

STUDY

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The socio-economic encyclopedia of Moldova

The Republic of Moldova at 35 years of Independence

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Adrian Lupusor, Stas Madan

Republic of Moldova · 1991 – 2026

The socio-economic encyclopedia of Moldova

*The Republic of Moldova at 35 years of
Independence*

*Those who do not know their past risk repeating it.
Those who understand it can build their future.*

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Foreword

This encyclopedia was born of a simple conviction: a nation can build its future only insofar as it understands its past. Now, 35 years after proclaiming its independence, the Republic of Moldova stands at a historic crossroads: on the threshold of joining the European Union, yet weighed down by vulnerabilities accumulated over three and a half decades of transition, crises, and transformation. This anniversary is both an occasion to take stock and an invitation to reflect on the lessons recent history offers us and on the importance of avoiding the mistakes of the past.

This volume presents an analytical selection of the 35 social and economic events that decisively shaped the country's trajectory, grouped into four chronological parts. From the declaration of independence and the hyperinflation of the 1990s to the bank fraud, the war in Ukraine, and the opening of accession negotiations, each event is analyzed according to a predefined methodology: a description of the facts, an analysis of the impact, and, above all, a reflection on the lessons learned for the present and the future.

For the purpose of this encyclopedia is not simply to inform, but to give us lessons to weigh for the future. Too often, public policy decisions have repeated, and continue to repeat, the errors of the past: the subordination of institu-

tions to narrow group interests, the use of the European integration agenda as a facade for corruption and governance lapses, the excessive politicization of institutions, or the abusive and/or inefficient use of public resources. Understanding how these vulnerabilities took shape and perpetuated themselves is the first condition for not repeating them. Every crisis described in these pages carries a lesson that still applies today.

We write for policymakers, researchers, students, and journalists alike, and for every citizen who wants to understand how the country arrived where it stands today. We have sought a balance between analytical rigor and accessibility, drawing on verifiable data and credible sources while presenting our conclusions in clear terms. We hope this volume will become a working tool and an invitation to debate.

Independence was won in 1991; economic and social prosperity, however, is still being built today. The road has been rough, but the direction — toward sovereignty, economic independence, and European integration — was the right one, and this volume treats it as such, without nostalgia for the past. This encyclopedia is a contribution to the collective effort of turning the hard experience of the past into lessons to guide the future.

Methodological Note

Launched on the 35th anniversary of the Republic of Moldova's independence, this encyclopedia is organized around a symbolic structure: 35 events, grouped into four distinct historical periods. Events were selected for their socio-economic relevance: their capacity to leave a lasting mark on the structure of the economy, of society, or of institutions. The analysis covers both discrete events (such as the introduction of the leu or the bank fraud) and long-running processes (such as mass migration or the remittance economy), treated as turning points or as phenomena that came to define the country's economic and social condition.

Each event is examined through four lenses: a description of what happened, its impact, the regional and international context, and the lessons learned. The description section sets out the facts and the circumstances; the impact section analyzes the economic, social, and institutional consequences over the short and long term; the context section places the event in a comparative regional and international frame; and the lessons section draws out what remains relevant for the present and the future.

Each event is assigned a net impact score for economic and social development, on a scale from -3 (profoundly negative impact) to +3 (profoundly positive impact), together with a comment explaining the assessment. The score rests on balanced, independent analytical judgment: it weighs short- and long-term effects, positive and negative alike, and remains open to debate. Each event also in-

cludes one or more case studies, which provide concrete examples and show what is at stake in the analysis.

The data come from official and institutional sources, including the National Bureau of Statistics, the National Bank of Moldova, the International Monetary Fund, the World Bank, and the European Commission. Where historical statistical series are incomplete or affected by methodological changes (especially for the 1990s and for demographic indicators, marked by shifts in coverage and by the situation of the Transnistrian region), the values are presented as estimates and flagged as such in the notes to the charts.

Given the thematic complexity of the work and the considerable volume of information analyzed, the authors used artificial intelligence models as a tool for systematizing data and structuring text. This approach made it possible (i) to process a heterogeneous body of sources efficiently (statistical series, legal acts, institutional reports, and the academic literature); (ii) to ensure comprehensive and balanced coverage of all the fields addressed; and (iii) to treat the information uniformly and impartially, reducing the risk of subjective selectivity in the presentation of the data. At the same time, the role of these tools was strictly auxiliary: the selection of sources, the verification of data, and the validation of conclusions were carried out entirely by the authors, who assume full responsibility for the content of the work.

Introduction: A Country Between Soviet Legacy and European Aspiration

The economic history of the independent Republic of Moldova has always been marked, on the one hand, by the heavy structural legacy of the Soviet period and, on the other, by the aspiration to make independence count, joined from 2005 by the European vector. In the three and a half decades since independence was proclaimed, the country has traveled a winding road of collapses and recoveries, crises and reforms, successes and failures. Understanding this journey requires moving beyond chronological narrative to identify the deeper mechanisms that shaped the trajectory of state-building in the Republic of Moldova.

A first observation is that the Republic of Moldova has been, for the whole of its independence, a small, open economy, extremely vulnerable to external shocks. Dependence on foreign markets for domestic output, on external resources for energy, and on remittances for consumption turned the economy into a system permanently exposed to disturbances in the international environment. Every major crisis (the Russian crisis of 1998, the global crisis of 2008, the energy and security crisis of 2022) fed through quickly into the domestic economy and confirmed this structural vulnerability.

A second observation concerns the decisive role of institutions, or more precisely of their fragility, in shaping the country's economic destiny. Where solid, independent institutions were built, such as the central bank and the national currency (even though the central bank, too, was later captured by shadowy interests, which produced the crisis of the "theft of the billion"), the results were relatively positive: monetary stabilization and effective management of financial crises. Where institutions remained fragile or were captured, as in the justice system, the costs were catastrophic, and the 2014 bank fraud stands as one of the most painful examples. The quality of institutions proved to be the central variable explaining success and failure.

A third observation concerns the demographic and human cost of the development model, reflected in Europe's most dramatic depopulation. From around 4.36 million inhabitants at independence, or 3.65 million excluding the left bank of the Dniester, the population fell to roughly 2.4 million according to the 2024 census, a loss that reflects both mass emigration and natural decline. Migration, which became a survival strategy in the absence of opportunities at home, has financed present well-being at the price of future development capacity, and it has produced one of the country's gravest structural challenges.

Despite these vulnerabilities, the common thread of the period remains an aspiration for transformation that, whatever the obstacles, was never completely abandoned. The turn toward Europe, begun tentatively in 2005 and accelerated in 2014 and after 2022, provided a strategic direction, a framework for institutional modernization, and an anchor of stability.

This work starts from an explicit premise: the road traveled since 1991 has been rough, but the direction was the right one. Independence gave the country sovereignty and the means to set its own priorities, and the orientation toward statehood, economic independence, and European integration was the right strategic choice, even if it brought crises, errors, and short-term costs.

This encyclopedia rests on the conviction that the lessons of the past, once systematized and understood, can guide the decisions of the future. The 35 events analyzed in the pages that follow are not mere chronological markers; each is a source of lessons about diversification, about economic and energy security, about the value of institutions, and about the cost of their fragility. At 35 years of independence and on the doorstep of EU accession, the moment is right to look back with lucidity and to step forward with wisdom.

Executive Summary

At 35 years of independence, the Republic of Moldova's socio-economic record is that of a rough trajectory, but the right direction: from the collapse of a Soviet economy to the threshold of EU accession. The 35 events analyzed in this volume, one for each year of statehood, together tell the story of a small, open, vulnerable economy that weathered some of the most severe shocks in Europe and yet, through crises, errors, and a procession of governments, preserved and ultimately consolidated its fundamental strategic choice: sovereignty, economic independence, and European integration. This summary distills the main moments, their influence on the country's socio-economic condition, and the lessons they leave for the Moldova of today and tomorrow.

The economy's trajectory across these three and a half decades can be read in the following statistical series: measured at purchasing power parity, the economy grew from 15 billion international dollars in 1992 (and just 10 billion in 1999) to more than 46 billion in 2025, and relative to the population still in the country, the per capita climb, toward roughly 19,000 international dollars, is even steeper. Inflation fell from four-digit to single-digit levels, public debt from 159% of GDP (1998) to around 36%, and unemployment from 14% to 3.5%, while budget revenues stabilized above one-third of GDP. Many structural challenges remain: the current account deficit, chronic for three decades, widened in the 2020s to 14–16% of GDP, and economic growth since 2022 barely reaches 1% a year. Thus, although the 35 years of independence brought a measure of economic stabilization, especially when compared with the turbulent 1990s, convergence with the living standards of Central and Eastern Europe, or at least a real narrowing of the gap, has fallen short.¹

The first period (1991–1996) was that of the birth of the state and the transition shock. The declaration of independence in 1991 was the founding act that gave the country the instruments of sovereignty, even though the break with the Soviet market shrank output by around 40% in the first years. The hyperinflation of the ruble zone, which hit 1,613.6% in 1993, wiped out a generation's savings; the Dniester war of 1992 stripped the state of about 40% of the former Moldovan SSR's domestic output and of roughly 90% of its electricity-generating capacity. The introduction of the leu in 1993 was the first great institutional achieve-

ment, while voucher privatization and deindustrialization laid bare the structural vulnerabilities that would persist.

The second period (1997–2008) was marked by the birth of the remittance economy and by the formation of a growth model that merely masked the country's internal vulnerabilities. The Russian crisis of 1998 demonstrated the cost of dependence on a single market and fed the poverty that peaked in 1999, when the economy had sunk to roughly one-third of its 1990 level. This gave rise to mass emigration, which produced the most powerful engine of subsequent growth and, at the same time, one of the most severe demographic crises in Europe.

The third period (2009–2019) was one of European aspirations, but also of the country's most serious internal derailments. The change of regime in 2009 opened a dynamic phase of integration that culminated in the Association Agreement, the Deep and Comprehensive Free Trade Area, and visa liberalization in 2014, which together turned the country's commercial compass toward the West. In parallel, however, the capture of the state by shadowy interests gathered pace and peaked with the 2014 bank fraud (the siphoning off of around \$1 billion, equivalent to roughly 12% of GDP), followed by devaluation and years of democratic backsliding that ended only with the fall of the oligarchic regime in 2019.

The fourth period (2020–2026) has been one of polycrisis and, at the same time, the period in which European integration became irreversible. The pandemic, the energy crisis, the war in Ukraine, and an inflation surge of more than 34% tested the resilience of a small state to its limits. Unlike in earlier decades, when every shock ended in collapse, the recent crises were managed within a strengthened institutional framework and with massive external support. Meanwhile, EU candidate status, obtained in 2022, the energy decoupling from Russia, the opening of accession negotiations, and the enshrining of the European path in the Constitution in 2024 turned the European aspiration into a concrete process, one now supported by the EU's Growth Plan for Moldova.

Taken together, these events were shaped by a handful of cross-cutting forces. The most persistent vulnerability was dependence — on a single market, a single energy sup-

¹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (GDP at PPP, inflation, public debt, unemployment, budget revenues, current account balance, 1992–2025); GDP per capita — authors' calculation based on GDP at PPP (IMF) and the population with usual residence (NBS) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

plier, a single stream of income, remittances — which time and again turned an external shock into a domestic crisis. The second force was the quality of institutions: where independent institutions were built, as with the central bank, the results lasted; where they were captured, as in the justice system, the costs were catastrophic. The third was the demographic cost: from around 4.36 million inhabitants at independence (3.65 million without the left bank of the Dniester), the population fell to roughly 2.4 million in 2024.

Regional comparison confirms that over its 35 years of statehood Moldova missed many development opportunities, and its failures, regrettably, outweighed its successes. From a more or less shared starting line in 1991, Moldova, measured against the states of Central and Eastern Europe, missed the region's "great convergence." While Romania climbed from around 35% of the European purchasing-power average in 2004 to nearly 78% today, and

Poland passed 80%, Moldova remains at roughly one-third of the EU average. The main causes are to be found in institutions that were weak, politicized, and captured by shadowy interests.

For the Moldova of today and tomorrow, the lessons of this journey concern the importance of diversification (of markets, suppliers, income sources, and more) and of strong, honest institutions. Diversification — of markets, of energy, of income sources — is a condition of survival. The quality and independence of institutions determine the country's economic destiny. Energy security is part of national security. The model built on consumption and remittances has reached its limits, and the shift to one grounded in investment, productivity, and exports, capable of retaining the labor force, is the most pressing strategic imperative. Political stability and external anchoring can offset internal fragility for a time, but they cannot cure it.

Part I

The Birth of the State and the Transition Shock

1991–1996

The first five years of independence were years of birth and collapse at once: a state was being built while an economy came apart. The Republic of Moldova emerged as a sovereign state in August 1991, but it inherited an economy fully integrated into the Soviet division of labor, without the basic institutions of a market or a currency of its own. The severing of economic ties with the former Soviet space, hyperinflation, the Dniester war, and the collapse of industry produced one of the most severe economic contractions anywhere in the post-Soviet world: by 1999, GDP had fallen to roughly one-third of its 1990 level.

In these years the fundamental vulnerabilities that would mark the whole period of independence took shape: reliance on a narrow set of export markets, energy dependence, institutional fragility, and territorial fracture. Yet the same years also produced the first institutions of economic statehood, the national currency and the central bank, proof that even amid collapse the foundations of reconstruction were being laid.

Beyond the numbers, the transition left a deep social imprint. Wages that arrived months late, empty shelves, silent factories, and winters in which heat had become a luxury pushed households into elaborate survival strategies. The first departures for work abroad date from these years, as does a deep distrust of banks and of money; so does a capacity for adaptation that would become, in time, a defining trait of Moldovan society. For many people, the 1990s were the experience that shaped their relationship with the state, with money, and with the very idea of a future.

Hard as the period was, these years should not be viewed through the lens of nostalgia for the Soviet past. The Soviet-era stability that seemed lost in the 1990s was the stability of a system that was collapsing anyway, and the initial shock was the price of breaking away, not proof that the chosen direction was wrong. The lesson of the period is how much institutions matter, how dearly dependence on a single market costs, and why a young state must build, from its first years, the capacity to manage its own economy. The six events in this part describe the founding moment of the Moldovan economy and the initial shock of the transition.

1. The Declaration of Independence and the Soviet Economic Legacy

1991 — The beginning of sovereignty and of the country's right to choose its own path

+3

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net long-term impact is rated major positive. Independence gave the Republic of Moldova sovereignty and the tools to set its own priorities: a currency of its own, a central bank, a trade policy, and, ultimately, the option of European integration. The economic contraction of the first years of independence was severe, but it was the cost of breaking with a system that was collapsing anyway, not an argument against independence. Seen across the span of 35 years, the act of 1991 was the founding strategic choice, and the right one, even if realizing its value took time and reforms.

Description

Adopted on August 27, the 1991 declaration of independence was the founding act of Moldovan statehood and the moment the country won the right to decide its own path.²

For the first time, decisions about currency, prices, trade, and development would be made in Chișinău, not in an outside center thousands of kilometers away. Independence was not merely a symbolic act; it was the acquisition of the instruments of economic sovereignty, even if those instruments had yet to be created.

² The Declaration of Independence of the Republic of Moldova, adopted by Parliament on August 27, 1991.

The new state, however, inherited an economy built for a different order, subordinated to a union-wide market that was about to disappear.³ The republic had functioned as the USSR's agri-food supplier, exporting wine, fruit, canned goods, and tobacco, and it hosted industrial capacity sized for the entire union, dependent on raw materials, energy, and orders from outside. This structure, designed to serve an entire empire, became a burden for a country of four million people that now had to fend for itself.

The inherited structure was dominated by the agro-industrial complex: in 1991, agriculture generated around 41% of GDP and industry around 38%, while services barely exceeded one-fifth, a configuration typical of the agri-food supplier role assigned to the republic in the Soviet division of labor. Within three decades this structure would be turned on its head: after the collapse of the productive sectors, low-value-added services climbed toward three-quarters of GDP.⁴

The institutional inheritance weighed as heavily as the structural one. The planned economy had known no prices set by supply and demand, no bankruptcy, no competition; the private sector, commercial banking, and an entrepreneurial culture were almost entirely absent. The state had to build, in parallel, both the institutions of the market and the actors who would use them, a task of unprecedented complexity in the country's recent history.

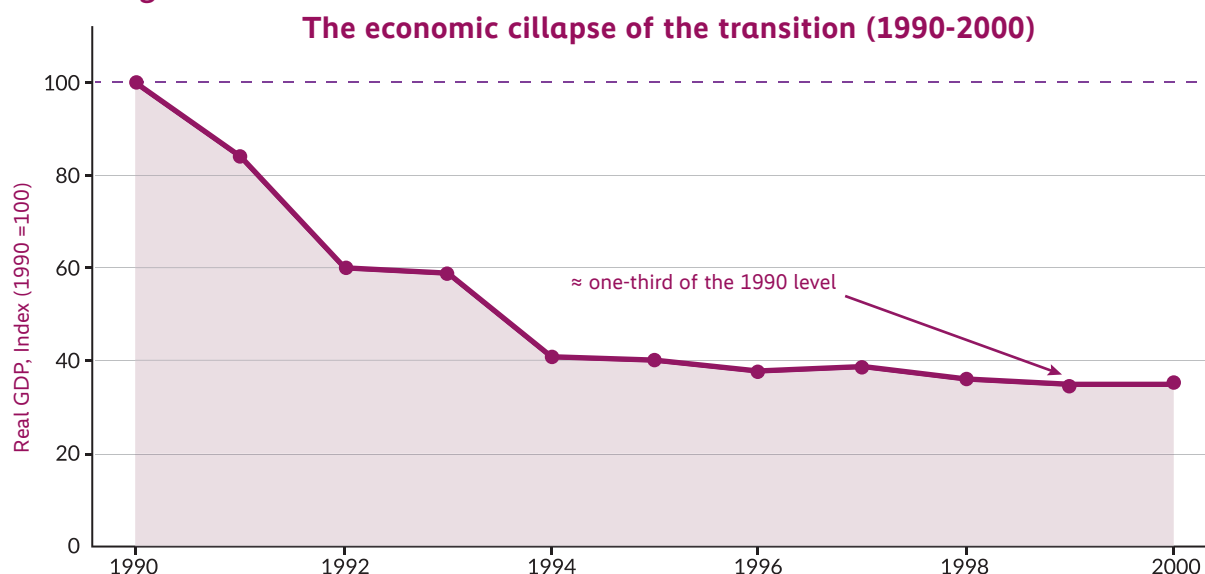
The hardships of the early years were caused not by independence per se but by the system the country was breaking away from. The apparent security of the Soviet period rested on subsidies, administered prices, and a forced integration that was already unraveling across the union. Collapse would have come regardless; what independence offered was the chance to build something new on the ruins of an exhausted model. Nostalgia for the old stability overlooks precisely the fact that this stability was unsustainable.⁵

In the first years, economic sovereignty remained more an intention than a reality, because its instruments were still under construction. Only the introduction of the leu in 1993 and the consolidation of the National Bank would turn nominal independence into effective independence. This lag explains why the benefits of sovereignty became visible later, once the state had built its own economic institutions.

The defining feature of the 1991 moment was the simultaneity of two processes: the construction of a state and the collapse of an economy. Unlike states that win independence amid institutional continuity, the Republic of Moldova had to build its tax administration, customs service, central bank, and legal framework for property at the very moment the economic ties that sustained it were snapping. The overlap plainly amplified the cost of the transition. Yet without the institutions created then, no later progress would have been possible.

Output fell in the early years, but sovereignty provided the tools for the later recovery.

Fig. 1



Source: calculations based on World Bank, World Development Indicators (GDP, constant prices); Expert-Grup, State of the Country Report 2021.

³ National Bureau of Statistics, Statistical Yearbook of the Republic of Moldova, 1992–1995 editions; Expert-Grup, “State of the Country Report 2021,” Table 1 (authors’ estimates based on NBS and IMF data). <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁴ Expert-Grup, “State of the Country Report 2021,” Table 1 (authors’ estimates based on NBS and IMF data) — the structure of GDP in 1991: agriculture around 41%, industry around 38%, services around 21%. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁵ International Monetary Fund, “Republic of Moldova — Recent Economic Developments,” IMF Staff Country Reports series, 1995–1999 editions. <https://www.imf.org/en/Countries/MDA>

Impact

In the short run, the rupture of economic ties with the former Soviet space shrank GDP by around 40% between 1990 and 1992, one of the most severe adjustments in the region.⁶ The disappearance of state orders and the halt in supplies idled a large share of industry, while agriculture, deprived of inputs and stable markets, entered a prolonged decline. The cost of the transition was real and painful.⁷

Socially, the shock turned a population of modest means into one exposed to poverty. The erosion of real incomes, delays in wages and pensions, and the disappearance of the services the old regime had guaranteed produced an economic insecurity that would feed emigration. The same pressures, it should be said, hit practically every former Soviet republic in those years, regardless of political orientation, a sign that the crisis was systemic in origin. This was the steep price of transition, and it was all but impossible to avoid.

Over the long run, however, independence allowed the creation of the tools that made every later achievement possible.⁸ Without sovereignty there would have been no national currency, no monetary policy to stabilize the economy, no Association Agreement with the European Union, no trade reorientation toward the West, no candidacy for accession. Every positive moment analyzed in this volume was possible because, in 1991, the country won the right to choose its direction.

Independence also made a geoeconomic reorientation possible. The structural dependence on a single market inherited from the Soviet period could be gradually overcome precisely because a sovereign state was free to choose other partnerships. That the reorientation took decades does not cast doubt on the value of sovereignty; it confirms how deep the inherited dependencies ran.

The full value of the act of 1991 emerges only by comparison with the alternative: remaining in an economic space that itself proved incapable of reform. The states that kept the closest integration with the post-Soviet center did not avoid collapse; they merely postponed reform. Independence gave Moldova no guarantee of success but something more important: the freedom to choose a different development path, centered on building a market economy and on European integration.

Regional and International Context

The year 1991 marked the simultaneous dismemberment of an entire geopolitical bloc, in a wave of transitions that stretched from the Baltic Sea to the Caucasus. In Central Europe, Poland had already applied “shock therapy” in 1990, while Czechoslovakia, Hungary, and the Baltic states had launched rapid reforms, aided by the proximity of Western markets and by the institutional memory of interwar statehood. The Republic of Moldova started from a far more fragile position: no modern statehood experience of its own, an economy deeply integrated into the Soviet division of labor, and an entrepreneurial class that barely existed.⁹

These initial conditions explain why the common starting point of 1991 produced divergent trajectories. Poland had surpassed its pre-transition output level by around 1996, while Moldova’s economy kept contracting until about 1999, sinking to roughly one-third of its 1990 level — one of the deepest transformation recessions in Europe, alongside Ukraine and Georgia. Measured at purchasing power parity, the gap became permanent: while Romania would climb from around 35% of the European Union average in 2004 to nearly 78% two decades later, Moldova today remains at about one-third of the European average.¹⁰ Independence was thus the same starting line for all; the differences that followed came down to institutions, geography, and reform choices.

Lessons Learned

The first lesson of 1991 is that sovereignty is the precondition for a country’s own development: only a state that controls its decisions can choose its best direction. Independence, for all its trials and complications, did confer that prerogative: to build institutions, partnerships, and a functioning economy on the basis of priorities set in Chișinău.

The second lesson is that political sovereignty must be complemented at once by economic statehood, built in institution by institution.¹¹ The delay in creating the currency, the central bank, and the tax administration sharpened the crisis of the first years. Institution-building and

⁶ World Bank, World Development Indicators — real GDP, annual growth rates (indicator NY.GDP.MKTP.KD.ZG); IMF, World Economic Outlook database.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

⁷ World Bank, World Development Indicators — real GDP declines of 16.0% in 1991 and 29.1% in 1992, a cumulative fall of around 40% from the 1990 level.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

⁸ National Bank of Moldova, Annual Reports 1993–1994; NBM, anniversary materials “25 de ani ai leului moldovenesc” [25 years of the Moldovan leu], 2018.

<https://www.bnm.md>

⁹ De Melo, M., Denizer, C., Gelb, A., “From Plan to Market: Patterns of Transition,” World Bank Policy Research Working Paper No. 1564, 1996; Fischer, S., Sahay, R., “The Transition Economies After Ten Years,” IMF Working Paper 00/30, 2000. <https://documents.worldbank.org>

¹⁰ Banca Mondială, WDI — PIB per capita la paritatea puterii de cumpărare (NY.GDP.PCAP.PP.CD); Eurostat — PIB pe cap de locuitor în PPS, seriile comparative Moldova–România–Polonia. <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=MD-RO-PL>

¹¹ World Bank, WDI — GDP per capita at purchasing power parity (NY.GDP.PCAP.PP.CD); Eurostat — GDP per capita in PPS, comparative series for Moldova–Romania–Poland. <https://documents.worldbank.org>

institutional capacity are therefore of strategic importance if the right to decide is to translate into an actual ability to govern the economy.

The third lesson concerns the danger of dependence on a single market, which turns any external shock into a

domestic crisis. The narrow specialization inherited from the Soviet period was the source of vulnerabilities that re-occurred again and again. Diversifying markets, energy sources, and the productive structure remains a condition of economic security, and it is possible precisely because of the freedom sovereignty provided.

Case Studies

Case Study

All-Union factories left without orders

The industry built in the Soviet period best illustrates the specialization trap. Enterprises such as the Tracom tractor plant and the Mezon and Alfa microelectronics factories in Chişinău had been sized for orders from across the Union and depended on components and customers thousands of kilometers away. When the network of Union orders fell apart, these capacities were left, almost overnight, without a market and without supplies. Many first idled their workers, then shut down for long stretches, and some never returned to their previous level of production. The most vulnerable were the workers of these plants, suddenly left without jobs or income; for many of them, this became a genuine tragedy.

Case Study

An agro-industry calibrated for a market that vanished

Canned vegetables, juices, and wine production had been oriented overwhelmingly toward the Soviet market, with recipes, standards, and packaging designed for that consumer. The loss of guaranteed access left a large share of agri-food output without buyers, at a moment when neither alternative trade networks nor the certifications required by Western markets existed. Producers that had shipped huge volumes into the Soviet space for years found themselves with full warehouses and no customers. The sector entered a decline it would escape only two decades later, under the pressure of embargoes and of reorientation toward the West, after being forced to change its entire logic of production and sales.

2. Hyperinflation and the Monetary Chaos of the Ruble Zone

1991–1993 — How a generation's savings evaporated

-3

Impact Score

Net impact on development: **Profoundly negative impact (scale -3 ... +3)**

The net impact is rated profoundly negative. Hyperinflation, running at 1,613.6% in 1993, worked as a regressive tax that confiscated the population's savings and decapitalized businesses. The effects reached beyond the loss of wealth: distorted economic systems, a contraction of financial intermediation, and a deep-seated distrust of the national currency and the banking system. The lowest possible score captures both the scale of the losses and the persistence of the behavioral consequences. The cause was not independence but the absence of a national currency at the time: staying in the ruble zone left Moldova exposed to the uncontrolled printing of money by others. ¹²

¹² World Bank, World Development Indicators, indicator FP.CPI.TOTL.ZG (inflation, consumer prices, annual %): 1,026.8% (1992); 1,613.6% (1993); 486.4% (1994); 29.9% (1995). <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=MD>

Description

Between 1991 and 1993, with no currency of its own and no fully functional monetary authority, prices spun out of control, and inflation reached 1,613.6% in 1993.¹³

Throughout this period, the Republic of Moldova did not control money issuance and bore the effects of unchecked money printing in other former Soviet republics and in Russia. The price liberalization of January 1992, carried out without monetary policy instruments of the country's own, set off an inflationary spiral that proved hard to stop.

Hyperinflation was the product of an inherited monetary imbalance combined with the impossibility of anchoring inflation expectations. The monetary overhang built up in the final years of the USSR passed automatically to the new state, and in the absence of a national currency every economic actor protected itself by raising prices and fleeing into foreign currency or real assets. This generalized flight from money in turn accelerated the depreciation, in a self-sustaining vicious circle.

What set the Moldovan case apart was its dependence on the monetary decisions of other states, over which Chișinău had no influence.¹⁴ As long as the ruble remained the circulating currency, any additional issuance decided in Moscow or in other capitals fed straight into the domestic economy. This exposure demonstrated, in the most concrete way, that political sovereignty without monetary sovereignty was incomplete, the argument that grounded the decision to introduce the leu.

Worse still, from the very start the young Moldovan state had to bear unfavorable discretionary monetary decisions made in Moscow. According to a later statement by Leonid Talmaci, then governor of the National Bank of Moldova (NBM), the coupons (the banknotes that preceded the leu) were put into circulation to protect the domestic consumer market, but also in response to the refusal of the Central Bank of Russia to deliver banknotes to Moldova

even as it kept supporting the Transnistrian region. In 1992, moreover, the head of the government, Valeriu Muravschi, declared¹⁵ in Parliament that Russia's central bank, which held the monopoly over the money supply across the entire Commonwealth of Independent States (CIS), had sought to financially paralyze most of the country's enterprises. At the time, companies in the Republic of Moldova were still delivering goods to Russia through centralized channels and waiting for payments that were held up far too long while the ruble lost value by the day. As a result, wages and pensions began to fall into arrears.

The gravest social consequence was the sudden decapitalization of households and enterprises. Deposits at the savings offices (the predecessors of Banca de Economii, the state savings bank), pensions, and wages lost value from one month to the next, and wealth shifted from holders of monetary assets to those with access to foreign currency. This redistribution undermined trust in the currency and in the state from the outset, with long-lasting effects still felt to some degree today.¹⁶

Hyperinflation also deepened inequality; the hardest hit were those with no access to any mechanism of protection. People on fixed incomes, pensioners, and public sector employees carried the heaviest burden, while owners of real assets and foreign currency were relatively sheltered. This asymmetry fed the sense of injustice that colored public perception of the entire transition.

Behind the spectacular inflation figure, the deeper mechanism was the loss of money's two essential functions: store of value and unit of account. When prices multiply several times over in a few months, the currency stops measuring value and stops making saving possible, and people take refuge in foreign currency, in goods, or in barter. The damage went beyond people's pockets to the invisible infrastructure on which any market economy rests: the confidence that a unit of money today will still be worth something tomorrow.

¹³ National Bureau of Statistics, consumer price index, historical series; World Bank, WDI, indicator FP.CPI.TOTL.ZG.

<https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=MD>

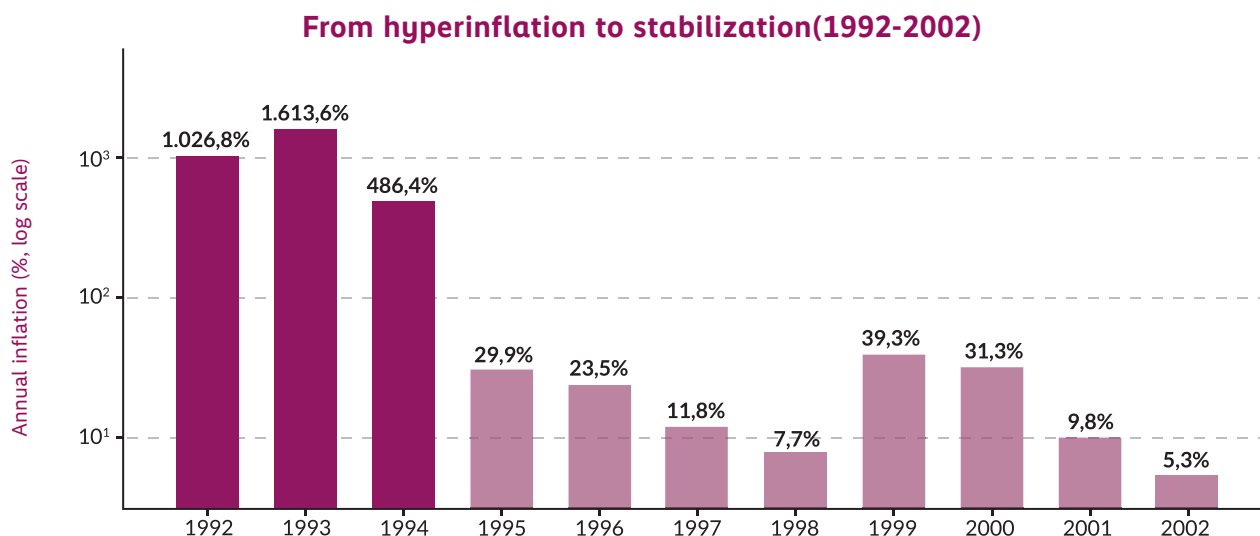
¹⁴ Odling-Smee, J., "The IMF and Russia in the 1990s," IMF Working Paper 04/155, 2004; IMF, "Financial Relations Among Countries of the Former Soviet Union," IMF Economic Review, 1994. <https://www.imf.org>

¹⁵ Europa Liberă Moldova, "1992: Forța Rusiei, pe câmpul de luptă și în buzunarele oamenilor" [1992: Russia's power, on the battlefield and in people's pockets], <https://moldova.europalibera.org/a/27891225.html>

¹⁶ "Casele de economii" (savings offices) — the state network of Soviet-era savings offices (later the Savings Bank of the USSR) through which the population held its deposits; after 1991, the branch in the Moldovan SSR was reorganized into Banca de Economii a Moldovei (the state savings bank), whose historical deposits became the subject of legislation on the indexation of citizens' deposits.

Inflation reached 1,613.6% in 1993, before the introduction of the leu made stabilization possible.

Fig. 2



Source::

World Bank, World Development Indicators - inflation, consumer prices (% annual), indicator FP.CPI.TOTL.ZG

Impact

With prices rising daily, economic calculation became impossible, and exchange slid back into archaic forms, including barter. Investment planning, medium-term contracting, and lending were effectively paralyzed, which deepened the transformation recession and compounded the shock of losing the Soviet markets.

The episode bred a defensive financial culture, with lasting effects on financial intermediation.¹⁷ Hoarding foreign currency and avoiding the banking system long limited the mobilization of domestic savings for investment, so the cost of hyperinflation exceeded the immediate losses. Even today, many households' preference for foreign currency kept outside the banks has its roots in the experience of those years.

Hyperinflation also eroded the state's capacity to finance its basic functions and sharpened the fiscal crisis. Budget revenues, collected in a rapidly depreciating currency, lost their value before they could be spent, which undermined the payment of wages and pensions and the delivery of public services. A state still under construction thus found itself without the resources to carry out its duties.

The crisis demonstrated that without a currency of its own and a credible monetary authority, a state cannot exercise economic sovereignty even at home. That reali-

zation grounded the decision of November 1993 to introduce the leu and to strengthen the National Bank through the special law adopted in 1995, one of the most consistently pursued reforms of the entire period.

Regional and International Context

Moldova's hyperinflation was part of a regional phenomenon: the collapse of the ruble zone, in which several former republics remained captive to a currency no one controlled anymore. Between 1992 and 1994, whole swaths of the former USSR saw inflation in the hundreds or thousands of percent, as each central bank issued credit and the monetary surplus spilled across borders. Russia itself went through inflation of more than 800% in 1993, and Ukraine reached, in the same year, one of the highest inflation rates in the world, above 4,700%.¹⁸

The contrast with Central Europe best reveals the real cost of staying in the ruble zone. Poland, for example, had also gone through high inflation at the start of its transition but brought it under control as early as 1992 with a currency of its own and a firm anchor, while the Baltic states decoupled from the ruble quickly, introducing national currencies in 1992–1993 and stabilizing within a few years. Moldova, by contrast, delayed its monetary decoupling by at least a year.¹⁹ The regional lesson is that the speed with which a state acquired its own currency largely determined the depth of its inflationary shock in that period.

¹⁷ EBRD, "Transition Report 1998: Financial Sector in Transition," London, 1998; World Bank, "Finance for Growth," 2001.

¹⁸ World Bank, WDI — consumer price inflation (annual %) for Russia, Ukraine, and the CIS states, 1992–1994. <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

¹⁹ Knöbl, A., Sutt, A., Zavoico, B., "The Estonian Currency Board: Its Introduction and Role in the Early Success of Estonia's Transition to a Market Economy," IMF Working Paper 02/96, 2002; EBRD, Transition Report 1994. <https://www.imf.org>

Lessons Learned

Monetary stability is the precondition for economic development, and it depends on independent, credible monetary institutions.²⁰ The speed with which the economic order unraveled in the absence of a monetary anchor, and the high cost of rebuilding trust, justify treating the NBM's independence and monetary discipline as public goods, shielded from the political pressures that tempt every government.

Inflation falls disproportionately on people with fixed incomes and modest savings, which makes it a social problem, not merely an economic one. The return of a severe inflationary surge in 2022 confirmed that the risk persists; income indexation, well-targeted social protection, and clear monetary policy communication remain the tools for softening the social cost.

Monetary sovereignty is an essential component of state sovereignty. The experience of the ruble zone showed that a state that does not control its currency remains exposed to the decisions of others, however politically independent it may be. The lesson remains relevant to any debate over monetary arrangements that would limit the country's decision-making power. A distinction is needed, though, be-

tween giving up one's currency with no say in the issuer's decisions, as in the ruble zone, and joining a monetary union as a full member with representation in its decision-making bodies, as in the euro area, where every state takes part in governing the common policy. The lesson of the 1990s is not an argument against European monetary integration; it is an argument against arrangements with no voice and no rules.

The loss of a lifetime's savings, followed by compensation that came late²² and was largely token, left a scar deeper than the inflation itself: it eroded the population's trust in long-term saving. Once the state had shown, in the public's perception, that a long-term commitment might be honored only in part and only after long delay, depositors learned a lesson they would not forget: money should stay liquid and within reach. That institutional memory can still be read in the structure of domestic debt, where around 80–90% of government securities mature within a year, a sign that financial market participants are unwilling to tie up their resources over long horizons. Trust in a financial system, then, can be eroded quickly, while rebuilding it can take decades. The price of that trauma is still being paid today, in the form of a long-term savings market that refuses to mature, partly because the event lives on in the collective subconscious.

Case Studies

Case Study

Life savings wiped out at the Savings Bank (сберегательные кассы)

For millions of people, hyperinflation had a concrete face: deposits at the Savings Bank, built up sometimes over decades for a house, a wedding, or old age, lost nearly all their value within months. Sums that would have bought an apartment in 1990 no longer covered even a week's ordinary expenses after 1993. People who had saved with discipline were among the hardest hit, while those with debts or real assets came out relatively protected. This silent confiscation of wealth left a wound of trust that still explains many households' preference for foreign currency kept at home, outside the banking system.

Case Study

Wages paid in melting money and the return of barter

Without a stable currency, wages paid in rubles and coupons lost their value before they could be spent, and employees rushed to convert them into goods at once; on paydays, lines formed outside the shops. In some enterprises, when there was no money, workers were paid partly in the factory's own products, which they then resold at the market. Direct exchange, barter, reappeared as a form of survival, and prices began to be quoted in dollars or in goods rather than in the official currency. This breakdown of economic calculation blocked investment and lending, pushed activity into primitive forms of exchange, and deepened the recession.

²⁰ National Bank of Moldova, "Monetary Policy Objectives" and "Medium-Term Monetary Policy Strategy" (Council of Administration Decision No. 303 of December 27, 2012). <https://www.bnm.md/ro/content/obiectivele-politicii-monetare>.

²¹ Law No. 1530 of 2002 on the indexation of citizens' monetary deposits in Banca de Economii, <https://www.mf.gov.md/ro/content/legea-privind-indexarea-depunerilor-b%C4%83ne%C8%99ti-ale-cet%C4%83%C8%9Benilor-%C3%AEn-banca-de-economii-nr-1530>

3. The Dniester War and the Country's Economic Fracture

1992 — The loss of the industrial heartland and a frozen conflict

-3

Impact Score

Net impact on development: **Profoundly negative impact (scale -3 ... +3)**

The net impact is rated profoundly negative. The conflict deprived the state de facto of around 40% of the domestic product of the former Moldovan SSR and of roughly 90% of its electricity generation capacity, and the region's de facto separation locked in a permanent cost. The lowest possible score reflects the loss of 1992 along with the long-run bill: discouraged investment, trade distortions, and an energy dependence used periodically as an instrument of pressure.

Description

The armed conflict on the Dniester in the spring and summer of 1992, caused by military aggression and the unjustified involvement of the Russian army, deprived the state de facto of its most industrialized region and of its energy base.²² At the end of the Soviet period, the Transnistrian region accounted for around 40% of the domestic product of the former Moldovan SSR, about one-third of industrial output, and roughly 90% of electricity generation capacity, including the Cuciurgan power plant. The ceasefire of July 1992 sealed a de facto separation.

The loss of assets was compounded by permanent uncertainty, which discouraged investment throughout the country's entire period of independence. The existence of an unrecognized entity that nonetheless controls transport, energy, and production infrastructure has weighed on every national economic policy, and trade routes, energy corridors, and economic borders have remained, for decades, matters of negotiation and sources of risk.

