure would be created.

The best premises in this regard have the “Bucuria-sind” health resort from Vadul lui Voda, “Codru” health resort from Hirjaucu village, Calarasi district, and especially “Nufarul Alb” health resort from Cahul.

Tourist attractions from the Republic of Moldova:

**Natural monuments:** Prut Toltres, Natural unity “The Hundred Knolls”, "Emil Racovita" Cave, Taul Park

**Reservations:** “Padurea din Domneasca” Reservation, "Codrii" Reservation, „Iagorlîc” Reservation, „Prutul de Jos” Reservation, „Plaiul Fagului” Reservation


**Country estates:** "Zamfir Ralli-Arbole" Mansion, the Hunting Castle of Manuc Bei

**Monasteries and Churches:** Capriana Monastery, Hincu Monastery, Rudi Monastery, Saharna Monastery, Tipova Monastery, Curchi Monastery, Frumoasa Monastery, Cosauti Monastery, Japca Monastery, the Assumption of the Virgin Mary Church

**Wineries:** Cricova Winery, Milestii Mici Winery, Purcari Winery, Cojusna Winery

State Authorities

Separation and Cooperation of Powers
The Legislative, the Executive and the Judicial Powers are separate and cooperate in the exercise of their prerogatives in accordance with the provisions of the Constitution.

The Constitution as the Supreme Law
The Constitution of the Republic of Moldova is the supreme law of the country. No laws or other legal acts and regulations in contradiction with the provisions of the Constitution may have any legal power.

Observance, of International Law and International Treaties
(1) The Republic of Moldova pledges to respect the Charter of the United Nations and the treaties to which she is a party, to observe in her relations with other states the
unanimously recognized principles and norms of international law.

(2) The coming into force of an international treaty containing provisions contrary to the Constitution shall be preceded by a revision of the latter.

**The Unity of the Nation and the Right to National Identity**

(1) The national unity of the Republic of Moldova constitutes the foundation of the State. The Republic of Moldova is the common and indivisible motherland of all her citizens.

(2) The State recognizes and guarantees all its citizens the right to preserve, develop and express their ethnic, cultural, linguistic and religious identity.

**The Republic of Moldova as a Neutral State**

(1) The Republic of Moldova proclaims her permanent neutrality.

(2) The Republic of Moldova will not admit the stationing of any foreign military troops on its territory.

The Republic of Moldova is a Parliamentary Republic. The Chairman and the Deputy Chairmen of the Parliament are elected after the legal constitution of the Legislative body. According to the Regulations of the Parliament, the Chairman of the forum is elected for the entire duration of the term by a secret ballot of the majority of the elected deputies at the proposal of the parliamentary factions. Deputy Chairmen of the Parliament are elected by an open ballot of the majority of elected deputies, at the proposal of the Chairman of the Parliament, after the consultations with the parliamentary factions.

The working body of the Parliament – the Standing Bureau – is formed taking into consideration the proportional representation of the factions in the Legislative body. The Chairman and Deputy Chairmen of the Parliament are its ex officio members. The number of members of the Standing Bureau is determined by the Parliament’s decision.

The main and the most important documents are subject to debates within the parliamentary factions, which are practically the major political decision-makers in the Parliament. These indispensable units of the Legislative body are established in compliance with the Parliament Regulations within a 10-day term after the Parliament has been legally constituted. Each faction consists of at least five deputies to form working bodies and organize the legislative activity on the basis of the lists of political formations.

The Standing Committees are the working bodies of the Parliament that have a special role in preparation of its works and in exercising the parliamentary functions, especially the legislative and control functions. The Committees are specialised according to areas of activity depending on various areas of governmental responsibilities. They are elected for the entire duration of the term of the Legislative
body. The Standing Committees report to the Parliament and are subordinate to it. The Parliament decides upon the number of committees, the title, and the numerical and nominal composition of each committee at the proposal of the Standing Bureau.

