

# INTRODUCTION

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The Republic of Moldova is a landlocked country covering a territory of 33,800 km<sup>2</sup>. It is bordered on the west by Romania and on the north, east and south by the Ukraine (Annex I). The Prut River runs along the entire western boundary with Romania, while the Nistru River forms part of the eastern boundary with the Ukraine and separates it from Transnistria. The country's southern border extends almost to the Black Sea, making it one of the countries located in the Black Sea Basin.

The country's proximity to the Black Sea gives it a temperate-continental climate. It has moderate winters and warm summers. Three quarters of its territory is covered with the rich, black soil called "chernozem", which is ideal for agriculture. The landscape is characterized by hilly plains with many streams and rivers cutting through them.

## **Government structure and political system**

The Republic of Moldova is a democratic and unitary State. Its Government is made up of three authorities: legislative, executive and judicial.

The Parliament is the legislative authority and passes laws, decisions and motions; declares referendums; and approves and controls the national budget.

The executive branch consists of the President and the Government. The President is the head of the State and is elected by the Parliament. The Government is the executive authority. It is led by a Prime Minister, who is appointed by the President with the approval of the Parliament. The Government carries out domestic and foreign policy.

Judicial authority is exercised by the courts of law, namely by the Supreme Court of Justice, the Court of Appeal and other courts of law. The Supreme Court of Justice is the highest court of law.

The Republic of Moldova is divided into 32 districts or raions (also written as rayons), 5 municipalities (Chisinau, Balti, Comrat, Bender and Tiraspol) and 2 territorial units (Autonomous Territorial Unit Gagauzia and Transnistria). Its capital is Chisinau.

It has 1,682 administrative units (localities). 982 of these have their own local public authorities (LPAs), of which: 5 have municipality status; 61 have city status; and 916 are villages with commune status. The remaining localities are villages that are too small to have an independent administration, and they belong to either cities (41) or communes (659).<sup>1</sup>

## **The human context**

The population on 1 January 2014 was estimated at 3.5576 million<sup>2</sup>. The population density is 105 people per km<sup>2</sup>. The majority of Moldovans live in rural areas (58%). The municipality of Chisinau has 804,476 inhabitants, representing 22.6% of the population.

The Republic of Moldova has a diminishing population and has been experiencing negative population growth since 1993 (Figure 1). Part of this demographic decrease is linked to the

<sup>1</sup> National Bureau of Statistics of the Republic of Moldova (NBS), "Geography, Meteorology and Environment - Administrative-Territorial Division 2014", *Statistical Yearbook of the Republic of Moldova*, p.13.

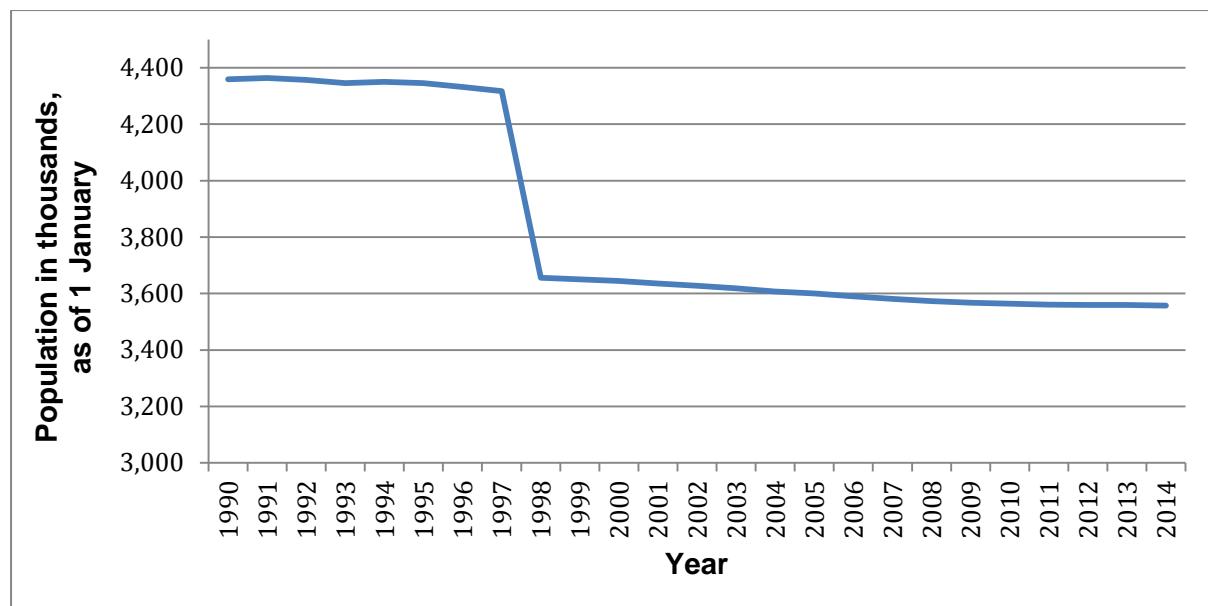
<sup>2</sup> NBS, Resident population, StatBank. Available from <http://statbank.statistica.md/pxweb/database/EN/databasetree.asp> (accessed 11 August 2015). Information does not include the population from the left side of the Nistru River and the Bender municipality.

emigration of a large percentage of the economically active population. It is also attributable to a declining birth rate and an increasing death rate. In fact, since 1998, the number of deaths has outnumbered the number of live births (Annex II). In 2013, the country's mortality rate was 10.7%; this figure was much higher in rural areas (12.4%) than in urban ones (8.4%). Detailed demographic statistics from 1990 are presented in Annex II.