The energy dimension of the conflict was substantial.²³ The region remained the node through which Russian gas and an essential share of electricity flows transited, a position used repeatedly to put pressure on Chişinău. The enormous historical debt run up for gas consumed on the left bank of the Dniester was the deliberate mechanism by which the Kremlin financed the separatist regime: gas delivered to the region without payment but billed politically to Moldova, even as the debt piled up on the books of Moldovagaz, a company majority-owned by Russia's Gazprom. This configuration, inherited from 1992, would be reactivated in every subsequent energy crisis.

The conflict also created a parallel economy with rules of its own, hard to bring into legal channels. For years

the region operated as a zone with a customs and tax regime of its own, through which flowed trade that was difficult to control. This reality complicated the economic administration of the whole country and sustained smuggling that eroded budget revenues and undermined competition on the right bank.

The fracture of 1992 also carried a human and social cost: communities were separated, and a population was left under an unrecognized administration. Beyond the economic figures, the conflict divided families, severed institutional ties, and created a reintegration problem that goes beyond economics and weighs on national cohesion to this day.

One feature set this conflict apart from other territorial disputes: the fracture coincided almost exactly with the boundary between the country's industrial and agrarian economies. The left bank held the Cuciurgan power plant, the Rîbniţa steel works, and a large share of heavy industry, while the right bank remained mostly agrarian. What was lost was not just territory but economic complementarity, because the two banks had been designed to depend on each other.

Impact

The conflict imposed a permanent economic cost, hard to quantify but present in every strategic decision. The loss of the industrial and energy base deepened the deindustrialization of the right bank and sharpened dependence on energy imports, with the country's main power plant outside the government's control.

The trade distortions generated by the region hurt budget revenues and the business environment.²⁴ Smuggling and the absence of control over a segment of the

²² German Economic Team Moldova / Berlin Economics — analyses of the Transnistrian region's economy; CISR, studies on the region's economy (the "Transnistrian economy" series). <https://www.german-economic-team.com>

²³ IDIS "Viitorul" (Parlicov, V., Şoitu, T., Tofilat, S.), "Impunitate şi înţelegeri rentiere în sectorul energetic al ţării" [Impunity and rent-seeking deals in the country's energy sector], Chişinău, 2017; Ministry of Energy of the Republic of Moldova. <https://www.viitorul.org>

²⁴ EUBAM — annual reports of the EU Border Assistance Mission to Moldova and Ukraine on the Transnistrian region's trade flows. <https://eubam.org>

border undermined competition and fed tax evasion, an added cost both for businesses on the right bank of the Dniester and for the state, through revenues the budget never collected.

The conflict turned energy security into a chronic vulnerability, exploited again and again. For years the right bank depended on electricity produced at a plant under outside control, and that dependence supplied an instrument of pressure used at moments of geopolitical tension. It was overcome only after 2022, through interconnection with the European power system: first the emergency synchronization with the ENTSO-E continental grid in March 2022, then, decisively, the construction of the 400 kV Vulcănești-Chișinău overhead line, which lets flows from Romania and Europe reach the right bank without passing through the power hub on the left bank of the Dniester.

Settling the conflict has remained an unfulfilled strategic objective, with implications for territorial cohesion and for the European path. The difference in political, economic, and energy regimes between the two banks still constrains development planning today, and in the context of accession to the European Union, reintegration has become a question whose stakes reach far beyond economics.

The most lasting cost was not the destruction of 1992 alone but the institutionalization of permanent uncertainty, which acted as a risk premium on the entire economy. Some investors avoided a country with an unresolved conflict along an internal border, creditors demanded higher interest rates, and strategic planning always had to build in an uncontrollable variable. A “frozen” conflict does not freeze the costs it generates.

Regional and International Context

The Dniester war belonged to the wave of post-Soviet conflicts that bloodied the periphery of the former USSR in the early 1990s. Similar conflicts were erupting at the same time in Nagorno-Karabakh, in Abkhazia and South Ossetia, and in Tajikistan — a standard mechanism by which Moscow preserved its influence over the new states by backing separatist entities. The Republic of Moldova thus became one of many post-Soviet states with a territory outside its control, a geopolitical vulnerability that Georgia and, later, Ukraine would come to know in even more dramatic forms.²⁵

Comparison with Central Europe brings out an advantage Moldova was denied: territorial integrity. Poland, Hungary, and the Baltic states could concentrate their resources on economic reform, unburdened by an internal conflict or a foreign army on their soil. Ukraine would pay, from 2014 and above all from 2022, an incomparably higher price for the same logic of territorial revisionism. For Moldova, the fracture of 1992 was the first manifestation of a security constraint that would limit its economic and geopolitical room for maneuver for decades.²⁶

Lessons Learned

An unresolved territorial conflict behaves like a permanent economic tax, weighing on the business environment, on energy security in particular, and on the national security system in general. The cost of the war is not limited to the assets lost in 1992; it spans three decades of uncertainty and induced dependence. Reintegration needs to be treated as an economic project, with a convergence strategy for the two banks, not merely as a political objective.

The concentration of critical infrastructure is a strategic vulnerability.²⁷ That nearly all generation capacity sat outside the control of the state’s constitutional authorities was exploited time and again, which justifies investing in interconnections, in generation capacity of the country’s own, and in alternative supply routes.

Territorial security and economic security are inseparable. The Transnistrian experience shows that a territorial fracture translates directly into economic loss, energy vulnerability, and lasting costs. The lesson argues for preventing conflicts and investing in resilience before a crisis becomes permanent.

The Transnistrian conflict shows that an unresolved territorial dispute becomes, over time, a multiplier vulnerability that amplifies every other crisis. Energy dependence, smuggling, and administrative fragmentation were not separate problems but facets of the same fracture. Hence the imperative to treat reintegration not as an isolated political dossier but as a condition of the economic and energy security of the whole country.

²⁵ de Waal, T., “Uncertain Ground: Engaging with Europe’s De Facto States and Breakaway Territories,” Carnegie Europe, 2018. <https://carnegieendowment.org>

²⁶ Blakkisrud, H., Kolstø, P., “From Secessionist Conflict Toward a Functioning State: Processes of State- and Nation-Building in Transnistria,” *Post-Soviet Affairs*, 27(2), 2011; de Waal (2018), op. cit.

²⁷ World Bank, “Moldova — Power System Development Project” (approved in 2019); Energy Community Secretariat, annual implementation reports — Republic of Moldova. <https://www.energy-community.org>

Case Studies

Case Study

The Cuciurgan power plant, beyond Chişinău's control

The country's largest generation capacity, the Cuciurgan power plant (MGRES), remained on the left bank, under the control of the Tiraspol administration. In 2005 it was sold to the Russian group Inter RAO, so for years the right bank bought a large share of its electricity from a plant on its own territory that had slipped from the state's control and belonged to an outside actor. This anomaly turned electricity into a permanent instrument of bargaining and pressure: any political tension could translate into questions about the price and continuity of supplies. The dependence was overcome only after 2022, through interconnection with the European power system, which offered a real alternative for the first time.

Case Study

Gray-zone schemes: Energokapital and the duty-free trade

The region's uncertain status was more than a burden: for corrupt elites on both banks of the Dniester, it was an opportunity for enrichment. The emblematic case is the Energokapital scheme: an intermediary registered in Tiraspol in October 2014, its founders hidden behind offshore companies, through which the right bank bought its electricity from the Cuciurgan plant between January 2015 and March 2017. The plant generated power from Russian gas the region never paid for, while the bills paid by Moldovan consumers, for deliveries worth around \$400 million, produced profits routed to obscure beneficiaries; journalistic investigations linked the founding vehicles to the offshore infrastructure of the bank fraud. Together with the cigarette trade run through the region's network of duty-free shops, the scheme shows how the "frozen conflict" functioned for decades as a rent-extraction machine for interest groups in Chişinău and Tiraspol alike — and explains, in part, why its settlement was postponed for so long.²⁸

4. The Introduction of the Moldovan Leu and the Birth of Monetary Policy

1993 — An institutional anchor in the middle of the storm

+2

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net impact is rated major positive. The introduction of the leu and the strengthening of the NBM made monetary stabilization possible, cutting inflation from around 1,614% in 1993 to roughly 30% in 1995. The decision created the instrument through which the state could control money issuance and influence prices, and it built an institution that would prove indispensable in managing later crises. The score falls short of the maximum (+3 points) because a degree of distrust in the national currency still lingers.

²⁸ RISE Moldova, "Offshor energetic din Tiraspol alimentat din facturile Chişinăului" [An offshore energy scheme in Tiraspol, fed from Chişinău's bills], February 28, 2018; Europa Liberă Moldova, investigations into Energokapital, March 15, 2016. <https://www.rise.md/offshor-energetic-din-tiraspol-alimentat-din-facturile-chisinaului/>

Description

The introduction of the leu on November 29, 1993, marked the shift to effective monetary sovereignty and made the fight against hyperinflation possible.²⁹ The creation of a national currency, together with the strengthening of the National Bank, gave the state the instrument to control money issuance, manage the exchange rate, and influence the price level. Leaving the ruble zone reduced exposure to other countries' monetary policies and turned nominal independence into economic independence.

Beyond its symbolic weight, the leu gave the authorities a channel for transmitting stabilization policy and for gradually anchoring expectations. Inflation fell from around 1,614% in 1993 to roughly 30% in 1995 and continued to ease, apart from the 1998 episode set off by the Russian crisis. The trajectory confirmed that a currency of one's own, run by a stability-minded institution, can restore monetary order even in hostile conditions.

Even so, stabilizing inflation was a long process: inflation stayed in double digits in most years up to the global crisis, and expectations became firmly anchored only after the switch to direct inflation targeting in 2010. Just as important, the introduction of the leu did not rule out political interference with the monetary authority, and the consolidation of genuine NBM independence took decades and cannot be considered complete even today.

Introducing the currency was an operation of considerable complexity, carried out amid widespread distrust. Swapping the money in circulation, setting the exchange rate, and ensuring convertibility demanded a degree of administrative coordination that a young state could barely muster. That the reform succeeded despite these constraints demonstrated an institutional capacity that was missing in other areas of the transition.

The monetary framework was completed by a banking system still in its infancy, with the fragilities inherent in a transition economy. The emergence of commercial banks, lending mechanisms, and monetary policy instruments laid down the basic financial infrastructure. Yet the system's maturation, and above all its governance, would remain a challenge, later laid bare by the bank fraud that culminated in the "theft of the billion."

The creation of the leu was one of the few reforms of the early years that worked almost exactly as intended, and for that reason it became a benchmark.³⁰ In contrast to the botched privatization or the institutional reforms that

moved more slowly and with more difficulty, monetary stabilization showed what a state can achieve when it builds an institution with a clear mandate, autonomy, and precise objectives.

The introduction of the leu was, at bottom, an act of rebuilding sovereignty through technical instruments, not merely symbolic ones. A national currency presupposes a central bank able to manage it, reserves to back it, a legal framework to guarantee its circulation, and budget discipline that does not undermine it. That a state barely two years old managed to put all these pieces in place at once ranks among the most important institutional achievements of the entire transition.

Impact

Monetary stabilization reduced the distortions in the economic system and created the preconditions for medium-term planning. Falling inflation gradually rebuilt confidence in the currency, allowed lending to develop, and opened a horizon of predictability on which the reforms and the recovery after 2000 could be built.

Even after the Moldovan leu entered circulation, the National Bank ran a very restrictive monetary policy, at times without precedent in the region. The refinancing rate climbed as high as 377% in March 1994, and required reserves were initially set at around 28%. As inflation gave way, reserve requirements came down to 12% at the end of 1995 and 8% at the end of 1996, and the consistency of these well-calibrated policies earned Moldova its first sovereign ratings from the international rating agencies (Moody's) in the second half of the 1990s, a rare vote of confidence in the young Moldovan state.³¹

A monetary authority of its own gave the state an instrument for managing shocks, one tested by every major crisis.³² The Russian crisis of 1998, the global financial crisis, the bank fraud of 2014, and the inflation surge of 2022 all put the NBM to the test, but they confirmed the value of an institution devoted to stability. Each time, having a monetary instrument of its own made a difference in managing financial crises.

Over the long run, the leu and the central bank became anchors of macroeconomic credibility, including in relations with the IMF and external partners. Monetary discipline and the gradual maturing of the policy framework made monetary policy one of the most solid areas of public policy, a rare institutional asset in an otherwise fragile institutional environment.

²⁹ National Bank of Moldova, Annual Report 1993 — the monetary reform of November 29, 1993. <https://www.bnm.md>

³⁰ Fischer, S., Sahay, R., Végh, C., "Stabilization and Growth in Transition Economies: The Early Experience," Journal of Economic Perspectives, 10(2), 1996.

³¹ National Bank of Moldova, annual reports 1994–1997 — the refinancing rate reached 377% in March 1994; required reserve ratios: around 28% initially, 12% at end-1995, 8% at end-1996. Moody's Investors Service assigned the Republic of Moldova its first sovereign rating (Ba2) in 1997. <https://www.bnm.md>

³² International Monetary Fund, Article IV consultations with the Republic of Moldova, country reports (1995–2000 series). <https://www.imf.org/en/Countries/MDA>

The evolution of the NBM's objectives over the years of independence mirrors the stages of the institution's maturation. Law No. 548-XIII of July 21, 1995 on the National Bank set the stability of the national currency as the fundamental objective — in practice, an exchange rate anchor; the 2006 amendment (Law No. 191-XVI of June 30, 2006) redefined the fundamental objective as ensuring and maintaining price stability. In 2010 the NBM moved to direct inflation targeting, and the Medium-Term Monetary Policy Strategy, approved on December 27, 2012, set the target at 5% a year with a corridor of ± 1.5 percentage points, the framework still in force today. By following international trends and good practice at each stage, the NBM managed to maintain relative stability and helped strengthen confidence in the national currency even in more turbulent times.³³

Monetary sovereignty was also a condition of the European path, because it provided the macroeconomic stability that reforms require. Without a functioning currency and a credible central bank, neither negotiations with the international financial institutions, nor structural reforms, nor trade integration would be possible. In that sense, the leu was a cornerstone of everything built afterward.

Over time, the leu became more than a monetary instrument: a standing test of the state's ability to shield its institutions from political pressure. Whenever the National Bank's independence was respected, the currency held. Whenever it was eroded — most gravely in the years of the bank fraud — the costs fed through into devaluation and inflation. The value of the leu thus mirrored the health of public governance.

Regional and International Context

All the post-Soviet states created national currencies of their own, but success varied enormously with the quality of the institutions that ran them. The Baltic states, which introduced firmly anchored currencies, stabilized fastest and became a regional benchmark. Other former Soviet republics went through repeated bouts of monetary instability and devaluation. In Central Europe, the existing national currencies were strengthened through independent central banks, a condition also imposed by the prospect of joining the European Union.³⁴

The Republic of Moldova was among the last ex-Soviet states to carry out monetary reform — a delay with di-

rect costs, measured in an extra year and a half of hyperinflation imported through the ruble zone. Parliament had passed the law on monetary circulation as early as January 22, 1992, but preparations dragged on, and the slow pace led President Mircea Snegur to issue, on December 9, 1992, the decree establishing the Committee for Monetary Reform, composed of Andrei Sangheli, prime minister; Leonid Talmaci, governor of the NBM; Mihai Patraș, chairman of the parliamentary committee on finance and budget; Sergiu Certan, minister of the economy; and Valeriu Chițan, minister of finance. The committee accelerated the process decisively, from the design of the banknotes to the logistics of issuance, and the leu could be introduced on November 29, 1993. The Baltic states had launched their currencies back in 1992 and the first half of 1993, and they reaped the rewards of stabilization sooner.³⁵

By comparison, Moldova's monetary performance was one of the most solid components of its transition, even though the country started from a lower level of development. Cutting inflation from around 1,614% in 1993 to roughly 30% in 1995 was comparable to the stabilization paths seen across the region, and the inflation-targeting regime adopted in 2010 aligned the National Bank with the standards of European central banks. In a fragile institutional environment, monetary policy remained the field in which Moldova came closest to regional good practice.³⁶

Lessons Learned

Well-designed institutions can stabilize even a volatile economy under reconstruction, provided they have independence and clear objectives.³⁷ The contrast between the success of monetary stabilization and the failures in other fields illustrates the value of solid institutional governance, a model that should be extended to the state's other key institutions.

Monetary stability is necessary but not sufficient, and it must be complemented by rigorous prudential supervision. Creating the currency ended hyperinflation, but it did not guarantee the soundness of the banking sector, whose poor governance produced, two decades later, a fraud of massive proportions. Monetary and financial stability must be viewed as one, and both demand institutions that are independent, professional, and honest.

³³ Law No. 548-XIII of July 21, 1995 on the National Bank of Moldova (initial objective: the stability of the national currency); Law No. 191-XVI of June 30, 2006 (fundamental objective: ensuring and maintaining price stability); NBM, "Medium-Term Monetary Policy Strategy," approved by Council of Administration Decision No. 303 of December 27, 2012 — an inflation target of 5% ± 1.5 percentage points. <https://www.bnm.md/ro/content/obiectivele-politicii-monetare>

³⁴ Knöbl, Sutt, Zavoico (2002), op. cit.; EBRD, "Transition Report 1994" — the chapter on monetary reforms.

³⁵ Law No. 887-XII of January 22, 1992 on money (monetary circulation); Decree of the President of the Republic of Moldova of December 9, 1992 on the formation of the Monetary Reform Committee.

³⁶ FIMF, Article IV consultations with the Republic of Moldova (2013 and 2016) — assessment of the inflation-targeting regime. <https://www.imf.org/en/Countries/MDA>

³⁷ World Bank, "World Development Report 2002: Building Institutions for Markets," 2001.

Case Studies

Case Study

The currency exchange of November 1993

The introduction of the leu on November 29, 1993, required a logistical operation to exchange the money in circulation, carried out in a climate of pervasive distrust in which everyone feared that the new currency would lose value as fast as the ruble had. The decision to leave the ruble zone was an act of statehood: for the first time, issuance decisions were made in Chişinău rather than elsewhere, and the country stopped bearing the consequences of money printed by others. The stabilization that followed, with inflation brought down toward 30% in 1995, confirmed that a monetary institution of one's own could restore order even after hyperinflation, and it gave the first sign that the chaos of the early years could, after all, be overcome.

Case Study

The National Bank, the institution that endured

Unlike other areas of the transition, where reforms failed or were captured, the National Bank consolidated itself as an institution with a clear mandate and relative autonomy, and it became a byword for professionalism amid uncertainty and deep economic transformation. Its later handling of successive crises, from the Russian shock of 1998 to the inflation surge of 2022, confirmed that the model chosen in the early years — autonomy plus a stability objective — was one of the few that genuinely worked. The contrast between the solidity of monetary policy and the fragility of banking supervision, exposed by the 2014 fraud, shows, however, that one well-reformed field does not guarantee the health of the entire financial system. Though the institution held on the monetary side, it was captured on the supervisory side: the 2014 bank fraud unfolded under the eyes of a supervisor answerable to obscure interests and still operating, technically, under the Basel I framework, which Moldova was among the last European countries to apply.

5. Mass Privatization Through Patrimonial Vouchers

1994–1996 — Property for all, capital for the few

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. Voucher privatization formally created a society of around 3 million shareholders, but in the absence of capital and corporate governance it did not produce high-performing economic actors. The extreme dispersion of ownership opened the door to asset stripping and to a later, opaque concentration, and the industrial decline was not halted. The score reflects the distance between the stated objective and the economic result.

Description

Mass privatization through patrimonial vouchers, carried out in two programs between 1993 and 1996, aimed at a rapid transfer of ownership but produced results far below expectations.³⁸ The mechanism distributed to the

population vouchers that could be invested in shares of the enterprises put up for privatization. On paper, around 3 million citizens became shareholders, with 225 enterprises privatized in full and 933 in part.³⁹

A feature specific to the states of the former socialist bloc is that they entered the transition with no stock of

³⁸ Privatization Department of the Republic of Moldova, reports on the 1993–1994 and 1995–1996 Privatization Programs; Law No. 1345 of March 17, 1993 on patrimonial vouchers. https://www.legis.md/cautare/getResults?doc_id=86706&lang=ro

³⁹ Privatization Department of the Republic of Moldova — reports on the Privatization Program for 1993–1994 and for 1995–1996; see also World Bank, “Moldova: Opportunities for Accelerated Growth. Country Economic Memorandum,” 2005.

foreign direct investment but with an enormous volume of state assets that had to be privatized to adapt to the conditions of a market economy. In the Republic of Moldova, mass privatization through patrimonial vouchers and investment funds — regulated by Law No. 1345 of March 17, 1993 on patrimonial vouchers and, later, by the acts on the reorganization of the privatization investment funds (Government Decision No. 1041 of November 7, 1997) — proved a fiasco in which everyone lost: the state, which gained practically nothing from giving up its property, and the citizens, who were offered only the illusion of being investors, with no real leverage over the enterprises in which they found themselves shareholders. An unclear regulatory framework, a population with little economic knowledge, and weak state institutions meant that privatization and the subsequent management of property were accompanied by embezzlement and theft on a colossal scale.⁴⁰

In reality, the extreme dispersion of ownership, without governance mechanisms and without an injection of capital, turned the privatization process into an outright failure. Small shareholders had no leverage over how the enterprises were run, and the investment funds that emerged to pool the vouchers often proved fragile or incapable of restructuring the assets. The formal change of owner brought neither technological modernization nor performance-oriented governance.

The model put speed and apparent fairness ahead of efficiency and the recruitment of strategic investors. Unlike privatizations through direct sale to investors able to recapitalize the enterprises, the voucher approach transferred ownership while bringing neither capital nor managerial expertise. The choice reflected the political constraints of the moment, but it missed the opportunity to use privatization as an instrument of restructuring.

A comparison with other states in the region makes the cost of this choice plain.⁴¹ Countries that bet on sales to strategic investors, including foreign ones (such as Hungary, Estonia, or Poland in the industries privatized through direct sales), attracted capital and modernized part of their industry, while the voucher model tended to fragment ownership and open the way to asset stripping. The difference in outcomes became visible over the following decade, in industrial structure and in export capacity.

Privatization also left a legacy of deficient governance, with effects that reached far beyond the industrial sector. Weak rules on shareholding, audit, and the protection of minority shareholders created an environment in which

opaque ownership became the norm. The same shortcomings would later make capture and fraud possible in the financial sector.

The choice of voucher privatization reflected a real dilemma of the moment: how to transfer ownership quickly in a society with no accumulated private capital and no functioning capital markets. Selling to investors pre-supposed buyers with money, and there were none; free distribution seemed the only fast and fair route. Yet precisely this logic of speed and formal fairness sacrificed the criterion that mattered most: bringing in owners able to invest in and restructure the enterprises.

Impact

Privatization created a market economy in form, but it did not generate the high-performing firms such an economy needs. Many enterprises continued to deteriorate for lack of capital and management, and part of the assets was sold off without contributing to a recovery in production. In some cases, the fragmentation of ownership accelerated the decline.

The failure of privatization, the delays in building economic institutions, and the lack of investment-promotion policies left a long-lasting mark on the economy. In 2000, the Republic of Moldova was the region's laggard in the per capita stock of foreign direct investment — \$107 — clearly outdistanced by every state in the region except Ukraine. The handicap accumulated then proved persistent: even after the later recovery, annual FDI inflows remained modest, averaging around \$200 million after 2009, and the stock stood at about 40% of GDP, insufficient for a far-reaching technological transformation.⁴²

Socially, the program fed the perception of an inequitable transition.⁴³ In the public mind, the promise of property for all turned into the concentration of wealth in the hands of narrow interest circles, which eroded support for market reforms and prepared the ground for the return of statist rhetoric in the early 2000s. That disillusionment was one of the transition's lasting wounds.

Public perception has remained categorical: in the first Public Opinion Barometer survey, conducted in January 2001, three out of four respondents on average believed that privatization had been merely a means of passing the country's wealth into the ownership of people with positions and connections. Few public policies of the transition left so deep and so durable a legacy of distrust in society.⁴⁴

⁴⁰ Expert-Grup, "State of the Country Report 2021"; Law No. 1345 of March 17, 1993 on patrimonial vouchers; Government Decision No. 1041 of November 7, 1997 on the procedure for reorganizing the privatization investment funds. https://www.legis.md/cautare/getResults?doc_id=86706&lang=ro

⁴¹ EBRD, "Transition Report 1997: Enterprise Performance and Growth" — a comparative assessment of privatization methods.

⁴² Expert-Grup, "State of the Country Report 2021" — in 2000, the Republic of Moldova recorded \$107 in foreign direct investment per capita, trailing every state in the region except Ukraine; average annual FDI inflows after 2009 ran at around \$200 million, and the stock at roughly 40% of GDP. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁴³ National Bureau of Statistics, industrial production — historical series; Statistical Yearbook, 1995–2000 editions. <https://statistica.gov.md>

⁴⁴ Institute for Public Policy, Public Opinion Barometer, January 2001 edition; see also Expert-Grup, "State of the Country Report 2021." <http://bop.ipp.md/>

The corporate governance failings entrenched in those years left a lasting legacy. Opaque shareholding and weak protection of minority shareholders remained features of the economy, with consequences visible not least in the banking sector, where unclear ownership structures later made abuses possible.

The failed privatization also reduced the economy's export capacity, through the loss of industrial capacities that could have been modernized. Instead of creating a base of competitive enterprises, the transformation of ownership helped entrench an economic model dependent on consumption and remittances, with weak domestic supply and concentrated exports.

The dispersion of ownership among millions of small shareholders with no leverage created a vacuum of corporate control, later filled through opaque concentrations. Instead of a broad class of active owners, the result was ownership fragmented at the base and opaque at the top — fertile ground for asset stripping.

Regional and International Context

The voucher privatization model was not a Moldovan invention but a recipe applied across the post-Soviet space, with results that depended decisively on the details of implementation. The Czech Republic used a similar voucher mechanism but paired it with investment funds and a more developed capital market, which made it possible to attract major foreign investment. Russia privatized its industry through schemes that concentrated strategic assets in the hands of a narrow group. Wherever corporate

control and shareholder protection remained weak, the result was asset stripping, not modernization.⁴⁵

The most instructive contrast comes from Central Europe, where privatization relied more on strategic investors, including foreign ones. Poland and Hungary attracted substantial foreign direct investment, which recapitalized local industry and integrated it into European value chains. Moldova remained a marginal destination for foreign capital, and its privatized enterprises were rarely modernized. The difference in privatization methods goes a long way toward explaining why Central European industry integrated into the continental economy while Moldova's fragmented and declined.⁴⁶

Lessons Learned

Transferring ownership does not produce efficiency in the absence of capital, corporate governance, and functioning market institutions.⁴⁷ The fairness of the voucher distribution could not make up for the absence of strategic investors and corporate control. Any disposal of public assets must be subordinated to criteria of performance, transparency, and protection of the public interest.

The central lesson is that the architecture of a reform matters more than its speed: a well-designed privatization transfers capital, managerial competence, and mechanisms of control along with the titles of ownership. Any future disposal of public assets, from state enterprises to infrastructure, should be judged by the new owner's capacity to put the assets to productive use and raise the competitiveness of the privatized enterprises.

Case Studies

Case Study

The investment funds that collected the vouchers and vanished

To invest their patrimonial vouchers, many citizens entrusted them to the investment funds that sprang up in that period, drawn by the promise of dividends and professional management. A sizable share of these funds proved fragile, badly run, or simply short-lived, and the accumulated shares brought neither income nor real control over the enterprises. For the ordinary holder, the voucher thus turned into a worthless piece of paper, and the promise of a share in the national wealth quietly expired. The experience fed the feeling that privatization had been a redistribution of wealth toward the few, not a democratization of ownership, and it eroded confidence in market reforms. Some of the managers of these funds eventually ended up the de facto owners of the assets they had received only to administer — a reversal of roles that deepened the public sense of injustice and discredited, for a generation, the very idea of an institutional investor.

⁴⁵ Estrin, S., Hanousek, J., Kočenda, E., Svejnar, J., "The Effects of Privatization and Ownership in Transition Economies," Journal of Economic Literature, 47(3), 2009.

⁴⁶ UNCTAD, "World Investment Report," 1998–2001 editions — FDI flows into Central and Eastern Europe; World Bank, WDI (BX.KLT.DINV.CD.WD). <https://unctad.org>

⁴⁷ Berglöf, E., Pajuste, A., „Emerging Owners, Eclipsing Markets? Corporate Governance in Central and Eastern Europe", 2003; BERD, Transition Report 1997.

Case Study

Assets dismantled instead of modernized

Instead of strategic investors able to recapitalize the enterprises, part of the assets ended up with owners interested mostly in selling them off piece by piece: machinery for scrap metal, land, or factory halls. This asset stripping accelerated the decline of plants that, with capital and management, could have been saved, and it turned once-functioning factories into vacant lots and empty buildings. The absence of firm rules on corporate governance and the protection of minority shareholders made this waste possible, and the opacity of ownership installed in those years would become a lasting feature of the economy.

6. Deindustrialization and the Collapse of Employment

1996 — Silent factories and a workforce with no alternatives

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. The shrinking of manufacturing reduced the economy's productive and fiscal base and released a workforce that the domestic market could not absorb, pushed instead into underemployment and subsistence agriculture. The score factors in the loss of human capital and export potential, as well as the fact that this is where the migration pressure of the following decade took shape.

Description

By the mid-1990s, a substantial part of the inherited industry had ceased to function, and nothing new had taken its place.⁴⁸ Built for the Union-wide market and dependent on inputs and orders from outside, it could not survive competition and the loss of its markets. By 1996 the economy was stagnating at around 43% of its 1990 level (in purchasing power parity terms), and the enterprises still operating often worked at a fraction of capacity, with payment arrears and no prospects of modernization.⁴⁹

The industrial collapse of the first years of independence is explained, above all, by industry's tight coupling to, and integration into, the single industrial complex of the USSR — once that complex broke apart, most enterprises were left either without suppliers or without a market — compounded by the failure of privatization and the absence of coherent industrial policies. Whereas in 1991 industry's share of GDP was estimated at around 38%, within just four years the figure had slipped toward 25%, and the

decline continued to a low of 13.7%, reached in 2009. Deindustrialization was accompanied by an exodus of engineering skills, the fading relevance of technical education, and a declining industrial culture — an erosion that would cost dearly in every later attempt at reindustrialization.⁵⁰

The industrial collapse set off an employment crisis, visible in open unemployment as well as in hidden forms of labor underutilization. Layoffs, furloughs, unpaid wages, and the retreat into subsistence agriculture accompanied a labor market unable to absorb the workforce released from industry, with a parallel loss of human capital as skills depreciated.

Deindustrialization had an especially painful territorial dimension: it struck the towns built around a single factory.⁵¹ When the enterprise closed, the jobs vanished, and so did the locality's tax base and the services connected to it. This dynamic created lasting territorial gaps between the capital and the rest of the country that remain to this day.

⁴⁸ World Bank, "Moldova: Opportunities for Accelerated Growth. Country Economic Memorandum," 2005. <https://documents.worldbank.org>

⁴⁹ World Bank, World Development Indicators, indicator NY.GDP.MKTP.PP.CD — GDP at purchasing power parity (current international dollars) in 1996 stood at 43.4% of the 1990 level; in constant prices, around 38%. <https://data.worldbank.org/indicator/NY.GDP.MKTP.PP.CD?locations=MD>

⁵⁰ Expert-Grup, "State of the Country Report 2021" — industry's share of GDP: around 40% (1991, estimate), around 25% (1995), 13.7% (2009); authors' estimates based on NBS and IMF data. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁵¹ World Bank, CEM 2005, op. cit. — the chapter on regional development; UNDP Moldova, National Human Development Reports, 1996–2000 editions.

The loss of human capital was one of the gravest long-term consequences. Skilled workers and engineers, trained over a lifetime, watched their skills lose value or took them abroad to work. The interruption of knowledge transfer between generations deprived the economy of a resource that is hard to rebuild, with effects on its later capacity to develop high-value-added sectors.

The decline produced a relative ruralization of the economy, a regression rarely seen in the Europe of those years. Instead of advancing toward higher-value-added sectors, the economy slid back toward primary activities with low productivity. This structural regression deepened the gap with the states of Central Europe, which in those same years were restructuring their industries and integrating into European value chains.

Impact

The loss of the industrial base weakened the economy's long-term capacity to generate value added and entrenched a model dependent on consumption and remittances.⁵² Export potential shrank, and decently paid jobs became very rare, which fed the migration pressure after 2000.

For hundreds of thousands of households, emigration became a survival strategy, with social costs that would become fully visible only later. The lack of decent jobs pushed the workforce toward foreign markets; the flow of remittances followed, but so did broken families and depopulated localities. Deindustrialization was thus one of the deep causes of the most severe demographic crisis in Europe.

Deindustrialization sharpened territorial disparities and weakened the country's economic cohesion. The concentration of activity in a few centers and the degradation of the economic base of small towns and villages produced persistent imbalances that complicate regional development and cohesion policies to this day.

On the fiscal side, the shrinking of industry narrowed the tax base and limited the state's capacity to finance public services and investment. An economy with a weak productive base generates modest budget revenues, which perpetuated the chronic underfunding of health, education, and infrastructure, with effects visible over the following decades.

Regional and International Context

For the entire post-communist bloc, the 1990s were a period of painful industrial restructuring, but the trajectories differed. In Central Europe, the closure of unviable Soviet-era industries was accompanied by an inflow of foreign investment that built a new industrial base, integrated into West European supply chains: car plants in Slovakia and the Czech Republic, electronics factories in Hungary and Poland.⁵³

In Moldova, as in much of the post-Soviet space, the result was deindustrialization without reindustrialization. Industry's share of the economy remained far below Central European levels, and exports concentrated in products with low value added. Measured at purchasing power parity, the development gap deepened: while Slovakia and the Czech Republic were approaching the European average, Moldova remained at a fraction of it, deprived of the industrial engine of convergence.⁵⁴

Lessons Learned

Productive capacity is lost quickly but takes decades to rebuild, and only with coherent industrial policies.⁵⁵ The absence of a strategy for restructuring and for attracting investment left the economy without an industrial engine, with effects still visible today in the structure of exports and employment. Hence the need for an industrial policy directed at high-value-added sectors and at integration into European value chains.

The human cost of the transformation demands active employment policies and the protection of human capital. The loss of skills and the departure of the qualified workforce deprived the economy of one of its most valuable resources; retraining, education, and the creation of decent jobs are therefore the conditions for avoiding another hemorrhage of human capital.

Economic transition must be accompanied by a safety net and by a regional development strategy. Leaving the industrial towns without alternatives produced painful and lasting territorial gaps. The lesson is that economic restructuring, however necessary, needs measures to soften the social costs and to support the affected localities, so that an economic necessity does not turn into a permanent social rupture.

⁵² World Bank, WDI; National Bureau of Statistics — export structure and employment by sector. <https://data.worldbank.org/country/moldova>

⁵³ Bohle, D., Greskovits, B., "Capitalist Diversity on Europe's Periphery," Cornell University Press, 2012 — the Central European model of reindustrialization through FDI; UNCTAD, World Investment Report.

⁵⁴ World Bank, CEM 2005, op. cit.; WDI — manufacturing value added (NV.IND.MANF.ZS). <https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=MD>

⁵⁵ International Labour Organization, ILOSTAT — labor market indicators; NBS, Labour Force Survey. <https://ilostat.ilo.org>

Experience shows that industrial assets and skilled human capital are destroyed in a few years but rebuilt over decades, if they are rebuilt at all. An industrial policy directed at high-value-added sectors and at integration into European value chains is not a luxury but a condition for reversing a specialization in activities that deliver limited economic growth. Reindustrialization through investment attraction and skills development remains an unfulfilled strategic goal.

Industrialization policy must be aligned with employment policy. The two must be implemented in parallel and must complement each other: on one side, the state stimulates value added and, with it, the demand for decent jobs;

on the other, it stimulates labor supply through activation measures and the recalibration of that supply to economic realities. Implemented separately, neither will succeed. An active industrial policy without equally active measures on the employment side will aggravate the labor shortage, which will discourage investment and blunt the industrialization effort. For so poor a country, neither the recruitment of foreign workers nor wage increases will ever be able to offset the deficit in the labor market. Likewise, an active employment policy that does not stimulate the demand for labor in higher-value-added sectors will perpetuate the current model, in which employment is concentrated in low-wage sectors that are not attractive enough to draw the economically inactive back into work.

Case Studies

Case Study

Alfa: the electronics giant left without orders or an investor

The “Alfa” plant in Chişinău, one of the flagships of Soviet microelectronics, produced television sets and components for the entire Union, with thousands of highly skilled engineers and workers. After 1991 the Union-wide orders disappeared, and the enterprise — sized for a market of nearly 300 million consumers — was left with unusable capacity, no capital for modernization, and no access to Western markets. Voucher privatization brought it neither investment nor managerial competence: the assets decayed, the premises were rented out, and the engineers scattered into trades unrelated to electronics or into emigration. The contrast with Central Europe is telling: comparable factories taken over in time by strategic investors, such as Poland’s Polkolor plant, bought by Thomson in 1991 and turned into a European exporter, survived by modernizing. The “Alfa” case sums up the combined cost of a lost market, privatization without capital, and the absence of industrial policies.

Part II

Crisis and the Search for a Development Model 1997–2008

The second decade of independence was a dramatic search for a development model, marked by external crises, mass poverty, and the birth of the remittance economy. After the transition touched bottom in 1999, with the economy down to roughly a third of its 1990 level, the country entered a phase of growth, but on fragile foundations. The Russian financial crisis of 1998 demonstrated the cost of dependence on a single market, and society's response, mass emigration, generated the flow of remittances that would become the economy's main engine.

The period entrenched a growth model built on consumption and diaspora transfers, one that reduced poverty but perpetuated structural vulnerabilities. The Russian wine embargo of 2006 and the global financial crisis of 2008 exposed, each in turn, the fragility of this model and strengthened the case for diversification and for the European reorientation begun with the 2005 EU–Moldova Action Plan. The twelve events in this part trace the passage from survival to fragile growth and the beginning of the strategic reorientation.

7. Energy Debts and Dependence on Russian Gas

1997 — Cheap energy at the price of sovereignty

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. Near-total dependence on Russian gas did not produce a visible crisis in any given year but a structural vulnerability that weighed on the economy constantly: the price and the debt were politically loaded at all times, and high energy intensity amplified every shock. The score reflects a diffuse but real cost, one that materialized in full in the energy crises after 2021.

Description

By the end of the 1990s, the energy model of the Republic of Moldova rested on near-total imports of gas from Russia (almost 100% of natural gas consumption) through a single route that transited Ukraine and the Transnistrian region. With no resources of its own, no storage capacity, and no alternative interconnections, supply shifted from the commercial plane to the geopolitical one. The Soviet-built layout of the networks locked in, from the start, an asymmetry with a single supplier that would prove hard to correct.

Dependence translated quickly into an accumulation of debts, above all for consumption in the Transnistrian re-

gion, over which the government had no control.⁵⁶ A sizable historical debt formed there — but a commercial one, not a sovereign one: the obligations belong to Moldovagaz, a joint venture in which Gazprom holds the majority stake, so the main creditor and the main debtor are, in essence, part of the same group. Maintaining this debt was the mechanism through which the Kremlin financed, de facto, the separatist regime in Tiraspol, and its recurrent presentation as “Moldova’s debt” served as an instrument of political pressure on Chişinău, used periodically by the Russian side.

The sector’s ownership structure practically institutionalized energy dependence.⁵⁷ The operator, Moldovagaz, was set up as a joint venture in which the external supplier

⁵⁶ V. Parlicov, T. Şoitu, S. Tofilat, Impunitate şi înţelegeri rentiere în sectorul energetic al ţării [Impunity and rent-seeking deals in the country’s energy sector], Policy Paper, IDIS “Viitorul,” Chişinău, April 2017.

⁵⁷ Court of Accounts of the Republic of Moldova, Decision No. 56/2022 on the audit of Moldovagaz JSC; IDIS “Viitorul” (Parlicov, Şoitu, Tofilat, 2017), op. cit.

(Gazprom) held the majority stake, which made one and the same entity simultaneously supplier and co-owner of the domestic infrastructure. This configuration narrowed Chişinău's negotiating margin and turned every discussion of price or debt from a commercial matter into a political one.

This model privileged access to cheap energy in the short term at the expense of long-term energy security. The absence of alternative routes, storage capacity, and interconnections with European markets perpetuated an almost total dependence, exploited time and again until the major crisis of 2021–2025.

Energy dependence also sustained the economy's high energy intensity, with consequences for competitiveness. Inefficient consumption, aging infrastructure, and administered prices discouraged investment in efficiency, so each unit of GDP consumed more energy than in comparable economies, which magnified the cost of every price shock.