To draft complex legislative acts, advisory opinions on them or for other purposes indicated in the establishing decision, the Parliament may set up special committees and inquiry committees. The Standing Bureau proposes to the Legislative body for approval the nominal composition of the committee and the term within which the report has to be submitted. An inquiry committee may be established at the request of a parliamentary faction or a group of at least 5 per cent of the number of the elected deputies.

_Judicial Authority_

**Administration of Justice**
Justice shall be administered in the name of the law by courts of law only.

**Courts of Law**
(1) Justice shall be administered by the Supreme Court of Justice, the Court of Appeal, by tribunals and the courts of law.
(2) To hear certain categories of cases special courts may be set up under the law.
(3) It is forbidden to set up courts of exception.
(4) The structure of the courts of law, their areas of competence and the corresponding judicial procedures shall be established by organic law.

**Status of Judges**
(1) Judges sitting in the courts of law are independent, impartial, and irremovable under the law.
(2) The judges sitting in the courts of law are appointed by the President of the Republic of Moldova following a proposal submitted to him by the Higher Magistrates Council. Those judges who have passed the judicature entry test are appointed in their positions at first for a 5-year term. After 5 years judges will be appointed for a term of office which expires with their reaching the age limit.
(3) Both the Presidents and Vice-presidents sitting in the courts of law shall be appointed by the President of the Republic of Moldova following a proposal submitted to him by the Higher Magistrates Council for a 4-year term.
(4) Both the President, Vice-president and the members of the Supreme Court of Justice shall be appointed by Parliament following a proposal submitted by the Higher Magistrates Council. They must provide evidence of work experience in courts of law that is not less than 10 years long.
(5) Judges may be promoted or transferred at their own consent only.
(6) Judges may be punished as provided for under the rule of law.
(7) The office of judge is incompatible with holding an other public or private remunerated position, except in the area of teaching or scientific research.

Public Character of Legal Proceedings
Legal Hearings in all courts of law are public. Cases may be heard behind closed doors only as stipulated by law under compliance with all established legal procedures.

Language used in Hearings and Right to Use an Interpreter
(1) Legal cases will be heard in the Moldovan language.
(2) Those persons who do not know or are unable to speak Moldovan have the right to take knowledge of all documents and items on file and to talk to the court through an interpreter.
(3) In accordance with the law legal hearings may also be conducted in a language that is found to be acceptable by the majority of the persons participating in the hearing.

Appealing
The parties involved in a case and the state authorities may appeal against sentences pronounced in courts of law in accordance with the law.

Compulsory Character of Sentences and of Other Final Legal Rulings
It is compulsory to abide by the sentences and the other final legal rulings pronounced in courts of law and to cooperate with the latter at their specific request during trials, the execution of sentences and other final rulings of justice.

Economy

After the collapse of the USSR and the declaration of its independence on 27 August 1991, the Republic of Moldova passed through a complex stage of transition to the market economy and experienced a significant economic recession.

The economic crisis in Moldova lasted for 10 years (from 1990 to 1999). During this period the GDP decreased almost by three times. Since 2000 the economy has been on the rise. This period is characterized by a steady recovery of the production output, which had a partly impact on poverty reduction. During the period 2000-2005 the GDP in real terms increased with 43 percent. Consequently the poverty rate decreased with 41.3 percent.

The country continues to maintain macroeconomic stability. Inflation reduced from 44% in 1999 to 10% in 2005. Besides, the national currency exchange rate remained rather stable while the currency reserves increased substantially.

The economic growth and circumspect external loans allowed for a decrease in the share of the public debt and the publicly guaranteed debt from 79 percent of GDP in 2000 to 27 percent in 2005. These achievements were due to the promotion of an
appropriate monetary and credit policy coupled with a rigid fiscal and budgetary policy, as well as the implementation of tax reforms aimed at improving the tax collection system.