The total fertility rate of the Republic of Moldova in 2013 was 1.24, which is considerably lower than the replacement-level fertility of 2.1.<sup>3</sup> At the same time, the country's population is ageing, and reached 15.3% in 2012 and 15.7% in 2013. Based on these trends, it is expected that the population will continue to decline. It is estimated that, by 2050, the population will decrease by 30% from the 2010 level.<sup>4</sup>

Emigration is a strong phenomenon. According to the Labour Force Migration report published by National Bureau of Statistics (NBS) in 2013, the number of emigrants was estimated at 426,900, or 16.4% of the country's economically active population. The majority of these went to Russia (69.2%) and Italy (14.2%). Around three quarters of them were from rural areas.<sup>5</sup>

**Figure 1. Trend of population, 1990-2014**



Source: NBS, StatBank. Information after 1997 does not include data from the left side of the River Nistru and the municipality of Bender.

## Recent socio-economic development

The Republic of Moldova transitioned from a command economy to a market one after independence from the Soviet Union in 1991. During the 1990s, the economy was in a long recession, but economic growth began in 2000 and continued for nine years. However, the

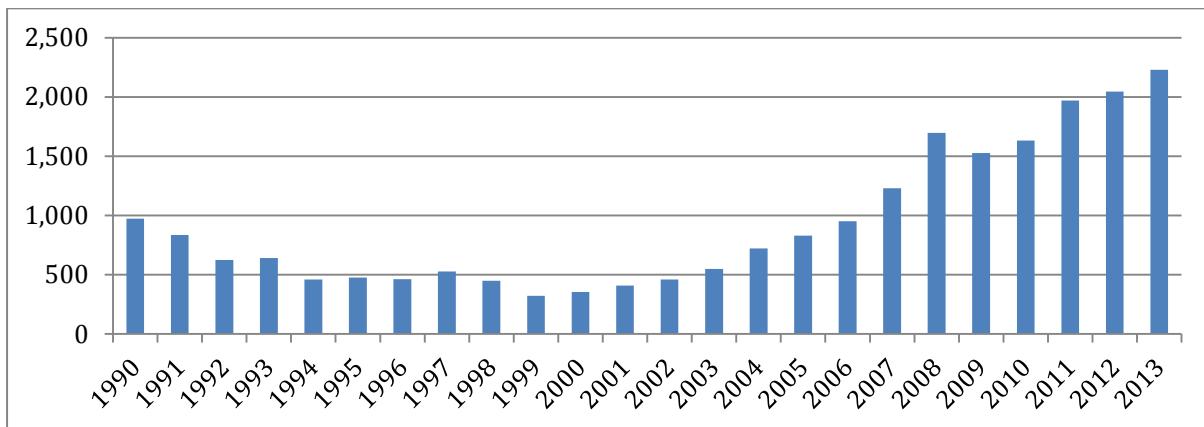
<sup>3</sup> Replacement-level fertility is “the average number of children a woman would need to have to reproduce herself by bearing a daughter who survives to childbearing age. If replacement-level fertility is sustained over a sufficiently long period, each generation will replace itself in the absence of migration.” United Nations Department of Economic and Social Affairs, “Total Fertility Rate” (p.101). Available from [www.un.org/esa/sustdev/natinfo/indicators/methodology\\_sheets/demographics/total\\_fertility\\_rate.pdf](http://www.un.org/esa/sustdev/natinfo/indicators/methodology_sheets/demographics/total_fertility_rate.pdf) (accessed 26 August 2013).

<sup>4</sup> Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2012 Revision, Volume I: Comprehensive Tables* (New York, 2013). Available from <http://esa.un.org/unpd/wpp/index.htm> (accessed 1 May 2014).

<sup>5</sup> NBS, *Labour Force Migration 2013*. Available from <http://statbank.statistica.md/pxweb/database/EN/databasetree.asp>

country was not spared from the effects of the global economic crisis of 2008, and GDP growth decreased by 5.9% in 2009 (Figure 2). Remittances in the same year fell by 36% from the previous year and started picking up again in 2010.

**Figure 2. GDP per capita (current US\$), 1990-2013**



Source: World Bank, World Development Indicators (WDI).

After recovering from the global economic crisis, the country's economy weakened again in 2012. According to the World Bank, this was caused by a slowdown in external demand for goods and services, and a decline in agricultural production due to the severe 2012 drought. Such examples demonstrate how vulnerable the country's economy is to external shocks.