From the outset, Moldova's energy dependence had a structure that made it hard to correct: nearly all gas was imported from a single supplier, Gazprom, through the joint venture Moldovagaz, in which the Russian supplier held the controlling stake. Without significant resources of its own and without alternative routes, the country had neither the commercial leverage to negotiate nor the technical capacity to reorient itself.

Impact

Energy supply became a recurrent channel through which external shocks passed into the domestic economy. Swings in the gas price fed through into production costs and household purchasing power, while negotiations over price and debt, politically loaded at every step, narrowed the government's room for maneuver on other fronts, including European integration.

The energy debt became a lever of geopolitical pressure, reactivated at moments of tension.⁵⁸ Its accumulation gave the external supplier an instrument of influence over Chişinău's strategic decisions. For decades on end, this vulnerability shaped the balance of power in the bilateral relationship.

The model delayed investment in energy efficiency and alternative sources, and so perpetuated high energy in-

tensity. Inefficient consumption and aging infrastructure raised the cost of every price shock and left the economy unprepared for the moment when access to seemingly "cheap" gas would end — a hidden bill that came due in the crisis after 2021.

The seemingly advantageous price of Russian gas hid a far larger strategic cost: the surrender of decision-making latitude vis-à-vis the supplier. The implicit subsidy in the relatively cheap energy of the 1990s and early 2000s (the contract signed in 2006 introduced commercial formulas, and prices reached market levels by around 2010) discouraged investment in energy efficiency, interconnections, and alternative sources for decades, and deepened dependence instead of reducing it.

Regional and International Context

Dependence on Russian gas was a feature shared by almost the entire post-Soviet and East European space, but the degree of vulnerability varied with the availability of alternatives. Ukraine, though itself dependent, held major leverage as the transit country for gas flowing to Europe, which produced the repeated disputes with Gazprom of 2006 and 2009. The Baltic states were, like Moldova, almost entirely dependent, but they began diversifying earlier, a process crowned by the liquefied natural gas terminal at Klaipėda (2014) and the interconnections with Poland and Finland.⁵⁹

The comparison with Central Europe shows that energy dependence was not destiny but a policy choice postponed. Poland invested systematically in liquefied natural gas terminals, in interconnectors, and later in the Baltic Pipe, and cut its dependence on Russia well before 2022. Moldova, by contrast, remained among the most exposed economies in the region, its vulnerability compounded by the Transnistrian question and by a single supply route. That the Baltic states, starting from comparable dependence, managed to decouple shows that Moldova's delay was a matter of political will, not of technical impossibility.⁶⁰

Lessons Learned

Energy security is a component of economic and national security and cannot be sacrificed for a short-term price advantage.⁶¹ Dependence on a single supplier exposed the country to risks that materialized more than

⁵⁸ German Economic Team Moldova / Berlin Economics — analyses of Moldovagaz's historical debt and of gas consumption in the Transnistrian region; Energy Community Secretariat. <https://www.german-economic-team.com>.

⁵⁹ Stern, J., "The Russian-Ukrainian gas crisis of January 2006," Oxford Institute for Energy Studies, 2006; Pirani, S., Stern, J., Yafimava, K., "The Russo-Ukrainian gas dispute of January 2009," OIES, 2009. <https://www.oxfordenergy.org>

⁶⁰ CEuropean Commission, "European Energy Security Strategy," COM(2014) 330 final, May 2014; Energy Community Secretariat, implementation reports. <https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX:52014DC0330>

⁶¹ Government of the Republic of Moldova, Energy Strategy until 2030 (Government Decision No. 102/2013); Energy Strategy of the Republic of Moldova 2050 (2023).

once, which justifies diversifying supply sources and routes, developing storage capacity, and integrating into the European energy market.

Creating an independent regulator changes the political economy of the sector. The establishment of the National Agency for Energy Regulation (ANRE) in 1997 and the gradual move to cost-reflective tariffs halted the buildup of new arrears on the right bank and placed a technical arbiter between political interests, suppliers, and consumers — one of the few institutional reforms of the 1990s with lasting effects. The regulator's real independence remained a permanent test, however: political pressure on tariffs returned with every electoral cycle.

Reducing energy consumption is, in itself, a security policy. High energy intensity amplified every price shock, and the investment in efficiency and renewables that accelerated after 2022 confirms the importance of this direction.

The ownership structure of strategic infrastructure must protect the national interest. That the external supplier was also co-owner of the gas operator weakened the state's negotiating position. The way out of this trap came only with the transposition of the European Union's Third Energy Package — taken on through accession to the Energy Community (2010) and implemented through the new electricity and natural gas laws (2016) — which imposed the unbundling of the transmission operator from distribution and supply, weakened Moldovagaz's structural position, and opened the market to competition.

The central lesson, fully absorbed only after 2022, is that energy security is a component of national security, and dependence on a single supplier undermines it no matter the price. Diversified sources, interconnection with neighboring markets, and investment in efficiency are not costs; they are insurance premiums against blackmail. Postponing them for a quarter of a century turned a manageable vulnerability into a recurring crisis.

Case Studies

Case Study

Moldovagaz: dependence written into the ownership structure

Energy dependence was institutionalized in the operator's very ownership structure. Moldovagaz was set up as a joint venture in which Gazprom holds 50%, the state $\approx$ 35%, and the Transnistrian administration $\approx$ 13% (a stake ceded to the Russian supplier's management), which gave the Russian side effective control of more than 60%. One and the same entity became simultaneously supplier and co-owner of the domestic infrastructure, which drastically narrowed Chișinău's negotiating margin.

According to the independent audit and the Court of Accounts, the company and its predecessor, Gazsnabtranzit (1995), were set up with significant irregularities: assets valued at book value instead of market prices, an undervalued state contribution, and right-bank assets used to cover left-bank debts. A 2008 revaluation showed an increase of more than 1,100% in the value of the assets transferred in 1996 — a sign of how far they had been undervalued at the start.⁶²

Case Study

1999: the state buys back its debt to Gazprom at a quarter of the price

In July 1996, to cover its accumulated gas debts, the Government issued \$140 million in state bonds to Gazprom. With interest, the obligation was approaching \$160 million by 1999. In the summer of 1999, the Sturza government mounted one of the most ingenious financial operations of the transition: acting through the bank Crédit Agricole Indosuez — so that the seller would not learn the buyer's real identity — Moldova bought back its own bonds for around \$35 million, less than a quarter of their face value, with financing from the World Bank. The episode shows that even from a weak negotiating position, intelligent debt management can save enormous sums.⁶³

⁶² Wikborg Rein and Forensic Risk Alliance (FRA) — the international audit of Moldovagaz JSC's historical debt (2023); Court of Accounts, Decision No. 56/2022.

⁶³ Mold-Street.com, "Cum Moldova a răscumpărat de la Gazprom o datorie de 140 milioane USD la preț de 4 ori mai mic" [How Moldova bought back a \$140 million debt from Gazprom at a quarter of the price], December 24, 2021.
<https://www.mold-street.com/noutate/cum-moldova-a-rascumparat-de-la-gazprom-o-datorie-de-140-milioane-usd-la-pret-de-4-ori-mai-mic>

8. The Russian Financial Crisis and the Economic Collapse

1998 — When the neighbor's collapse becomes your own

-3

Impact Score

Net impact on development: *Profoundly negative impact (scale -3 ... +3)*

The net impact is rated profoundly negative. The Russian crisis wiped out the stabilization achieved after 1993 and pushed the economy to the lowest point of the transition: the leu depreciated by around 75%, inflation climbed to 39% in 1999, and GDP fell to roughly a third of its 1990 level. The minimum score also captures the long-run effect, since the crisis accelerated the labor exodus that later became a defining feature of the Moldovan economy.

Description

The Russian financial crisis of August 1998 demonstrated how exposed the Moldovan economy remained to shocks from the former Soviet space, despite the introduction of the national currency.⁶⁴ The collapse of the ruble and of the Russian market, the main destination for Moldovan agri-food products and wine, cut external demand abruptly. For an economy that had failed to diversify its markets, the blow erased the stabilization won after 1993.

The crisis was transmitted through several channels at once: the collapse of export demand on the Russian market drove a roughly 75% depreciation of the leu — from about 4.7 to more than 8.3 lei per dollar between July and December 1998 — which ultimately fed an acceleration of inflation, up toward 39% in 1999. Export-oriented firms were left without customers, real incomes were eroded, and over 1998–1999 GDP contracted by roughly 10% cumulatively, down to around a third of its 1990 level, the lowest point of the entire transition.

The trade dimension of the shock was without precedent: in 1999, the volume of exports of goods and services collapsed by 28% and that of imports by 43%, the most severe simultaneous contraction of both flows in the country's entire statistical record. That even an adjustment of this magnitude did not balance the current account — the external deficit held at around 6% of GDP — reveals the structural nature of the imbalance: the economy was importing more than it could pay for even in full collapse, with the difference covered by debt.⁶⁵

The crisis exposed with full clarity the cost of concentrating exports on a single market.⁶⁶ With the bulk of agri-food products headed for Russia, an external crisis

turned into a domestic collapse, and the economy had no alternative markets onto which it could quickly redirect sales. This vulnerability would be confirmed again, with diminishing impact, by the embargoes of 2006 and 2013, and over time it cemented the priority of access to the European market.

The crisis also exposed the fragility of public finances and of a fledgling banking sector unable to cushion a shock of this scale. Pressure on the budget, financing difficulties, and deteriorating loan portfolios revealed the limits of a financial system still taking shape and short of capital. Only after 2000, as regional markets recovered and remittance inflows grew, would the economy enter a phase of growth.

The recovery that followed was of a new kind, based on consumption financed from abroad, not on domestic production. The labor exodus set off in these years generated the remittance flow that would sustain the post-2000 upturn. This way out of the crisis, effective in the short run, entrenched a development model whose own fragility would be exposed, in its turn, by the global crisis of 2008–2009.

The Russian crisis of August 1998 hit Moldova mainly through the trade channel: with more than half of exports still going to the markets of the former Soviet space, the collapse of the ruble and of Russian demand wiped out the country's main outlet almost overnight. The external shock played out domestically through pressure on the leu and on the fragile banking system, so the crisis combined the loss of markets with currency depreciation and the erosion of real incomes. It was the first clear demonstration that narrow specialization in a single market turns the neighbor's every crisis into one's own.

⁶⁴ International Monetary Fund, "Republic of Moldova: Recent Economic Developments," IMF Staff Country Report No. 99/110, October 1999. <https://www.imf.org/en/Countries/MDA>

⁶⁵ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (volumes of exports and imports of goods and services, current account balance, 1998–1999) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

⁶⁶ World Bank, "Global Economic Prospects 1998/99: Beyond Financial Crisis"; IMF, World Economic Outlook, May 1999 — the transmission of the Russian crisis across the CIS.

Impact

The immediate blow was a fresh collapse in living standards, with poverty pushed to extreme levels. For a population still adjusting to the market economy, the decade's second major shock hardened the sense of a transition without a horizon and led ever more citizens to seek income abroad. One figure conveys the magnitude of the 1998 crisis: nominal GDP per capita at current prices stood at around \$459 in 2002, still below its 1997 level (\$528).

The crisis sharpened the awareness that dependence on a single market was an existential risk. Actual reorientation toward European markets would come slowly and under the pressure of further shocks, but 1998 was the first clear signal. The case for diversification, first articulated then, would become a constant of economic policy in the decades that followed. Regrettably, diversification proved in most cases a reactive policy rather than a proactive one, which led to higher economic and social costs.

The leu's massive depreciation hit firms and households alike. Companies with foreign-currency debts faced obligations that had nearly doubled, while households watched prices rise faster than incomes. In an economy dependent on imports, depreciation meant a generalized loss of purchasing power.

The crisis also set back the consolidation of the banking system and discouraged financial intermediation. Bankruptcies and losses deepened public distrust of banks, which limited the mobilization of domestic savings for investment and prolonged dependence on external financing and remittances.

The crisis pushed an already weakened economy to the lowest point of the entire transition, reached in 1999. The export collapse and the depreciation accelerated impoverishment and gave a decisive push to emigration, which from 2000 onward became a mass phenomenon. The cost of dependence on a single market was measured, this time, in lost years of development and in people gone. Politically, the 1998 crisis was one of the main catalysts of the rise to power of the Party of Communists of the Republic of Moldova (PCRM) following the 2001 elections.

Regional and International Context

The Russian financial crisis of 1998 was a regional test that sorted economies sharply by their trade orientation.

Ukraine, deeply integrated with Russia, suffered a severe depreciation and a contraction, and other states of the Commonwealth of Independent States felt comparable shock waves. The contrast with Central Europe was striking: Poland kept growing in 1998 (by around 5%), and the Czech Republic and Hungary were only marginally affected, precisely because they had already redirected roughly two-thirds of their trade toward the European Union.⁶⁷

This divergence is perhaps the clearest empirical demonstration of this volume's central thesis: trade reorientation and diversification are a key condition of resilience to shocks. While Moldova was losing around 6.5% of GDP in 1998 because of its exposure to the Russian market, the Central European economies, anchored in the European single market, passed through the same storm almost untouched. Romania, for its part, went through a recession in 1997–1999, but because of failed domestic reforms, not exposure to Russia.

Lessons Learned

For a small, open economy, diversified export markets are a condition of survival, not merely of efficiency.⁶⁸ The concentration of exports on the Russian market turned an external crisis into a domestic collapse, a lesson reaffirmed by the later embargoes and one that explains the importance of access to the European market.

Fiscal buffers and a solid financial system are indispensable for absorbing external shocks. The fragility of the budget and of the banking sector amplified the impact of the crisis, a sign that macroeconomic resilience depends on fiscal reserves and rigorous prudential supervision.

An exit from crisis that rests on transitory factors does not resolve the underlying vulnerabilities. The remittance-driven recovery masked, but did not remove, the economy's structural fragility. The lesson is that recovery must be accompanied by reforms that diversify the sources of growth; otherwise the next crisis finds the economy just as exposed.

The 1998 episode was the first in a series of three identical lessons — repeated in 2006 and in 2022 — about the cost of concentration on a single market. That the same vulnerability produced crises roughly a decade apart shows how slowly the lesson sank in. Diversified export markets are not a strategic preference but an elementary condition of resilience for a small, open economy.

⁶⁷ Chiodo, A., Owyang, M., "A Case Study of a Currency Crisis: The Russian Default of 1998," Federal Reserve Bank of St. Louis Review, November 2002.

⁶⁸ World Bank, CEM 2005, op. cit. — the chapter on foreign trade; NBS, foreign trade by country. <https://statistica.gov.md>

Case Studies

Case Study

Agri-food exporters left without a market overnight

For producers of wine, fruit, and canned goods, the 1998 crisis meant the sudden disappearance of their main customer. Goods contracted for the Russian market went unsold, payments stopped, and many exporters slid into default, with whole supplier chains hit in cascade. The blow showed, in the most concrete way, how dangerous concentration on a single destination had become, and it was the first practical argument for diversification. Actual reorientation toward European markets would take years more, but the lesson of 1998 stayed in the sector's memory and was reactivated by every subsequent embargo.

Case Study

The depreciation that hit firms and families alike

The leu's depreciation of around 75% made imports instantly more expensive and eroded real incomes. Firms with foreign-currency debts woke up to obligations that had nearly doubled, and many could no longer honor them, while households watched prices outrun wages in a spiral reminiscent of the hyperinflation years. For a Moldovan society only just getting used to a stable currency, the return of inflation toward 39% in 1999 was a fresh blow to confidence, and it erased the fragile sense of normality gained after 1993. For more and more people, the conclusion was that the only way out was to leave for work abroad; 1998 thus marked the acceleration of the exodus.

9. The “Pământ” Program and the Fragmentation of Agriculture

1998 — Land for a million people, capital for no one

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative, despite a historic achievement: the transfer of land into private ownership. The “Pământ” (Land) Program completed decollectivization and created, for the first time in the country's modern history, private ownership of agricultural land for around one million citizens. But the way the division was carried out — tiny, scattered parcels assigned to a rural population left without capital — fragmented agriculture into a subsistence structure, with low productivity and blocked investment, whose consequences are still visible today.

Description

The decollectivization of agriculture was set in motion by the 1991 Land Code, which gave villagers the right to equivalent land shares, but the process advanced slowly and unevenly, blocked by resistance from collective farm

managers and by legal ambiguities. The decisive acceleration came with the National “Pământ” Program (1998–2000): in just three years, around a thousand collective farms were dissolved as a form of organization, and roughly one million citizens received titles to land — the broadest redistribution of wealth in the country's modern history.⁶⁹

⁶⁹ World Bank, “Land Governance Assessment Framework — Republic of Moldova,” country report, 2014; FAO, “Land Reform in Eastern Europe,” the Moldova chapter — the National “Pământ” (Land) Program (1998–2000), supported by USAID. <https://www.fao.org/4/AD878E/AD878E10.htm>

The logic of equity, however, prevailed over economic logic. Each entitled beneficiary received an average share of about 1.4 hectares, divided as a rule into three separate parcels — arable land, orchard, vineyard — often kilometers apart. The aggregate result: a land fund fragmented into 1.5–2 million parcels, impossible to farm efficiently with modern technology, difficult to consolidate legally, and unfit to serve as collateral for credit. Real land ownership thus coincided with the equally real decapitalization of agriculture.

On this foundation settled a dual agrarian structure, visible to this day: on one side, hundreds of thousands of subsistence households working minuscule plots by hand for their own consumption; on the other, large agricultural companies reassembled by leasing shares from thousands of owners — a de facto reconsolidation, achieved, however, without a transparent land market and without the investment that consolidated ownership would have brought. Between the two layers, midsize farmers long remained a vulnerable category.

Reconsolidation through leasing was not an accident of the reform; it was built into its design. The memoirs of the American ambassador who oversaw the program's launch⁷⁰ show that the model applied — the “leader-entrepreneur” concept, developed by the economist Vasile Uzun and tested in 1996 at the Maiac farm in Nisporeni — assumed from the very start that members who did not want to or could not actually work the land (nearly half were pensioners) would lease their shares to entrepreneurs able to reassemble viable farms. The program even settled, administratively, the debt burden of the old collective farms, transferred to the state along with their social assets or offset through tax exemptions, so that the new enterprises could start work unencumbered by debt. The reform's failure, however, stemmed from the absence of a transparent land market and of post-privatization support.

Impact

The reform's impact shows in the following figures: in 2019, nearly three decades on, agricultural output stood at only 77.4% of its level in the year before independence — stagnation without parallel among the economy's sectors. The irrigation systems built in the Soviet period decayed almost completely, long-term investment was discouraged by the insecurity of short-term leases, and the aging and departure of owners further complicated every attempt at consolidation.⁷¹

The net effect on production was an uncompetitive agriculture, in which average productivity remained among the lowest in Europe. Fragmentation blocked efficient mechanization, crop rotation at scale, and access to finance, and value added per hectare and per worker remained a fraction of Central European levels — a gap that explains much of the persistence of rural poverty.

Socially, the program's effects were contradictory: it gave rural households an asset and a food safety net in the hardest years (for hundreds of thousands of families, the household plot was the difference between poverty and hunger), but it also tied part of the population to a survival agriculture with no income prospects, from which the only visible exit became emigration. The Moldovan village of the 2000s — aged, fragmented, and dependent on remittances — is in part the product of this choice.

Institutionally, though, the reform did create the foundations of the land market: the cadastre, property titles, and the right to sell, inherit, and lease land. On these foundations it later became possible to build consolidation through leasing, agricultural subsidies, and, more recently, investment in high-value horticulture — proof that the real problem was the absence of the consolidation policies that should have accompanied the reform.

That the reform was necessary but not sufficient was acknowledged by its own architects at the moment of launch. The Moldovan authorities had no illusion that privatization alone would generate a prosperous agriculture: it was a necessary but insufficient condition, and the new farms would face the difficult task of securing credit, extension services, and access to markets.⁷² Even so, the agenda of consolidation and rural credit, flagged from the very beginning, remained an institutional orphan: no one took it up with the political determination and the resources with which land titling had been carried through to the end.

Regional and International Context

Regional experience shows that what set countries apart was not decollectivization itself but its design. The Czech Republic and Slovakia turned cooperatives into commercial companies and kept large farms and productivity intact; Hungary combined restitution with compensation and maintained viable farms; Romania, which like Moldova chose in-kind restitution in small parcels, ended up with the same fragmentation and the same dual agriculture. In

⁷⁰ John Todd Stewart, “Launching Agricultural Land Reform in Republic of Moldova,” in *Plural. History. Culture. Society*, vol. 7, no. 1, 2019, pp. 131–137. The author was U.S. ambassador to the Republic of Moldova from 1995 to 1998 and supervised the program's launch.

⁷¹ Expert-Grup, “State of the Country Report 2021,” Figure 1 — agricultural output in 2019 stood at 77.4% of its level in the year preceding independence. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁷² John Todd Stewart, “Launching Agricultural Land Reform in Republic of Moldova,” in *Plural. History. Culture. Society*, vol. 7, no. 1, 2019, pp. 131–137. The author was U.S. ambassador to the Republic of Moldova from 1995 to 1998 and supervised the program's launch.

the end, where land reform came with consolidation mechanisms and functioning land markets, agriculture stayed competitive; where distributive equity was the sole criterion, competitiveness was lost for generations.

Lessons Learned

Property rights produce prosperity only together with the institutions that make them liquid: land markets, mortgage credit, mechanisms for consolidating plots. A title to land without access to capital and without the possibility of consolidation is a frozen asset — and a million frozen assets do not make a competitive agriculture.

Formal equity in distribution does not guarantee equity of outcomes. Within a generation, the egalitarian division of land produced, through leasing and opaque purchases, the very concentration it was meant to prevent — at the cost of a long passage through subsistence. Property reforms must be judged by the economic structure they generate, not by the symmetry of the initial division.

Land consolidation is the strategic unfinished business of Moldovan agriculture. European experience, from Denmark's land-amalgamation schemes to the consolidation programs of the Baltic states, shows that fragmentation is corrected through active policies. For Moldova, making good use of European rural development funds will depend directly on the courage to reopen a file postponed for two decades.

Case Studies

Case Study

Three strips at the edge of the village

The typical share received under the "Pământ" Program illustrates perfectly the distance between ownership on paper and real capital: about 1.4 hectares, divided into three strips — one of arable land, one of orchard, one of vineyard — in different parts of the village, sometimes kilometers from one another. Too small for modern farm machinery, too scattered to be worked efficiently, worth too little to secure a loan, these strips ended up, in most cases, leased to the local agricultural leader in exchange for a symbolic payment in kind — a few sacks of wheat or sunflower seeds a year. The formal owner kept the title, while the land's real income moved to whoever could consolidate hundreds of such strips. In a single generation, the Moldovan village thus traveled the road from the kolkhoz that owned everything to a structure in which ownership belongs to everyone and capital is concentrated in narrow circles of interests.

10. Peak Poverty and the Collapse of Living Standards

1999 — The lowest point of the transition

-3

Impact Score

Net impact on development: *Profoundly negative impact (scale -3 ... +3)*

The net impact is rated profoundly negative. The year 1999 was the lowest point of the transition: with the economy down to around a third of its 1990 level, poverty had reached broad segments of the working population. The minimum score measures the gravity of that moment. The reduction in absolute poverty that followed in the 2000s was real, but it was financed through emigration, a cost analyzed separately in the events on migration.

Description

In 1999, the effects of deindustrialization, the Russian crisis, and monetary erosion converged into a large-scale social crisis.⁷³ With the economy reduced to around

a third of its size at the end of the Soviet period, the Republic of Moldova had become one of the poorest countries in Europe, with collapsed real incomes, high unemployment and underemployment, and deteriorating access to basic services.

⁷³ World Bank, "Moldova Poverty Assessment" (1999); Beegle, K., "Living Standards and Poverty in Moldova," World Bank, 2004.

In 1999, poverty in Moldova reached its most widespread level. At the first systematic measurement, in 1997, the absolute poverty rate stood at 47.4% of the population; it then climbed steeply to 61.6% in 1998 and reached a historic peak of 71.2% in 1999 — a deterioration of nearly 24 percentage points in just two years. This escalation reflected the structural vulnerability of a Moldovan economy excessively dependent on trade with Russia and the other former Soviet states.⁷⁴

Decomposing the rise in poverty confirms that it was almost entirely the result of the collapse in living standards. Of the 24-percentage-point increase in poverty between 1997 and 1999, 23 points came from the fall in average per capita spending and only 1.4 points from shifts in the income distribution. The Gini coefficient remained remarkably stable throughout (moving between 0.34 and

0.37), which points to a generalized impoverishment felt fairly evenly along the entire distribution.⁷⁵

Recovery began in 2000, when the rate stabilized (70.6%), and continued with a sustained decline to 62.4% in 2001 and 48.5% in 2002. By 2002, then, the poverty rate had returned essentially to its 1997 level, and the same recovery showed in the depth (poverty gap) and severity of poverty. One nuance matters for interpretation: although the aggregate rates for 1997 and 2002 are nearly identical, household mobility was considerable — only 28% of households remained in the same spending quintile after the crisis, and the panel analysis shows that more than 90% of poverty in Moldova was chronic. In other words, behind the aggregate fluctuation stood a hard core of permanently poor households.

Absolute poverty indicators based on consumption spending (cost-of-basic-needs method; right bank, excluding the Transnistrian region)

Indicator	1997	1998	1999	2000	2001	2002
Poverty rate (headcount, %)	47,4	61,6	71,2	70,6	62,4	48,5
Extreme poverty (headcount, %)	37,5	51,7	61,3	60,9	52,0	37,8
Depth of poverty (poverty gap, %)	16,5	25,1	29,7	28,9	24,0	16,5
Severity of poverty (%)	7,9	13,2	15,7	15,0	12,0	7,6
Gini coefficient	0,35	0,37	0,35	0,34	0,36	0,34
90/10 decile ratio	9,9	11,1	9,6	9,3	10,0	9,0

Source:

Beegle, K. (2004), "Living Standards and Poverty in Moldova," World Bank (Report No. 28024-MD).

Poverty had taken on a structural character and reached beyond the traditionally vulnerable groups into broad segments of the working population. Unpaid wages, pensions eroded by inflation, and the collapse of the rural economy pushed households toward survival strategies, from subsistence farming to emigration, and the experience of deprivation shaped the mentalities and political choices of an entire generation.

The poverty of the elderly was one of the most painful expressions of the collapse.⁷⁶ The average pension covered only a fraction of the minimum consumption basket, and payments ran months late, which pushed many pensioners into dependence on their plot of land or on help

from children who had left. This experience fed a discourse that idealized the past, even though the stability of old had been that of a system heading for collapse anyway.

From 2000, the decline reversed, and poverty entered a downward path sustained mainly by remittances. The national poverty rate⁷⁷ fell from 30.2% in 2006 to 17.5% in 2011, and the series continues downward to 9.6% in 2015. Over 2006–2015, the poverty rate calculated with the 2006 threshold and the stable population declined continuously — one of the greatest social improvements of the period. The mechanism, though, was paradoxical: progress was financed by the departure of the workforce, not by the creation of jobs at home. A caveat: the methodology for meas-

⁷⁴ Beegle, K. 2004, Living Standards and Poverty in Moldova, World Bank

⁷⁵ Beegle, K. 2004, Living Standards and Poverty in Moldova, World Bank

⁷⁶ National Social Insurance House, annual reports; NBS — the average pension and the subsistence minimum. <https://cnas.gov.md>

⁷⁷ The absolute poverty rate (2006–2015, NBS, Government Decision No. 851/2005) is based on consumption expenditure per adult equivalent (OECD scale) and a food threshold of 2,282 kcal/day, unlike the 1997–2002 series (Beegle 2004), which used 2,100 kcal/day and a per capita adjustment; the levels are not directly comparable (a methodological gap of ~8–9 percentage points in 2002, the year common to both series).

uring poverty changed over time, so comparability across all periods is not possible.

After 2000, poverty reduction was real and improved the lives of millions, but it proceeded unevenly. Households with relatives working abroad benefited from remittances, while those without access to this flow fell behind, above all in rural areas. This inequality produced a two-speed social map, in which progress depended on participation in the migration economy.

Impact

The poverty peak marked the collective consciousness and redefined the relationship between citizens and the state. The experience of extreme deprivation generated a powerful demand for stability and economic security, later exploited by statist discourse, and entrenched emigration as the individual route out of poverty, with lasting demographic effects.

The collapse in living standards was compounded by the state's retreat from essential services. In 1999, real public spending on education was down 81.2% from its 1992 level, and health spending 75.7%: unheated schools, hospitals without medicines, teachers' and doctors' salaries paid months late. This massive underfunding eroded precisely the human capital on which recovery would have depended, and it explains part of the vulnerabilities — from the exodus of medical staff to the decline of technical education — that would prove costly in the decades ahead.⁷⁸

The economic and social crisis ran deep and widened the country's development gap with other states of Central and Eastern Europe. Between 1993 and 1999, real GDP shrank by a cumulative 42% or so (over the same interval Poland grew by 46%, and Romania, for all its convulsions, stayed slightly in positive territory), while the economy measured at purchasing power parity fell from 15.2 billion international dollars (1992) to 10 billion (1999). The state itself reached the brink of insolvency: gross public debt jumped from 79% of GDP in 1995 to 159% in 1998 and 151% in 1999, among the highest levels in Europe in those years, while budget revenues shrank from 39.4% to 30.4% of GDP. The figures explain why the state cut exactly where it hurt most — education, health, investment — and why the way out of the crisis could only come from outside: from debt restructuring and, soon, from the remittances of the exodus.⁷⁹

The poverty reduction that followed raised living standards, but it created a dependence on remittances that masked the fragility of the economic model.⁸⁰ Progress rested on a model unsustainable in the long run, in which well-being hinged on income earned abroad, not on domestic productivity.

Poverty remained concentrated in rural areas and in households without access to remittances, a standing challenge for social policy. The gap between those who took part in the migration economy and those left outside it deepened territorial inequalities, with consequences for social cohesion and regional development.

The experience of extreme poverty also had lasting political consequences: it fed nostalgia, but also the aspiration for change. On the one hand, it nourished discourses that idealized the stability of the past; on the other, it strengthened over time the desire of part of society to build a functional, European-anchored economy.

The gravest effect of this trough was the erosion of human capital and the chronic underfunding of the health and education systems, with consequences that stretched across generations. The children of those years grew up in a survival economy, and many later followed their parents down the road of emigration. Regaining the pre-transition level of the economy would take nearly a decade, and some losses — of people, of skills, of trust — were never recovered.

Regional and International Context

By the end of the 1990s, the Republic of Moldova had become, alongside Ukraine, the poorest country in Europe, a status it would keep almost without interruption. While the Central European economies had already regained their pre-transition output levels and opened accession negotiations with the European Union, Moldova was only now touching its absolute low. Measured at purchasing power parity, the distance was significant: Moldova's GDP per capita amounted to a small fraction of Poland's or the Czech Republic's.⁸¹

The comparison across the region told the story: the same starting line in 1991, yet by 1999 one end of Europe was preparing for accession while the other was hitting bottom. Poland had surpassed its 1989 output level as early as 1996; Moldova would recover its 1990 level only to-

⁷⁸ Expert-Grup, "State of the Country Report 2021" — in 1999, real public spending on education was 81.2% lower than in 1992, and health spending 75.7% lower. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

⁷⁹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (real GDP, GDP at PPP, gross public debt, budget revenues, 1992–1999); the cumulative growth calculations are the authors' own (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

⁸⁰ World Bank, "Moldova Poverty Update" (2006); Lücke, M., Omar Mahmoud, T., Pinger, P., "Patterns and Trends of Migration and Remittances in Moldova," IOM / Kiel Institute, 2007.

⁸¹ World Bank, WDI — GDP per capita at PPP, regional comparisons for 1999–2000. <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=MD>

ward 2008, and only in aggregate terms, not per capita, because of depopulation. This asymmetry of convergence — achieved in the Center, missed in the East — defines the stakes of Moldova's entire subsequent path.⁸²

Lessons Learned

Remittance-financed poverty reduction helped, but it could not substitute for the creation of productive jobs at home.⁸³ Social progress financed through emigration improved incomes, but it deepened dependence on external factors and fed depopulation, which is why durable poverty reduction must be anchored in domestic economic opportunity.

Aggregate growth can leave entire categories of vulnerable people behind, which is why average indicators must be read alongside an analysis of distribution. The persistence of rural poverty and of territorial inequalities confirms the need for territorial cohesion policies and targeted social protection.

The poverty peak of 1999 shows that a crisis of such depth is a development trap, and escaping it requires economic growth and social protection in equal measure. The poverty reduction that followed, financed through remittances, was fragile because it did not rest on the creation of jobs at home. The lesson is that living standards are rebuilt durably first and foremost through productivity and employment.

Case Studies

Case Study

Pensions below the survival threshold

At the end of the 1990s, the average pension covered only a fraction of the minimum consumption basket, and payments ran months late, sometimes half a year. For many pensioners, survival depended on the plot of land, on help from children gone abroad, or on giving up medicines and heating. The poverty of the elderly — visible in urban areas too, in cities that had once offered relative security — was one of the most painful expressions of the collapse. It fed a discourse that idealized the past, even though the security of old had been that of a system collapsing anyway; the experience of extreme deprivation shaped, for an entire generation, the relationship with the state and with the very idea of reform.

Case Study

Remittances, the social elevator that replaced the state

Remittances, the social elevator that replaced the state

The spectacular fall in poverty after 2000 — from around 26% in 2007 to 11% in 2014 — came not from jobs created at home but from the money sent back by those who had left. A renovated house, a new roof, children kept in school, a paid medical procedure: for hundreds of thousands of families, the social elevator ran on remittances, not on the domestic economy. The state, weak and underfunded, was to a large degree replaced by the diaspora as the provider of welfare. This reality explains why social progress, though real and felt by millions, remained fragile and dependent on factors beyond the country's control, exposed to any crisis in the host states, as was seen in 2009 and 2020.

Note:

The absolute poverty rate (2006–2015, NBS, Government Decision No. 851/2005) is based on consumption spending per adult equivalent (OECD scale) and a food threshold of 2,282 kcal/day, unlike the 1997–2002 series (Beegle 2004), which used 2,100 kcal/day and per capita adjustment; the levels are not directly comparable (a methodological gap of ~8–9 percentage points in the common year, 2002).

⁸² World Bank, WDI; Eurostat — GDP per capita in PPS, Moldova–Central Europe comparisons. <https://data.worldbank.org/country/moldova>

⁸³ World Bank, "Moldova Poverty Assessment," 2006 and 2016 editions. <https://documents.worldbank.org>

11. The Exodus: The Beginning of Mass Labor Migration

2000 — A country people would rather leave

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative. Migration gave hundreds of thousands of households an income and a way out of poverty, and remittances propped up the economy; at the same time, it stripped the country of active, skilled workers, broke up families, and fed depopulation. The score weighs these two sides: present welfare was bought at the price of future development capacity and of one of the gravest demographic crises in Europe.

Description

From the early 2000s, mass labor migration became the defining phenomenon of the Moldovan economy.⁸⁴ With no decent jobs at home, hundreds of thousands of citizens left for Russia, Italy, Spain, Portugal, Israel, and later the countries of Central and Western Europe. For a large share of households, migration became the main strategy of survival and social mobility.

Hard as it is to pin down in precise figures, the scale of emigration was exceptional. An indirect benchmark for net migration can be derived from the gap between intercensal population change and natural increase. Applying the demographic balancing equation (net migration = population change – natural increase) to NBS data puts Moldova's net migration at around -373,000 people in 1989–2004, -570,000 in 2004–2014, and -320,000 in 2014–2024 — confirmation that emigration, not natural decline, was the main driver of depopulation. Even while natural increase remained positive (until 1998), the population fell because of departures. The figures must nevertheless be read with caution: the migration residual also includes the reclassification of the population from the de jure concept (2004) to usual residence (2014, 2024), so the seemingly enormous 2004–2014 figure also captures, with a delay, the real emigration of the 1990s and early 2000s. Even so, a fair estimate is that over 1989–2014 Moldova lost an average of 37,000 people every year to negative net migration (immigrants minus emigrants), with the outflow at its fastest in 2004–2014. In 2014–2024, in turn, Moldova lost roughly 32,000 people a year to negative net migration — a pace which, layered on top of a natural increase that turned sharply negative after 2019, explains the loss of more than a quarter of the country's population in three decades.

Personal remittance data confirm the emigration surge of the 2000s. As a share of GDP, personal remittances traced the classic arc of an economy transformed by emigration: from negligible levels in the mid-1990s (0.06% in 1995), the indicator exploded with the migration wave, peaking at around 34.5% in 2006 — among the highest levels in the world, which made Moldova one of the economies most dependent on diaspora transfers. After that peak, the global financial crisis of 2008–2009 brought a first sharp contraction (to ~24.9% in 2009), followed by stabilization at around 22–25% in 2010–2014.

Migration split along directions that would later take on geopolitical significance.⁸⁵ Russia drew mostly men, into construction and services, attracted by the shared language and the absence of visas, while Italy, Spain, and Portugal drew mostly women, many of them caring for the elderly. Over time this pattern also shaped political preferences: the Western-based community became a source of support for the European course.

Migration had a dual economic nature: it served at once as a safety valve for the labor market and as a major source of external income. It eased domestic unemployment pressure and generated the remittance flow that sustained consumption and reduced poverty, but it entrenched a structural dependence on labor export, at a demographic and social cost that grew ever more visible.

The demographic cost of the exodus proved to be its gravest lasting consequence. The departure of working-age people, layered on top of natural decline, pushed the resident population into a fall without parallel in Europe. This erosion of the demographic base threatens the sustainability of the pension and health systems and of the economy as a whole; migration has turned from a safety valve into a strategic vulnerability.

⁸⁴ International Organization for Migration, "Extended Migration Profile of the Republic of Moldova," Chişinău, 2012. <https://publications.iom.int>

⁸⁵ Lücke, Omar Mahmoud, Pinger (2007), op. cit.; OIM, "Extended Migration Profile of the Republic of Moldova" (2012).

Impact

Remittances brought substantial income, but they deprived the country of a large share of its active, skilled workforce. They became the main engine of consumption and a stabilizing force, while the departure of working-age people eroded the productive and tax base; migration financed present welfare at the price of future development capacity.

The social costs ran deep and defied easy measurement: separated families, children raised by grandparents, villages aging and emptying out.⁸⁶ Research and social services have documented the effects on the education and emotional state of children left behind. The education, health, and social protection systems felt these pressures for years on end.

The diaspora became an economic, social, and eventually political actor of the first rank. Its vote would tip the balance at key moments of the European course; emigration thus became, paradoxically, a political resource for the country's strategic orientation.

In fiscal and macroeconomic terms, remittance dependence shaped the exchange rate and the structure of demand. The inflow of foreign currency propped up the leu but steered demand toward imports, which deepened the trade deficit, discouraged domestic production, and perpetuated the fragility of the growth model.

Migration relieved the accumulated social pressure, but at the price of a demographic hemorrhage and the breakup of hundreds of thousands of families. Remittances brought immediate welfare, but the departure of young, skilled workers eroded the productive base and left aging communities behind. What solved the income crisis created, in parallel, the demographic crisis — the country's gravest structural challenge.

Regional and International Context

The Moldovan exodus was part of a broader regional phenomenon: after 2000, the entire eastern periphery of Europe turned into one vast zone of emigration. Romania saw millions of its citizens leave for Italy and Spain, espe-

cially after visa liberalization in 2002, while Ukraine, the Baltic states, and Bulgaria experienced comparable flows. The region became a “depopulation belt,” a supplier of labor for the continent's richer economies.⁸⁷

The essential difference, however, lies in the nature and reversibility of the migration. For the Central European states, emigration coincided with economic convergence and was often temporary or circular, with many returning as their home economies prospered; for Moldova, it was dictated by survival and proved, in large part, permanent. Relative to population, Moldova lost one of the largest shares of inhabitants in Europe in peacetime, a loss that later economic growth failed to reverse.⁸⁸

Lessons Learned

Mass migration eases social pressures in the short run but creates demographic and economic vulnerability in the long run.⁸⁹ The loss of active workers undermines growth potential and the sustainability of the pension and health systems, which calls for retention and return policies built on domestic economic opportunity and on putting the diaspora's capital to work.

The diaspora can be turned from a passive source of remittances into a development partner. Easier investment, recognition of qualifications, and return programs can convert a phenomenon perceived as a loss into a resource for development and European integration.

Demographic and economic policies must be linked. The exodus is not merely a labor market problem; it is a national security challenge. The lesson is that retaining and bringing back workers depends on building an economy that offers opportunity and prospects, not on isolated administrative measures.

Migration was a rational strategy for individuals but a vulnerability for the nation, because it substituted for domestic development instead of complementing it. The lesson for today is that policy must aim both at creating opportunities that keep workers home and at mechanisms that harness the diaspora — through investment, skills transfer, and return. No country can develop sustainably by exporting its people.