The development of the national economy in 2006 was negatively affected by a number of external factors. These included unfavourable weather conditions, ban on the export of certain goods to the Russian Federation, coupled with limited access to other export markets, double increase in prices for energy resources imported from Russia, and a significant rise in prices for energy resources on other world markets. This led to some deterioration of macroeconomic indicators. There was registered a reduction of the GDP growth rate, and a decrease in the industrial and agricultural outputs and the quantity of exported goods, due to which the trade balance deficit and the deficit of balance of payments increased. As a result there was an acceleration of inflationary processes. The increase in inflation does not have a monetary nature, and is dependent on prices for gas, energy resources and the increase in related production costs.

The external factors in 2006 created certain difficulties for the Government’s activity aimed at achieving its economic and social objectives. Economic difficulties faced by the Republic of Moldova in 2006 could have a negative impact on the population’s living standards. Therefore, the Government and the National Bank remain committed to undertake, upon need, further measures to attenuate and prevent potential shocks in the social and economic development of the country.

**Main social and economic development indicators of the Republic of Moldova for the period 2000 – 1st semester of 2006**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Semester I 2006</th>
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<tbody>
<tr>
<td>GDP growth rate, % as compared to the previous year</td>
<td>2,1</td>
<td>6,1</td>
<td>7,8</td>
<td>6,6</td>
<td>7,4</td>
<td>7,1</td>
<td>5,0</td>
</tr>
<tr>
<td>Share of population under the absolute poverty line, %</td>
<td>67,8</td>
<td>54,6</td>
<td>40,4</td>
<td>29,0</td>
<td>26,5</td>
<td>29,1</td>
<td>x</td>
</tr>
<tr>
<td>Unemployment rate (ILO) %</td>
<td>8,5</td>
<td>7,3</td>
<td>6,8</td>
<td>7,9</td>
<td>8,1</td>
<td>7,3</td>
<td>6,41</td>
</tr>
<tr>
<td>Total external debt, as a ratio of GDP, %</td>
<td>133,9</td>
<td>113,5</td>
<td>109,6</td>
<td>97,7</td>
<td>73,1</td>
<td>68,4</td>
<td>x</td>
</tr>
</tbody>
</table>
In a market economy the business activity provides the society with jobs, products and services and supplements the state budget with taxes.

For a successful development business activity needs freedom which contributes to the economic growth. “Economic freedom” represents a level of non-intervention of the state into the investments, production, distribution and usage of products and services to the extent which is considered by the population as the most efficient for the economy.

Since 1999 international organizations have been funding the implementation of the project “Assessment of the Cost of Doing Business in the Republic of Moldova”. Recently there was finalized the study on entrepreneurship activity for 2005.

**Study Objectives:** The main objective of the study is to monitor the business environment and to assess the impact of state policies and regulatory requirements on business entities operating in Moldova. The project is providing special support to the Government in conducting a quality analysis of the implementation of decisions required to improve the business and investment environment in the Republic of Moldova.

**Time frame:** The Business Environment Study in the Republic of Moldova was carried out in July – September 2006 and outlines the situation over the past three years. Data obtained have been compared with the outcome of four similar studies carried out in 2002-2005.
Sample: The sample consists of 630 randomly selected business entities. The sample does not include agricultural enterprises and sole proprietorships. Almost 88% of interviewed companies have up to 50 employees.

General Feedback: Business entities perceive the business environment differently. Approximately, 25% think that the situation has improved, the share slightly increased as compared to the past year (21%). Regulations in constructions and inspections are the areas with most obstacles. Registration is the area with the quickest pace of amelioration.

Registration: During the past three years the registration procedure lasted 18 days, including 10 days at the State Registrar. Average costs of registration have not changed as compared to data of the previous study and are of 82$. It takes less to change registration documentation - 13 days.

Constructions: Over the past three years, interviewed business companies spent 143 days to obtain all the construction permits they needed at a cost of 560$. The duration to obtain all necessary permissions to rehabilitate the buildings was of 67 days and the cost was of 227$. About 27% of all enterprises state that the situation has worsened as compared to the previous year.

