

## **Country Assistance Policy: Republic of Moldova**

October 2014

### **1. Relevance of Assistance**

Despite the fact that after gaining independence from the former Soviet Union in 1991, Moldova's economy was in decline for some time; it has continued the pace of moderate growth since 2000. However, due to such objective factors as limited natural resources, climate and external relations, as well as existence of the region, and declaring its independence, Moldova lags behind the neighboring countries and was recognized as the poorest country in Europe <sup>1</sup>. Additionally, there are increasing regional disparities between the rural areas for which agriculture is the main branch of production, and big cities that get all the benefits of economic growth.

Having signed the Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union in 2013, Moldova is now moving towards democracy and market economy. Moldova is also achieving economic and social stability within the country through poverty reduction and sustainable economic growth, which is very important for the stability of the entire European region.

Taking this situation into account, Japan is helping Moldova by means of ODA to ensure sustainable economic growth and poverty reduction, thus making a contribution to the stabilization of the European region. Moreover, since Moldova is a small country, positive results can easily be achieved by providing relevant assistance and support from Japan, gradually taking its roots and influencing the neighboring countries as well <sup>2</sup>. In such a way, assistance from Japan is of great importance for the development of relations between Moldova and the European countries that provide support within the framework of Eastern Partnership or other programs.

### **2. Basic Policy of Assistance (High Target): sustainable economic development and poverty reduction**

Stable growth of the Moldovan economy is ensured by the development of the agriculture and food industry, which are the main types of production in the country; as well as the growth of the non-agricultural sector observed in recent years, and the promotion of investments and exports that aim to reform the structure of the economy for being too dependent on remittances from those who work abroad. Moreover, providing assistance in education and social security spheres (medicine etc, which are now being reformed) contributes to improving the quality of life of the population, and poverty reduction.

### **3. Priority Areas (intermediate objectives)**

#### **(1) Industry promotion**

The main goals are to effectively enhance the capacity of public institutions, and support the training of human resources in order to promote the investments and exports. Additionally, to

<sup>1</sup> GNI per capita in Moldova is \$ 2,070 (World Bank data for 2012). GDP growth in 2010 was 7.1%, in 2011 - 6.4%, showing a smooth recovery from the global financial crisis. Despite the fact that in 2012 GDP of the country decreased by 0.8% (according to World Bank), the recovery was observed in 2013.

<sup>2</sup> Mechanisms established within the framework of the Grant Assistance for Underprivileged Farmers (2KR), were highly appreciated by other donors, in particular the European Union, and the structures involved in the implementation of the grant assistance and equipment provision, are now used as perpetrators of other projects of the European Union in the field of agriculture.

provide support for agriculture, food industry, and the non-agricultural sector, taking into account the impact of DCFTA. Furthermore, Japan also assists the development and strengthening of small to medium-sized enterprises in order to promote growth and employment within various industries. Another objective is to study the possibility of dissemination and the use of Japanese technologies for development purposes assessing the spheres for assistance.

(2) Improvement of public services in medicine and education

The main goal is to contribute to the training of human resources through providing support for consistent reforms in the medical and educational spheres. This will be in order to improve the living standards of the population of Moldova, as well as support the effective use of public funds by improving the quality of public services.

*Attachment: Rolling Plan*