⁸⁶ UNICEF, “The Impacts of Migration on Children in Moldova,” New York, 2008; UNICEF Moldova / CIDDC — studies on children left without parental care. <https://www.unicef.org/moldova>

⁸⁷ World Bank, “Migration and Remittances Factbook,” 2008 and 2011 editions; IOM, World Migration Report. <https://www.un.org/development/desa/pd/content/international-migrant-stock>

⁸⁸ NBS — international migration; Eurostat — emigration from Eastern European states; UN DESA, International Migrant Stock 2020. <https://www.un.org/development/desa/pd/content/international-migrant-stock>

⁸⁹ World Bank, “Moldova Economic Update,” semiannual series. <https://www.worldbank.org/en/country/moldova>

Case Studies

Case Study

Italy and Russia, two destinations, two worlds

Moldovan migration split, broadly, along two directions that would also take on geopolitical significance. To Russia went mostly men, into construction and services, drawn by the language, by communities already in place, and by the absence of visas. To Italy, Spain, and Portugal went mostly women, many of them caring for the elderly; through their remittances they became the main source of income for the families left at home. Over time, these two worlds of the diaspora also shaped political preferences: the Western-based community, directly exposed to European living standards and institutions, would become a decisive supporter of the European course, while the community in the East remained a contested prize. After 2014, this dualism was settled decisively in favor of the Western world. Tougher residence conditions for Moldovan migrants in Russia and a worsening Russian economy (the devaluation of the ruble), together with growing opportunities to go West under legal and transparent conditions, substantially shifted the balance of emigration toward the EU countries, the United Kingdom, Israel, and the United States.

Case Study

Children raised by grandparents

The social cost of the exodus had a face of its own: children left at home, raised by grandparents or relatives, while their parents worked abroad and sent money and gifts in place of their presence. Research and social services documented the effects on school performance, emotional well-being, and dropout risk for an entire cohort of children who grew up with their parents on the phone. It is one of the heaviest bills of the migration-based model, one that never shows up in growth statistics but that marked a generation and left traces that would surface in the labor market and in demography only years later.

12. The Statist Economic Model and the Consumption-Driven Recovery

2001 — Growth without structural transformation

+1

Impact Score

Net impact on development: *Moderately positive impact (scale -3 ... +3)*

The net impact is rated moderately positive. After the lowest point of the transition, the economy's return to growth improved incomes and reduced poverty. But growth rested on remittance-financed consumption, not on investment and exports, and the statist orientation postponed structural reforms. The recovery was real but fragile, exposed to the shock of 2009.

Description

The early 2000s brought a major political change and the installation of an avowedly statist economic model,

against the backdrop of a recovery driven by cyclical factors.⁹⁰ The arrival in power of a government bent on re-centralization and on a larger economic role for the state coincided with the recovery of regional markets and the in-

⁹⁰ World Bank, "Moldova Economic Update"; CEM 2005, op. cit. — the consumption-driven growth model. <https://www.worldbank.org/en/country/moldova>

tensification of remittances. After the collapse of 1999, the economy returned to growth, but the nature of that growth proved unsustainable.

Statistically, the recovery looked robust: GDP grew by around 7% a year on average in 2001–2004 (6.1% in 2001; 7.8% in 2002; 6.6% in 2003; 7.4% in 2004) — the first sustained expansion since independence. Its engine, however, was remittance-financed consumption rather than investment or exports, so growth coexisted with a widening trade deficit and the persistence of structural weaknesses in domestic supply.⁹¹

The recovery also had a visible fiscal dimension, though one that must be read with caution. Budget revenues climbed from 30.5% of GDP in 2000 to 38.6% in 2005 — not through any reform of tax administration, but mostly mechanically: the surge in remittance-financed consumption swelled receipts from VAT and excises, collected chiefly on imports — precisely the tax base that grows on its own in a consumption-driven model. Likewise, the spectacular drop in public debt, from 89% of GDP in 2000 to 40% in 2005, reflects no virtuous fiscal adjustment but above all a denominator effect: rapid nominal GDP growth — in a period, 2001–2008, when every economy in the region was expanding on the back of a favorable external environment — and the appreciation of the leu, which compressed the relative value of foreign-currency debt. Added to this was the country's limited access to external capital markets: unable to

contract new debt on the markets, the state deleveraged de facto through a stagnant numerator, supplemented by bilateral restructurings and occasional buybacks. Solvency, in short, was regained through circumstance more than policy — an essential distinction for understanding why the fiscal space thus created would prove fragile at the first major shock.⁹²

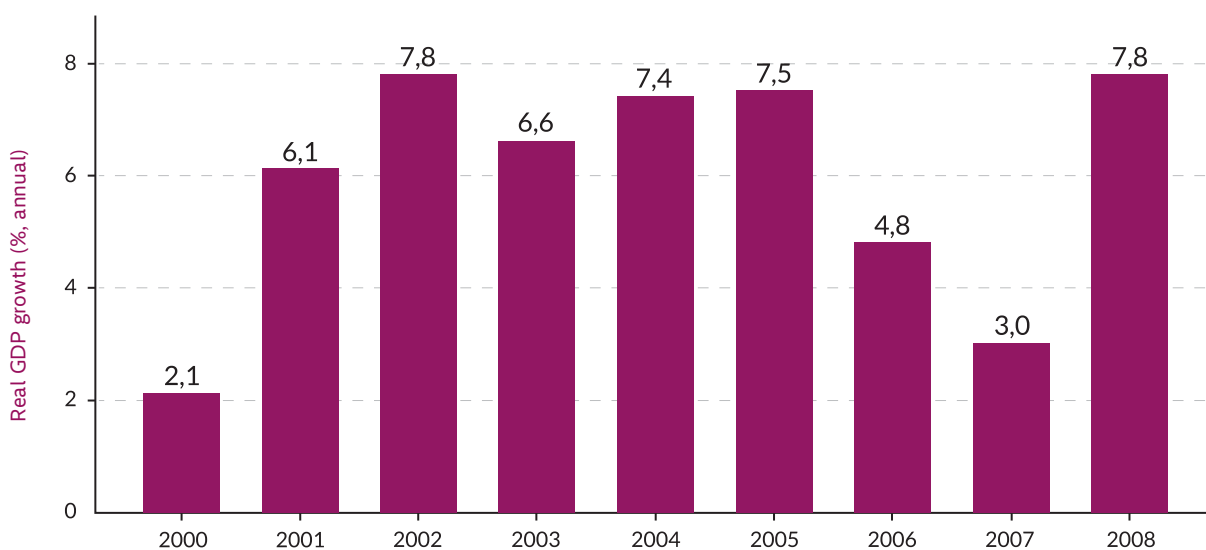
The new growth model rested on consumption fed by diaspora transfers, far less on investment, productivity, or exports. Remittances stimulated domestic demand, trade, and services and produced seemingly solid growth rates that concealed fundamental fragilities: a weak productive base, concentrated and vulnerable exports, and investment insufficient for real transformation. For instance, where final consumption's average contribution to GDP was 95.7% in 1995–2001, the annual average for 2002–2008 was 109.8% — higher, on average, by 14.1 percentage points.

The return to power, in 2001, of a statist political force coincided with the resumption of economic growth, but the two had different causes: growth came from recovery off an extremely low base and from remittance-fed consumption, not from dirigiste rhetoric. The government paired a rhetoric of reasserting the state's role with relatively pragmatic practice, and it maintained macroeconomic stability. The result was a real recovery, but one resting on fragile foundations, sustained by externally financed domestic demand rather than by any genuine transformation of supply.

After the collapse of the 1990s, the economy returned to sustained real growth, but on fragile, consumption-dependent foundations.

Fig. 3

The economic recovery after 2000: real growth, driven by consumption



Source:
NBS, IMF, real (inflation-adjusted) growth, approximate values.

⁹¹ World Bank, World Development Indicators — GDP growth: 6.1% (2001), 7.8% (2002), 6.6% (2003), 7.4% (2004). <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

⁹² International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (general government revenues and expenditures, gross public debt, 2000–2005) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

Impact

Consumption-based growth was real but fragile, exposed to any disruption of remittances or of external markets.⁹³ The fragility was confirmed in 2009, when the global crisis cut diaspora transfers and brought on a severe contraction. The model entrenched an economy with a weak productive base and insufficient exports, unable to generate enough jobs.

The model also sustained a structural trade deficit by steering demand toward imports. Remittance-financed consumption was met largely by imported goods, which weakened domestic production and perpetuated the reliance on external flows to balance the external accounts. One telling benchmark is the ratio of VAT collected domestically to VAT collected on imports: the share of domestic collections in total VAT receipts fell from 37% in 2001 to 28.5% in 2006, consistent with a growth model in which remittance-funded consumption was supplied mostly out of imports.

Socially, growth reduced poverty but did not create a productive middle class anchored in the domestic economy. Welfare depended more on income from abroad than on an economy generating well-paid jobs, which limited the consolidation of a stable social base for reform and development.

The growth of the 2000s was mostly growth “without structural transformation”: output rose, but the composition of the economy stayed unchanged — weak industry, concentrated exports, low investment. Welfare rose through consumption, not productivity, which left the economy as vulnerable to shocks as before. It was a recovery that relieved the symptoms of poverty without treating the causes of underdevelopment.

Regional and International Context

The early 2000s opened a decade of growth for the entire region, supported by global economic expansion, by capital flows, and, for Central Europe, by investment tied to accession to the European Union. Riding this common wave, Moldova grew robustly, but for different reasons than its more prosperous neighbors: its growth leaned on remittances and consumption, while Poland or Slovakia advanced above all through foreign investment, industrial exports, and productivity gains.⁹⁴

The comparison reveals a difference in the quality of growth that would matter decisively over the long run. Ukraine, too, was expanding vigorously, but on the back of steel and raw-material exports, as exposed to external shocks as the Moldovan model. While the Central European states were building durable productive capacity integrated into European value chains, Moldova and Ukraine were consuming or exporting commodities without transforming their structure. The same growth rate thus concealed different development trajectories.⁹⁵

Lessons Learned

Growth built on consumption and remittances, with too little investment and exports, remains fragile and unsustainable.⁹⁶ Seemingly solid rates masked the absence of structural transformation and left the economy exposed to shocks, which is why the model must be reoriented toward investment, productivity, and exports.

Short-term stability bought by postponing reforms carries a cost. Privileging control and redistribution over modernization delayed the building of a competitive economy, and the balance between social stability and structural reform remains a challenge of governance to this day.

The demand for stability should not be mistaken for nostalgia for centralization. The need for order after years of hardship was legitimate, but the right answer was not a return to a statist model; it was building institutions that deliver predictability through reform, not through control. The lesson is that durable stability comes from functioning institutions, not from concentrated power.

⁹³ International Monetary Fund, Article IV consultations with the Republic of Moldova, country reports from the 2000s. <https://www.imf.org/en/Countries/MDA>

⁹⁴ IMF, Article IV consultations (2005–2008); World Economic Outlook — the decomposition of the sources of growth. <https://www.imf.org/en/Countries/MDA>

⁹⁵ EBRD, “Transition Report 2008: Growth in Transition”; World Bank, “Golden Growth: Restoring the Lustre of the European Economic Model,” 2012.

⁹⁶ World Bank, “Moldova Trade Diagnostic Study” (2004); CEM 2005, op. cit.

Case Studies

Case Study

The return of the Communists and the model of control

The Party of Communists came to power in 2001 with a comfortable, democratically won majority, a reflection of the social demand for stability and order after the rising poverty of the 1990s. The government bet on a larger economic role for the state and on redistribution, which brought a measure of predictability and answered a real need of a population weary of instability and crises. At the same time, it delayed structural reforms, kept extensive control over the economy, and perpetuated the dependence on remittances as the engine of growth. The model worked as long as remittances were rising and regional markets were recovering, but its fragility surfaced with the 2009 crisis, when the remittance-based growth engine broke down.

Case Study

Economic growth on paper, without real transformation

The growth rates of the early 2000s seemed to confirm the model's success and were held up as proof of recovery. Looked at more closely, they rested on consumption, trade, and services fed by diaspora money, far less on industry, investment, or diversified exports. Productive investment stayed modest, the industrial base kept eroding, and the trade deficit kept widening — a sign that the economy was consuming far more than it produced. Growth was a fact and it improved people's lives, but it was not building the capacity to sustain itself, and the postponement of institutional reforms would leave the economy just as exposed to the next external shock.

13. The Remittance Economy and Consumption as the Engine of Growth

2002–2004 — *The world's highest dependence on remittances*

+1

Impact Score

Net impact on development: *Moderately positive impact (scale -3 ... +3)*

The net impact is rated moderately positive. Diaspora transfers lifted millions of people out of poverty and sustained consumption, with remittances reaching around 34.5% of GDP in 2006, against a world average of roughly 5%. But the same dependence entrenched an economy that consumes more than it produces, sensitive to every international crisis. The social benefit, real and immediate, is offset by structural fragility.

Description

Between 2002 and 2008, the remittance economy became the defining feature of the Moldovan model, and diaspora transfers became the country's largest financial inflow.⁹⁷ As migration intensified, the money sent home grew strongly, to a share without equal in the world. The Republic of Moldova was repeatedly ranked the most

remittance-dependent country, with a peak of around 34.5% of GDP in 2006, against a world average of roughly 5%.

Remittances worked as an engine of consumption and a force for poverty reduction, but they also shaped the structure of the economy. Diaspora money fed demand for goods and services, trade, construction, and real estate;

⁹⁷ World Bank, WDI — personal remittances received, % of GDP (BX.TRF.PWKR.DT.GD.ZS). <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=MD>

it steered growth mainly toward consumption and low-value-added activities, and the state had little means of influencing how the remittance flows were channeled.

The most visible effect was the construction boom, financed directly by the money sent home.⁹⁸ Villages filled with new or renovated houses, often used only a few weeks a year, while in Chişinău the real estate market surged on diaspora demand. The phenomenon created jobs in construction and trade, but it tilted the economy toward low-value-added activities.

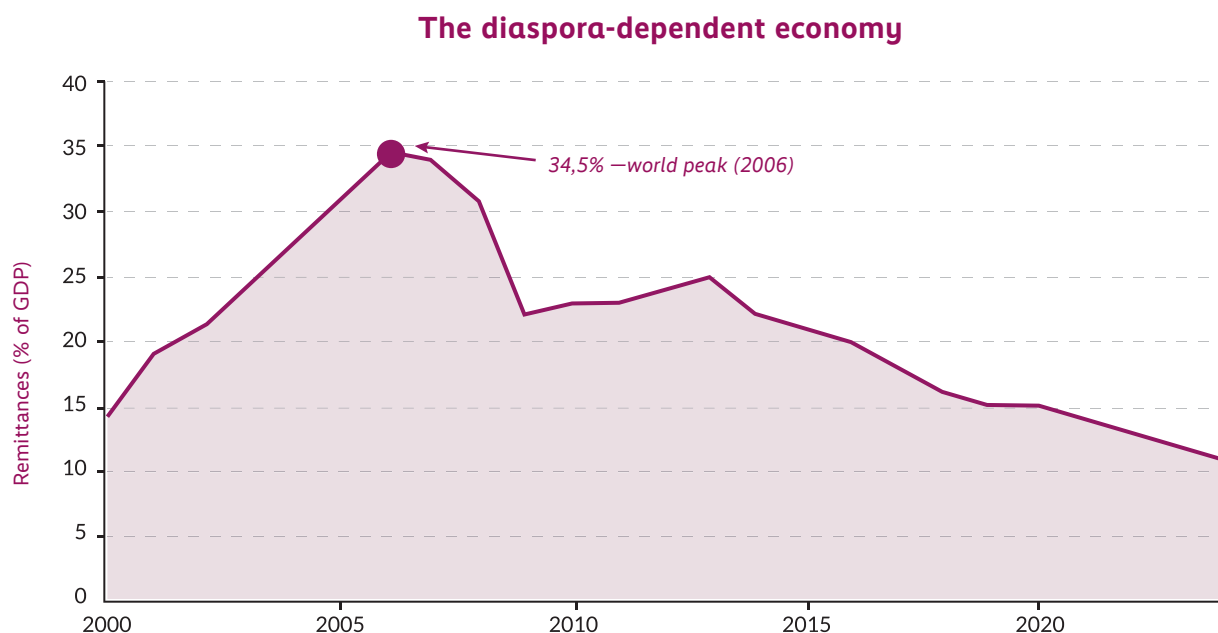
The dependence generated a structural imbalance between consumption and production. Demand was financed largely from abroad while domestic supply stayed weak, so the excess demand spilled over mostly into imports and deepened the trade deficit. The model produced apparent prosperity, but it sustained fragility and discouraged deep transformation.

The model's statistical imprint shows in the external accounts: at the height of the boom, import volumes were growing at more than 20% a year (21% in 2005), over twice as fast as exports (8%), and the current account deficit was widening toward 7.5% of GDP (2005) despite record diaspora transfers. Remittances, in other words, financed not so much the accumulation of productive capital as a permanent excess of consumption over production — the statistical definition of a model that every subsequent crisis would put to the test.⁹⁹

Remittances also had a macroeconomic effect on the exchange rate and on competitiveness. The steady inflow of foreign currency propped up the leu, which made imports cheaper and exports less competitive — a mechanism through which remittance dependence contributed, indirectly, to the weakening of domestic production for export.

In 2006, remittances reached 34.5% of GDP, the world's highest share at the time — in a virtual tie with Tajikistan (34.5% versus 34.48%, according to the current World Bank series).¹⁰⁰

Fig. 4



Source:
World Bank, NBM, annual values

⁹⁸ NBS — construction statistics; NBM — money transfers from abroad in favor of individuals, monthly series. <https://www.bnm.md>

⁹⁹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (import and export volumes, current account balance — which incorporates the trade balance in goods and services, 2002–2008) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

¹⁰⁰ World Bank, World Development Indicators, indicator BX.TRF.PWKR.DT.GD.ZS (personal remittances received, % of GDP): Moldova — 34.5% in 2006, the historical high of the series; Tajikistan — 34.48% in the same year. World Bank reports at the time (December 2007) ranked Moldova first in the world, with remittances at 36.2% of GDP. <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=MD-TJ>

Over the past decade, the weight of remittances in the Moldovan economy has been falling as emigration shifts ever more from circular to permanent. Since 2014, a sustained structural decline in personal remittances relative to GDP has taken shape, from ~23% to about 10.5% in 2024 — effectively a halving in ten years — driven partly by GDP growth (a denominator effect) but, above all, by the reorientation of migration from Russia toward the European Union and by the maturing of the diaspora: as temporary work stints gave way to permanent settlement and family reunification, the propensity to send money home declined. The trend matters because it points to a transition from the circular-migration model with massive remittances, a pillar of rural poverty reduction in the 2000s, toward an increasingly permanent emigration in which the diaspora grows in numbers while its direct financial contribution, relative to the country's economy, steadily shrinks.

Impact

Remittances reduced poverty and supported stability, but they cemented a vulnerable model and fed the dependence on migration.¹⁰¹ Hundreds of thousands of households lived better, while the economy became hostage to a flow sensitive to international crises, as 2009 made especially plain. Seen in perspective, the dependence would ease gradually: from around 34.5% of GDP in 2006, the remittance share slid toward 15% by 2020 as exports, services, and investment gained ground in the structure of the economy. The normalization has been slow and incomplete — remittances remain a pillar of household income — but the trend confirms that the remittance-based model is running out of steam.¹⁰²

The currency inflow moved the exchange rate and widened the trade deficit, as the extra demand went overwhelmingly to imports. This mechanism hurt the competitiveness of domestic production and reinforced the structure of an economy that consumes rather than produces.

In the labor market, remittance dependence at times discouraged participation and encouraged emigration. Income from abroad in some cases eased the pressure to look for work at home and thus fed the very phenomenon that generated it, a circle hard to break without domestic opportunities.

Remittances also bred a certain passivity in economic policy by masking the need for reform. As long as exter-

nally financed consumption was sustaining growth and reducing poverty, the pressure for structural reform stayed low, which postponed the building of a productive, diversified economy.

Regional and International Context

Measured by the weight of remittances in its economy, Moldova ranked for years among the top countries in the world, alongside Tajikistan, Kyrgyzstan, and Nepal — unusual company for a European country. Within Europe, its degree of dependence was unique, the mark of an economy exporting its labor instead of its products. This extreme dependence set it clearly apart from its neighbors in the region.

The comparison with Romania and Poland clarifies the difference between remittances that supplemented local incomes and remittances that replaced them. Those countries, too, received large sums from citizens abroad, but as a smaller fraction of large, diversifying economies, where the transfers complemented growth led by investment and exports. In Moldova, remittances did not complement a development engine so much as replace it, which explains why poverty reduction did not translate into real economic convergence with Europe.¹⁰⁴

Lessons Learned

No external income flow, however substantial, can substitute for a domestic productive base and a job-generating economy.¹⁰⁵ Remittance dependence brought welfare, but it perpetuated vulnerability and masked structural weaknesses; the policy answer is to channel remittances into investment and to encourage saving.

The dependence must be reduced over time, through opportunities that keep workers home and draw the diaspora back. Long-term sustainability means moving from the export of labor to putting human capital to work at home.

Welfare financed from abroad should not postpone reforms; it should pay for them. The lesson is that periods of strong remittance inflows should be used to invest in productive capacity and in institutions, so that a passing windfall becomes a base for durable growth.

Remittances can serve as a safety net for a vulnerable economy and a population without economic alterna-

¹⁰¹ IMF, Article IV consultations with the Republic of Moldova — the “Selected Issues” chapters on remittances (2005–2008). <https://www.imf.org/en/Countries/MDA>

¹⁰² Expert-Grup, “State of the Country Report 2021” — remittances’ share of GDP fell from around 30% in 2006 to around 15% by 2020. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

¹⁰³ World Bank, “Migration and Remittances Factbook 2008” — the global ranking of remittance dependence. <https://www.knomad.org>

¹⁰⁴ National Bank of Moldova, Balance of Payments of the Republic of Moldova, annual series; IMF, Article IV consultations with the Republic of Moldova (the “Selected Issues” chapters on remittances). <https://www.bnm.md>

¹⁰⁵ World Bank / KNOMAD, the “Migration and Development Brief” series; UNDP Moldova, National Human Development Report 2011 — migration and development. <https://www.knomad.org>

tives, but they are also a macroeconomic vulnerability: they ease poverty without building development capacity. The public policy challenge, still unresolved today, is to channel these flows from consumption into productive investment and entrepreneurship. A sustainable model means gradually reducing remittance dependence by creating at home the opportunities whose absence drove people

to leave. The natural decline of remittances' weight in the economy has hastened the erosion of the country's growth and forces structural reforms to proceed under far more austere conditions than if they had been carried out when personal remittance inflows, relative to the size of the economy, were far more substantial.

Case Studies

Case Study

The construction boom financed by the diaspora

Nowhere was diaspora money more visible than in construction. Villages filled with new or renovated houses, often used just a few weeks a year when the family came home on vacation — symbols of success abroad, raised in an otherwise stagnant local economy. In Chişinău, the real estate market boomed on externally financed demand, with prices climbing fast year after year. The boom created jobs in construction, trade, and services, but it steered the economy toward low-value-added activities instead of channeling remittances into productive businesses, education, or savings — a missed chance to turn a passing flow into a foundation for development.

14. The Administrative-Territorial Counter-Reform: The Return to Raions

2003 — The recentralization that held back local development

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative, with effects still felt two decades on. The return to raions fragmented local administration into small, fiscally weak units, raised operating costs, sharpened local authorities' subordination to the center, and fed political clientelism, to the detriment of local and regional development. The score reflects the structural, persistent character of these costs, tempered by the fact that the reform did not directly touch the macroeconomic engines of growth in that period.

Description

The administrative-territorial reform of 1998 (Law No. 191-XIV of November 12, 1998) had replaced the Soviet legacy of raions with nine counties — ten after the creation of Taraclia County, in October 1999 — plus the municipality of Chişinău and the ATU of Gagauzia: larger units with administrative and fiscal critical mass, aligned

with European regionalization practice and welcomed by the Council of Europe. Implemented with the 1999 local elections, the new architecture was just beginning to settle when the change of government sealed its fate.¹⁰⁶

The counter-reform came through Law No. 764-XV of December 27, 2001: the new government decided to return to 32 raions, and once the constitutional challenges were

¹⁰⁶ Law No. 191-XIV of November 12, 1998 on the administrative-territorial organization of the Republic of Moldova (9 counties, or judeţe, plus Taraclia county from October 22, 1999); Law No. 764-XV of December 27, 2001 on administrative-territorial organization (the return to 32 raions, implemented at the local elections of May 2003).

cleared, the change took effect with the local elections of May 2003. The official argument — bringing administration closer to the citizen — masked the political rationale: small units, dependent on transfers from the state budget, are easier to control from the center. The Congress of Local and Regional Authorities of the Council of Europe explicitly criticized the operation, adopted without genuine consultation, contrary to the spirit of the European Charter of Local Self-Government.¹⁰⁷

The structural costs were immediate and persistent. The average raion numbers a few tens of thousands of inhabitants — below the administrative efficiency thresholds used in European practice — and the overwhelming majority of the roughly nine hundred mayoralties have fewer than five thousand residents, while own revenues cover a minor fraction of local budgets, the rest arriving as transfers from the center. Fragmentation multiplied the administrative apparatus, diluted competences, and turned every local budget into an object of political bargaining. This prepared fertile ground for political clientelism.

As a result of the “anti-reform,” the gap between Chișinău and the rest of the country widened steadily, and later decentralization efforts — the National Decentralization Strategy of 2012, the commitments made in the accession process — ran invariably into the same fragmented map. Voluntary amalgamation of mayoralties, promoted by development partners, made negligible headway, and the debate over a new territorial reform, dodged by every government out of electoral calculation, remained one of the country’s great unfinished structural tasks. A significant turning point comes in 2026 itself, when the government has committed to launching and carrying out this reform.

Impact

The fiscal and administrative cost of fragmentation is permanent: dozens of raion administrations and hundreds of small mayoralties maintain parallel bureaucracies, absorbing in running costs resources that could have financed services and investment. The capacity to attract and manage projects — from external funds to capital investment — remains concentrated in a few urban centers, and the rest of the territory depends on the center’s decisions and goodwill.

Local authorities’ financial dependence on transfers from the center became the transmission mechanism of political clientelism: discretionary allocations rewarded loyalty and punished opposition, whatever the government’s color. This logic weakened local officials’ accountability to citizens — administrative performance matters less than the relationship with the center — and discouraged competition on the merits of projects.

Over the long run, the counter-reform deprived the country of regional development poles. Without units of criti-

cal mass, mid-sized towns could not act as zonal engines, internal migration flowed almost exclusively toward the capital and abroad, and regional development remained a chapter in strategy documents more than a reality — a visible contrast with Poland, where consolidated voivodeships became the interface for absorbing European funds.

Regional and International Context

Moldova moved against the European current. While the states preparing for accession were consolidating their administrations — Poland had created a system of 16 strong voivodeships in 1999, and Denmark, Latvia, and Estonia would later radically merge their municipalities for efficiency and capacity — Moldova was refragmenting, in 2003, a map that had barely taken hold. The consequence showed exactly where European money was at stake: small administrative units can neither co-finance nor implement projects of any scale.

The case is a defining illustration of how reforms fared in Moldova’s transition: institutional reforms are reversible when they do not last long enough to produce visible benefits and beneficiaries ready to defend them. The counties existed too briefly to build a constituency, while the costs of the administrative transition were felt at once — an asymmetry that any future structural reform must manage through sequencing and communication.

Lessons Learned

Administrative-territorial architecture is economic infrastructure, not merely a matter of internal organization: the size and capacity of units determine who can plan, co-finance, and implement development. Excessive fragmentation condemns the territory to dependence on the center.

Structural reforms must be shielded from the electoral cycle. The undoing of the 1998 reform at the first change of government shows how vulnerable institutional change is without broad political consensus and quickly visible benefits. Consensus and sequencing matter as much as the technical design.

Real decentralization means resources and competences, not just units on a map. The administrative reform now under way must combine territorial consolidation with fiscal autonomy; otherwise it will reproduce, at a different scale, the same dependence on the center.

Territorial reforms must be designed for balance, so that their benefits are spread across the whole territory rather than concentrated in the new administrative centers — otherwise the reform manufactures the social base of its own undoing. The perception that spread through society after the 1998–1999 reform — that the new architecture had benefited almost exclusively the county seats, while

the former raion centers, demoted to ordinary localities within the counties, were losing their institutions, their administrative functions, and convenient access to services — turned these peripheries into a coalition of the aggrieved, ready to welcome the return to raions.¹⁰⁸ The absence of genuine financial and fiscal decentralization, with competences transferred without the means to match, fed the feeling that the center wins and the periphery loses — ground on which electoral populism thrived.¹⁰⁹ The lesson is that a

structural reform endures only if it produces visible beneficiaries in as many communities as possible, not just in a few urban poles: without compensating mechanisms for the localities that lose administrative status — secondary service hubs, cohesion investments, guarantees of access — the asymmetry between winners and losers itself becomes the cause of reversal. The territorial balance of costs and benefits is therefore not a matter of fairness but a condition of political sustainability for any future reform.

Case Studies

Case Study

Counties that lasted four years

Moldova's counties had one of the shortest administrative lives in Europe: created by the law of November 1998 and staffed with institutions after the 1999 elections, they were abolished in law in December 2001 and in practice in May 2003. In less than one full term, the administration was reorganized twice — with all the attendant transition costs: buildings, staff, archives, competences transferred and transferred back. For investors and development partners, the episode was a lesson in the reversibility risk of Moldovan reforms; for local government, the start of a long period of subordination to the center from which it has not emerged to this day.

15. The Geopolitical Reorientation: The EU–Moldova Action Plan

2005 — The first institutional step toward Europe

+1

Impact Score

Net impact on development: *Moderately positive impact (scale –3 ... +3)*

The net impact is rated moderately positive. The Action Plan produced no immediate economic effects, but it anchored the domestic reform agenda to European benchmarks and set up monitoring mechanisms that kept up steady pressure for modernization. The score reflects a strategic benefit: the gradual opening of an alternative to dependence on the former Soviet space, one that became vital after the Russian embargoes.

Description

The adoption of the European Union–Moldova Action Plan in 2005 marked the country's first structured move toward European standards.¹¹⁰ Framed within the European Neighbourhood Policy, the document set reform priorities in areas such as the rule of law, a functioning market

economy, and trade. Though it offered no membership perspective, it anchored the reform agenda to European benchmarks for the first time.

The institutional milestones of the reorientation came in quick succession. The EU–Moldova Action Plan was signed on February 22, 2005, the first bilateral document to

¹⁰⁸ Reforma administrativă: de la raioane la județe, iar la raioane. Ce urmează? [The administrative reform: from raions to counties and back to raions. What comes next?], Radio Europa Liberă Moldova, 2021 — citizens' accounts of the difficulty of traveling to the county seats and of the loss of convenient access to services as a factor in the reform's rejection. <https://moldova.europalibera.org/a/reforma-administrativ%C4%83-de-la-raioane-la-jude%C8%9Be-iar-la-raioane-ce-urmeaz%C4%83-/31603786.html>

¹⁰⁹ De ce nu mai avem județe? Factorii care au dus la eșecul reformei [Why do we no longer have counties? The factors behind the reform's failure], Observatorul de Nord (interview with the political scientist Victor Juc) — "They were given responsibilities, but not the means to carry them out"; the populist exploitation of the theme of distance from the county seat. <https://observatorul.md/de-ce-nu-mai-avem-judete-factorii-care-au-dus-la-esecul-reformei>

¹¹⁰ Comisia Europeană, „European Neighbourhood Policy — Strategy Paper”, COM(2004) 373 final, 12 mai 2004. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52004DC0373>

make closer ties with the Union conditional on concrete, verifiable domestic reforms; the same year, the Union opened its Delegation in Chişinău and launched, together with Ukraine, the EUBAM border assistance mission; and from March 2008, autonomous trade preferences unilaterally opened the European market to most Moldovan products and prepared the ground for the future free trade area.

The reorientation came in a tense context, one in which even a government with statist roots recognized the benefits of drawing closer to the EU. Tensions with Russia, over the Transnistrian question and soon over trade as well, strengthened the case for diversifying external relations at a time when the development model tied to the former Soviet space was running out of potential.

From an economic standpoint, the Action Plan mattered less for any immediate benefits than for creating the architecture of conditionality that tied domestic reforms to access to the EU's market and resources. The document put the consolidation of a functioning market economy at the center of the agenda: improving the investment climate, cutting administrative barriers, fighting corruption as a cost burden on business, reforming the tax and regulatory systems, and resuming cooperation with the international financial institutions (the IMF, the World Bank), essential for an economy still marked by post-transition vulnerabilities and dependence on remittances. In practice, the Plan turned economic reform from an abstract objective into a list of monitorable actions, and gave the government in Chişinău both a technical framework and an external incentive to pursue them.

Closer ties with the EU also took practical form at the border.¹¹¹ The launch in 2005 of the European Union Border Assistance Mission (EUBAM) was meant to support control of the Transnistrian segment of the border, curb smuggling, and make trade flows more transparent. The European presence showed that the reorientation brought more than declarations: it brought instruments with real effects on the economy and on security.

The document set off a process of regulatory and institutional convergence that, though slow and uneven, laid the groundwork for the steps that followed. The Association Agreement, the free trade area, and visa liberalization all flowed from this reorientation, which, a decade and a half later, would become the central vector of national policy.

The reorientation also consolidated a domestic coalition in favor of integration, with a growing social base. Civil society, the exporting business community, and part of the political class found in the European agenda a benchmark for modernization, and the Western diaspora, then taking

shape, would later become a decisive source of support. This coalition carried the European course through all the turbulence that followed.

Impact

The impact was mostly institutional and strategic: the Plan established a frame of reference for domestic reforms. The mechanisms of monitoring and dialogue with the Union kept up steady pressure to modernize the regulatory framework, and the results, though uneven, made European standards a benchmark for public policy.

The most tangible economic result of this framework came in trade. The Plan opened the prospect of expanded preferential access to the European market, conditional on reform progress, a logic that took concrete shape in 2006 with Moldova's inclusion in the GSP+ scheme (Generalized System of Preferences Plus) and then in 2008 with the granting of Autonomous Trade Preferences (ATP).¹¹² These instruments gave Moldovan exports easier entry, free of customs duties and quotas for many product categories, at a critical moment: in precisely this period Moldova was facing the Russian embargoes on wine and agricultural products (2005–2006), which brutally exposed the risk of depending on a single export market. The framework of the EU–Moldova Action Plan thus offered a release valve for redirecting trade toward the West, with long-lasting structural effects on the economy.

The process also cemented a domestic coalition in favor of integration, with lasting effects on the country's politics. That the European orientation survived changes of government, the capture of the state, and external pressure owes much to the institutional anchoring begun in 2005. A notable moment in this respect was the Declaration on the Political Partnership for Achieving the Objectives of European Integration, adopted by the Parliament of the Republic of Moldova on March 24, 2005.¹¹³ It records the consensus of all parliamentary factions on the gradual and irreversible pursuit of the strategic course of European integration. In 2014, the Constitutional Court invoked the Parliament's Declaration of March 24, 2005, in reconstructing the legal and political course of Moldova–EU relations, to illustrate the continuity and consensual character of the European vector; it then rejected the challenge brought by the Party of Communists of the Republic of Moldova (PCRM) and upheld the constitutionality of the Moldova–EU Association Agreement.

The Action Plan's most valuable effect was not immediate but long-range: it created the basis for reforms and the institutional network on which, a decade later, the Association Agreement and the membership bid could

¹¹¹ EUBAM — annual activity reports of the EU Border Assistance Mission (since 2005). <https://eubam.org>

¹¹² Expert-Grup — analytical note on the EU's trade preferences for the Republic of Moldova (GSP+, ATP), Expert-Grup library: https://www.expert-grup.org/ro/biblioteca/item/download/811_aff5120a898a33c277a81026f16a556d

¹¹³ Parliament of the Republic of Moldova — Declaration on the political partnership for achieving the objectives of European integration, March 2005: <https://www.oid1.parlament.md/news/25.03.2005/>

be built. External anchoring gave the reforms a direction and a timetable that wavering domestic political will could not supply on its own. The 2005 step was modest in scale but important, because it set the strategic course of European integration.

Regional and International Context

The year 2005 sealed a fundamental division of postcommunist Europe: in 2004, eight Central European and Baltic states had become members of the European Union, while for the neighbors left outside — Moldova, Ukraine, Georgia — the European Neighbourhood Policy was created, a framework that offered proximity but not belonging to the EU community. Moldova was thus formally placed a category below the former communist countries that had already “graduated” into the Union. The distance was not merely economic; it was institutional.

This placement laid bare the gap of roughly 15–20 years separating Moldova from Central Europe’s trajectory. While Poland and the Czech Republic were already reaping the benefits of accession — structural funds, investment, access to the single market — Moldova was receiving a “neighborhood” that guaranteed it no European perspective. The moment coincided with the Orange Revolution in

Ukraine (2004), a sign that the countries of Eastern Europe **were seeking a Western orientation at the same time, but from far weaker positions than Central Europe’s a decade earlier.**¹¹⁵

Lessons Learned

Anchoring domestic reforms to credible external benchmarks can partly offset a deficit of homegrown reformist will.¹¹⁶ European conditionality and monitoring provided a framework of discipline for public policy, which argues for using the accession process to the full as a lever of reform.

The European course advances only when it is pursued with consistency. Begun in 2005, the process sped up and stalled with each political configuration, a sign that strategic national objectives require a durable consensus, shielded from the swings of the moment.

Strategic reorientation is a long-term process, not a single act. The lesson is that founding decisions, such as the 2005 Action Plan, acquire value only if consistent steps follow. The right direction, toward European integration, had to be confirmed again and again before it produced effects: proof of how much strategic continuity matters.

Case Studies

Case Study

EUBAM, the EU’s eyes at the border

The turn toward Europe also took practical form through the European Union Border Assistance Mission (EUBAM), launched in 2005 to help control the Transnistrian segment of the border, which Moldova shares with Ukraine. The European presence aimed to curb smuggling, make trade flows more transparent, and introduce modern control practices, with direct effects on budget revenues and security. The mission showed that closer ties with the Union delivered more than declarations and promises — concrete instruments and technical assistance — and it offered an early model of co-operation in which European standards translated into visible change on the ground.

Case Study

Trade preferences, the first tangible benefit

Closer ties with the Union opened the way to trade preferences that lowered duties on Moldovan exports to the European market, the reorientation’s first palpable economic benefit. For exporters battered by the unpredictability of the Russian market and by the wine embargo, preferential access to the European market was starting to become a real alternative rather than a geopolitical aspiration. These concessions prepared the ground for the later free trade area and demonstrated, in practice, the logic of diversification: a stable market with clear rules and no political blackmail was worth more in the long run than a large but unpredictable one, where any tension could turn into an embargo.

¹¹⁴ EU–Moldova Cooperation Council, the EU–Moldova ENP Action Plan, adopted on February 22, 2005; European Commission, COM(2004) 373 final. <https://www.eeas.europa.eu>

¹¹⁵ Schimmelfennig, F., Sedelmeier, U., “The Europeanization of Central and Eastern Europe,” Cornell University Press, 2005 — the difference between accession conditionality and neighborhood conditionality.

¹¹⁶ European Commission, ENP annual progress reports on the Republic of Moldova, SEC/SWD series, 2006–2013. <https://www.eeas.europa.eu>

16. The Russian Wine Embargo and Export Vulnerability

2006 — The crisis that forced diversification

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative. The embargo sent wine production down by around 40% (2007 versus 2005), pushed a quarter of the wineries into bankruptcy, and hit a sector that, together with related activities, provided incomes for around 250,000 people. The score goes no lower because the shock forced a beneficial reorientation toward European markets and a rise in wine quality: a real blow, followed by an adaptation that strengthened the wine industry over time.

Description

The embargo Russia imposed on March 27, 2006, struck the main agri-food export, wine, at a time when around 75% of these exports went to the Russian market.¹¹⁷ Officially justified by alleged quality problems, the embargo had a political subtext: it was read as retaliation for Moldova's rapprochement with the EU and for Chișinău's attempt to bring goods from the Transnistrian region under customs control.

In 2005, wine was the country's leading export product, accounting for roughly 19.1% of the total value of the Republic of Moldova's exports. The IMF used a broader category, "wines and alcoholic beverages," which totaled \$314.7 million, equivalent to about 28.5% of goods exports. In 2006, exports in this category fell to just \$150.4 million, a drop of approximately 52% in a single year. As a result, the share of wines and alcoholic beverages in goods exports halved, to about 14.4%. Wine production shrank year after year, and output in 2007 was 40% below the level of the year before the embargo.