Licensing: Approximately 58% of all interviewed business entities hold licenses (1.9 licenses on average). The average validity term of a licence is 3 years. Obtaining a license takes about 20 days and costs 273$. Both the duration and cost of obtaining a license have modestly decreased as compared to the previous year.

Authorizations: Approximately 62% of all interviewed business entities need to get different types of authorizations in order to carry out their activity. An enterprise needs on average 20 days and 169$ to get an authorization.

Certification of equipment: From all interviewed companies, about 51% purchased new equipment during the past three years. Out of these, about 71% held certificates of conformity to the standards of the Republic of Moldova. The procedure lasted on average 15 days and cost 70$. Both the duration and cost of obtaining these certificates did not change during the past year.

Imports: Over the past three years, about 33% of all interviewed business entities carried out import operations. About 72% of them were obliged to obtain certificates in compliance with the standards of the Republic of Moldova. The cost of obtaining certificates of conformity has decreased as compared to 2001 – 2003, and constitutes 95$. It is important to note that customs-related costs are much lower as compared to
data of the studies conducted in 2003-2004.

**Exports:** Approximately 11% of enterprises carried out 19 exports operations per year on average over the past three years. Enterprises needed 1.7 days and $77 to go through all export customs procedures. In most cases, enterprises prefer to use the amount of VAT to be refunded to pay other taxes and fees.

**Certification of goods and services:** About 38% of interviewed enterprises certify their goods or services 5.6 times a year. It takes 17 days to certify mass production items and it costs $88. Certification of individual batches of products requires less input – 11 days and $137.

**Sanitary certification:** Around 62% of interviewed enterprises were subject to sanitary certification in 2005, on average 1.6 times a year. The duration of obtaining a sanitary certificate is 13.5 days and the cost is $85. While the duration of obtaining a sanitary certificate remained unchanged, the costs significantly increased as compared to the previous period.

**Inspections:** During last year, enterprises have been inspected on average 10.3 times, which is little less than during the previous period. The average duration of inspectors’ stay at the enterprise is 15 days, which represents 4 days less than during the previous period. Due to investigations, enterprises had incurred average expenses of $107 a year. Most of them are penalties (about $93).

**Taxation:** About 95% of business entities employ full-time accountants and the average is 1.6 accountants per enterprise. Both indicators registered a slight increase as compared to previous period.

**Price Regulation:** About 18% of interviewed enterprises are subject to price regulation. After a steady increase over the past years, this indicator has reached again the level of 2002. Most often the maximum level of the trade mark-up is subject to regulation.

**Labor Regulation:** 74% of interviewed business entities said that the number of employees they currently have is optimal. Approximately 21% said that they don’t have sufficient employees. In fact, the only problem identified by employers on labor regulation is the obligation to get and return health insurance policies within the established period (2 weeks for people dismissed).

**Public authorities promoting their personal interests:** About 5% of interviewed business entities said that public officials are getting involved into the activity of their companies to promote their own interests. Almost 76% said the opposite.
Legal System: Over the past two years, about 20% of business entities had to settle some disputes, and this figure has decreased during the past years. In case of disputes, enterprises usually take action in court: about 67% - for disputes with other companies and 77% in case of conflicts with state authorities.

TAXATION

The main document which defines fiscal system of RM is the Fiscal Code approved on 24 April 1997 and completed few years latter. At this moment Fiscal Code contains 8 Chapters:

1. General information about Fiscal System
2. Income tax
3. Value Added Tax
4. Excises
5. Tax Administration
6. Tax on immovable goods
7. Local taxes
8. Natural resources taxes

Some indices on taxes and fees in the Republic of Moldova

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax (%)</td>
<td>18</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Personal income tax (%)</td>
<td>20</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Social security payments (%)</td>
<td>27</td>
<td>26</td>
<td>25</td>
</tr>
</tbody>
</table>

VAT rates:

**Standard rate:**
20% - applied to goods and services imported to Moldova

**Zero Rate:**
0% - goods and services with social purposes

**Reduced rate:**
8% - Bread, milk and their derivates
5% - Natural gas

DIRECT FOREIGN INVESTMENTS (DFI)
The Strategy for Investments Attraction and Export Development will be implemented alongside the Strategy for Industrialization and the Strategy for Agrarian and Food field of Moldova and their simultaneous implementation will provide a complex approach and consecutivity for the settlement of all the issues.

