

**Country Assistance Policy: Republic of Moldova**

October 2020

1. Relevance of Assistance

In the Republic of Moldova (hereinafter “Moldova”), the standard of living remains relatively low with 3,930 USD GNI per capita in 2018. Consequently, especially younger population continues to emigrate for better employment opportunities and income, which results in significant share of remittances in GDP, standing at 16% in 2019. Furthermore, Moldova is vulnerable in a number of areas, such as the reliance on external natural resources, presence of declaring its independence region, serious corruption, and growing political influence by oligarchs.

Under such circumstances, the Government of Moldova promotes nation-building based on universal values such as democracy, the rule of law and market economy, while maintaining its policy of European integration. Japan supports the efforts of the Government of Moldova as, given its strategic geopolitical context with EU and NATO, the stabilization of Moldova would contribute to the stabilization of the Europe region as a whole. Hence, it is crucial for Japan to support Moldova through the ODA in coordination with other development partners.

As to the business environment, it should be highlighted that several Japanese firms are conducting their business in Moldova, such as manufacturing of automotive components. It is expected that the Japanese businesses would further expand, considering Moldova’s specific potential based on: 1) Deep and Comprehensive Free Trade Agreement (DCFTA) between Moldova and the EU; 2) relatively low-cost but high-quality workforce, and 3) geographical location as the neighbor of the EU. Therefore, Japan’s assistance to Moldova has a great significance in supporting Japanese firms’ activities as well.

2. Basic Policy of Assistance (High Target): Sustainable economic development and improvement of the standard of living

The core policy of Government of Moldova is the improvement of the standard of living and revitalization of the economy, by means of consolidating democracy, eradicating corruption, and improving the business environment in order to attract more domestic and foreign investment, which contributes to job creation in Moldova. Japan will further support the consolidation of democracy as well as sustainable economic development, which ensures the improvement of the standard of living of the people of Moldova. To this end, Japan can utilize its advanced technologies and accumulated knowledge, with full consideration of the impact of the COVID-

19 epidemic.

### 3. Priority Areas (Intermediate Objectives)

#### (1) Promotion of sustainable economic development

Japan will facilitate the development and diversification of industry in Moldova by improving the business environment and preparing industrial workforce in order to promote domestic and foreign investment. Japan will support agriculture and food processing as key industries in Moldova, through the improvement of productivity and international competitiveness.

In addition, Japan will contribute to promoting energy efficiency, clean energy, and development of environmentally-friendly cities in Moldova, in order to reduce its heavy reliance on natural gas from Russia, which accounts for more than 70% of the energy supply and which negatively affects the stable economic development and international competitiveness of Moldovan industries.

#### (2) Improving the standard of living

Both central and local authorities suffer from chronic fiscal deficit, which causes deterioration of the quality and effectiveness of public services. Japan will therefore provide its assistance in the fields of health and medical care, education, disaster prevention, etc. through institutional capacity building, human resource development and financial assistance, which will lead to the improvement of quality and efficiency of public services and standard of living. Special attention will be given to the areas where Japanese technologies and knowledge can be applied in what concerns the development of human resources.

#### (3) Improvement of governance

Japan will support the Moldovan government's efforts aimed at improving the governance through reforms such as judicial reform, in order to eradicate corruption and enhance democracy.

Attachment: Rolling Plan