For the wineries, the embargo meant orders lost overnight, production cut back, and new importers to be found on very short notice. The shock spread to grape growers, bottle and packaging suppliers, transport firms, and other activities dependent on the wine industry. Breaking into Western markets, however, was costlier: it required adapting the taste and style of the wines, raising quality, obtaining certifications, investing in design and marketing, and building relationships with distributors.

The embargo was renewed in 2013, confirmation that the Russian market could no longer be counted on as a part-

ner.¹¹⁸ The recurrence of the measure, each time at a moment of rapprochement with the EU, turned dependence on a single client into a permanent strategic vulnerability. That reality hastened the sector's decision to reorient once and for all toward Western markets.

The embargo exposed the vulnerability of concentrating exports on a single market and forced a strategic turn toward European and international markets. Stripped of the Russian market, the sector had little choice but to raise its quality standards, diversify its outlets, and rebuild its commercial identity — a grinding process in the short term, but one that ultimately strengthened its resilience.

Over time, the rebuilding of the wine sector became the most cited case of successful diversification.¹¹⁹ Wineries such as Purcari and Cricova, along with smaller producers, invested in quality, packaging, and certifications, and a decade after the embargo Moldovan wine was winning international medals and selling in Romania, Poland, and other EU states, as well as in the United States and China. The sector's story became a model for the entire economy.

The Russian embargo of March 2006 struck Moldovan exports at their most sensitive point: wine, the largest export category, with around three-quarters of sales bound for the Russian market. Officially justified on sanitary grounds, the embargo in reality had a clear political dimension: it was applied simultaneously to Moldova and Georgia, both on a Western trajectory, and it tracked the tensions around the Transnistrian question. It was a demonstration of how trade dependence, itself a major economic vulnerability, can be turned into a weapon by those with hostile intent.

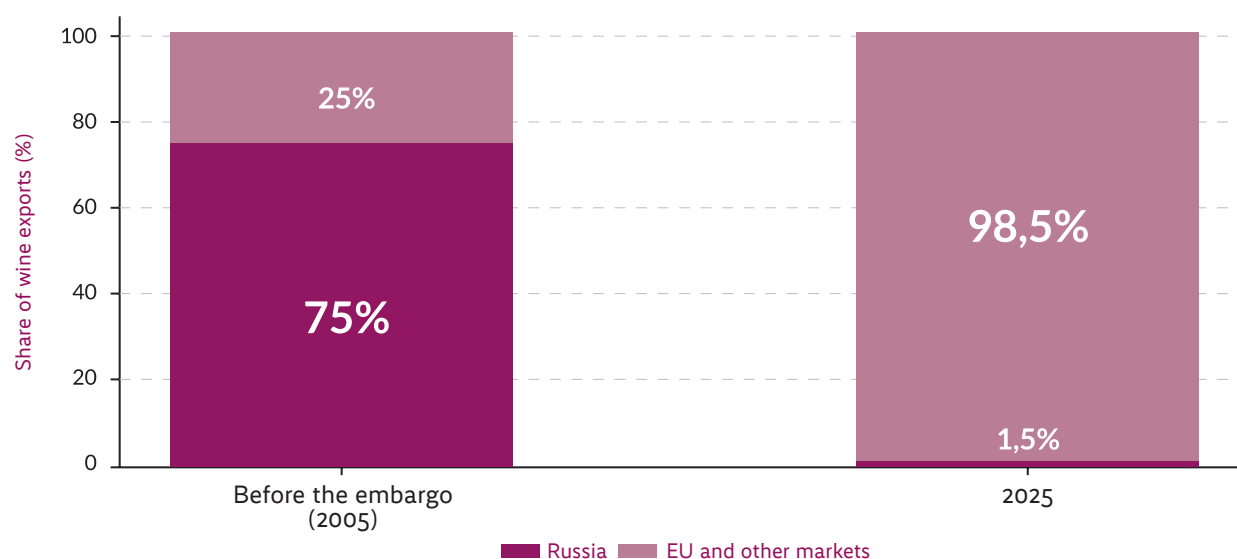
¹¹⁷ NBS, foreign trade — exports of alcoholic beverages by destination (2005–2007); EBRD and IMF, the 2006–2007 assessments of the embargo's impact. <https://statistica.gov.md>

¹¹⁸ National Office for Vine and Wine; NBS — wine exports after the September 2013 embargo. <https://wineofmoldova.com>

¹¹⁹ National Office for Vine and Wine — sectoral statistics and export registers by destination. <https://wineofmoldova.com>

The embargo pushed wine exports away from Russia and toward European and international markets.

The 2006 embargo: from crisis to diversification



Source:
calculation based on ONVV and NBS data

Impact

The immediate blow was a sectoral crisis of financial losses, bankruptcies, and layoffs, felt acutely in the countryside. The wine sector, part of the country's economic and cultural identity, was hit along the entire chain, from grape growers to exporters.

At the macroeconomic level, the Republic of Moldova's growth slowed from 7.5% in 2005 to about 4.8% in 2006 and just 3% in 2007 (the effects of drought). This slowdown cannot be attributed entirely to wine, however, because over the same period the price of natural gas imported from Russia rose sharply. The EBRD estimated that the embargo and costlier gas, taken together, helped slow economic growth and cut industrial output by 6.9% in 2006.¹²⁰ The IMF estimated¹²¹ that the embargo's effect on the balance of payments was on the order of 6.5% of GDP in 2006–2007, measured against a scenario in which exports had continued unrestricted. Combined with the gas shock, the external losses could shave roughly 2–3 percentage points off annual growth. In 2006, the trade deficit widened by 36.7%, and the current account deficit rose from about 10.3% to 12% of GDP.¹²²

Over the medium term, the crisis catalyzed a transformation of the industry through reorientation toward Western markets and investment in quality and branding.¹²³ Russia's shrinking share and rising exports to the EU and other

markets made the sector a success story of diversification.

The embargo also strengthened the strategic case for preferential access to the European market, later confirmed through the free trade area. The lesson of trade vulnerability sped up the country's geoeconomic reorientation and supplied one more argument for European integration.

The crisis also had a maturing effect on the entire export-oriented business community. Faced with the sudden loss of a market, firms learned the value of diversification and of compliance with international standards, a lesson that spread beyond the wine sector into agriculture and light manufacturing.

In the end, though the immediate shock was severe, with losses in the hundreds of millions and a crisis across the whole sector, the embargo forced a diversification the industry had never undertaken of its own accord. Pressed to find new markets, the wineries gradually turned to the European Union and other destinations, upgraded their quality, and rebuilt their brand. A decade on, the European market would become the main destination for Moldovan wine.

Regional and International Context

The use of trade embargoes as an instrument of geopolitical pressure was a constant of Russian policy toward neighbors turning West. In 2006, the same measure hit

¹²⁰ EBRD, Strategy for Moldova, approved by the Board of Directors on September 4, 2007.

¹²¹ IMF Country Report No. 07/275, August 2007, https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2007/_cr07275.pdf

¹²² World Bank, World Development Indicators — GDP growth: 7.5% (2005), 4.8% (2006). <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

¹²³ World Bank, "Moldova Trade Study" (2016) — notes on the competitiveness of agri-food exports <https://documents.worldbank.org>

Moldova and Georgia simultaneously; years later, similar trade restrictions would again target Moldovan products (2013–2014) and Ukrainian ones. Georgia followed a trajectory parallel to Moldova's: struck by the embargo, it diversified its exports toward European and Asian markets and sped up its own Western turn.¹¹⁴

The decisive contrast is with the states already inside the European single market, which were all but immune to such pressure. A Polish or Romanian producer could not be hurt nearly as much by a hypothetical political embargo from a partner, because its access to a market of hundreds of millions of consumers was guaranteed by Union membership. The 2006 embargo thus illustrated, in the most concrete way possible, the economic value of integration: the difference between being a captive seller on a single unpredictable market and being a full-fledged EU member with access to the world's largest market.¹²⁵

Lessons Learned

Dependence on a single export market turns trade into a politically exploitable vulnerability.¹²⁶ The concentration of wine exports on the Russian market allowed an external

decision to set off a domestic crisis, which makes market diversification a matter of economic security policy.

A crisis can catalyze modernization if it is accompanied by investment in quality and by access to alternative markets. The rebuilding of the wine sector on European foundations shows that external shocks can be converted into opportunities, a model relevant to the entire economy.

Resilience is built through diversification and standards, not by returning to old dependencies. The lesson of the embargo is that the answer lay not in going back to the Russian market but in raising quality and conquering new markets. The same logic of adaptation and integration went on to guide the country's entire economic course.

The 2006 embargo repeated, in blunter form, the lesson of 1998: dependence on a single market is a vulnerability that can be exploited politically at any moment. The diversification forced by the crisis should have been a voluntary strategic choice. The lesson, valid for any sector and any market, is that resilience is built before the shock, not after it, and that excessive export concentration is a risk to economic security, not merely a commercial vulnerability.

Case Studies

Case Study

The decision in Moscow and the pivot to the West

The March 2006 embargo, announced by Russia's sanitary authority on the pretext of quality problems, was followed in 2013 by a second ban, which convinced the sector once and for all that the Russian market could no longer be a reliable partner. Each time, the measure came at a moment of rapprochement with the EU, and that timing gave away its political subtext. Wineries such as Purcari and Cricova, along with dozens of smaller producers, invested in quality, packaging, grape varieties, and certifications for Western markets, and overhauled their strategy from the ground up. The reorientation was painful in the short run, with bankruptcies and losses, but it turned a vulnerable sector dependent on a single client into a more competitive, more diversified one.

Case Study

Wine of Moldova and the birth of the ONVV: governance as the answer to the embargo

*The institutional response to the Russian embargoes came through a reform of the sector's governance. The Law on Vine and Wine No. 57/2006, amended by Law No. 262 of July 16, 2012, created the National Office for Vine and Wine (ONVV), a public-private institution that became fully operational in 2014, and the Vine and Wine Fund, financed by producers' mandatory contributions matched by an equivalent allocation from the state budget. On December 17, 2013, the national brand "Wine of Moldova. A Legend Alive" was launched, and external promotion, quality certification, and participation in international competitions and fairs were all aligned under it. The results have been striking: Moldovan wines now sell in around 75 countries, Russia's share of wine exports has fallen below 10%, and the European Union absorbs around 60% — a transformation the embargoes set in motion, but that joint public-private governance made irreversible.*¹²⁷

¹²⁴ National Office for Vine and Wine; the chronology of the Russian embargoes on Moldovan wine (March 27, 2006; September 2013). <https://wineofmoldova.com>

¹²⁵ World Bank, "Moldova Trade Study" (2016); EBRD, Transition Report 2007 — the reorientation of Georgian and Moldovan exports after the Russian embargoes.

¹²⁶ National Bureau of Statistics, industrial production, 2006. <https://statistica.gov.md>

¹²⁷ Law on Vine and Wine No. 57-XVI/2006, amended by Law No. 262 of July 16, 2012; Government Decision No. 725 of September 16, 2013 on the National Office for Vine and Wine; the "Wine of Moldova. A Legend Alive" brand was launched on December 17, 2013, with USAID support (the CEED II project). <https://wineofmoldova.com/en/about-onvv/>

17. The 2007 Tax Amnesty and Capital Legalization

2007 — A minuscule budget gain, a lasting moral hazard

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative. The direct budget gain was negligible — around 18 million lei collected from legalization, out of legalized capital of just 360 million (against an estimated “\$1 billion”), while the state wrote off some 4.4 billion lei in debts. The main cost was the erosion of tax discipline and tax morale, alongside the money laundering risk flagged by the IMF. The score also factors in the institutional precedent, which fed the 2016 attempt, ultimately rejected.

Description

The 2007 tax amnesty was among the most ambitious and most controversial fiscal policy interventions in the Republic of Moldova’s post-independence history. Announced by President Vladimir Voronin in the spring of 2007 and adopted by Parliament through a package of laws that summer, it was part of a sweeping tax reform presented as a “reset” of the relationship between state and taxpayer. The declared idea was to draw a line under the fiscal past, to repatriate and “launder” capital from the shadow economy, and to stimulate investment in an economy eaten away by evasion and a high level of informality.

The reform comprised three interlocking components.¹²⁸

The first was the amnesty proper: cancellation of arrears, penalties, and late-payment surcharges on tax obligations accumulated up to January 1, 2007, together with a suspension of tax audits covering the earlier period (in force from May 2007). The second was the “legalization” of capital: the option for businesses and individuals to declare previously undeclared assets and funds in exchange for a one-off levy of just 5%. The third component, with a longer reach, was the introduction of a zero rate on companies’ reinvested profits, applied from January 1, 2008.

The most criticized point of the scheme lay in how it was designed: declarants were not required to prove the origin, or even the actual existence, of the sums they legalized.¹²⁹ In practice, anyone could declare capital without ever “showing” it and pay the 5% levy, while the state undertook not to

investigate its origin. This feature turned an instrument meant to bring transparency and tax compliance into a potential gateway for laundering money of uncertain origin.

The results fell far short of expectations.¹³⁰ The authorities were counting on a massive “coming into the light” of shadow capital — estimated at 65–70% of the economy — and on the floor of Parliament there was talk of legalizing around \$1 billion. The actual result was far more modest: by December 30, 2008, only about 360 million lei in assets and funds had been legalized (roughly \$35 million). The figures in the tens of billions that later circulated in the press cannot be attributed to the 2007 amnesty.

The measure was promoted in a pre-election context and against the background of an economy with a high degree of informality, one in which a substantial share of activity took place off the books. The official line rested on fiscal reconciliation and a signal of openness to business: a lenient state, the argument went, would be repaid with voluntary compliance and the repatriation of capital previously taken out of the tax net.

External partners and the expert community, however, viewed the measure with reservations.¹³¹ The international financial institutions and independent analysts warned that the amnesty, with no verification of the funds’ origin whatsoever, risked turning Moldova into a “gray zone” exposed to money laundering, and that it eroded tax discipline by rewarding those who had not honored their obligations to the budget.

¹²⁸ Law No. 111-XVI of April 27, 2007 on amending and supplementing certain legislative acts, Monitorul Oficial No. 64–66 of May 11, 2007 (legis.md). An initiative of President V. Voronin, endorsed in plenary on April 20, 2007 (transcript of the Parliament of the Republic of Moldova, sitting of April 20, 2007).

¹²⁹ Legalization meant declaring assets in exchange for a 5% fee, without any check on their origin. See IDIS “Viitorul,” “Amnistia fiscală din 2007 și liberalizarea capitalului & stimularea fiscală din 2016: două acte din aceeași piesă” [The 2007 tax amnesty and the 2016 capital liberalization and fiscal stimulation: two acts of the same play], Chișinău, 2017, ch. I. <https://www.viitorul.org>

¹³⁰ In plenary, legalization of “at least \$1 billion” was projected (I. Dodon, April 20, 2007); in reality, assets of around 360 million lei (~\$35 million) had been legalized by December 30, 2008. IDIS “Viitorul” (2017), pp. 8–9, citing the transcript of the Moldovan Parliament’s sitting of April 20, 2007.

¹³¹ The IMF described the blanket amnesty as “a risky step” that would undermine tax discipline in an economy with a large shadow sector (IMF Country Report No. 07/275, August 2007, pp. 9–10). See also H. Pajula, V. Prohnițchi (Expert-Grup), “Tax Amnesty and Zero-Rate Corporate Income in Moldova,” 2009. https://www.imf.org/-/media/websites/imf/imported-full-text-pdf/external/pubs/ft/scr/2007/_cr07275.pdf

Impact

In strictly budgetary terms, the amnesty's balance sheet was disappointing. The state collected negligible sums from legalization (around 18 million lei, on legalized capital of just 360 million) and wrote off claims of some 4.4 billion lei, so the immediate net effect on public revenues was negative. The capital's "coming into the light" did not translate into a durable widening of the tax base: within a year of the amnesty, re-accumulated debts already exceeded 1 billion lei.

The most important effect, however, was not on the budget but on tax ethics and discipline. Amnesties of this kind generate moral hazard: honest taxpayers feel penalized while those who dodged payment are rewarded, which encourages the expectation of future "pardons" and undermines voluntary compliance in the long run. The signal sent was that nonpayment can, in the end, be forgiven.

In the short run, the reform package that contained the amnesty coincided with a period of economic optimism.¹³² Its supporters cited robust economic growth and the record level of foreign direct investment reached in 2008 as proof of success. Yet it is hard to isolate the contribution of the amnesty itself from that of other factors — above all the zero rate on reinvested profits, a pro-investment measure, and the favorable regional environment before the global crisis. The IMF, for its part, warned that a zero rate would not by itself attract foreign investment in the absence of a better business climate, and that on the whole the reform would reduce tax revenues, at a cost in terms of equity. By available estimates, the zero rate meant forgone revenues of around 1 billion lei a year in 2008–2010, with a particularly heavy impact on local budgets, which relied on the profit tax for roughly a third of their revenue.

In terms of financial integrity, the absence of any verification of the capital's origin exposed the system to money laundering risk.¹³³ The measure made it possible, at least in theory, to launder funds of illicit origin at a derisory cost of 5%; it weakened prevention mechanisms and damaged the country's reputation with external partners and investors. The IMF stated explicitly that the adoption of the capital amnesty law had weakened the anti-money-laundering regime, and the "loopholes" were closed only later, through a new AML/CFT law drafted with the Fund's assistance.

The reform also strained relations with the international financial institutions, concerned about the erosion of the tax base and the signal being sent on budget discipline.¹³⁴ The IMF had in fact advised against the arrears amnesty — adopted nonetheless in May 2007, with the cancellation of arrears accumulated up to 2007 and the suspension of tax audits for that period — and the authorities themselves acknowledged that the reforms carried risks, "especially with regard to budget revenues." Although the effects on external financing were rather limited in 2007, the episode fed the partners' distrust of the country's commitment to rigorous, predictable tax administration.

The most durable effect was the creation of a precedent.¹³⁵ The 2007 amnesty normalized the idea of fiscal "forgiveness" and of legalization without verification of origin, and it opened the way to later attempts of the same kind. The most notable was the package of draft laws on "capital liberalization" and tax amnesty submitted to Parliament in December 2016 (with a legalization levy of just 2%), which was never put to a vote. After criticism from the World Bank, civil society, and the development partners, the drafts were withdrawn in February 2017. Seen from this angle, the real cost of the 2007 measure is counted less in lei than in the institutional precedent it set and the expectations it created.

Regional and International Context

Tax amnesties and "voluntary disclosure" programs have been used in many countries, from Italy and Belgium to the economies of Latin America, typically as an exceptional instrument, applied a single time and accompanied by strict guarantees regarding the origin of the funds.¹³⁶ Their effectiveness depends precisely on their one-off character, on the conditions imposed on those declaring their capital, and on the subsequent strengthening of tax administration. Used repeatedly or without safeguards, they turn from an instrument of compliance into a source of moral hazard.

By comparison, the Moldovan variant of 2007 stood out for its permissiveness. A very low levy (5%), no obligation to prove the origin of the capital, and no solid accompanying package of anti-money-laundering (AML) measures set it apart from international practice. In the European space, common standards on ownership transparency and the prevention of money laundering make such permissive schemes improbable today, which shows how much institutional ground Moldova subsequently had to make up.

¹³² The zero rate meant forgone revenues of around 1 billion lei annually (2008–2010), with an impact on local budgets. The IMF judged that "zero-rated CIT is not likely to bring new FDI without improvements in the business climate" and warned of the revenue loss (IMF Country Report No. 07/275, 2007, p. 42; IMF Working Paper WP/08/203, 2008; IDIS "Viitorul," 2017).

¹³³ The IMF flagged risks to the anti-money-laundering regime stemming from the amnesty/capital legalization law (IMF Country Report No. 07/275, 2007, p. 10; and ¶14, IMF Country Report No. 08/139, 2008).

¹³⁴ The arrears amnesty was adopted "against staff advice" (IMF, IMF Country Report No. 08/139, 2008, pp. 24–25). The authorities acknowledged that the reforms carried risks "especially with regard to budget revenues" (Letter of Intent to the IMF, June 25, 2007, MEFP ¶19).

¹³⁵ The 2016 attempt: draft law No. 452 of December 1, 2016 (capital liberalization and fiscal stimulus, a 2% fee, with integrity checks curtailed) was withdrawn from Parliament in February 2017 without a vote. See IDIS "Viitorul" (2017), ch. II; World Bank, "World Bank Statement on Capital Liberalization and Fiscal Stimulation Law in Moldova," December 21, 2016. <https://www.worldbank.org>

¹³⁶ Research shows that the benefits of tax amnesties are usually overestimated and fall short of the costs. See E. Le Borgne, K. Baer, "Tax Amnesties: Theory, Trends, and Some Alternatives," IMF, 2008; OECD, "Update on Voluntary Disclosure Programmes: A Pathway to Tax Compliance," 2015.

Lessons Learned

Tax amnesties typically deliver modest budget gains and lasting damage to tax morale. The experience of 2007 shows that forgiving debts and legalizing capital without verification collects little but erodes much of the discipline and fairness of the tax system, at the expense of honest taxpayers.

The design of an amnesty matters decisively. An amnesty that does not require proof of the funds' origin turns from an instrument of compliance into a vehicle for laundering capital, with major risks of money laundering and of damage to the country's reputation abroad. Any program of this type must be paired with a robust anti-money-laundering framework and a strengthened tax administration.

Repeatability is the most dangerous feature of an amnesty. Once one "pardon" is granted, the expectation of another takes hold, and voluntary compliance suffers. The 2007 precedent fed the 2016 attempt at amnesty and capital liberalization, blocked only under pressure from the development partners and civil society.

Durable tax reform rests not on one-off forgiveness but on modern tax administration, a broader tax base, and transparent pro-investment measures. The most valuable component of the 2007 package — the zero rate on reinvested profits — was about encouraging investment, not about the amnesty itself. Even so, its effects were largely torpedoed by the fallout of the international financial crisis.

Case Studies

Case Study

A precedent that fed the 2016 attempt

Beyond the modest figures, the most durable legacy of the 2007 amnesty was to normalize the idea of fiscal "forgiveness" and of legalization without verification. Once accepted, the principle was reactivated almost a decade later: in December 2016, a group of deputies submitted draft laws on capital liberalization and tax amnesty that would have released holders of undeclared assets from liability in exchange for a levy of just 2% and would have curtailed integrity checks. This time, though, the attempt failed: under pressure from nongovernmental organizations and the development partners, the drafts were withdrawn from Parliament in February 2017 without ever being put to a vote. The contrast between 2007 and 2016 shows that a permissive precedent creates demand for repetition — but also that more vigilant institutions and firmer external scrutiny can block a rerun of such a scheme.

18. The Global Financial Crisis and the 2009 Recession

2008–2009 — *The consumption-based model put to the test by the first global crisis*

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. For Moldova, 2008 was a record year (economic growth of 7.8%, remittances at historic highs), and the domestic financial system, isolated from global markets, had no exposure to toxic assets. But the crisis arrived with a two-quarter lag, through real channels: the collapse of remittances and external demand produced a 6% recession in 2009, the first after a decade of growth, compounded by an acute fiscal crisis. The score reflects the scale of the contraction and the exposure of a model built on externally financed consumption, tempered by the absence of a domestic banking crisis.

Description

The 2008 global financial crisis was the first major shock of Western origin to hit the Moldovan economy, and it showed that international integration brings risks along

with its benefits.¹³⁷ Unlike earlier crises, which had come out of the former Soviet space, this one began in developed financial markets, but it was transmitted through specific channels, above all the decline in remittances and external demand.

¹³⁷ National Bank of Moldova, Balance of Payments — remittances in 2008–2009. <https://www.bnm.md>

The chronology of the shock is essential to understanding it. In 2008, while the global financial system was collapsing, the Moldovan economy, with no exposure to toxic assets and no market-based external financing, grew by 7.8%, one of the best results in the country's history. The crisis arrived with a lag of about two quarters: in 2009, remittances shrank by nearly a third and goods exports by about a fifth, while GDP contracted by 6%, almost perfectly synchronized with the recession in the migrants' host economies — Russia, Italy, and Spain.¹³⁸

The crisis also produced a rare phenomenon: the temporary return of some of the migrants who had lost their jobs.¹³⁹ Coming back to an economy that was itself in recession, many found no opportunities at home either, which put added pressure on an already weak labor market. This double blow — less money sent home and more people returning with no income — amplified social tensions.

The crisis coincided with a period of domestic political tension and overlapped with the electoral succession of 2009. The combination of an external economic shock and a domestic political crisis created an explosive mix that culminated in the protests of April 2009 and a change of regime, and it showed how tightly economic and political stability are intertwined.

The crisis demonstrated that integration into the global economy, for all its benefits, exposes a small economy to external shocks. That a crisis born on Wall Street could set off a recession and a political crisis in Chişinău made clear that diversification and resilience are conditions of survival for a small, open economy.

The global financial crisis reached Moldova not through the banking system, which was relatively insulated, but through the remittance channel: recession in the host economies — Russia, Italy, and Spain — cut migrants' transfers abruptly, by nearly a third in 2009. The growth model based on externally financed consumption thus proved deeply procyclical: the same dependence that had brought prosperity in the years of global expansion imported other countries' recession in the years of crisis. For the first time, a truly global shock, not merely a regional one, was hitting the Moldovan economy directly.

Impact

The crisis produced a contraction in 2009, the first after nearly a decade of growth, and laid bare the fragility of

the remittance-based model. Falling consumption, exports, and investment cut budget revenues and raised social pressures, proof of how quickly an external shock travels through an undiversified economy.

The shock hit the real sector and public finances hard. In 2009, goods exports fell by around 19% in value terms, industrial output and construction posted double-digit contractions, and investment in fixed assets shrank by more than a third — losses that erased, in a single year, the gains of two years of expansion. Budget revenues fell abruptly, the public deficit climbed toward 6.3% of GDP, and in January 2010 the new government negotiated an IMF program worth about \$574 million (ECF/EFF), which stabilized public finances, reopened external financing, and inaugurated one of the hallmarks of the decade: crises absorbed with external support and paid for with reform commitments.¹⁴⁰

The economic crisis ran deep and was felt on every front. Import volumes contracted by 25% in 2009, more than three times the fall in export volumes (–7%), an adjustment that also slashed customs receipts, a mainstay of the budget. Average annual inflation dropped to virtually zero — the economy's first episode of deflation — and public spending climbed to 45.3% of GDP, the highest level in the entire series, while revenues slid toward 38.9%.¹⁴¹

The crisis confirmed the need to reduce dependence on remittances and to build more resilient domestic sources of growth.¹⁴² That awareness did not translate into reforms immediately, but it strengthened the turn toward the European market as a strategic alternative.

Managing the crisis required external support and made plain how much macroeconomic credibility matters. The relationship with the international financial institutions became a pillar of stability, but also a source of conditionality that shaped the pace of reform in the years that followed.

The overlap with domestic political dynamics contributed to a change of regime, with lasting effects. The economic crisis further fueled popular discontent, which was also catalyzed by the growing perception of corruption in society, restrictions on civil liberties (the police-state phenomenon), the capture of public institutions by party interests, and other grave failures of governance. Together these brought down the Communist government and opened a phase marked by the European aspiration.

¹³⁸ World Bank, World Development Indicators — real GDP: +7.8% (2008), –6.0% (2009); goods exports: –19% in 2009 (NBS); remittances: around –30% in 2009 (NBM). <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

¹³⁹ BLücke, M., Omar Mahmoud, T., Steinmayr, A., „Labour Migration and Remittances in Moldova: Is the Boom Over?“, OIM / Kiel Institute, 2009. <https://publications.iom.int>

¹⁴⁰ International Monetary Fund, press release, January 29, 2010 — approval of the ECF/EFF arrangements for the Republic of Moldova, worth around \$574 million (SDR 369.6 million); Ministry of Finance — the 2009 budget deficit: around 6.3% of GDP.

¹⁴¹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (foreign trade volumes, average inflation, budget revenues and expenditures, 2008–2010) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

¹⁴² IMF, press release of January 29, 2010 — approval of the ECF/EFF arrangements for the Republic of Moldova (around \$574 million). <https://www.imf.org/en/Countries/MDA>

Regional and International Context

The global crisis of 2008–2009 was a test of resilience for the entire region, and the results sorted the economies of Eastern Europe by the robustness of their models. Poland, which grew by around 2.6% in 2009, was the only European Union economy to avoid recession, thanks to a large domestic market, a flexible currency, low external debt, and European funds. At the other extreme, the Baltic states, which tried to defend their fixed exchange rates (rather than devalue their currencies, they opted for a harsh policy of “internal devaluation”), contracted by 14–25%, Ukraine by roughly 15%, and Romania by about 7%.¹⁴³

Moldova, with a GDP contraction of about 6% in 2009, sat between these extremes, but with a channel of vulnerability all its own: remittances. Unlike the Baltic states, hit through the financial system, or Ukraine, hit through commodity exports, Moldova felt the crisis through falling transfers from Russia and Europe. Each economy in the region thus discovered its own vulnerability, and the crisis confirmed a general principle: diversification — of markets, of income sources, of policy instruments — is the best shield against global shocks.¹⁴⁴

Lessons Learned

Integration into the global economy brings benefits, but it exposes a small economy to shocks that call for fiscal buffers and a resilient financial system.¹⁴⁵ The rapid transmission through the remittance channel confirmed the model’s vulnerability, which justifies maintaining a high degree of fiscal prudence and continuing to build macroeconomic resilience.

Diversifying the sources of growth is the best insurance against global shocks. The lesson of the 2008–2009 crisis is that an economy dependent on a single channel, in this case remittances, remains exposed to any external disturbance. Building a diversified base for growth, through investment and exports, is the only way to reduce that exposure.

The lesson of 2008 is that dependence on remittances imports other countries’ business cycles and turns domestic well-being into a function of external conditions. Resilience to such shocks requires fiscal buffers, diversified sources of income, and a domestic productive sector capable of sustaining demand. The more an economy depends on a single external flow — be it remittances, exports, or energy — the less it controls its own destiny.

Case Studies

Case Study

The temporary return of migrants

The crisis also produced a rare phenomenon: the return of some of the migrants who had lost their jobs abroad, above all those in Russia. Coming back to an economy that was itself in recession, many found no opportunities at home either, which put added pressure on an already weak labor market and turned a safety valve into a burden. This double blow — less money sent home and more people returning with no income — amplified social tensions that, layered over the contested election, would erupt in the April 2009 protests, an illustration of how closely the economic and the political crisis were linked.

¹⁴³ National Bank of Moldova, Balance of Payments (2008–2009) — remittance flows during the global crisis. <https://www.bnm.md>

¹⁴⁴ World Bank, “EU10 Regular Economic Report” (2009–2010); IMF, “Regional Economic Outlook: Europe” (2009–2010).

¹⁴⁵ World Bank, “Moldova Economic Update.” <https://www.worldbank.org/en/country/moldova>

Part III

European Aspirations and Domestic Turbulence 2009–2019

The third decade was, on the one hand, a time of great European aspirations and, on the other, of the country's gravest domestic derailments. The change of regime in 2009 opened the most dynamic phase of European integration, crowned in 2014 by the Association Agreement, the Deep and Comprehensive Free Trade Area, and visa liberalization: achievements that turned the country's trade compass toward the West. In parallel, however, state institutions were captured by oligarchic groups, a process that culminated in the 2014 bank fraud, the largest robbery in the country's history, equivalent to around 12% of GDP.

The contrast between European progress and the capture of the state defined this period of turbulence, in which strategic achievements coexisted with a deep democratic regression. The Eastern Partnership's "success story" turned into a warning about the risks of facade reforms, and the cost of capture was ultimately borne by citizens, through devaluation, inflation, and public debt. The fall of the oligarchic regime in 2019 reopened the prospect of restoring the state to health. The nine events in this part trace the tension between European anchoring and the capture of the state's institutions.

19. The April 7 Protests and the Change of Regime

2009 — The "Twitter Revolution" and a historic political turning point

+1

Impact Score

Net impact on development: *Moderately positive impact (scale -3 ... +3)*

The net impact is rated moderately positive. Despite the violence and the abuses committed by law enforcement, the events of April 2009 opened the most dynamic phase of rapprochement with the EU in the country's history. The score reflects that strategic outcome without ignoring the human cost, or the fact that hopes of deep change were largely betrayed by the state capture of the years that followed.

Description

The protests of April 7, 2009, came at the confluence of a succession crisis and an unfolding economic shock¹⁴⁶

The challenge to the results of the April 5 elections, won by the governing Party of Communists of the Republic of Moldova (PCRM), brought between 10,000 and 15,000 people, most of them young, onto the streets of Chişinău. The demonstrations, peaceful at first, degenerated into violence, with the ransacking of the Parliament and Presidency buildings and a wave of abuses by law enforcement.

Though the "Twitter Revolution" label played up the role of social media, the underlying causes were economic and political, amplified by the global crisis. Shrinking remittances, the return of some migrants, and deteriorating

economic prospects fed discontent, above all among the young generation, and that discontent converged with a crisis of electoral legitimacy.

The repression that followed the protests left a deep wound in the collective memory.¹⁴⁷ Mass detentions and abuses, later documented by human rights organizations, included deaths in circumstances linked to the intervention of law enforcement. These abuses eroded the government's legitimacy and hastened the change of regime; the protest became a founding moment for a generation.

The political consequence was the end of Communist rule and a new phase dominated by a pro-European coalition. A rerun election and a reshaped political scene brought to power an alliance committed to integration, and

¹⁴⁶ OSCE/ODIHR, "Republic of Moldova — Parliamentary Elections, 5 April 2009: Election Observation Mission Final Report," Warsaw, 2009. <https://www.osce.org/odihr/elections/moldova>

¹⁴⁷ Council of Europe Commissioner for Human Rights (Thomas Hammarberg), report on his July 2009 visit to the Republic of Moldova; Amnesty International, 2009–2010 reports on the events of April 2009. <https://www.coe.int>.

2009 became an inflection point, even though hopes of profound change would be largely disappointed.

The protests of April 2009, set off by a contested election result and mobilized in large part through social media, were christened the “Twitter Revolution,” a sign of a new era of civic mobilization. Beyond the violence of the night of April 7 and the disputed result, they led, through a rerun of the elections, to a peaceful change of government and the formation of a pro-European coalition. It was a moment that affirmed democratic accountability, even as it exposed the fragility of the state’s institutions.

Impact

The change of regime accelerated the country’s strategic turn toward European integration, which became the central vector of governance.¹⁴⁸ A dynamic period of rapprochement with the EU followed, with the Association Agreement and visa liberalization, and for a time the Republic of Moldova was seen as the “success story” of the Eastern Partnership.

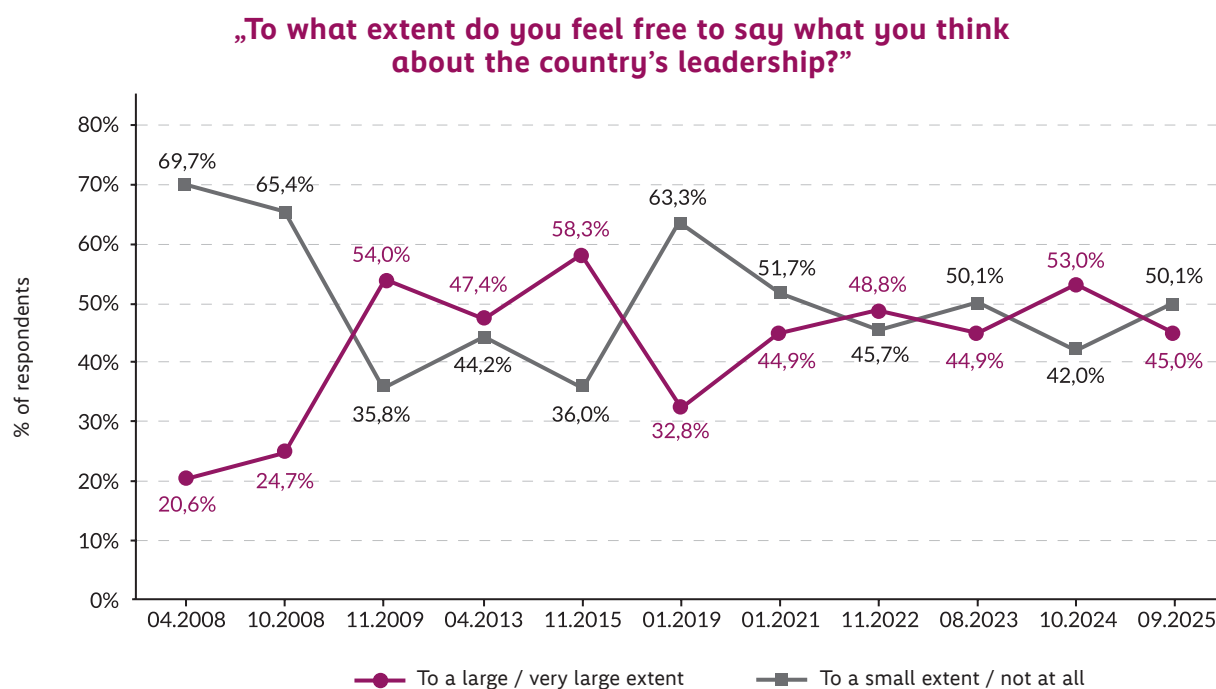
Economically, the change coincided with the deepening of the recession brought on by the global crisis: the new

government inherited an economy in contraction. Managing the crisis and the political transition at once required external support and stabilization reforms.

The events of April 7, 2009, and the change of regime they set in motion unleashed a sense of freedom among the population at the highest level recorded since surveys began measuring it. According to data from the Public Opinion Barometer¹⁴⁹, the sense of freedom to criticize the country’s leadership climbed from 24.7% (October 2008, under Communist rule) to 54.0% in November 2009, while the share of those who felt constrained collapsed from 65.4% to 35.8%, a swing of around 30 percentage points in both directions. The reversal came directly after the contested elections of April 2009, the protests and repression that accompanied them, the July rerun, and the change of regime with the installation of the Alliance for European Integration. The November 2009 edition captured the climate of openness that followed the change of government, which explains the magnitude of the jump. The contrast with the comparable low of January 2019 (32.8% free / 63.3% constrained), in the depths of the “captured state” period, confirms that the indicator works as a sensitive barometer of the perceived openness of government.

After 2009, perceptions of the freedom to criticize those in power improved significantly, yet they remain divided to this day.

Fig. 6



Source:
Public Opinion Barometer, Institute for Public Policy (bop.ipp.md)

¹⁴⁸ European Commission, ENP Progress Reports on the Republic of Moldova (2009–2013). <https://www.eeas.europa.eu>

¹⁴⁹ Institute for Public Policy, Public Opinion Barometer: <http://bop.ipp.md>

The enthusiasm was gradually eroded by corruption and by the capture of state institutions by oligarchic groups, which left an ambivalent legacy. The disappointment of a generation that had hoped for real transformation would feed, a decade later, a new demand for change, which materialized in the elections of 2020–2021.

The moment also confirmed the democratic fragility of a state in which electoral tension could quickly turn to violence. That warning has remained relevant: it points to the need for credible electoral institutions and for mechanisms that keep political competition peaceful.

Regional and International Context

The 2009 protests belonged to the wave of revolts against “managed democracies” that swept the post-Soviet space in the first decade of the century. They followed Georgia’s Rose Revolution (2003) and Ukraine’s Orange Revolution (2004), sharing with them both the pro-European aspiration and the reliance on new communication technologies for mobilization. Moldova thus joined a family of Eastern European societies that refused controlled elections and demanded a clear Western orientation.¹⁵⁰

Case Studies

Case Study

Buildings in flames and a generation in the streets

On April 7, 2009, the protest slipped out of control, and the buildings of the Parliament and the Presidency were ransacked and set on fire, in scenes broadcast live and picked up by the international press. The images of state institutions in flames marked a symbolic rupture and made the event a landmark for an entire generation. Beyond the violence and the still-disputed circumstances of the escalation, the moment showed both the energy of a young generation demanding change and closer ties with Europe, and the fragility of a state in which electoral tension could quickly descend into chaos.

Case Study

The repression after the protests

In the days that followed the protests, law enforcement resorted to mass detentions and to abuses later documented by human rights organizations and international institutions. The death of a young man, Valeriu Boboc, in circumstances linked to the intervention of law enforcement, became a symbol of the repression and a turning point in public perception. These abuses further eroded the government’s legitimacy, mobilized civil society, and hastened the change of regime that followed the rerun of the elections. For many, how the crisis was handled mattered more than the vote itself, and the electoral dispute became a matter of rights and legitimacy.

Still, the comparison with Ukraine is instructive for what came next. The Orange Revolution had been reversed in 2010, when the camp it had ousted returned to power, and the accumulated frustration would explode in the Euro-maidan of 2013–2014. In Moldova, the change of 2009 produced a relatively durable pro-European government that carried the country all the way to the Association Agreement.¹⁵¹

Lessons Learned

Economic instability and a crisis of political legitimacy feed on each other and can set off social explosions that are hard to control.¹⁵² The conjunction of an economic shock and a contested election exposed the system’s fragility; democratic stability must be anchored in credible institutions and in electoral processes whose results are beyond dispute.