To improve DFI attraction into Moldova, some fiscal and customs duty facilities for enterprise establishment for the foreign investors have already been proposed. Therefore companies with a share capital exceeding the equivalent of 250 000 USD are granted a 50% exemption from income tax for 5 years, and companies with a share capital exceeding 2 million USD are exempted of income tax for 3 years.

**Legal framework for investments**
The investments made in the Republic of Moldova fall under the provisions of the Constitution of the Republic of Moldova, the Law on investments in the entrepreneurship activity No. 81-XV of 18 March 2004, other laws and normative acts, as well as the international treaties to which the Republic of Moldova has adhered.

Should the provisions of the international treaties to which the Republic of Moldova has adhered be different from the ones stipulated in the above Law the provisions of international treaties take precedence.

The Law No. 81-XV of 18 March 2004 does not regulate the relations related to investments made by non-commercial organisations (for nonworking purposes) for social purposes, including for charitable, scientific and religious purposes and sponsorship. These relations are regulated by respective Moldovan Laws in the field.

**Registration procedure**
The state registration of enterprises/legal entities is carried out in compliance with the Law No. 1265-XIV of 05 October 2000 on State Registration of enterprises and organisations by the State Chamber of Registration.

By organisational and legal form, the enterprises are divided into: Limited Liability Companies, Joint Stock Companies, state or public enterprises.

As of 15 October 2006, 130 622 economic agents were registered into the Registry of enterprises and companies of which:

<table>
<thead>
<tr>
<th>Number</th>
<th>Type of Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>53 788</td>
<td>Limited Liability Companies</td>
</tr>
<tr>
<td>5 091</td>
<td>Joint Stock Companies</td>
</tr>
<tr>
<td>63 051</td>
<td>Individual Enterprises (sole proprietorships)</td>
</tr>
<tr>
<td>1 557</td>
<td>State Enterprises</td>
</tr>
<tr>
<td>4 380</td>
<td>Cooperatives</td>
</tr>
</tbody>
</table>
World trade organisation (WTO)
Since 2001 the Republic of Moldova is a full-right member of the WTO. This allowed for an increase in the external trade of the country and the implementation of international standards in the production process.

As a WTO member, the Republic of Moldova has to observe the WTO provisions in various fields, including the trade and tax policy and in Customs Unions activity.

The participation of the Republic of Moldova in multilateral negotiations within WTO, the negotiations held with the UE on a preferential trade regime, encouraging the creation and the participation of the country in the regional free trade exchange zone with state-parties to the Stability Pact for South Eastern Europe will positively impact the promotion of national exports.

The Republic of Moldova has a liberal trade regime. So far Moldova has signed Free Trade Agreements with: CIS member-states, countries of Eastern Europe (Romania, Croatia, Serbia, Macedonia, Bosnia-Herzegovina, Albania, and Bulgaria) and has been granted access to the EU Generalized System of Preferences (GSP+) and trade preferences with USA and Japan. Beginning with 1st of March to the Republic of Moldova has been granted APC.

European Integration

The European integration is an irreversible strategic objective of the foreign and domestic policy of the Republic of Moldova.