2013 marked a period of economic upturn. The country posted 8.9% GDP growth that year, the highest since independence in 1991. This increase is attributable to higher household spending. Remittances from Moldovan workers abroad and a rise in wages bolstered households' disposable income and increased private consumption. Among countries in Europe and Central Asia, the Republic of Moldova has the third highest remittances share of GDP per capita and is the leader in Europe.<sup>6</sup> Over the past decade, remittances have consistently contributed to over 20% of the GDP.

Despite economic progress, the Republic of Moldova remains poor. Based on the per capita GDP in 2013 (US\$ 2,229)<sup>7</sup>, it is Europe's poorest country.

The National Development Strategy "Moldova 2020" states that economic growth and poverty reduction are closely correlated to the flow of remittances, which increase consumption. The Government recognizes that economic growth dependent on remittances is not sustainable. As such, "Moldova 2020" concludes that, to maintain the pace of the country's economic growth, the structure of the national economy should be changed. It recommends replacing this growth model with a dynamic one based on investments and goods and services exporting industries.

<sup>6</sup> World Bank, Migration and Remittances Data. Available from <http://go.worldbank.org/092X1CHHD0> (accessed 1 May 2014).

<sup>7</sup> International Monetary Fund (IMF), World Economic Outlook (WEO) Database, April 2014. Available from <http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx> (accessed 1 May 2014).

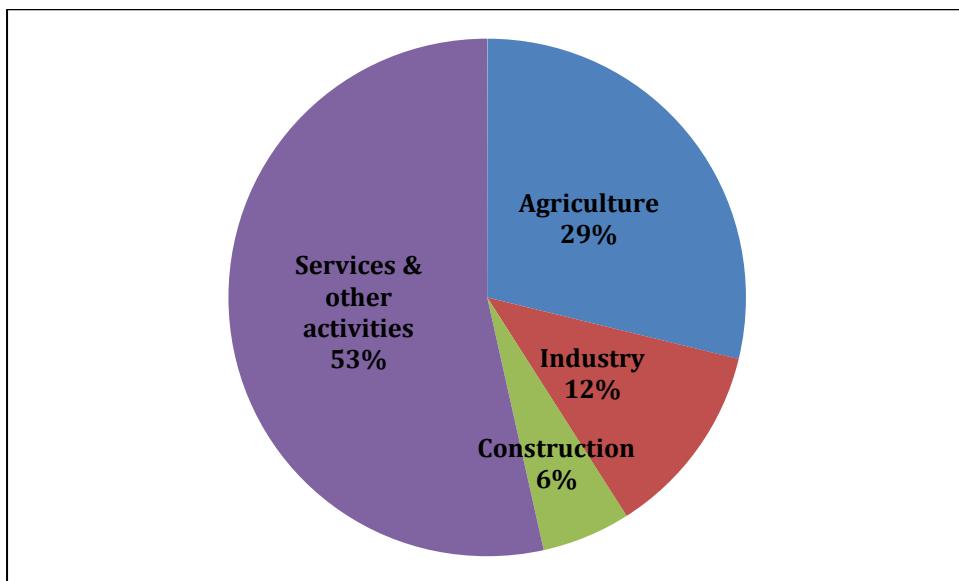
## Poverty and employment

The country has made significant progress in reducing poverty. It lowered its poverty ratio from 26.4% in 2008 to 12.7% in 2013.<sup>8</sup> According to the World Bank, it is one of the top performers for poverty reduction.<sup>9</sup>

This continues to be a priority on the Government's agenda and, along with ensuring qualitative economic development, it is an objective in the "Moldova 2020" development strategy. The United Nations Development Programme (UNDP) has noted that inequality between men and women and the urban-rural divide are challenges that remain to be addressed by the Government.<sup>10</sup>

The agricultural sector is an essential component of the country's economy. In 2013, it made up 12.2% of GDP<sup>11</sup> and employed 29% of the population (Figure 3). These figures highlight the importance of the sector and underline how its development can contribute to the objectives of "Moldova 2020", including reducing unemployment and promoting economic growth.

**Figure 3. Employment by main economic activity in 2013**



Source: NBS, StatBank, Labour.

<sup>8</sup> UNDP Moldova, "2014 Human Development Report: 2.2 billion people are poor or near-poor", 24 July 2014. Available from <http://www.md.undp.org/content/moldova/en/home/presscenter/pressreleases/2014/07/24/raportul-dezvoltarii-umane-2014-2-2-miliarde-de-oameni-sunt-saraci-sau-aproape-saraci/> (accessed 11 August 2014).

<sup>9</sup> World Bank, "Moldova Overview". Available from <http://www.worldbank.org/en/country/moldova/overview> (accessed 2 May 2014).

<sup>10</sup> 82% of the country's poor are from rural areas and 55% of the economically inactive population are women (NBS, Labour Force, StatBank. Available from <http://statbank.statistica.md/pxweb/database/EN/databasetree.asp>)

<sup>11</sup> NBS, "Share of main economic activities in the generation of gross domestic product," *Moldova in Figures 2014* (Chisinau, 2014), p.44.