A political change, however promising, can be hijacked in the absence of deep institutional reforms. The European reorientation of 2009 was later compromised by the capture of the state, a sign that a change of government does not, by itself, guarantee a transformation of the system.

¹⁵⁰ Mungiu-Pippidi, A., Munteanu, I., “Moldova’s ‘Twitter Revolution,’” *Journal of Democracy*, 20(3), July 2009.

¹⁵¹ Beissinger, M., “Structure and Example in Modular Political Phenomena: The Diffusion of Bulldozer/Rose/Orange/Tulip Revolutions,” *Perspectives on Politics*, 5(2), 2007.

¹⁵² IMF, “World Economic Outlook: Crisis and Recovery,” April 2009 — on the link between economic crises and political instability.

20. The Reforms of the Alliance for European Integration

2012 — *The promise of modernization and the trap of appearances*

+1

Impact Score

Net impact on development: *Moderately positive impact (scale -3 ... +3)*

The net impact is rated moderately positive. The reforms around 2012 brought closer ties with the EU, a somewhat better business climate, and regulatory harmonization. Beneath the surface, however, institutions remained exposed to capture, and part of the progress was window dressing. The score reflects a step forward on shaky foundations, whose fragility the bank fraud would later expose.

Description

The year 2012 marked the peak of the reform agenda of the Alliance for European Integration, which advanced negotiations with the EU and promoted structural reforms.¹⁵³ The pro-European government accelerated the rapprochement with Brussels, negotiated the Association Agreement and the free trade area, and pressed ahead with changes in the judiciary, the business environment, and public administration; at home and abroad, the period was perceived as one of modernization.

The reforms targeted economic liberalization, a better business climate, and harmonization with European standards, with real but uneven progress. Regulations were simplified, investment was encouraged, and institutions were modernized; relations with European partners deepened, and for a time the Republic of Moldova was the “success story” of the Eastern Partnership.

Seen from Brussels, this image was flattering, but it hid a more complicated reality.¹⁵⁴ While regulations were being simplified and legislation harmonized, control over the judiciary and over financial supervision was being concentrated in the hands of interest groups. The gap between external praise and internal capture would soon become visible.

Behind the progress, deep vulnerabilities were taking hold, because institutions remained exposed to capture by ever more powerful interest groups. The independence of the judiciary and of financial supervision was quietly eroding, and the contradiction between advertised progress

and discreet capture would be exposed, brutally, by the bank fraud of 2014.

Impact

The reforms of the Alliance for European Integration promised accelerated modernization and advanced the European agenda on paper, from the negotiation of the free trade area to the visa dialogue. In practice, though, many of the reforms went no deeper than the facade, a “trap of appearances” in which formal progress masked an ever deeper undermining of institutions by interest groups. The period was marked by this duality: real steps toward Europe, set against a constant erosion of the rule of law.

External support reached a historic high in these years. At the “Rethink Moldova” donor conference (Brussels, March 24, 2010), co-chaired by the European Commission and the World Bank, partners pledged around €1.9 billion (\$2.6 billion) for 2010–2013, which made Moldova, relative to its population, one of the largest recipients of assistance in the European neighborhood. Absorption remained partial, however: independent evaluations put the effective take-up of the assistance at only 40–50%, and the gap between generous financing and the quality of implementation already hinted at the limits of the “success story.”¹⁵⁵

The business climate improved in part, and access to the European market widened, with visible effects on the re-orientation of trade.¹⁵⁶ The benefits were limited, however, by persistent corruption and by the weakness of the rule of law, which discouraged large investments.

¹⁵³ World Bank, “Doing Business” — Republic of Moldova profile, 2012–2020 editions; World Economic Forum, “Global Competitiveness Report.”

¹⁵⁴ European Parliament, Resolution of November 14, 2018 on the implementation of the EU–Moldova Association Agreement, 2017/2281(INI) — which describes the Republic of Moldova as “a state captured by oligarchic interests.” https://www.europarl.europa.eu/doceo/document/TA-8-2018-0458_RO.html

¹⁵⁵ World Bank, “International Development Partners Support Moldova’s Vision for a Better Future,” press release, Brussels, March 24, 2010; IDIS “Viitorul,” “Evaluation of Moldova’s Absorption Capacity of External Assistance,” Chişinău, 2011. <https://www.worldbank.org/en/news/press-release/2010/03/24/international-development-partners-support-moldovas-vision-better-future>

¹⁵⁶ National Bureau of Statistics, foreign trade — breakdown by country group. <https://statistica.gov.md>

The gap between favorable external perception and the internal reality of capture later damaged the credibility of the European path. After the bank fraud turned the “success story” into a cautionary tale, the partners’ trust had to be rebuilt with considerable effort.

The period also showed how external legitimacy was used to delay necessary systemic reforms. Its status as a regional model reduced the pressure for a real transformation of institutions and gave interest groups a respite in which to consolidate their control.

Regional and International Context

In the early 2010s, Moldova was presented as the “success story” of the Eastern Partnership, a star reformer alongside Georgia and ahead of a still-hesitant Ukraine. That external reputation brought considerable political and financial support. Yet unlike in Georgia, where anticorruption reforms had been deeper and more visible, Moldovan progress often proved superficial¹⁵⁷

The regional comparison shows how misleading assessments based on appearances can be. While Moldova was being praised in Brussels, a system of state capture was consolidating behind the facade, one that external partners recognized only belatedly. The contrast between the perceived “success story” and the bank fraud that would break out in 2014 became a European case study in the risk of mistaking pro-European rhetoric for real reform.¹⁵⁸

Case Studies

Case Study

„Povestea de succes” văzută de la Bruxelles

Pentru o perioadă, Republica Moldova a fost prezentată la nivel european drept cel mai avansat stat al Parteneriatului Estic, un model de reformă și de apropiere de Uniune, citat ca exemplu pentru vecinii săi. Progresele în dialogul despre vize și în negocierea Acordului de Asociere păreau să confirme această imagine, iar oficialii europeni o laudau frecvent. Decalajul dintre aprecierea externă și realitatea internă a capturii avea însă să devină vizibil curând: „povestea de succes” s-a transformat, după fraudă bancară, într-un avertisment despre cât de înșelătoare pot fi aparențele și despre cum o legitimitate externă poate masca, temporar, o erodare instituțională profundă.

Lessons Learned

Facade reforms, without a real strengthening of the independence of institutions, are vulnerable and easily undone.¹⁵⁹ Formal progress coexisted with an erosion that culminated in the bank fraud; the imperative is to prioritize the reforms that actually matter: judicial independence, financial supervision, and transparency.

External praise can mask internal problems and create a false sense of security. The “success story” status temporarily reduced the pressure for deep reforms and left room for the capture of the state; the real quality of institutions, beyond appearances, warrants constant vigilance.

Institutional reforms must be measured by results, not by perceptions. The lesson is that the appearance of progress, however convincing to outside audiences, is no substitute for real independence and for the quality of institutions.

The central lesson is that reforms must be substantive, not cosmetic: a simulated reform is more dangerous than no reform at all, because it discredits the very project in whose name it is invoked. At the same time, external conditionality must judge results, not declarations, and support granted to a “success story” must be checked against deeds.

¹⁵⁷ European Commission, ENP Progress Reports (2010–2013); Commissioner Š. Füle’s statements on Moldova as the “success story” of the Eastern Partnership (2012–2013). <https://www.eeas.europa.eu>

¹⁵⁸ Transparency International, Corruption Perceptions Index — comparative Moldova–Georgia series (2004–2015); World Bank, Worldwide Governance Indicators. <https://www.transparency.org/en/countries/moldova>

¹⁵⁹ Venice Commission and GRECO, opinions and evaluation reports on the justice system of the Republic of Moldova (2010–2016). <https://www.venice.coe.int>

21. The Vilnius Summit and the Association Agreement with the European Union

2013–2014 — From initialing to a reoriented trade compass

+2

Impact Score

Net impact on development: *Major positive impact (scale –3 ... +3)*

The net impact is rated major positive. The Association Agreement opened stable access to the European market and pushed the EU's share of exports from around 45% to roughly two-thirds, which reduced exposure to Russia's trade decisions. The score reflects this structural reorientation but stops short of the maximum because the Agreement's benefits have not been fully realized: Moldovan exports to the EU market remain largely concentrated in a small number of countries (Romania, Germany, and Italy) and in products of limited value added and technological sophistication.

Description

At the Eastern Partnership summit in Vilnius on November 28–29, 2013, Moldova and Georgia initialed their Association Agreements, while the Ukrainian president's refusal to sign, under pressure from Moscow, was setting off the Euromaidan. Only two months earlier, Armenia had abruptly abandoned its own agreement and opted for the Eurasian Union. Against this backdrop, Chișinău's decision to stay the course, despite a fresh round of Russian trade restrictions, was a deliberate strategic choice: for an economy hit again and again by embargoes, stable, rules-based access to the continent's largest market weighed more than an eastern market that was large but had been turned into an instrument of pressure. The signing of the Agreement on June 27, 2014, and the provisional application of the Deep and Comprehensive Free Trade Area (DCFTA) from September 1, 2014, turned that choice into a binding legal framework.

The signing of the Association Agreement and its deep and comprehensive free trade area in June 2014 marked the most consequential European economic anchoring in the country's history up to that point.¹⁶⁰ The Agreement made preferential access to the European market predictable and permanent, and committed the country to a broad process of aligning its legislation with the EU acquis, from technical and sanitary standards to competition and public procurement. For an economy repeatedly hit by trade shocks from the East, stable access to the world's largest market was a unique opportunity to induce fundamental structural change.

The economic component of the Association Agreement accelerated the reorientation of trade toward the EU. In 2005 the European market absorbed around 40% of exports and the Commonwealth of Independent States (CIS) nearly half; the balance gradually reversed, until the European Union came to take about two-thirds of exports, which reduced vulnerability to Russian embargoes and integrated the Moldovan economy more deeply into European value chains.

The reorientation was further accelerated by a new Russian embargo, imposed in 2014 in response to the signing of the Association Agreement.¹⁶¹ The restrictions on fruit, vegetables, and products of animal origin hit producers dependent on the Russian market, but with the support of European trade preferences some of them managed to redirect their sales to the EU. External pressure thus sped up a reorientation that would otherwise have taken longer.

Regulatory harmonization worked as a modernization program, with benefits beyond trade. The adoption of European standards improved product quality, stimulated export-oriented investment, and strengthened partners' confidence, but it also imposed adjustment costs on firms and demanded an institutional capacity that the state, weakened by capture, provided only in part.

The beverage industry of the Republic of Moldova, with wine in the lead, is perhaps the clearest example of successful integration into the European single market after the DCFTA's entry into force. The EU's share of total beverage exports rose from 13.1% in 2013, before the agree-

¹⁶⁰ European Commission, annual reports on the Republic of Moldova's implementation of the Association Agreement (SWD series, 2016–2023). <https://www.eeas.europa.eu>

¹⁶¹ World Bank, "Moldova Trade Study" (2016) — the impact of the 2014 Russian trade restrictions; NBS.

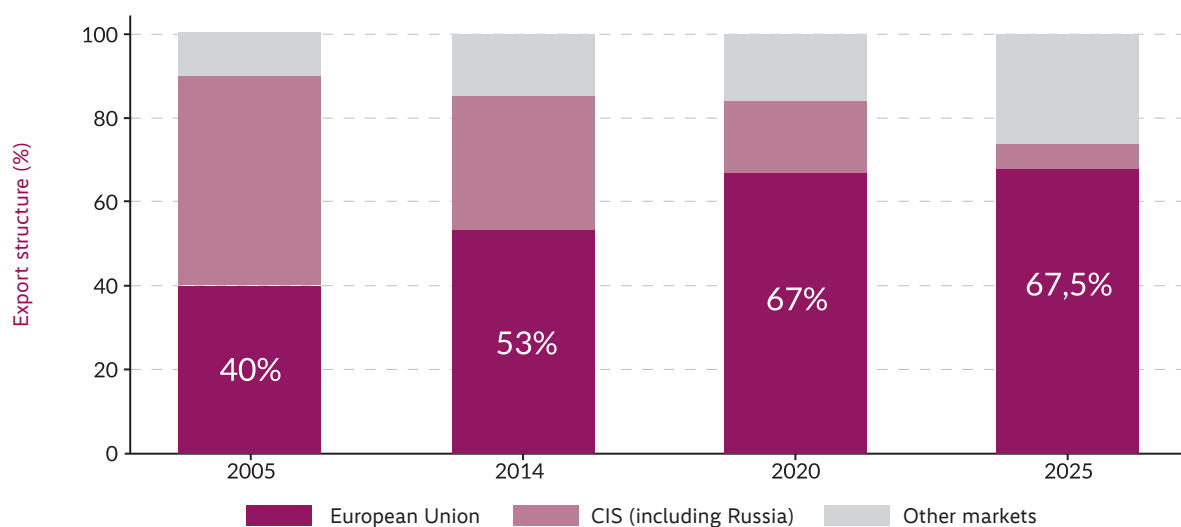
ment, to 34–37% today, and the increase came on the back of real growth in the value of exports to the EU, which nearly tripled (from \$33.2 million in 2013 to \$92.9 million in 2024). Preferential access under the Association Agreement thus translated not into a mere reshuffling of markets, but into a durable gain in market share on one of the most demanding markets in the world.

The Association Agreement and its trade component, the Deep and Comprehensive Free Trade Area, signed in June 2014, catalyzed the deepest strategic reorientation in the country's economic history. Beyond preferential access to the European market, the agreement required a vast program of approximation to the Union's regulations that turned European standards into domestic law. This anchored the reforms, institutionally as well as commercially, to the objective of European integration.

Acordul a accelerat reorientarea exporturilor dinspre piața CSI spre Uniunea Europeană.

Fig. 7

The trade compass turned West



Source:
NBS, foreign merchandise trade; 2025 - NBS data (EU - 67.5%, CIS - 5.9%, other markets - 26.5%)

Impact

The Agreement structurally reoriented foreign trade toward the EU, with lasting effects on economic resilience.

The growing share of exports going to the European market reduced exposure to Russia's trade decisions and gave the exporting economy a more stable footing, which proved decisive as relations with Russia deteriorated.

The ex ante estimates were largely confirmed ex post. The Expert-Grup analytical note published immediately after the signing dismantled the myths circulating in the public debate of 2014 and anticipated an unleashing of exports; the five-year assessment showed that in 2015–2018, compared with 2011–2014, total exports rose by \$1.5 billion (+34%), of which around 40% (roughly \$600 million) was a net effect attributable solely to the DCFTA, including gains

of about \$475 million for agri-food products and \$128 million for industrial goods, while the export-to-import coverage ratio improved from 47% to 66%.¹⁶²

Institutionally, the Agreement required a broad program of reforms and harmonization, which gradually modernized the regulatory framework.¹⁶³ Implementation was uneven, a consequence of institutional fragility, but the process introduced European standards in many fields.

The Agreement prepared the ground for EU candidate status and for the accession negotiations that came later. Economic reorientation preceded and supported the political one, proof of the complementarity between trade integration and institutional integration.

The resilience of this trade architecture was tested by the polycrisis of 2020–2023 and confirmed by the data.

¹⁶² Lupușor, A. (Expert-Grup), „De ce avem nevoie de liberalizarea comerțului cu UE?”, Notă analitică nr. 1, 16 iulie 2014; și „ZLSAC după 5 ani de implementare: impactul estimat și concluzii pentru următorii 5 ani”, Expert-Grup, 4 iulie 2019. <https://www.expert-grup.org/ro/biblioteca/item/988-na-zlsac>

¹⁶³ Biroul Național de Statistică, comerțul exterior — structura geografică a exporturilor, 2005–2025. <https://statistica.gov.md>

Despite the pandemic, the war, and the energy crisis, around two-thirds of goods exports (65% in 2023) went to the EU; exports to the EU kept growing in 2023 even as every other destination declined; and the trade deficit narrowed from 14% of GDP in 2013 to 9% in 2023. Even so, the concentration risk cannot be ignored: Romania alone absorbs 35% of total exports, and five member states (Romania, Italy, Germany, Czechia, and Poland) take over 80% of EU-bound exports, which sharpens the need to keep diversifying within the EU market.¹⁶⁴

The benefits were real but unevenly distributed across sectors and firms. Producers able to comply with European standards gained access to a vast market, while those unable to invest in quality fell behind, which made support for the adaptation of small and medium-sized enterprises all the more necessary.

Regional and International Context

The Association Agreements signed in June 2014 by Moldova, Georgia, and Ukraine formed a trio of states simultaneously reorienting their trade from the East toward the European Union. All three saw the European market's share of their exports rise and their dependence on the Russian market — ever more often turned into an instrument of pressure — fall. The reorientation was, in essence, a shared response to the vulnerability of depending on a politically controlled market.¹⁶⁵

For Moldova, the transformation and the structural changes induced by the Association Agreement were es-

pecially significant: from an economy oriented predominantly toward the ex-Soviet space to one whose trade structure was gradually becoming European. Though it remained the poorest country on the continent at purchasing power parity, its trade orientation was beginning to resemble that of the Central European states on the eve of their accession. The free trade area was the moment when Moldova ceased to be an economy of the ex-Soviet periphery and became one integrated into the European market — even if income convergence remained a long-term challenge.¹⁶⁶

Lessons Learned

European trade integration is at once growth, modernization, and economic security.¹⁶⁷ The reorientation of exports reduced vulnerability to shocks from the East and integrated the economy into more stable value chains; the task is to make full use of access to the European market through investment in export capacity and in compliance with standards.

The opportunities of integration depend on implementation capacity. Institutional fragility limited the Agreement's potential impact, a sign that market access without implementation capacity is not enough.

Effective trade integration requires support programs that help enterprises adapt; opening markets alone may not be enough. The lesson is that the benefits of a trade agreement materialize only if firms, especially small ones, are helped to comply with standards and to reach the new markets; otherwise the opportunity remains only partly used.

Case Studies

Case Study

A new Russian embargo and the reorientation of Moldovan producers

Russia's response to the signing of the Agreement was a new wave of restrictions, in 2014, on fruit, vegetables, and products of animal origin from the Republic of Moldova, aimed precisely at the sectors most exposed to the Russian market. Growers of apples and other fruit, traditionally dependent on that market, had to scramble for alternatives under difficult conditions. With the support of European trade preferences and of some domestic support measures, a number of them managed to reorient toward the EU market and other destinations. External pressure thus accelerated a reorientation that would otherwise have taken much longer, and the Russian embargo became a push toward diversification.

¹⁶⁴ Soloviova, M. (Expert-Grup), "Reziliența relațiilor economice între Republica Moldova și Uniunea Europeană în fața șocurilor" [The resilience of economic relations between the Republic of Moldova and the European Union in the face of shocks], study, May 8, 2024. <https://www.expert-grup.org/ro/biblioteca/item/2681>

¹⁶⁵ Association Agreement between the Republic of Moldova and the European Union, signed on June 27, 2014, Official Journal of the EU L 260 of August 30, 2014; NBS — foreign trade. [https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX:22014A0830\(01\)](https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX:22014A0830(01))

¹⁶⁶ World Bank, WITS — export structure by destination; NBS, foreign trade. <https://wits.worldbank.org>

¹⁶⁷ World Bank, "Moldova Trade Study: Overview" (2016). <https://documents.worldbank.org>

Case Study

Plums and table grapes conquer the European market

The DCFTA's most visible success in agriculture came precisely in the products hit by the Russian embargoes. For plums and table grapes, the Agreement provided annual duty-free quotas of 15,000 and 20,000 tons, respectively, considered generous enough at the time of the negotiations. Reality quickly outgrew them: Moldovan producers, pushed by the closure of the Russian market and drawn by European prices, exhausted the quotas year after year; Romania, Germany, and Poland became core markets, and Moldova climbed into the ranks of the EU's leading plum suppliers. In July 2022, through the autonomous trade measures adopted to support the Moldovan economy in the middle of the war, the European Union doubled the quotas for several agricultural products, including plums and table grapes. The trajectory of these two products — from dependence on a single unpredictable market to consolidated positions on the most demanding market in the world — sums up, in miniature, the entire economic logic of the Association Agreement.¹⁶⁸

22. The Chişinău Airport Concession: Anatomy of a Failed Partnership

2013–2014 — A strategic asset, a decade of litigation

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative. The opaque concession of 2013 handed the country's most important infrastructure asset, for nearly a decade, to a group with no airport experience and no intention of investing, at an estimated loss of around 1.6 billion lei and with major reputational damage to the public-private partnership instrument. The score goes no lower because a good deal of modernization work on the airport did take place, and the state ultimately secured the rescission of the contract and the recovery of the asset; the episode thus became a valuable institutional lesson in the governance of strategic assets.

Description

On August 30, 2013, the Public Property Agency signed a 49-year concession contract for Chişinău International Airport with Avia Invest SRL, in exchange for promised investments of around €244 million. From the outset the procedure looked dubious: the tender had formally been won by a Russian consortium with no relevant airport record, the contract was signed with a newly created company, and the terms — a modest concession fee, weak guarantees, extensive rights over land — visibly disadvantaged the state. The parliamentary inquiry of 2019 would conclude that the real beneficiary of the scheme was Ilan Şor, later convicted in the bank fraud case.¹⁶⁹

The concessionaire modernized the terminal and passenger flows grew, but the substantive investment commitments went unmet, with arrears estimated at around €66 million and the performance bond never posted. In July 2020, the Public Property Agency declared the contract rescinded. Nearly three years of litigation followed, in which the national courts (up to the Supreme Court of Justice, with a final ruling in December 2023) and the international arbitration tribunal in Stockholm ruled for the state. On March 27, 2023, the airport effectively returned to state management, and in July 2024 Parliament banned its privatization by law.¹⁷⁰

The episode discredited the concession as a concept through the way it was used. Airports are complex infra-

¹⁶⁸ European Commission, DG TRADE — the DCFTA tariff-rate quotas for plums (15,000 t) and table grapes (20,000 t) and their increase under the autonomous trade measures adopted in July 2022 (Regulation (EU) 2022/1165). <https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX:32022R1165>

¹⁶⁹ Parliamentary commission of inquiry into the concession of Chişinău International Airport, report, 2019; the Anticorupție.md investigation into the beneficiaries of Avia Invest. <https://anticoruptie.md/en/investigations/economic/the-confidential-report-of-the-commission-of-minister-cebotari-and-airport-leasing>

¹⁷⁰ Europa Liberă Moldova, "Aeroportul Internațional Chişinău a revenit în gestiunea statului" [Chişinău International Airport has returned to state management], March 28, 2023; Presidency of the Republic of Moldova, press release, April 2023. <https://moldova.europalibera.org/a/32337912.html>

structure that even developed states rarely manage directly: international good practice in fact recommends concessions and public-private partnerships — provided they are awarded transparently and competitively, to operators with a verifiable record, with monitored investment obligations and credible termination mechanisms. In the case of Chişinău, every one of these conditions was missing, and the result was the capture of a strategic asset rather than the attraction of private capital.

Impact

The direct cost to the state — undersized concession fees, unfulfilled investments, litigation expenses — was estimated at around 1.6 billion lei, on top of which came the opportunity cost of a decade in which the country's main air gateway was managed outside the public interest. According to investigations, the airport's financial flows fed the network of a group at the center of the bank fraud — an illustration of how captured public assets end up financing, in a circle, the very system that captured them.¹⁷¹

The airport was indeed developed, but the investments were financed largely out of the operating cash flows generated by the airport itself. Strictly in terms of infrastructure development, the concession period brought a modernization of Chişinău International Airport. Investments were made in the terminal, the airfield, parking, and technical infrastructure, and data presented by the Public Property Agency indicate, as of the end of 2019, investments of around €94 million over the duration of the concession. In parallel, passenger traffic grew much faster than anticipated: the threshold of 2.6 million passengers, set in the contract to trigger the second stage of investments, was reached as early as 2017, and by 2019 the annualized flow had reached around 3.0 million, close to the 3.2 million initially projected only for 2026. At the same time, the parliamentary commission of 2019 and later the Court of Accounts found serious deficiencies in the monitoring of investments, delays in the execution of works, and the fact that a large share of the financing for the modernization came from revenues generated by the airport itself, including the €9 modernization fee paid by passengers, which weakens the argument that the development was financed by private capital brought in by the concessionaire.

The indirect cost was the erosion of trust in public-private partnerships as an instrument of development. After the airport experience, any proposal to place public infrastructure under concession ran into a public suspicion that was historically justified but economically paralyzing — in a country in acute need of private capital for its infrastructure. Rehabilitating the instrument requires a completely different institutional framework for PPPs: competi-

tive selection, full publication of contracts, and independent monitoring of investment obligations.

The recovery of the airport, in 2023, also had demonstrative value: it showed that the decisions of state capture can be reversed by legal means, through institutions, even when the beneficiaries command considerable legal resources. The state's victory in the national courts and in international arbitration strengthened the case law on the protection of the public interest in concession contracts — a relevant precedent for other assets transferred opaquely out of state hands.

Regional and International Context

Regional experience suggests that, when done properly, airport concessions can deliver good results. Airports such as Zagreb, Belgrade, and Sofia were awarded in concession to established international operators (Aéroports de Paris, Vinci, Fraport, Meridiam) through competitive procedures, with investments delivered and traffic growing; where awards were politicized, the outcome, as in Chişinău, was litigious and costly. The difference lies not in the legal form but in the quality of governance: the same instrument produces modernization or capture, depending on the transparency of the award and on the state's capacity to enforce its contract.

The Moldovan case entered the regional literature as an example of an “extractive concession” — a de facto privatization of the flows of a public asset, without a transfer of ownership and without the promised investments. Together with the bank fraud and the energy schemes of the same period, it completes the picture of the capture economy of 2013–2019, in which the most valuable public assets and flows — the banks, energy, the airport — were systematically redirected toward shadowy interest circles close to, or inside, government.

Lessons Learned

The state is not, as a rule, the best manager of complex infrastructure — but neither can it abdicate its role as a diligent owner. Concessions and public-private partnerships remain the right instruments for airports, ports, or roads, on condition that awards are transparent and competitive, partners have verifiable experience, and obligations are strictly monitored — otherwise they become vehicles of extraction, not of investment.

Public contracts are worth exactly as much as the state's capacity to enforce them. Termination clauses, performance bonds, and monitoring mechanisms mattered more,

¹⁷¹ Balkan Insight, “Moldovan State Regains Ownership of Country's International Airport,” November 23, 2022; NewsMaker, “Cererea privind anularea rezilierii contractului de concesiune a aeroportului Chişinău, respinsă de judecători” [The request to annul the termination of the Chişinău airport concession contract, rejected by judges], 2022. <https://balkaninsight.com/2022/11/23/moldovan-state-regains-ownership-of-countrys-international-airport>

in the end, than the investment promises on paper; strengthening the state's legal capacity, including for international arbitration, is an investment with a direct return.

Strategic assets require a special governance regime, whatever the form of administration. The legal ban on

privatizing the airport, adopted in 2024, expresses the political lesson of the episode. The economic lesson is more nuanced: it is not public ownership in itself that protects the public interest, but transparency, competition, and oversight. Without them, the asset remains vulnerable under any form of ownership.

Case Studies

Case Study

A tender with a foregone conclusion

The 2013 tender was won by a consortium of Russian companies — Khabarovsk Airport and the Kolomensky Zavod plant — but the contract was signed, on the same day as the decision, with Avia Invest SRL, a company that had only just been registered. The parliamentary inquiry of 2019 and journalistic investigations later reconstructed the trail: indirect control by the Șor group, financial flows directed to affiliated entities, and a resale transaction to a foreign investor, annulled after the change of power.

Case Study

The state takes its airport back

The rescission declared by the Public Property Agency in July 2020 opened a legal marathon fought simultaneously in the national courts and at the Arbitration Institute of the Stockholm Chamber of Commerce, where the concessionaire's shareholder sought damages. The state won on every front: the courts upheld the termination (definitively, at the Supreme Court of Justice, in December 2023), the arbitration tribunal rejected the claims, and on March 27, 2023, the airport passed effectively into the administration of the state-owned enterprise. It was one of the few complete recoveries of a captured asset anywhere in the region — proof that the state's legal perseverance, politically backed, can defeat complex contractual engineering.

23. Visa Liberalization with the European Union

2014 — Freedom of movement, a tangible step closer to Europe

+2

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net impact is rated major positive. Unlike the institutional reforms, which moved more slowly, visa liberalization was carried through to completion and delivered a benefit citizens felt directly, which strengthened popular support for European integration. The score reflects these successes, but it stops short of the maximum because greater mobility also fed migration outflows, especially in times of crisis.

Description

The Republic of Moldova was the first Eastern Partnership state to secure a liberalized visa regime with the European Union, the result of a complex compliance exercise: the Visa Liberalization Action Plan (2010–2013), with more than one hundred conditions covering document security, border management, public order, and fundamental rights — including the introduction of biometric passports and the adoption of anti-discrimination legislation. Full delivery on these benchmarks, confirmed by the European Commission, showed that the Moldovan administration could carry out complex reforms when the incentive was concrete and verifiable.

The benefit had both a symbolic and a practical side. Freedom of movement eased people-to-people, professional, and business contacts, boosted tourism and student mobility, and made European integration a palpable reality, with special resonance for a country with a large diaspora.

In the years that followed, demand for biometric passports rose quickly, and millions of visa-free trips confirmed the reform's value.¹⁷² For a family with relatives in Italy or Germany, the freedom to travel stopped being an abstraction and became part of daily life, which made visa liberalization the most popular achievement of the European path.

Liberalization confirmed that technical reforms, rigorously implemented, yield concrete benefits and strengthen confidence in the European path. Unlike the institutional reforms, which unfolded more slowly, the visa dossier was seen through to the end, an example of real progress in a setting otherwise marked by corruption.

Impact

Liberalization strengthened human and economic ties with Europe and consolidated popular support for integration. Greater mobility eased professional, educational, and business exchanges and brought society closer to European practice.

The visa-free regime has fully proved its worth for the citizens of the Republic of Moldova. In the 12 years since liberalization, free movement has become part of everyday life. Between April 28, 2014, and April 20, 2026, more than 2.7 million Moldovans made around 21 million trips to the Schengen area; in recent years the number of beneficiaries has settled above one million a year. Nor did the opening breed abuse: rates of refused entry (0.44%) and illegal stay

(0.74%) remained low in 2025, evidence that Moldovans' mobility goes hand in hand with respect for Schengen rules.¹⁷³

For all its evident benefits, the liberalized visa regime also exposed a structural paradox in the Republic of Moldova's development. Individually, every citizen made the most of the new freedom. For the state, though, the same openness amplified demographic pressures and the labor shortage. Unable to modernize and reform fast enough, the state did not generate enough opportunities at home to make staying as attractive as leaving.

Liberalization also cemented the bond between the Western diaspora and the European path. As mobility grew, the community in European states became ever more involved in the country's political life, a dynamic that would prove decisive at key moments of integration.

Beyond its practical value (mobility, family ties, opportunities), visa liberalization had a major political effect: it strengthened popular support for the European path.

A reform that delivered a tangible, immediate benefit cut against the common perception of integration as an abstract, distant process. The visa-free regime became the most popular "dividend" of drawing closer to the Union.

Regional and International Context

By securing visa-free travel in 2014, Moldova moved well ahead of the other Eastern Partnership states: Ukraine and Georgia would obtain the same right only in 2017. The head start bolstered Moldova's image as the star pupil of the process and gave its citizens European mobility three years before their neighbors. In a field that touches people directly, Moldova was, for a time, the regional leader.¹⁷⁴

Comparison with Central Europe, however, puts this head start in perspective and is a reminder of the scale of the historical gap. Polish, Czech, and Baltic citizens had gained full freedom of movement in the EU with accession in 2004, a decade before Moldovans, and citizens of the Schengen states much earlier still. The visa-free regime brought Moldova closer to Europe on mobility, but it also measured the roughly decade-and-a-half distance that still separated it from the full status its Central European neighbors already enjoyed.¹⁷⁵

Lessons Learned

Well-implemented technical reforms yield concrete benefits and build public support for strategic goals.¹⁷⁶ The success of this dossier, set against failures elsewhere, con-

¹⁷² Public Services Agency — biometric passport statistics; General Inspectorate of the Border Police — border crossings.

¹⁷³ Ministry of Foreign Affairs of the Republic of Moldova:

<https://mfa.gov.md/ro/content/12-ani-de-calatorii-fara-vize-spatiul-schengen-pestre-27-milioane-de-moldoveni-au-beneficiat>

¹⁷⁴ European Commission — final reports on the fulfillment of the Visa Liberalization Action Plans: Moldova (2013), Georgia and Ukraine (2015–2016).

¹⁷⁵ Emerson, M., Cenușă, D. (eds.), "Deepening EU–Moldovan Relations: What, Why and How?," CEPS / Expert-Grup, third edition, 2021. <https://3dcftas.eu>

¹⁷⁶ Emerson, M., Cenușă, D. (eds.), op. cit. (CEPS / Expert-Grup, 2021) — the chapters on the implementation of technical reforms. <https://3dcftas.eu>

firms the value of rigorous implementation and the case for concentrating on reforms with visible results.

The benefits of integration must be communicated to citizens, because popular support depends on concrete advantages. Freedom of movement supplied a powerful argument for integration, a sign that the European path must deliver visible results to keep its legitimacy.

The capacity to deliver results exists where the political will exists. The lesson of visa liberalization is that the state could reform effectively when the field was not exposed to

capture. This confirms that the main obstacle to reform was not incapacity but the interests that blocked change in sensitive areas.

The lesson is that reforms bringing citizens concrete, visible benefits build durable support for the European path, far sturdier than support built on promises. A strategic project gains legitimacy when people feel its advantages in daily life. The visa-free regime showed that integration becomes irreversible not through treaties but through the lived experience of its benefits.

Case Studies

Case Study

Biometric passports and millions of trips

After April 28, 2014, demand for biometric passports surged, with lines outside civil registry offices, and millions of visa-free trips followed in subsequent years, for work, tourism, study, or visits to relatives. For a family with relatives in Italy or Germany, the freedom to travel ceased to be an abstraction and became a daily reality, measurable in plane tickets and family reunions. This concrete benefit, felt directly by hundreds of thousands of people, made visa liberalization the most popular achievement of the European path and an argument hard to contest in the domestic debate, whatever one's political leanings.

24. The Bank Fraud: The “Theft of the Billion”

2014–2015 — *The biggest robbery in the country's history*

-3

Impact Score

Net impact on development: *Profoundly negative impact (scale -3 ... +3)*

The net impact is rated profoundly negative. The theft of around \$1 billion — roughly 12% of GDP — from three banks, followed by its conversion into public debt to be repaid over some 25 years, was the most serious episode of corruption and capture of state institutions in the country's post-Soviet history. The minimum score captures the direct loss as well as the devaluation, the inflation, and the destruction of trust.

Description

The 2014 bank fraud, the “theft of the billion,” was the most serious episode of capture and corruption in the country's post-Soviet history.¹⁷⁷ The bank fraud uncovered at the end of 2014 consisted of the siphoning, through fictitious loans to interconnected companies, of around \$1 billion from three banks (Banca de Economii, Unibank, and Banca Socială), the equivalent of roughly 12% of the coun-

try's gross domestic product. The scheme, later documented by the Kroll investigations, involved a network of firms tied to the Ilan Șor group and was possible only with complicit or weak banking supervision.

At the center of the fraud stood Banca de Economii, the former state savings bank, in which millions of citizens kept their deposits.¹⁷⁸ Through loans to affiliated firms, the bank was emptied from within; the Kroll reports recon-

¹⁷⁷ National Bank of Moldova — the decisions on Banca de Economii, Banca Socială, and Unibank (2014–2015); Kroll, “Project Tenor” (2015). <https://www.bnm.md>

¹⁷⁸ Kroll, “Project Tenor — Scoping Phase Final Report,” April 2, 2015; Court of Accounts — audit reports on Banca de Economii.

structed the money trail and the role of the businessmen involved, among them Ilan Șor, then in the bank's leadership. Turning an institution of public trust into a vehicle for plunder was the most symbolic blow of the entire episode.

The Kroll investigation, commissioned by the National Bank, showed that the fraud was a coordinated process, not an isolated incident. Control of the three banks was taken over gradually, through concerted share purchases, and lending was funneled to the Șor group's firms: their exposure rose from \$10.4 million in 2010 to around \$951 million in November 2014, by then almost 80% of the banks' loan portfolios. The funds were then moved out of the country through a "core money-laundering mechanism," routed through accounts at Latvian banks and offshore companies, with around \$1.1 billion dispersed to jurisdictions including Cyprus, China, Russia, and Switzerland.¹⁷⁹

The theft unfolded in three stages. Between 2007 and 2012, Banca de Economii had built up around 3.2 billion lei in dubious, unrepaid loans; between August 2012 and November 2014 the bulk of the fraud took place, through fictitious lending and money laundering; and over November 7–27, 2014, even though state guarantees for the emergency loans had already been approved in secret, the diversion continued and added roughly 5 billion lei in further losses. The draining of the banks was stopped only on November 27, 2014, three days before the parliamentary elections, when the state took control of Banca de Economii.¹⁸⁰

The scale of the fraud laid bare the phenomenon of capture and the complicity of the institutions meant to supervise the system. Diverting a sum of this size would not have been possible without grave failures of banking supervision, control, and law enforcement. Behind the European "success story," state institutions had been subordinated to oligarchic groups capable of plundering the economy.

To avert the collapse of the banking system, the state absorbed the losses through state guarantees and turned a private fraud into public debt. The sums and guarantees were converted into debt that citizens are repaying over some 25 years: the cost was socialized while the beneficiaries went largely unpunished.

The fraud was possible precisely because of governance flaws that had taken root back in the 1990s.¹⁸¹ Opaque ownership, weak protection of minority shareholders, and the subordination of supervisory institutions created the

environment in which such a scheme could be conceived and executed. The fraud was not an isolated accident but the end result of an institutional capture built up over time.

Impact

The economic effect was devastating: a major public debt, a currency crisis, and deeply eroded trust in the financial system and the state. Converting the losses into debt burdened the budget for decades and cut the resources available for investment and public services, while the crisis brought an abrupt devaluation of the leu and rising inflation, with direct effects on living standards.

To cover the emergency loans, the state issued bonds worth 13.34 billion lei, plus around 11.2 billion lei in interest, payable in installments between 2017 and 2041. To date, only around 3.09 billion lei has been recovered from the banks' liquidation¹⁸² — money paid into the budget rather than used to retire the debt early, so the interest burden stays on taxpayers' shoulders. Meanwhile, from October 2016 through the end of 2025, the budget has already paid out around 7.75 billion lei (bond redemptions plus interest), with roughly 16.78 billion lei still to be paid by 2041. On top of this came lasting collateral effects: the leu's purchasing power fell by around 29% relative to December 2014, inflation climbed to 13.4% in early 2016, and public trust in banks dropped from 33% in 2013 to under 18% in the years immediately after the bank fraud.¹⁸³

Institutionally and politically, the fraud exposed the captured state and damaged the credibility of the European path, with external assistance temporarily suspended.¹⁸⁴ The "success story" turned into a warning about the risks of facade reforms.

An unprecedented social mobilization followed: the protests of 2015–2016 gave voice to the outrage at the plundering of the economy. Over the medium term, those protests fed the demand to restore the state to health, a demand that materialized in the elections of 2020–2021.

The fraud also left a lasting moral and institutional burden, because its main beneficiaries were never punished. Partial asset recovery and relative impunity kept distrust of the justice system alive and made recovering the money and holding the culprits to account a fundamental test of the state's capacity to reform itself.

¹⁷⁹ Ce ne spune și ce nu ne spune investigația Kroll despre fraudă bancară” [What the Kroll investigation does and does not tell us about the bank fraud], Expert-Grup, December 2017; see also the summary of the second Kroll and Steptoe & Johnson report, published by the NBM on December 21, 2017. <https://www.expert-grup.org/ro/biblioteca/item/1556>

¹⁸⁰ Prosecutor General's Office, "Strategia de recuperare a mijloacelor financiare sustrate din Banca de Economii, Banca Socială și Unibank" [Strategy for the recovery of the funds stolen from Banca de Economii, Banca Socială, and Unibank], June 2018; "Monitorul financiar" [Financial Monitor] No. 8, Expert-Grup, November 2018.