The Partnership and Cooperation Agreement (PCA) represents the legal framework for the Republic of Moldova-European Union relationship. The Agreement was signed on 28 November 1994 and entered into force on 1 July 1998 for the next 10 years. This arrangement provides for a basis of cooperation with the EU in the political, commercial, economic, legal, cultural and scientific areas. Its objective is to support the Republic of Moldova in the following:

- Strengthening of the democracy and the rule of law to guarantee the protection of human rights and the rights of minorities by ensuring an adequate framework for political dialogue;
- Sustainable development of the economy and finalizing of the transition towards the market economy by promoting trade exchanges, investments and harmonious economic relationships.
The relationship between the Republic of Moldova and the European Union are institutionalized through three responsible structures in charge of enhancing the political dialogue and monitoring of PCA implementation, and namely: Moldova-EU Cooperation Council, Moldova–EU Cooperation Committee and Moldova–EU Cooperation Sub-committees and Moldova–EU Parliamentary Cooperation Committee.

The Republic of Moldova signed the Moldova-EU Action Plan on 22 February 2005 in Brussels within the frameworks of the European Neighbourhood Policy (ENP). The Moldova-EU Action Plan is a document which includes the strategic objectives and specific actions for achieving these objectives. The implementation of the Action Plan will enhance considerably the process of legislative approximation and adjusting to the EU standards. The implementation of the objectives and actions from the Moldova – EU Action Plan will create proper conditions to advance the level in relations with the EU.

The European integration policy of the Republic of Moldova is based on two main pillars: (i) implementation of the Moldova – EU Action Plan and (ii) using the possibilities of the Republic of Moldova deriving from the participation in all the regional initiatives of the South Eastern Europe - the Stability Pact for South Eastern Europe, South Eastern European Cooperation Process (SEECP) and future amended Central European Free Trade Agreement (CEFTA). These are two main directions towards the European integration of the Republic of Moldova, which often overlap and complete each other.

There is a political consensus on the implementation of the two priority objectives of the Republic of Moldova: the European integration and the state reintegration.

On 24 March 2005 the Moldovan Parliament Declaration on the political partnership for the achievement of the objectives of the European Integration was adopted. It stipulates a broad consensus of the four parliamentary factions regarding the gradual and irreversible promotion of the strategic course towards the European Integration. Following this Declaration, the Parliament of the Republic of Moldova has adopted a series of important legislative measures to strengthen the democracy and rule of law in the Republic of Moldova, which were developed with the participation of the civil society and the opposition.

The Republic of Moldova undertakes efforts to launch during 2007 the discussions on advancing the legal status of our country to obtain a different status than that of a neighbour state.
On 4 May 2006 the Republic of Moldova became a full-right member of the South Eastern Europe Cooperation Process (SEECP). It confirms again the affiliation of the Republic of Moldova to the South Eastern European space and provides new perspectives for Moldova – EU relationships.

In order strengthen the position of the Republic of Moldova to progress on the way to the European integration it is of utmost importance to fully and timely implement the provisions of the EU-Moldova Action Plan.

On the institutional level a mechanism for coordination and monitoring of the implementation of the Action Plan was set up by establishing four Inter-ministerial Committees, which activity is coordinated by four specialized ministries. The Ministry of the Foreign Affairs and European Integration has the general monitoring and coordinating role.

Within the implementation of the EU-Moldova Action Plan special attention is paid to the coordination of the reforms in compliance with the standards and experience of the EU member-states. In particular, the following priorities were set up:

1. To deepen the process of reforming the national justice system, through the development of a Strategy for complex reforms for short-, medium- and long-term and of a funding programme.

2. To develop a new Information and Communication Strategy for European Integration.

3. To establish a sustainable dialogue with the civil society throughout the implementation of the reforms.

4. To ensure the freedom of expression and of mass-media.

5. To establish bilateral cooperation with the EU member-states to implement the reforms in domestic affairs area.

6. To improve the border management with the support of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM), including on the Transnistrean sector of the border.

7. To sign the visa facilitation and readmission agreement with the European Union.

8. To obtain Autonomous Trade Preferences for the Republic of Moldova by signing an agreement in this regard with the European Community.
9. To initiate the negotiations on a new Agreement between the Republic of Moldova and the European Community that would offer Moldova a clear perspective of joining the European Union.