¹⁸¹ Kroll & Steptoe & Johnson, summary of the second phase of the investigation, published by the NBM on December 21, 2017; Expert-Grup, the "Monitorul financiar" [Financial Monitor] series (2016–2019). <https://www.expert-grup.org>

¹⁸² Ministry of Finance of the Republic of Moldova, "Recuperarea activelor fraudate" [Recovery of defrauded assets] page: <https://mf.gov.md/ro/content/recuperarea-activelor-fraudate>

¹⁸³ „Monitorul financiar” nr. 8 — „Patru ani de la fraudă bancară: ce am aflat în acest timp”, Expert-Grup, noiembrie 2018

¹⁸⁴ European Commission — suspension of budget support for the Republic of Moldova (July 2015); IMF — Press Release No. 16/491 on the approval of the new program (November 7, 2016). <https://www.imf.org/en/News/Articles/2016/11/07/PR16491-Republic-of-Moldova-IMF-Executive-Board-Approves-Arrangements-Under-EFF-ECF>

Beyond the budget cost, the fraud left a lasting mark on fair competition and on the country's external reputation. Part of the stolen funds, after passing through offshore jurisdictions to disguise their origin, returned to the national economy in the form of businesses and asset purchases. Built on capital acquired at virtually no cost and of illicit origin, these businesses compete from a deeply unfair position with enterprises raised on an honest foundation: they can afford prices, margins, or investments that an entrepreneur financed properly, at the real cost of the market, cannot match. The fraud thus did more than empty three banks; in certain market segments it distorted the very mechanism of fair competition, and it was honest capital that paid the penalty. At the same time, the “theft of the billion” gravely damaged the international reputation of Moldova's financial system: the country came to be associated with money laundering (owing in part to another scandal of vast proportions, the Laundromat¹⁸⁵) and with institutional vulnerability. Rebuilding that credibility took considerable effort, from reforming banking supervision and making bank ownership transparent to aligning with international standards — a process still not fully complete today.

Regional and International Context

Relative to the size of the economy, Moldova's bank fraud ranks among the largest in the world: around 12% of GDP stolen in a single scheme, a share that exceeds most financial scandals known globally. Its relative scale turned a national case into a textbook study of what happens when financial supervision is captured. Few states have experienced plunder of such magnitude relative to their own economy.¹⁸⁶

Comparison with Central Europe shows the value of European institutions. In the Union's member states, strengthened banking supervision — and, after 2014, the Banking Union — drastically reduced the likelihood of fraud on such a scale, through common standards, ownership transparency, and external control. The 2014 fraud was, in this sense, the costliest expression of the institutional gap between Moldova and the European space, one more argument for European integration as a source of discipline and protection.¹⁸⁷

Lessons Learned

Rigorous, independent financial supervision is an essential public good, and its absence can produce catastrophic losses.¹⁸⁸ The breakdown of supervisory mechanisms allowed the largest fraud in the country's history; the independence and capacity of the NBM and of the supervi-

sory institutions must therefore be strengthened, along with full transparency of bank ownership.

In parallel, the crisis set off the broadest wave of financial reforms in the country's history. After 2014 the country adopted a new law on bank recovery and resolution, the Basel III prudential standards, “fit & proper” vetting of bank shareholders, a single central securities depository, and a new framework for preventing money laundering, while the sanctions applicable to banks grew almost tenfold. These measures considerably reduced the risk of a repeat crisis, though they did not eliminate it entirely: legislative inconsistencies persist, for example, over state guarantees for insolvent banks.¹⁸⁹

State capture carries an enormous cost, and resilient institutions, able to resist subordination to shadowy interests, are indispensable. Without an independent judiciary and strong oversight institutions, any economic progress can be wiped out by high-level corruption.

Asset recovery and holding the guilty to account are tests of the state's capacity to reform itself. The lesson of the fraud is that impunity perpetuates distrust and discourages reform. Restoring trust in the state depends on showing that plunder on this scale cannot go unpunished.

Once again, the state proved an ill-suited manager in fields dominated by private initiative, such as banking. Banca de Economii — the bank with the widest branch network and the most depositors — became the epicenter of the plunder precisely because its governance was subordinated to politics: boards appointed for loyalty, loans granted to serve interests, internal controls gutted. State presence in the banking sector can be justified only with strict governance arrangements that fully insulate the bank's commercial decisions from politics and from interests close to the government; absent those, a state bank becomes, sooner or later, a source of rents for those in power.

The supreme lesson of the fraud is that an economy's soundness depends on the integrity of its supervisory institutions, and that opaque ownership, inherited from the 1990s privatizations, is a time bomb. The relevant contrast, though, is not between institutions — banking supervision is, by mandate, a function of the National Bank, alongside monetary policy — but between the two functions of the same institution: where monetary policy followed international best practice, supervision stayed on the outdated Basel I framework and was subordinated to shadowy interests. The lesson is that independence, resources, and modernization must cover the central bank's entire mandate, not just its monetary component.

¹⁸⁵ RISE Moldova, “Operațiunea rusească: The Laundromat” [The Russian operation: The Laundromat]: <https://www.rise.md/articol/operatiunea-ruseasca-the-laundromat>

¹⁸⁶ Kroll Inc., “Project Tenor” I (April 2015) and “Project Tenor II” — the summary published by the National Bank of Moldova in December 2017. <https://www.bnm.md>

¹⁸⁷ IMF, Country Report No. 16/343, “Republic of Moldova — Request for an Extended Arrangement...,” November 2016 — the assessment of the fiscal cost of the banking crisis (around 12% of GDP). <https://www.imf.org/en/Countries/MDA>

¹⁸⁸ Ministry of Finance — domestic state debt; Law No. 235 of October 3, 2016. <https://mf.gov.md>

¹⁸⁹ “Monitorul financiar” [Financial Monitor] No. 8 — “Patru ani de la fraudă bancară: ce am aflat în acest timp” [Four years after the bank fraud: what we have learned since], Expert-Grup, November 2018

Case Study

Banca de Economii, emptied from within

At the center of the fraud stood Banca de Economii, the former state savings bank, an institution with a long history, where millions of citizens kept their savings and which they associated with safety. Through loans to affiliated firms, without real collateral, the bank was emptied from within, and the reports of the international investigative firm Kroll pieced together the money trail, the network of shell companies, and the role of the businessmen involved, among them Ilan Șor, then in the bank's leadership. Turning an institution of public trust into a vehicle for plunder, in just a few days of November 2014, was the most symbolic blow of the entire episode, and for many it destroyed whatever trust in the banking system remained.¹⁹⁰

25. The Devaluation of the Leu and the Crisis of Confidence

2015 — The price paid for the bank fraud

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. The 2015 devaluation of the leu was the macroeconomic bill for the fraud: it made imports dearer, ignited inflation, and eroded real incomes, while the NBM drew down foreign exchange reserves to stabilize the situation. The score reflects how corruption at the top was passed through into a cost borne by households, partly softened by a program to clean up the banking sector.

Description

The year 2015 was dominated by the macroeconomic fallout of the bank fraud: an abrupt devaluation of the leu and a full-scale crisis of confidence.¹⁹¹ The theft of \$1 billion and the conversion of the losses into public debt put severe pressure on the exchange rate, inflation, and financial stability; the NBM intervened massively, ran down foreign exchange reserves, and placed the affected banks under special administration.

The devaluation transmitted the shock of the fraud through the entire economy. Imports grew dearer, inflation flared, and real incomes shrank. For an economy dependent on imports and remittances, the depreciation struck directly at purchasing power and the cost of living, a demonstration of how corruption at the top ends up as a bill paid by citizens.

Outrage at the plunder brought tens of thousands of people into the streets in 2015 and 2016, a rare mobilization.¹⁹² Protesters, gathered in civic platforms and parties of different stripes, pitched tents in Great National Assembly Square to demand the money back and the guilty punished. This civic energy did not topple the regime at once, but it fed the demand to restore the state to health.

Managing the crisis demanded harsh stabilization measures and strained relations with external partners, who made their support conditional on investigating the fraud and reforming the banking sector. The temporary suspension of external financing deepened the pressures, and support resumed only with commitments to reform and transparency; 2015 was thus the year the full cost of state capture and of the financial-governance deficit came due.

¹⁹⁰ Kroll, "Project Tenor — Scoping Phase Final Report," April 2, 2015 (report submitted to the Parliament of the Republic of Moldova); the summary of the second phase of the Kroll-Steptoe & Johnson investigation was published by the NBM in December 2017.

¹⁹¹ Freedom House, "Nations in Transit 2016" — Moldova; the chronology of the protests of the "Demnitate și Adevăr" [Dignity and Truth] platform (2015–2016). <https://freedomhouse.org/country/moldova>

In the end, the crisis forced a cleanup program for the banking sector, with lasting effects. Transparent ownership, stronger supervision, and a cleansed system were the result of external and domestic pressure, a painful but necessary transformation that laid the foundations of a sounder banking sector in the years that followed.

The 2015 devaluation of the leu, which lost around a quarter of its value, was the direct consequence of the bank fraud: a large part of the foreign exchange reserves had been drained by the emergency loans to the plundered banks, and confidence in the system had collapsed. To these domestic causes were added regional pressures, among them the Russian recession and the ruble's depreciation. Inflation climbed toward 13%, and the price of the theft passed, through the exchange rate and through prices, into every citizen's pocket.

An Expert-Grup analysis published in the heat of the moment, in February 2015, dissected the anatomy of the currency crisis. From January 1 to February 18, 2015, the leu had lost 34% against the dollar and 26% against the euro, after depreciating by only around 20% in 2014 — far less than the Russian ruble (–72%) or the Ukrainian hryvnia (–97%), which had meant, paradoxically, a real effective appreciation that eroded competitiveness at a time when the current account deficit, around 8% of GDP, ran at nearly double the level considered sustainable. Econometric estimates showed that the fundamentals — remittances down 20% and exports down 12% in the fourth quarter (Q4) of 2014 — justified a depreciation of only 10–12%; the rest, up to around 40% in annual terms, was overshooting fed by panic, suspicious banking operations, and capital flight. The NBM had already sold around \$600 million of its reserves, by then down to 3.3 months of imports, and the analysis concluded that without a cleanup of the banking sector and structural reforms, no stabilization of the exchange rate would last.¹⁹³

The year's balance sheet confirms the scale of the shock: the economy fell into recession (–0.7% in 2015), average annual inflation rose to 9.6% (with a peak above 13% toward year-end), and budget revenues dropped to 29.8% of GDP — the lowest point of the entire post-1995 series, a direct consequence of frozen external financing and a shrinking tax base. In a single year, the fraud statistically erased almost a decade of fiscal consolidation.¹⁹⁴

Impact

The devaluation raised inflation, made credit more expensive, and eroded real incomes, with effects felt across the entire population. It cut purchasing power, made debts harder to service, and soured the economic climate, proof of how fast a financial shock travels into the real economy.

Converting the banking losses into state debt burdened the budget and narrowed the fiscal space for investment and public services.¹⁹⁵ The opportunity cost was considerable for years on end: resources that could have gone to health, education, or infrastructure went instead to debt service.

The crisis forced a program of banking sector reform and stronger supervision, under pressure from partners. Making ownership transparent, tightening supervision, and cleaning up the system were necessary steps, though rebuilding trust took years of effort.

The social mobilization born of the crisis had a lasting political effect. The protests of 2015–2016 showed that society did not accept the plunder as fate, and this civic energy contributed to the political change of 2019 and the reform mandate of 2020–2021.

Regional and International Context

Anii 2014–2015 au fost o perioadă de presiuni valutare în întreaga regiune, pe fondul prăbușirii rublei ruse și al războiului din Ucraina, care a împins grivna la o depreciere de peste jumătate. Multe monede est-europene au resimțit unde de șoc, iar contextul regional a amplificat presiunea asupra leului. La prima vedere, devalorizarea moldovenească putea părea parte a acestui trend regional.¹⁹⁶

Diferența esențială este însă că devalorizarea din Moldova a fost, în bună parte, autoprovoacă. În timp ce criza valutară a Ucrainei era efectul direct al unei agresiuni militare, iar presiunile asupra altor monede veneau din contextul extern, prăbușirea leului își avea originea într-un furt intern care golise rezervele. Aceeași manifestare — deprecierea monedei — avea, așadar, cauze fundamentale diferite: la vecini, un șoc extern; în Moldova, un eșec instituțional intern, cu atât mai grav cu cât ar fi putut fi evitat.¹⁹⁷

¹⁹³ Lupușor, A. (Expert-Grup), "De ce s-a depreciat leul și cum îl putem redresa?" [Why has the leu depreciated, and how can we turn it around?], economic commentary, February 19, 2015. <https://www.expert-grup.org/ro/biblioteca/comentarii/item/1077-depreciere-mdl>

¹⁹⁴ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (real GDP, average inflation, budget revenues, 2014–2016) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEO>

¹⁹⁵ Ministry of Finance; Court of Accounts — reports on the state guarantees issued in 2014–2015. <https://mf.gov.md>

¹⁹⁶ National Bank of Moldova — exchange rate and inflation developments (2014–2015), Inflation Reports. <https://www.bnm.md>

¹⁹⁷ Lupușor, A. (Expert-Grup), "De ce s-a depreciat leul și cum îl putem redresa?" [Why has the leu depreciated, and how can we turn it around?], February 19, 2015; IMF, "Regional Economic Issues: CESEE" (2015). <https://www.expert-grup.org/ro/biblioteca/comentarii/item/1077-depreciere-mdl>

Lessons Learned

Financial instability bred by corruption spreads quickly into the real economy and hits the entire population through inflation and devaluation.¹⁹⁸ The cost of the fraud was ultimately borne by citizens, a sign that the integrity of the financial system is a precondition of macroeconomic stability.

Foreign exchange reserves and macroeconomic credibility are essential in crisis management, alongside the re-

lationship with external partners. The NBM's ability to stabilize the situation depended on reserves and on support tied to reforms, evidence that reserves and institutional credibility matter.

A crisis can become a starting point for reform if civic energy is channeled constructively. The lesson is that the banking cleanup, painful as it was, became possible precisely under the pressure of the crisis and of social mobilization; moments of crisis can be used to push through changes otherwise blocked.

Case Studies

Case Study

The leu, from 12 to 19 in a year

The pressure generated by the fraud showed up directly in the exchange rate: the leu depreciated sharply against the dollar, and the National Bank spent a substantial share of its foreign exchange reserves to temper the fall and stave off both panic among depositors and an uncontrollable inflationary spiral. Costlier imports passed straight into prices, from food to medicine, and households felt the blow in the daily shopping basket despite having had nothing to do with the fraud. In concrete numbers, the episode showed how an act committed by a few, far away, in offices and accounts, ends up as a bill paid by all, through inflation and lost purchasing power, and it turned a financial crime into a generalized social burden.

Case Study

The tent city in Great National Assembly Square

Outrage at the plunder brought tens of thousands of people into the streets in 2015 and 2016, in a rare mobilization that united civic platforms and parties of different stripes, from pro-Europeans to left-wing groups, temporarily joined by revolt against the theft. Protesters pitched tents in Great National Assembly Square, in the center of the capital, demanding the money back, punishment for the guilty, and early elections. This civic energy did not immediately topple the regime, which held on, but it fed the demand to restore the state to health and created a memory of mobilization that would contribute, years later, to the political change of 2019 and the reform mandate of 2020–2021.

26. The “Captured State” and the Democratic Crisis

2016–2018 — When institutions serve one master

-2

Impact Score

Net impact on development: *Major negative impact (scale -3 ... +3)*

The net impact is rated major negative. Subordinating public institutions to the interests of an oligarchic group distorted competition, discouraged investment, and perpetuated an extractive model that wasted the opportunities of integration. The score reflects both the economic cost and the democratic regression of those years.

¹⁹⁸ IMF — conditionality of the ECF/EFF arrangements (2016–2020); Decision (EU) 2017/1565 on macro-financial assistance for the Republic of Moldova. <https://eur-lex.europa.eu/legal-content/RO/TXT/?uri=CELEX:32017D1565>

Description

Between 2016 and 2018, public institutions were subordinated, to a large degree, to the interests of a dominant oligarchic group, with deep consequences for the economy and for democracy.¹⁹⁹ The concentration of political, economic, and media power in a narrow circle turned the courts, supervisory bodies, and regulatory authorities into instruments of private interests, which eroded the rule of law and distorted the workings of the market economy.

Capture was at its most visible in the media market, where an overwhelming share of the audience was concentrated around a few television stations controlled by the dominant group.²⁰⁰ Control over information allowed the group to shape the public agenda and marginalize critical voices, which made media pluralism a direct casualty of capture.

The economic consequences were direct: discouraged investment, distorted competition, and economic decisions subordinated to group interests. Foreign and domestic investors shied away from the lack of predictability, the selective application of the law, and the risk of colliding with the dominant interests, so the economy remained captive to an extractive model.

In democratic terms, the period was one of regression, illustrated by the invalidation of the 2018 Chișinău mayoral election.²⁰¹ The courts' annulment of a vote won by an opposition candidate became the symbol of a subordinated judiciary and drew a harsh response from European partners, who suspended part of their assistance.

The change of the electoral system in 2017 was another instrument for consolidating control. The switch to a mixed system, contested by civil society and external partners, was seen as an attempt to favor the dominant group: even the rules of democratic competition were being adjusted in the interest of oligarchic groups.

In June 2019, an improbable coalition of pro-European and pro-Russian forces, backed by a rare external consensus among the European Union, the United States, and Russia, removed the oligarchic regime, and its leader fled the country. The exit from capture broke the institutional deadlock: domestic and external pressure were pulling in the same direction for the first time.

Impact

Capture discouraged investment, perpetuated an extractive model, and wasted the development opportunities that integration offered. The subordination of institutions to private interests distorted competition and reduced the efficiency of resource allocation, which held back growth and modernization.

Externally, capture compromised the credibility of the European path and led partners to attach conditions to funding or suspend it outright.²⁰² The deterioration of the rule of law strained the relationship with the Union, a sign that integration cannot advance without real democratic reforms.

The backsliding was recorded by every international governance barometer. In Transparency International's Corruption Perceptions Index, Moldova slid from a score of 33 (103rd of 168) in 2015 to 30 (123rd of 176) in 2016 — the country's historic low — and then stagnated at 31–33 points through 2019. Freedom House kept the country in the “partly free” category, with the overall score slipping from 62 (2017 edition) to 58 (2019 edition), citing the concentration of the media market, the change of the electoral system in defiance of the Venice Commission's opinions, and the invalidation of the Chișinău election, while the Nations in Transit reports described a “hybrid regime” on the edge of authoritarianism. These series show that 2016–2018 remains the period with some of the worst governance ratings in the country's history.^{203 204}

Capture fed a strong social demand for change, which would make itself felt in the elections of 2019 and 2020–2021. Outrage at the subordination of the state was the engine of the mobilization that brought down the regime.

Capture imposed both a direct economic cost and an opportunity cost. Beyond the resources extracted as rents, the country lost investment, European funds, and years of development — a cumulative cost hard to quantify but felt in the gap with the states that were reforming over the same period.

Capture produced deep democratic regression, discouraged investment, and led to the freezing of European macro-financial assistance, while also discrediting the very pro-European brand under which it operated. The most lasting cost was the erosion of trust — in institutions, in the courts, and in the European project, invoked rhetorically even as it was emptied of substance.

¹⁹⁹ Freedom House, „Nations in Transit” 2017–2019 — concentrarea pieței media; Consiliul Audiovizualului, rapoartele de monitorizare. <https://freedomhouse.org/country/moldova>

²⁰⁰ Reporterii fără Frontiere, World Press Freedom Index — Moldova (2015–2019); Freedom House, „Nations in Transit” și „Freedom in the World”, edițiile 2015–2019. <https://rsf.org>

²⁰¹ Hotărârile instanțelor privind invalidarea alegerilor pentru primăria Chișinău (iunie 2018); OSCE/ODIHR și Comisia de la Veneția — reacțiile oficiale. <https://www.osce.org>

²⁰² Comisia Europeană — suspendarea primei tranșe a asistenței macrofinanciare (iulie 2018); Parlamentul European, Rezoluția 2017/2281(INI) din 14 noiembrie 2018. https://www.europarl.europa.eu/doceo/document/TA-8-2018-0458_RO.html

²⁰³ Transparency International, Corruption Perceptions Index — Moldova: scor 33 (locul 103) în 2015; 30 (123) în 2016; 31 (122) în 2017; 33 (117) în 2018; 32 (120) în 2019. <https://www.transparency.org/en/countries/moldova>

²⁰⁴ Freedom House, „Freedom in the World” (Moldova: scor 62 în ediția 2017, 61 în 2018, 58 în 2019; statut „parțial liberă”) și „Nations in Transit” (regim hibrid). <https://freedomhouse.org/country/moldova>

The fall of the regime removed the main obstacle to reform and reopened the country's European prospects. The departure of the group that had subordinated the institutions allowed dialogue with partners to resume and the reform agenda to restart, even if early progress was limited by instability.

Regional and International Context

The capture of the Moldovan state occurred in a decade when democratic backsliding was at work, in different forms, across the whole region, including inside the European Union, where rule-of-law tensions centered on Hungary and Poland. What set Moldova apart, however, was the nature of the phenomenon: outright capture of institutions by a narrow group, for private benefit.²⁰⁵

The comparison brings out the constraining role of European membership. In member states, even lapses from the rule of law remained bounded by European Union mechanisms and supranational institutional checks. In Moldova, outside those mechanisms, capture could advance almost unimpeded until the domestic revolt of 2019. While Ukraine, after the Maidan, was consolidating its anticorruption reforms, Moldova was sliding the other way — proof that, without a solid external anchor, a “success story” can quickly turn into failure.²⁰⁶

Lessons Learned

Genuine independence of the judiciary and of oversight institutions is the foundation of both democracy and a functioning market economy.²⁰⁷ The subordination of institutions to an oligarchic group eroded democracy and the economy at the same time, which makes justice reform and the strengthening of institutional independence an absolute priority.

External conditionality and an active civil society can contain and, in the end, reverse this phenomenon. Pressure from partners and domestic mobilization were essential counterweights — a sign of how much the European anchor matters and of the need for permanent vigilance toward those in power, whatever their political color.

State capture can wear a pro-European mask to legitimize itself, and reforms can be pursued merely to check a box. The gravest damage of the period was not economic but a loss of trust: the European idea was discredited by being used as a screen. External conditionality must therefore target the real independence of institutions, not declared compliance with the European agenda.

The state's resilience depends on the simultaneous independence of the entire system of checks and balances. Parliament's Declaration of June 8, 2019,²⁰⁸ found that political influence was not confined to the judiciary but extended to the Prosecutor's Office, the National Anticorruption Center, the National Integrity Authority, the Central Electoral Commission, the Intelligence and Security Service, the NBM, and other authorities that were supposed to operate autonomously. The change of power in June 2019 led to the departure from the country of Vladimir Plahotniuc — the chief organizer and beneficiary of the system that had captured state institutions — and to the replacement of some institutional leaderships. Even so, a substantial share of the commitments made in the Declaration produced no swift and final consequences, and the investigation and prosecution of the major schemes it denounced dragged on for years. Capture becomes possible when several institutions are subordinated at the same time and the mechanisms of mutual control stop working. Preventing recapture therefore cannot mean merely changing leaderships; it requires entrenching rules and guarantees that make institutions resistant to political influence.

Case Studies

Case Study

Five television stations, one master

State capture had a visible face in the media: an overwhelming share of the national audience was concentrated around a few television stations controlled, directly or indirectly, by the dominant group, led by Plahotniuc. Control over information made it possible to shape the public agenda, promote a single narrative, and marginalize critical voices, which made media pluralism a direct casualty of capture. For ordinary citizens, access to balanced information became ever harder, and public debate grew distorted. Media concentration was in equal measure an economic instrument, through advertising and influence, and a political one, through the power to manufacture or destroy reputations.

²⁰⁵ European Parliament, Resolution of November 14, 2018, 2017/2281(INI) — the Republic of Moldova, “a state captured by oligarchic interests.” https://www.europarl.europa.eu/doceo/document/TA-8-2018-0458_RO.html

²⁰⁶ Venice Commission and OSCE/ODIHR, Joint Opinion No. 884/2017 on the draft laws amending the electoral system of the Republic of Moldova, March 2017. <https://www.venice.coe.int>

²⁰⁷ IMF, Country Report No. 16/343 (2016); World Bank, Worldwide Governance Indicators — the economic cost of weak governance.

²⁰⁸ Declaration on recognizing the Republic of Moldova as a captured state, <https://globalvoices.org/wp-content/uploads/2020/01/MD-Parlament-declaration.pdf>

Case Study

Metalferos: public profit diverted to intermediaries

The Metalferos scheme shows how control over a state-owned enterprise could be converted into private rent. According to the criminal case files, between 2015 and 2019 intermediary companies were inserted into the purchase and export of scrap metal, and prices were manipulated so that part of the trading margin was shifted outside the enterprise. The price differences generated by these operations were estimated at around 2.1 billion lei, and the damage to the budget at over 215 million lei, including around 133 million lei from export operations. Investigative journalists documented links between Vladimir Plahotniuc and companies involved in the circuit and traced part of the financial flows to accounts associated with him.

27. The Rehabilitation of the Banking System and the IMF Program

2016–2019 — Marea asanare de după marele jaf

+2

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net impact is rated major positive. In just three years, a banking system that had been at the epicenter of the largest fraud in the country's history was made transparent, recapitalized, and, in its systemic segment, transferred to reputable Western investors, with the November 2016 IMF program as the anchor. The reform — carried out, paradoxically, at the height of the “captured state,” under the pressure of external conditionality — went on to pass the tests of the pandemic, the war, and the energy crisis. The score falls short of the maximum because the bill for the fraud was socialized through public debt, and financial intermediation remained below potential.

Description

After the shock of the fraud and the devaluation, the years 2016–2019 brought the deepest institutional reconstruction in the history of Moldova's financial sector. The anchor was the program with the International Monetary Fund, approved on November 7, 2016 — ECF/EFF arrangements worth SDR 129.4 million (about \$179 million) — which also unlocked €100 million in European macro-financial assistance, strictly conditioned on reform progress, as well as World Bank budget support. The conditionality targeted exactly the points that had made the heist possible: shareholder transparency, bank governance, and the independence of supervision.²⁰⁹

The fiscal cost of the fraud was formalized by Law No. 235 of October 3, 2016, which converted the emergency loans the NBM had extended to the three liquidated

banks under government guarantees into state bonds

worth 13,341.2 million lei, with maturities of up to 25 years. The decision — deeply contested in public, because it placed the bill on taxpayers' shoulders — closed the acute episode and made the price of capture visible in the budget: with interest, the total cost exceeds 24.5 billion lei, of which around 7.75 billion had been paid by the end of 2025.²¹⁰

The prudential pillar was rebuilt from the ground up.

The National Bank blocked and later canceled the stakes of nontransparent shareholders in the three systemic banks — Moldova Agroindbank, Moldindconbank, and Victoria-bank — placed Moldindconbank under early intervention (October 2016), and imposed “fit & proper” vetting of owners and managers. Law No. 202/2017 on the activity of banks, in force from January 1, 2018, replaced the Basel I framework — which Moldova was among the last European countries still applying — with Basel III standards and brought supervision into line with European practice.²¹¹

²⁰⁹ International Monetary Fund, Press Release No. 16/491, “IMF Executive Board Approves 3-Year ECF and EFF Arrangements for the Republic of Moldova,” November 7, 2016 — arrangements worth SDR 129.4 million (around \$178.7 million); their approval also unlocked €100 million in EU macro-financial assistance (Decision (EU) 2017/1565). <https://www.imf.org/en/News/Articles/2016/11/07/PR16491-Republic-of-Moldova-IMF-Executive-Board-Approves-Arrangements-Under-EFF-ECF>

²¹⁰ Law No. 235 of October 3, 2016 on the issuance of government bonds for the execution by the Ministry of Finance of the payment obligations deriving from state guarantees No. 807/2014 and No. 101/2015; bonds worth 13,341.2 million lei were issued on October 4, 2016, with maturities of 1–25 years; see also Moldova 1, “Furtul miliardului // Cât ne costă anual?” [The theft of the billion // How much does it cost us every year?], December 2024. <https://moldova1.md/p/41177>

²¹¹ Law No. 202 of October 6, 2017 on the activity of banks, in force since January 1, 2018, which transposes the Basel III standards (the European CRD IV/CRR framework). www.bnm.md/ro/content/legea-privind-activitatea-bancilor-nr202-din-06-octombrie-2017

The decisive moment came with the entry of strategic investors. On January 16, 2018, Banca Transilvania, together with the EBRD, took control of Victoriabank (a combined 66.7%) — the first arrival of a major foreign banking investor in more than a decade; on October 2, 2018, the HEIM Partners consortium (the EBRD, Invalda INVL, and Horizon Capital) bought the 41.09% stake in Moldova Agroindbank for 451.5 million lei; and in March 2019, the Bulgarian holding company Doverie United acquired 63.89% of Moldindconbank for 764.05 million lei. In less than eighteen months, the systemic segment of the banking sector moved from opaque shareholding to transparent ownership subject to the discipline of regulated markets.^{212 213 214}

At the program's completion, in March 2020, the IMF found that “comprehensive reforms have rehabilitated the banking system”: well-capitalized and liquid banks, transparent shareholding, modernized supervision. The 2021 State of the Country Report by Expert-Grup and FES confirmed the cleanup — financial system assets at around 59% of GDP, dominated by sound banks — while warning that the vetting of shareholders' integrity must remain a continuous process, a vigilance fully justified by recent history.^{215 216}

Impact

The resilience tests for the reformed banking system were not long in coming, and the system passed them with flying colors. The reformed banking system absorbed without major turbulence the shock of the pandemic, the deposit withdrawals of the first days of Russia's military invasion of Ukraine, and the energy crisis — a performance unimaginable for the system of 2014. Financial stability allowed the NBM to use its instruments to support the economy rather than to put out banking fires, and depositors no longer had any reason to panic — the quietest but most important dividend of the reform.

The cost of the reform, however, stayed in the budget: servicing the “debt of the billion” competes, year after year, with spending on health, education, and investment, through 2041. The socialization of the losses — a solution forced by the emergency — left an open wound of injustice that still feeds the public debate over asset recovery and the impunity of the fraud's beneficiaries.

Remarkably, this cost was absorbed without a debt crisis: after the jump caused by the conversion of the guarantees, state debt fell from 37.3% of GDP in 2016 (after the “theft of the billion” had been converted into public debt) to 27.9% in 2019, with economic growth averaging over 4% in the cleanup years (4.6% in 2016; 4.2% in 2017; 4.1% in 2018; 3.6% in 2019). The comparison with the 1998–1999 episode, when the state carried debt of over 150% of GDP, measures the institutional distance traveled: the same state that had been brought to its knees by an external crisis could, two decades later, internalize the cost of a fraud worth 12% of GDP without losing its solvency.²¹⁷

The reform also carried an opportunity cost in lending: the prudential cleanup, necessary as it was, made banks more cautious, and financial intermediation remained below regional levels. Even so, lending rates fell from over 33% in 2000 to around 8% in 2020, and credit returned to sustained growth — a sign of real maturation, even if the economy's financial depth remains a structural limit on development.

The political paradox of the episode is worth remembering: the reform succeeded at the height of the “captured state” precisely because it was anchored externally — in IMF and European Union conditionality — and carried out by an institution whose independence had been strengthened in law. Where external pressure was precise, verifiable, and tied to financing, capture retreated; where conditionality remained diffuse, capture held its ground. It is perhaps the clearest empirical demonstration of how an external anchor can temporarily compensate for the weakness of domestic institutions.

Regional and International Context

Moldova's reconstruction fit a regional pattern of post-crisis cleanup. Ukraine, after 2014, closed dozens of banks and nationalized PrivatBank (2016); the Baltic states had cleaned up their systems after the 2008–2009 crisis; and the European Union, after its own debt crisis, was building the Banking Union, with single supervision and common resolution rules. With support from the IMF, the EBRD, and the European Commission, Moldova applied the same recipe — transparency, capital, independent supervision.

²¹² EBRD, “EBRD welcomes Banca Transilvania's acquisition of Victoriabank stake,” press release, January 16, 2018. <https://www.ebrd.com/news/2018/ebd-welcomes-banca-transilvanias-acquisition-of-victoriabank-stake.html>

²¹³ EBRD, “EBRD and two private equity firms buy 41.09 per cent stake in Moldova Agroindbank,” press release, October 2, 2018 — the HEIM Partners consortium (EBRD, Invalda INVL, Horizon Capital), 451.5 million lei. <https://www.ebrd.com/home/news-and-events/news/2018/ebd-and-two-private-equity-firms-buy-4109-per-cent-stake-in-moldova-agroindbank.html>

²¹⁴ National Bank of Moldova, press release of January 22, 2019 on the permission granted to Doverie United Holding (Bulgaria) to acquire 63.89% of Moldindconbank; the transaction closed on March 18, 2019, at 764.05 million lei. <https://www.bnm.md/ro/content/un-investitor-european-care-vine-cu-o-echipa-de-bancheri-experimentati-primit-permisiunea>

²¹⁵ International Monetary Fund, Press Release No. 20/85, “IMF Executive Board Completes Sixth and Final Review of the Arrangements under the ECF and EFF for the Republic of Moldova,” March 11, 2020. <https://www.imf.org/en/News/Articles/2020/03/11/pr2085-moldova-imf-executive-board-completes-sixth-and-final-review-of-ecf-and-eff>

²¹⁶ Expert-Grup, “State of the Country Report 2021” — assessment of the cleanup of the banking sector; average lending rates fell from 33.3% (2000) to 8.15% (2020), and financial system assets amounted to around 59% of GDP at the end of 2020. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

²¹⁷ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (gross public debt, real GDP, 2015–2019) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEO>

The entry of the EBRD and Western investors into the shareholding of the systemic banks also had a geopolitical dimension: it pulled the country's financial infrastructure out from under the influence of nontransparent capital from the East and tied it to decision-making centers subject to European regulation. It was a de facto European integration of the financial sector, and one of the reasons the shocks of 2020–2025 no longer found a vulnerable financial system.

Lessons Learned

External conditionality works when it is precise, verifiable, and backed by financing. The 2016 program showed that reforms considered impossible become achievable when the benchmarks are clear, monitored quarterly, and credibly tied to disbursements — a lesson directly applicable to the current Growth Plan for Moldova and to the accession process.

Case Studies

Case Study

Three banks, three Western investors

The three systemic banks, which held around two-thirds of the sector's assets, were transferred in less than eighteen months to investors subject to European regulation: Victoriabank to Banca Transilvania and the EBRD (January 2018); Moldova Agroindbank to the HEIM Partners consortium of the EBRD, Invalda INVL, and Horizon Capital (October 2018); Moldindconbank to Bulgaria's Doverie United Holding (March 2019). In all three cases, the stakes sold came from the canceled shares of nontransparent shareholders, and the buyers were vetted as "fit & proper" by the NBM. For a sector that only four years earlier had been hollowed out from the inside through opaque shareholding schemes, it was a change of era.

Transparency of ownership is the bedrock of financial stability. The bank fraud was possible because shareholding was opaque; accordingly, the cleanup of the banking system began precisely by making it transparent. The lesson, though, reaches beyond banking to the whole economy inherited from the privatizations of the 1990s, where nontransparent ownership structures remain a risk factor.

Institutions are built in crisis but must be defended in good times. The modernization of the NBM and of the prudential framework happened under the pressure of crisis; keeping them independent of governments of any political color is the test that validates the reform's durability. Continuous vetting of shareholders' integrity and resistance to any attempt at recapture must remain permanent priorities, whatever the economic or political circumstances.

Part IV

Polycrisis and the European Choice 2020–2026

The last several years brought a succession of overlapping crises — health, energy, security — amid which the country nevertheless took its most decisive steps toward European integration. The COVID-19 pandemic, the energy crisis, the war in Ukraine, and the inflation crisis tested the resilience of a small, vulnerable state to the breaking point. At the same time, the reform mandate granted in 2020–2021, EU candidate status obtained in 2022, the energy decoupling from Russia, and the opening of accession negotiations in 2024 turned the European aspiration into a concrete process and, through the constitutional referendum, an irreversible one.

Paradoxically, this period of polycrisis demonstrated both the persistent fragility of state and society and their unprecedented resilience. Unlike in earlier decades, when every shock ended in collapse, the recent crises were managed through a stronger institutional framework and with massive external support, validated by the European Union's Growth Plan for Moldova. The eight events in this part trace the passage from survival to convergence, and the moment when the European choice becomes a consciously embraced destiny.

28. The COVID-19 Pandemic: A Health and Economic Shock

2020 — *O criză pandemică care a demască un sistem fragil*

-2

Impact Score

Net impact on development: Major negative impact (scale -3 ... +3)

The net impact is rated major negative. The pandemic struck the health system and the economy at once, with a GDP contraction of around 7%, amplified by a severe drought that hit agricultural output. The score reflects lost incomes, rising unemployment, and an underfunded, overstretched health system, as well as the exposure, once again, of an economy dependent on consumption and remittances.

Description

In 2020, the COVID-19 pandemic delivered a simultaneous health and economic shock that exposed the fragility of the health system and of the economy alike.²¹⁸

Lockdown, suspended activity, and shrinking international trade cut GDP by around 8.3%, one of the sharpest adjustments in the region, amplified by a drought that dealt heavy damage to agriculture, a sector that carries substantial weight in output and employment.

The crisis spread through several channels at once: (i) the collapse of domestic consumption, (ii) weaker external demand and exports, (iii) falling remittances, and (iv) disrupted supply chains. Household consumption, the

economy's main engine, fell by roughly 7%, while the temporary return of some migrants and smaller transfers hit many families' incomes; employment sank to a five-year low.

The pandemic overwhelmed a chronically underfunded health system.²¹⁹ Hospitals ran short of beds and staff, many doctors became infected, and the peak waves brought high mortality relative to population. The crisis exposed, in the harshest way, the cost of years of underfunding and showed that public health is a component of national security.

The pandemic arrived in the middle of a political transition and overlapped with the campaign for the presidential election of fall 2020, which politicized the manage-

²¹⁸ World Bank, "Moldova Economic Update" (2020) — the impact of the pandemic. <https://www.worldbank.org/en/country/moldova>

²¹⁹ OWorld Health Organization — COVID-19 dashboards for the Republic of Moldova; Ministry of Health. <https://data.who.int>

ment of the crisis. The response combined public health measures with economic support constrained by narrow fiscal space, and it laid bare the vulnerability of an economy dependent on consumption and on external factors.

The combination of pandemic and drought showed how little room for maneuver the country had in the face of these 2 simultaneous shocks.²²⁰ With narrow fiscal space and an economy dependent on external factors, the state had limited capacity to cushion the blow, which sharpened the case for fiscal buffers and more robust social protection systems.

The pandemic hit Moldova as a double shock: a severe drought came on top of the health crisis and flattened agricultural output, so the economy contracted by around 8.3% in 2020, one of the deepest declines in the region. The health system, chronically underfunded since the 1990s, was pushed to its limit, and the structural vulnerability of a small, open economy was exposed once more.²²¹

Impact

The pandemic brought recession, rising unemployment, and falling incomes, felt most acutely by vulnerable groups. Lower activity and shrinking remittances hit living standards, and the underfunded health system buckled under the load, which exposed the weaknesses of essential public services.

On the fiscal side, the crisis generated heavy pressure: lower budget revenues and higher health and social spending. Managing them required external support and demonstrated the value of fiscal space and of robust social protection systems.

By regional standards, the fiscal response was modest. Expert-Grup assessments put direct public intervention in the economy at around 0.4–0.5% of GDP, five to six times below the anti-crisis programs of regional peers, and total support for the economy at 2.33% of GDP, against around 6% in Romania, with only a small share of the promised funds actually reaching beneficiaries. The planned budget deficit was raised from 3.6% to 8% of GDP (the final outturn was around 6%), financed in part through record domestic borrowing of 6 billion lei, while the National Bank

of Moldova (NBM) cut its base rate to a historic low of 2.65%. Business losses were severe: 88% of companies reported falling demand, 40% saw sales drop by more than 50%, lost sales were estimated at 86 billion lei, and foregone public budget revenues at 17.3 billion lei, the equivalent of 27% of the 2019 level.^{223 224}

The pandemic also shaped the political dynamic and contributed to the outcome of the 2020–2021 elections. Discontent with the handling of the crisis and with the general state of the country fed a demand for change that favored the pro-European forces.

On the labor market, official statistics understated the shock. Only around 14,000 people appeared as registered unemployed, while actual job losses were estimated at 60,000–80,000, absorbed into inactivity, informal employment, and departures abroad. More than 217,000 employees reported that the epidemic had directly affected their work, employee incomes fell by 17–18%, and agricultural output dropped by 25.3% because of the drought, with young people, women, and rural households among the hardest-hit groups.²²⁵

Regional and International Context

The pandemic was a simultaneous global shock, but its economic impact varied widely across the region, depending on the structure of each economy and the fiscal space available. Poland posted one of the mildest contractions in the EU, around 2%, cushioned by a diversified economy and a large domestic market; Romania shrank by roughly 3.7%, and the European average came in near 6%. Moldova, with a fall of about 7%, was among the hardest hit, because pandemic and drought arrived together.²²⁶

The comparison brings out both the persistent vulnerability and a fundamental break with the past. The depth of Moldova's recession reflected an uncompetitive economy, exposed to agricultural shocks and lacking domestic fiscal buffers. But unlike the crises of the 1990s, when such a shock would have produced a prolonged collapse, the one in 2020 was followed by a rapid recovery, sustained by European support.

²²⁰ National Bureau of Statistics — agricultural output in 2020 (a drop of more than a quarter, amid the drought). <https://statistica.gov.md>

²²¹ National Bureau of Statistics, national accounts — the revised series shows a 7.4% GDP contraction in 2020; see also World Bank, WDI. <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=MD>

²²² Ministry of Finance — reports on the execution of the national public budget in 2020; Expert-Grup / FES (Madan, S.), “Cum putem asigura relansarea economică în 2021” [How we can secure the economic recovery in 2021], January 2021. <https://www.expert-grup.org/ro/biblioteca/item/2104-cum-putem-asigura-relansarea-economica-in-2021>

²²³ Expert-Grup, “State of the Country Report 2020,” Chișinău, October 2020 — direct public anti-crisis intervention estimated at 0.4–0.5% of GDP, 5–6 times below the programs of countries in the region. <https://www.expert-grup.org/ro/biblioteca/item/2052-raportul-de-stare-a-%C8%9B%C4%83rii-2020>

²²⁴ Madan, S. (Expert-Grup, in partnership with the Friedrich-Ebert-Stiftung), “Cum putem asigura relansarea economică în 2021” [How we can secure the economic recovery in 2021] — assessment of the 2020 anti-crisis measures, January 2021. <https://www.expert-grup.org/ro/biblioteca/item/2104-cum-putem-asigura-relansarea-economica-in-2021>

²²⁵ Expert-Grup, “State of the Country Report 2020,” Chișinău, October 2020, in partnership with the Friedrich-Ebert-Stiftung — estimated job losses (60,000–80,000) against around 14,000 registered unemployed. <https://www.expert-grup.org/ro/biblioteca/item/2052-raportul-de-stare-a-%C8%9B%C4%83rii-2020>

²²⁶ NBS, national accounts (2020); IMF — RCF/RFI emergency assistance for the Republic of Moldova, April 2020 (around \$235 million). <https://www.imf.org/en/Countries/MDA>

Lessons Learned

Economic resilience and the quality of essential public services, health above all, are components of national security.²²⁷ Chronic underfunding of health care and the economy's fragility amplified the impact of the crisis, which argues for investment in health and social protection and for fiscal space to manage shocks.

An economy dependent on consumption and remittances is vulnerable to global shocks and needs diversification and fiscal buffers. The speed with which the crisis spread

confirmed the model's fragility; building a more diverse, more resilient economy remains an imperative.

The pandemic taught a double lesson: underfunding public systems, health in particular, carries a cost that becomes visible in a crisis, and external anchoring can turn a devastating shock into a manageable one. Resilience rests on domestic resources and, just as much, on the support network into which a small state is woven. Investing in public services and in strategic partnerships is a form of insurance against future crises.

Case Studies

Case Study

A health system at the breaking point

The pandemic overwhelmed a chronically underfunded health system and, within weeks, exposed the cost of years of underinvestment. Hospitals ran short of intensive care beds, oxygen, and staff; many doctors and nurses became infected; and the peak waves brought mortality, relative to population, among the highest in the region. Medical personnel worked on the edge of exhaustion, often without adequate equipment at the start. The crisis showed, in the harshest way, that public health is not an expense that can be put off to save money but a component of national security, as important as defense or energy.

Case Study

Drought on top of pandemic

A severe drought, among the worst in decades, came on top of the health shock and battered agriculture, a sector with a large weight in output and employment. Ruined harvests, farmers left without income, and rising food prices landed on top of lockdown and collapsing consumption and deepened the recession, to around 8.3%. The combination of the two crises, health and climate, showed how exposed the economy remained to simultaneous shocks and how little fiscal room there was to soften them, in a country with a tight budget envelope and no meaningful reserves.

29. The Labor Market Reversal: From Exodus to Labor Shortage

2020–2021 — *The country that had no jobs runs out of people*

-1

Impact Score

Net impact on development: *Impact moderat negativ (scară -3 ... +3)*

Impactul net este moderat negativ. Pentru lucrători, inversarea a adus câștiguri reale — salarii în creștere și putere de negociere sporită —, însă mecanismul din spatele ei nu a fost expansiunea ocupării, ci contracția ofertei de muncă după trei decenii de emigrație și de îmbătrânire demografică. Pentru firme și pentru economie în ansamblu, deficitul de forță de muncă a devenit o constrângere structurală: costurile salariale au devansat productivitatea, iar disponibilitatea personalului a ajuns criteriu de decizie pentru investiții. Punctajul reflectă această natură duală — beneficii imediate pentru salariați, dar o frână de dezvoltare pe termen lung, care condiționează investițiile, absorbția fondurilor europene și sustenabilitatea modelului de creștere.

²²⁷ World Bank, "Moldova Economic Update" (2020–2021); UNDP and UN Women Moldova — assessments of the socioeconomic impact of COVID-19.

Description

In 2020–2021, the labor market of the Republic of Moldova recorded a historic reversal in the balance between demand and supply. The unemployment rate fell to 3.2% in 2021, the lowest in the entire statistical series, down from over 11% at the end of the 1990s, and the number of unemployed shrank to around 28,000 people. For the first time since independence, what was missing was not jobs but people to fill them: employers in industry, construction, transport, agriculture, and services began reporting staff shortages as the main constraint on their activity.²²⁸ The unemployment rate thus fell from 14.4% in 1995 and 11.1% in 1999 to 7.3% in 2005, around 5% in 2015, and lows of 3.1–3.3% in 2021–2022. In a typical European economy, such levels would describe full employment. In Moldova, they describe first of all a limited labor supply, which makes the unemployment rate a thermometer of demography rather than of the business cycle.²²⁹

The reversal on the labor market was not the product of a spectacular rise in employment but of a shrinking labor supply. The employment rate had slipped to 38.8% in 2020, and the working-age population had been thinned by three decades of emigration, compounded by demographic aging and the gradual exit from the labor market of large cohorts, with no equally numerous generations coming up behind them. Low unemployment therefore reflected not an economy absorbing labor but a labor force that had shrunk.²³⁰

The signs of strain had appeared even before the pandemic. In 2019, the World Bank Enterprise Survey placed an inadequately educated workforce first among the obstacles reported by Moldovan firms (19.5% of companies), ahead of political instability — a first for an economy that had spent two decades exporting its “surplus” of workers.²³¹

The pandemic masked the phenomenon briefly, then sharpened it. In 2020, real job losses, estimated at 60,000–80,000, were absorbed into inactivity and informal work; only around 14,000 people appeared as registered unemployed. The strong rebound of 2021, with economic growth of 13.9%, the highest in the country’s history, put labor demand back ahead of supply, and the shortage became visible in nearly every sector.²³²

The immediate consequence was an acceleration of wage growth. The average gross wage climbed to 8,107.5 lei in 2020 (+10.2% nominal, +6.2% real) and to 9,115.9 lei in 2021 (+12.4% nominal, +6.9% real) — robust real gains in the middle of a health crisis, and a sign that the balance of power on the labor market had shifted durably in workers’ favor. A wage convergence with Romania and the region was beginning, fed for the time being not by productivity but by the scarcity of labor.²³³

Impact

For workers, the reversal brought real gains: rising wages, stronger bargaining power, and, for the first time, employers competing for staff. Wage pressure also began to change the arithmetic of emigration; the income gaps with traditional destinations, though still wide, started to narrow.

For firms, the labor shortage became a structural brake. Wage costs rose faster than productivity, and the availability of skilled workers became a deciding factor for investment, including for foreign investors, for whom access to labor had come to matter more than its cost. The economy risks staying caught between a comparative advantage it has lost (cheap labor) and one it has not yet built (productivity).

For the state, the reversal shifted the policy focus from creating jobs to making the most of the human capital that remains: activating the inactive, vocational training, reconnecting the diaspora, and, ever more explicitly, regulated labor immigration. The 2021 State of the Country Report drew the conclusion without hedging: faster labor productivity growth is the economy’s only chance of adapting to demographic decline.²³⁴

The most visible expression of the reversal appeared by 2024–2025, as the Republic of Moldova turned from a country of emigration into a destination for labor. At the end of 2025, around 21,700 foreigners held valid residence documents, and labor immigration had become the dominant category of inflows: of the more than 7,000 temporary residence permits granted in 2025, 4,063 were for work (+35.3% against 2024), 2.1 times the number granted for family reunification.

²²⁸ National Bureau of Statistics, Labour Force Survey — “Labour Force in the Republic of Moldova: Employment and Unemployment,” 2021 and 2022 editions. https://statistica.gov.md/ro/forta-de-munca-ocuparea-si-somajul-in-anul-2022-9430_60383.html

²²⁹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (unemployment rate, 1995–2025) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEO>

²³⁰ Lupușor, A., Fală, A., Cenușă, D., Madan, S., Prohnițchi, V. (Expert-Grup), “State of the Country Report 2021,” Chișinău, November 2021, in partnership with the Friedrich-Ebert-Stiftung. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

²³¹ World Bank, Enterprise Surveys — Moldova 2019 Country Profile: an “inadequately educated workforce” was the obstacle most frequently cited by firms (19.5%). <https://www.enterprisesurveys.org/content/dam/enterprisesurveys/documents/country/Moldova-2019.pdf>

²³² National Bureau of Statistics, national accounts — GDP growth in 2021 (+13.9%). <https://statistica.gov.md>

²³³ National Bureau of Statistics, “Average Monthly Gross Earnings,” releases for 2020 and 2021. https://statistica.gov.md/ro/castigul-salarial-mediulunar-brut-si-indicele-numarului-mediul-al-9436_3539.html

²³⁴ Expert-Grup, “State of the Country Report 2021,” Chișinău, November 2021. <https://www.expert-grup.org/ro/biblioteca/item/2242-raportul-de-stare-a-tarii-2021>

Regional and International Context

Moldova's labor market reversal was part of a broader regional phenomenon. Romania, Poland, Hungary, and the Baltic states were passing through the same transition a few years ahead of it, from exporting workers to labor shortage, managed through rapid wage growth and immigration from outside the Union. The Moldovan case differed in two ways: the contraction of supply was more severe, against the backdrop of the fastest depopulation in Europe, and the compensating tools, from productivity to regulated immigration, were far less developed.

Comparison with earlier decades measures the scale of the change. In 1999, at the peak of poverty, unemployment exceeded 11% and labor was abundant; since 2015, the unemployment rate has not exceeded 5%, and the strategic question has flipped: no longer where people will work, but who will still be working. Few European economies have made this transition in so short a span and from so low an income level.²³⁵

Lessons Learned

The labor shortage is the new structural constraint on development and must be treated as such across public policy. Any strategy for investment, FDI attraction, or the absorption of European funds depends on the answer to the question “with whom?” That requires coherent policies on activation, training, retention, and selective immigration.

Wage convergence without productivity convergence is fragile. Wages can rise on labor scarcity only up to the point where they erode competitiveness. Beyond that point, only investment in technology, skills, and management can sustain higher incomes. Labor productivity, measured as GDP per person employed at purchasing power parity, rose from around \$19,000 in 2010 to \$28,700 in 2024, yet it still amounts to just 31–32% of the average for Central Europe and the Baltic states, with no meaningful narrowing over the past decade. Meanwhile, the share of labor costs in gross value added climbed from 37.8% in 2019 to 47.5% in 2024 (in industry, from 45.8% to 63.5%), confirmation that pay has outrun productivity and that the room for wage growth based solely on labor scarcity is nearing its limit.

Case Studies

Case Study

From “there are no jobs” to “there are no people”

For two decades, surveys placed the lack of jobs among the country's top problems, and leaving to work abroad was the individual answer to a labor market without prospects. In 2019, the World Bank Enterprise Survey recorded a first: the main obstacle reported by companies had become an insufficient and inadequately skilled workforce (19.5% of firms), ahead of political instability and corruption. The pandemic froze the phenomenon for a short while, but the 2021 recovery confirmed it: job postings drew no candidates, and firms in construction, transport, and agriculture began recruiting workers from Central and South Asia. Moldova's labor market had entered, structurally, the era of shortage.

²³⁵ National Bureau of Statistics, Labour Force Survey — unemployment rate series, 1999–2025. <https://statistica.gov.md>

30. The Energy Crisis and the Decoupling from Russia

2021–2025 — From energy blackmail to energy independence

+2

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net impact of the full 2021–2025 arc is rated major positive. The crisis triggered by Gazprom in the fall of 2021 made energy more expensive and accelerated inflation, but it forced a break with the country's oldest strategic vulnerability: synchronization with the European grid (March 2022), the abandonment of Russian gas for the right bank (from late 2022), and the diversification of supply through Romania dismantled an instrument of pressure used against the country since the 1990s. The transition costs were real (higher prices and compensation schemes), but they are accounted for under the inflation crisis, and the gain in economic sovereignty, validated by the test of January 2025, is considerable.

Description

The fall of 2021 brought the new government's first major energy crisis, born of tensions with Gazprom over the price and terms of gas deliveries.²³⁶ The contract's expiry and the disputes over price and debt exposed once more the near-total dependence on a single supplier, and the authorities declared a state of emergency in the energy sector, a measure of how grave the situation was.

The crisis came in a charged geopolitical context and was read as pressure on a pro-European government, just months before Russia's invasion of Ukraine. Tying deliveries and price to political conditions turned energy supply into an instrument of pressure, and to cope, the authorities sought alternative sources for the first time, including purchases on the European market.

The first gas purchase outside the Gazprom contract, though modest in volume, carried major symbolic weight.²³⁷ It proved that the near-total dependence could be broken and opened the way to the diversification that, a year later, would become a vital necessity. The gesture marked the beginning of the country's energy emancipation.

The renegotiation of the Gazprom contract, under pressure, included terms that left room for continued external influence. That a commercial agreement was so politically loaded confirmed that energy dependence was not simply an economic problem but a matter of national security, one that demanded a deep reorientation.

The 2021 crisis was a turning point in energy policy: it set off a diversification process that would accelerate dramatically after the outbreak of the war in Ukraine. The recognition that dependence on Russian gas was an unacceptable vulnerability forced a profound reorientation, later given substance through the decoupling from Gazprom and integration into the European energy market.

What began as a crisis ended as an emancipation. The emergency synchronization of the power system with the continental European ENTSO-E grid, carried out together with Ukraine on March 16, 2022 (an operation originally planned for years later), provided the technical alternative to dependence on the eastern system. From late 2022, the right bank stopped buying gas from Gazprom and shifted, through the state operator Energocom, to purchases on European exchanges, storage in Ukraine and Romania, and diversified contracts. For the first time in three decades, energy security, diversification, and efficiency became a real security agenda, with recommendations — procurement through competitive platforms, storage, full implementation of the Third Energy Package, and faster electricity interconnection with Romania — largely carried into policy.²³⁸

The decisive test came on January 1, 2025, when the end of Russian gas transit through Ukraine left the Transnistrian region without supply, while the right bank, already decoupled, came through the crisis with minimal disruption. The contrast between the two banks, one in humanitarian crisis, the other more resilient, was the most visible proof of how much the decisions of 2022–2023 mattered. The architecture of energy independence was completed by the 400 kV Vulcănești–Chișinău overhead power line, which

²³⁶ Parlamentul Republicii Moldova — declararea stării de urgență în sectorul energetic, 13 octombrie 2021; Comisia pentru Situații Excepționale.

²³⁷ SA „Energocom” — primele achiziții-test de gaz din afara contractului cu Gazprom (octombrie 2021, inclusiv de la PGNiG, Polonia).

²³⁸ Expert-Grup, „Raportul de Stare a Țării 2022” — evaluarea situației din domeniul energetic; Chișinău, decembrie 2022. <https://www.expert-grup.org/ro/biblioteca/item/2436-raportul-de-stare-a-%C8%9B%C4%83rii-2022>

ties the capital directly to the Romanian system through the Isaccea–Vulcănești interconnection, bypassing the Cuciurgan node. Built in 2024–2025, the line entered energization tests in January 2026, with commercial operation expected by the end of August 2026.^{239 240}

Impact

The crisis made energy more expensive, with effects on inflation and the cost of living, but it forced a recognition of the need to diversify.²⁴¹ Costlier gas and electricity passed through into the economy and fed the inflation that would peak in 2022. That said, the 2022 price surge was not driven solely by Russia's energy blackmail against the Republic of Moldova; above all, it was the product of the conditions then prevailing on the international gas market.

The crisis also showed how energy can be used as an instrument of pressure on a pro-European government. That realization, coming a few months before the war, accelerated the investments and decisions that would make the later decoupling possible.

The crisis also carried a fiscal cost, through support measures and emergency purchases at high prices. These outlays strained the budget, but they were the price of a strategic lesson: depending on a single supplier cost more than diversifying.

The episode made plain that gas remains a political weapon, and it turned diversification from a postponed option into a national emergency. The 2021 crisis prepared the ground, psychologically and institutionally, for the energy decoupling that was to follow.

Over the medium term, the decoupling drastically reduced the strategic vulnerability and dismantled one of Russia's main instruments of pressure. Even if European prices were higher at first, removing the risk of cutoffs and blackmail brought greater predictability, and the resilience gap between the two banks, laid bare in January 2025, turned the energy dossier from a chronic weakness into an asset for Chișinău, including with a view to reintegration.

Over the medium term, the crisis visibly accelerated the shift to renewables and investment in energy efficiency, which went from a declarative agenda to a policy with real money behind it. Installed renewable capacity grew nearly fivefold from 2021, from around 120 MW to almost 580 MW in 2024, and green electricity passed 16% of consumption in 2024; in 2025, the first auction for large capac-

ities awarded 165 MW of wind and solar, with investments of around €190 million and a target of a 30% renewable share in final consumption by 2030. In parallel, once the crisis price peak had passed, priority shifted to the energy efficiency of buildings, which account for nearly half of national consumption, through the Energy Efficiency Fund for the Residential Sector (FEERM), which mobilizes around 1.4 billion lei in 2024–2027 to renovate more than 8,500 homes, with energy savings of up to 40%. The price shock thus produced more than costs: it also built the institutional and financial infrastructure of a transition that would otherwise have stayed on hold.

Regional and International Context

Moldova's 2021 energy crisis was part of a broader European energy crisis: gas prices had exploded across the continent even before the war. But while European Union member states had diversified sources, storage capacity, and an integrated market, Moldova remained almost entirely dependent on a single supplier, its vulnerability compounded by the Transnistrian dossier. The same crisis therefore struck with very different intensity.²⁴²

Comparison with the Baltic states, which had spent a decade planning their decoupling, shows the cost of Moldova's delayed energy reforms. What was an existential crisis for Moldova was mere price turbulence for economies that had invested early in terminals, interconnections, and storage. The 2021 episode was a national-scale preview of how Russia would turn energy into a weapon across the continent in 2022 — and proof that postponed diversification comes due at the worst possible moment.²⁴³

Moldova's reorientation was part of the energy rupture that ran along Europe's entire eastern flank after 2022. The Baltic states, which had planned their transition for a decade, would complete their desynchronization from the Russian system only in February 2025; Moldova, starting from deeper dependence and without the safety net of EU membership, made the break at speed, under the pressure of crisis. The difference in trajectory measures both the cost of decades of postponement and the scale of the 2022–2025 mobilization.

Lessons Learned

Energy dependence on a single supplier is a vulnerability that can be used as an instrument of political pressure.²⁴⁴ The state of emergency of 2021 confirmed the cost of that

239 ENTSO-E, „Continental Europe successful synchronisation with Ukraine and Moldova power systems”, 16 martie 2022. <https://www.entsoe.eu/news/2022/03/16/continental-europe-successful-synchronisation-with-ukraine-and-moldova-power-systems>

240 Ministry of Energy of the Republic of Moldova, press releases on the 400 kV Vulcănești–Chișinău overhead power line (a project financed by the World Bank through the Power System Development Project, around \$61 million; construction in 2024–2025, energization tests from January 2026). <https://energie.gov.md>

241 National Bank of Moldova, Inflation Reports (2021–2022) — energy price pass-through. <https://www.bnm.md>

242 Oxford Institute for Energy Studies — analyses of the 2021 European gas crisis; Energy Community Secretariat — mediation of the Moldova–Gazprom dispute (October 2021). <https://www.oxfordenergy.org>

243 International Energy Agency — security of supply in the Baltic states; the “Independence” LNG terminal at Klaipėda (2014). <https://www.iea.org>

244 European Commission — the €60 million emergency support package for the Republic of Moldova (October 2021). <https://ec.europa.eu>

dependence and justified accelerating diversification and integration into the European energy market.

Energy security requires acting early, because diversification takes years and investments that must begin before the crisis. Delay amplified the impact, and investments in interconnections, storage, and alternative sources remain essential to resilience.

A crisis can accelerate strategic reforms that would otherwise stay postponed. The lesson of 2021 is that the first purchase outside Gazprom, however modest, opened a road that became vital. Crises can serve as turning points if the will exists to convert vulnerability into reform.

The lesson, repeated since 1992 and 1997, is that dependence on a single supplier is a permanent vulnerability, exploitable at any moment of tension. This time, though, the warning was finally heeded and converted into action. Energy security is not negotiated during a crisis; it is built before one, through diversification and interconnection.

The price of an unaddressed vulnerability always comes due in a crisis. The contrast between the two banks in January 2025 shows that investment in diversification and interconnection, costly as it is, costs far less than a dependence that ends up being exploited — and that what was achieved under crisis pressure could have been built earlier, and for less, in peacetime.

The cost of failing to invest in diversification and efficiency in time was paid in full during the crisis. The decades in which interconnections, storage, and alternative sources were treated as optional projects left the country with no room for maneuver at the very moment of the shock and forced it to build under pressure, at emergency prices, what could have been achieved more cheaply in peacetime. Nor was this postponement merely the product of domestic inertia; it was also the result of deliberate obstruction: keeping the dependence in place was an objective Gazprom and the Kremlin pursued actively. The dispute over the historical debt of around \$709 million — an international audit by Wikborg Rein and Forensic Risk Alliance found that most of it may not have to be repaid, either for lack of documentary evidence or on procedural grounds — served as a lever of pressure and a pretext for repeated threats to halt deliveries. In October 2022, Gazprom unilaterally cut supply by about a third, with the remaining gas channeled exclusively to the left bank, while the right bank stayed indirectly dependent on electricity from Cuciurgan. Even reforms the country had signed up to, such as the separation of the transmission operator (unbundling), a commitment dating back to 2010, were postponed time and again so as not to jeopardize deliveries. The lesson of this episode is that diversification and efficiency must be built ahead of time, and that any energy strategy must start from the premise that the dominant supplier may have an active interest in perpetuating the vulnerability.

Case Studies

Case Study

The first purchase outside Gazprom

În toamna lui 2021, în contextul șantajului energetic din partea Gazprom, autoritățile au cumpărat pentru prima dată gaz din afara contractului tradițional, de la furnizori europeni, prin rute alternative. Cantitatea a fost modestă și prețul ridicat, dar gestul a avut o valoare simbolică majoră: dependența cvasitotală, considerată ani de zile o fatalitate geografică, putea fi spartă. Această primă achiziție a demonstrat că existau alternative tehnice și comerciale și a deschis drumul către diversificarea care, peste un an, odată cu războiul, avea să devină o necesitate vitală.

Case Study

Synchronization with the European grid

Shortly after the war broke out, on March 16, 2022, the power systems of the Republic of Moldova and Ukraine were connected on an emergency basis to the continental European ENTSO-E grid, a complex operation originally planned for years later but accelerated by necessity. Synchronization gave the right bank a technical alternative to dependence on the eastern power system and was one of the strategic transformations that made the later decoupling from Russian gas possible. What had seemed, for decades, a link impossible to sever on technical grounds proved breakable within weeks under the pressure of war — evidence that many dependencies were sustained more by inertia and lack of will than by real constraints.

Case Study

January 2025: the decoupling test

On January 1, 2025, the end of Russian gas transit through Ukraine, as the contract between Gazprom and Naftogaz expired, left the Transnistrian region without supply: schools closed, enterprises idle, district heating shut off in the middle of winter. The right bank, already decoupled and supplied from alternative sources and through synchronization with the European grid, came through the crisis with far fewer disruptions. The European Union stepped in promptly: on January 27, 2025, the European Commission provided an emergency package of €30 million to purchase and transport gas for the Transnistrian region, with more than 350,000 residents reconnected to electricity and heat by February 10, and on February 4 it announced, in Chişinău, an energy support package of €250 million for 2025–2027.²⁴⁵

31. The War in Ukraine: Refugees and Economic Shocks

2022 — Moldova proved itself a small country with a big heart

-2

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative, but persistent over time because the war has dragged on. The war was one of the most severe security and economic shocks since independence, with simultaneous humanitarian, energy, and economic crises, GDP down 4.6%, and record inflation. On the other hand, the crisis produced an accelerated European path, energy decoupling, and proof of society's resilience: a harsh shock in the short and medium term, partly offset by major strategic gains.

Description

Russia's invasion of Ukraine, launched on February 24, 2022, was one of the most severe security and economic shocks since independence, and it turned a small, vulnerable country into a frontline state.²⁴⁶ The war on the border brought a humanitarian, an energy, and an economic crisis all at once, and it tested the state's capacity and society's resilience to the limit.

At one point the Republic of Moldova found itself receiving the largest inflow of refugees per capita in Europe, with hundreds of thousands of Ukrainian citizens crossing or staying on its territory.²⁴⁷ Border crossings such as Palanca became the symbol of a humanitarian crisis managed, in large part, through society's solidarity: ordinary families housed strangers, and volunteer platforms organized the humanitarian relief effort.

The war also brought direct security risks, beyond the economic ones.²⁴⁸ Missile debris falling on the country's territory, airspace closures, and blackouts caused by the attacks on Ukraine's energy infrastructure turned a conflict beyond the border into a threat felt at home, and they hastened the decision to cut dependence on Russia.

Economically, the war shrank GDP by around 4.6% in 2022, through the combined effect of the energy shock, severed trade routes, and uncertainty. A dramatic rise in energy prices, with gas tariffs up more than 350%, fed record inflation, while the blockage of the traditional routes through Ukraine and the Black Sea hit exports and imports.

In March 2022, Expert-Grup identified three main channels of contagion (trade, financial, and fiscal) and documented a concentrated trade exposure: exports of goods to Russia, Ukraine, and Belarus totaled \$437 million in 2021, around 15% of the total (Russia around 9%, Belarus

²⁴⁵ European Commission, "EU offers emergency support to help the Republic of Moldova cope with the energy crisis," press release IP/25/329, January 27, 2025; the €250 million energy support package was announced in Chişinău on February 4, 2025. https://ec.europa.eu/commission/presscorner/detail/en/ip_25_329

²⁴⁶ Expert-Grup, "State of the Country Report 2022"; Soloviova, M., "Propagarea efectelor economice ale crizei regionale de securitate asupra Republicii Moldova" [The transmission of the economic effects of the regional security crisis to the Republic of Moldova], March 2022. <https://www.expert-grup.org/ro/biblioteca/item/2436-raportul-de-stare-a-%C8%9B%C4%83rii-2022>

²⁴⁷ UNHCR, Operational Data Portal — Ukraine Refugee Situation (Republic of Moldova); Government of the Republic of Moldova. <https://data.unhcr.org/en/situations/ukraine>

²⁴⁸ Moldelectrica and the Ministry of Energy — press releases on the November 2022 blackouts caused by the attacks on Ukraine's energy infrastructure.

4%, Ukraine 3%), but with acute sectoral vulnerabilities — 98% of exports of apples, pears, and quinces went to Russia, and 83% of nitrogen fertilizer imports came from there too, at the very moment when costlier gas was feeding directly into fertilizer costs. The blockade of Ukrainian ports and transit also forced a costly rerouting of trade flows through western corridors.²⁴⁹

The year's data also confirm a less intuitive effect: the volume of exports of goods and services rose 28% in 2022, the highest in the series' history, as Moldova became, almost overnight, a logistics corridor and re-export platform for Ukraine, whose ports were blocked. The flip side: the current account deficit ballooned to 15.9% of GDP, an absolute record, driven by the energy bill — an imbalance that only that year's exceptional external assistance could finance.²⁵⁰

The war turned the polycrisis into an existential crisis, overcome through internal resilience and massive external support. Society's solidarity, the support of partners, and the state's ability to manage several crises at once carried the country through one of the hardest periods in its history — a period that also accelerated the European path.

Impact

The war brought economic contraction, record inflation, and budget pressures born of the energy and humanitarian crises. The energy shock and the disruption of trade flows hit an already fragile economy, while managing refugees and security required extra spending; economic resilience was tested to the limit.

Strategically, the war dramatically accelerated the European path and the energy reorientation, and it turned integration into a matter of existential security.²⁵¹ Candidate status in June 2022 and the decoupling from Russian gas were direct responses to the new reality.

Managing the crisis consolidated external support and demonstrated society's resilience. Domestic solidarity and the support of partners carried the country through an extremely difficult period and strengthened its external image as a reliable partner.

One risk much debated in the first weeks — capital flight — proved, on close analysis, limited. Analysis of balance of payments flows showed that even in 2014, the peak year

of the banking crisis, net outflows on the “currency and deposits” position had not exceeded \$187 million (against record gross outflows of \$1,121 million), while the stock of nonresident deposits in Moldovan banks stood at just \$135 million at the end of September 2021 — an exposure that the banking system, well capitalized after the 2016–2019 rehabilitation, and the foreign exchange reserves could comfortably absorb. The conclusion: the risk of capital outflows was manageable, and the financial system came through 2022 without major turbulence.²⁵²

Despite extraordinary pressure — energy, inflation, security, and humanitarian — Moldova managed the crisis with massive external support, and the economy contracted by 4.6% in 2022: a severe fall, but far from the collapse such a combination of shocks would once have produced. The humanitarian response drew international recognition, and the crisis accelerated European integration.

Analyses of the impact of the war in Ukraine tend to focus largely on 2022 alone, yet the anemic economic growth of 2023–2025 still carries, among other things, the imprint of a war that, unfortunately, is still under way. The most important marker here is the much smaller contribution of foreign capital to growth. Between 2019 and 2024, the ownership structure of GDP reversed course: the share of foreign ownership and joint ventures in the economy of the Republic of Moldova fell from 23.3% in 2019 to 18.7% in 2024. The COVID-19 crisis fed this trend at first, but the difference was later made by the war, both through heightened geopolitical risks and through the destabilization of the regional economy. Foreign investors tend to avoid areas of high geopolitical risk, and Moldova sits next to the conflict zone: apart from Russia and Belarus, it is the only neighbor of Ukraine that does not belong to NATO. New investment was discouraged, and foreign capital's contribution to the economy shrank as a result.

Regional and International Context

Moldova became one of the states most exposed to the war in Ukraine: the largest refugee burden per capita in Europe, the deepest energy dependence, and a separatist region hosting Russian troops. By comparison, Ukraine suffered an economic contraction of around 29% in 2022 under the direct weight of the war, while Romania and Poland, themselves taking in millions of refugees, did so from incomparably stronger economic positions.²⁵³

²⁴⁹ Soloviova, M. (Expert-Grup), “Propagarea efectelor economice ale crizei regionale de securitate asupra Republicii Moldova — o evaluare preliminară” [The transmission of the economic effects of the regional security crisis to the Republic of Moldova — a preliminary assessment], analytical note, March 30, 2022. <https://www.expert-grup.org/ro/biblioteca/item/2312>

²⁵⁰ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova (export and import volumes, current account balance, 2021–2023) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEO>

²⁵¹ European Commission — support packages for the Republic of Moldova (2022–2023); Moldova Support Platform, co-chaired by Germany, France, and Romania. <https://ec.europa.eu>

²⁵² Soloviova, M. (Expert-Grup), “Războiul din Ucraina: este oare atât de mare riscul ieșirilor de capital din Moldova și cum ne pot ajuta partenerii de dezvoltare” [The war in Ukraine: is the risk of capital outflows from Moldova really that large, and how can development partners help], economic commentary, March 10, 2022. <https://www.expert-grup.org/ro/biblioteca/item/2298>

²⁵³ UNHCR, Operational Data Portal — numărul de refugiați raportat la populație (2022). <https://data.unhcr.org/en/situations/ukraine>

Set against the country's size, the Moldovan effort looks completely different. The number of refugees Moldova received, though smaller in absolute terms than Poland's, was the largest in Europe relative to population and resources, and its energy exposure was unique in its total dependence and in the Transnistrian factor. That a country considered among the most fragile on the continent could absorb such an accumulation of shocks without collapsing was, in itself, a demonstration of the distance traveled since the far weaker state of the 1990s.²⁵⁴

Lessons Learned

Security — energy, economic, and military — is the foundation of any development, and accumulated vulnerabilities turn critical in moments of geopolitical crisis.²⁵⁵ The war exposed the cost of unaddressed dependencies and raised the premium on resilience, which justifies sustained investment in energy and economic security and in the capacity to absorb shocks.

Case Studies

Case Study

Palanca and solidarity at the border

As hundreds of thousands of Ukrainian refugees crossed the border in the first days of the invasion, crossing points such as Palanca became the symbol of a humanitarian crisis managed, in large part, through society's spontaneous solidarity, ahead of any official structure. Ordinary families took strangers into their homes, cooked, drove, and donated, and volunteer platforms organized themselves within days. Faced with the largest refugee inflow per capita in Europe, in one of the continent's poorest countries, society's response was remarkable and strengthened the country's external image; it drew substantial international support and sympathy that later translated into political backing for the European path.

Case Study

Missiles overhead and power cuts

The war next door also brought direct risks felt at home: missile debris falling on the territory of the Republic of Moldova, repeated airspace closures, and blackouts caused by the Russian attacks on Ukraine's energy infrastructure, on which the Moldovan system also depends. On several occasions the country was left partly without electricity because of strikes hundreds of kilometers away, a concrete demonstration of interdependence and vulnerability. These incidents turned an external conflict into an everyday threat, and they accelerated the decision to reduce energy dependence on Russia and to speed up integration into the European grid — a security response, not just an economic one.

Strategic anchoring and external support are essential to the survival and development of a small state in a hostile environment. The acceleration of the European path and the support of partners were decisive, and consolidating that anchor remains a security priority.

Society's resilience is a strategic asset. The lesson of 2022 is that domestic solidarity and the ability to manage simultaneous crises counted for as much as external support. Investing in social cohesion and institutional capacity is a component of national security.

The lesson is that a small state can absorb extraordinary shocks when it has institutional capacity and external solidarity — a combination absent in the crises of the 1990s. The war showed that geographic vulnerability need not mean helplessness when strategic anchoring exists. Paradoxically, the gravest security threat did the most to bring the country closer to the European Union.

²⁵⁴ IMF, "Regional Economic Outlook: Europe," October 2022; World Bank — assessments of the war's regional impact.

²⁵⁵ World Bank, "Moldova Economic Update" (2022) — the energy shock and inflation. <https://www.worldbank.org/en/country/moldova>

32. EU Candidate Country Status

2022 — The European dream becomes a concrete objective

+3

Impact Score

Net impact on development: *Profoundly positive impact (scale –3 ... +3)*

The net impact is rated profoundly positive. Candidate status, granted on June 23, 2022, turned a decades-old aspiration into a concrete objective with a clear prospect of accession, and it provided an anchor of stability at a moment of existential crisis. It structured the governing agenda around European standards and opened access to generous external assistance, which justifies the period's highest score.

Description

The granting of EU candidate status on June 23, 2022, was the most important strategic achievement in the history of Moldova's European path.²⁵⁶ The decision, taken in the context of the war in Ukraine and simultaneously with the granting of the same status to Ukraine, turned the European aspiration into a concrete objective with a clear prospect of accession, and it provided an anchor of stability.

The status flowed from the combination of the pro-European mandate citizens had given by electing the new government and the geopolitical circumstances created by the war. The war clarified for Brussels the geopolitical stakes of integrating the states of the eastern neighborhood and turned enlargement into an instrument of security — a shift Moldova benefited from without any relaxation of the reform requirements.

The preparation demanded an administrative effort of unusual intensity, with the European Commission's questionnaire completed within a few weeks.²⁵⁷ This document of thousands of pages, which assesses a country's readiness, was finished at a pace that signaled genuine mobilization and political determination, and it contributed to the favorable decision of June 2022.

The status came with a set of reform conditions covering the justice system, the fight against corruption, de-oligarchization, and the strengthening of institutions.²⁵⁸ These conditions turned the European aspiration into a concrete list of tasks monitored by Brussels — at once an external discipline and a domestic lever of pressure for reforms that would have been hard to achieve otherwise.

Obtaining candidate country status imposed a sweeping reform agenda, structured around 33 chapters grouped into six thematic clusters. The rigorous framework turned integration from an aspiration into a detailed, monitored program of government — the most powerful engine of institutional modernization the country has ever had.

This episode marked the fastest and most consequential geopolitical acceleration in the country's history, a leap that would normally have taken years but was compressed into a few months under the pressure of war. Together with Ukraine, Moldova moved, in a single step, from the category of neighbors to that of candidates. The European aspiration, tentative in 2005, became an official and concrete objective.

Impact

Candidate country status anchored the country strategically in the EU accession process and turned European integration into a concrete program of reforms. The clear prospect of accession offered a point of stability and a discipline for public policy, and it structured the governing agenda around European standards.

Economically, the European prospect opened access to greater assistance, improved the investment outlook, and strengthened partners' confidence.²⁵⁹ Closer ties with the EU opened the prospect of the Growth Plan for Moldova, the largest support package in the country's history. More than that, candidate country status also turned the relationship with partners into a strategic partnership, not just an assistance relationship. The country ceased to be merely a recipient of aid and became a candidate for accession, with rights and obligations, which changed the na-

²⁵⁶ European Commission, "Opinion on the EU membership application by the Republic of Moldova," COM(2022) 406 final, June 17, 2022. <https://neighbourhood-enlargement.ec.europa.eu>

²⁵⁷ Government of the Republic of Moldova / European Integration Bureau — completion of the accession questionnaire (April–May 2022); European Commission, COM(2022) 406 final.

²⁵⁸ European Commission — the nine recommendations of the accession opinion (June 2022) and the assessments of their implementation (February and June 2023). <https://neighbourhood-enlargement.ec.europa.eu>

²⁵⁹ European Commission — "Growth Plan for Moldova," October 2024. <https://neighbourhood-enlargement.ec.europa.eu>

ture of cooperation with the EU. Candidate status turned the European path from a direction into a process, with obligations, a timetable, and concrete instruments that anchored reforms in a binding framework.

Candidate status gives European integration “a completely new strategic and practical significance” and shifts the emphasis from the technical implementation of the Association Agreement to a dynamic political commitment, with the demands raised to the maximum. At the same time, this dynamic unfolded against a fragile economic backdrop: the economy’s potential growth had fallen from around 3.5% in 2016 to around 2.2% in 2022. The main challenge lies in the capacity to meet the commitments made, given that making the most of candidate country status requires, among other things, a series of ambitious reforms — public administration reform, a greater capacity to absorb external assistance, stronger energy security, and a transparent, inclusive integration process — recommendations that prefigured the conditionality of the Growth Plan for Moldova.²⁶⁰

Regional and International Context

The candidate status granted to Moldova and Ukraine in 2022 marked the rebirth of the European Union’s enlargement policy, which had been blocked for nearly a decade by “enlargement fatigue.” The war put enlargement back at the center of the European agenda as a geopolitical instrument, and Moldova benefited from this paradigm shift. Georgia would receive the same status later, in 2023, while some Western Balkan countries had been waiting for more than a decade.²⁶¹

Case Studies

Case Study

The questionnaire completed in record time

Once the membership application had been filed, in the days after the outbreak of the war, the authorities — with support from civil society and development partners — completed the European Commission’s questionnaire within a few weeks, a document of thousands of pages that assesses in detail the country’s readiness across dozens of fields. The pace, unusually fast for an otherwise overstretched administration, signaled genuine mobilization and a political determination that European partners noticed. This effort, combined with the geopolitical circumstances created by the war, which had turned enlargement into an instrument of security, contributed to the European Council’s decision of June 23, 2022, to grant candidate status simultaneously with Ukraine — a decision unimaginable only a few months earlier.

Seen in historical perspective, candidate status measured both the distance traveled and the distance remaining. Moldova needed roughly 17 years to move from “neighbor” under the European Neighbourhood Policy (2005) to “candidate” in 2022 — a considerable lag behind the Central European states, but now, at last, on the same accession trajectory. That the poorest country in Europe, at a third of the European average in purchasing power, was becoming a candidate alongside a Ukraine at war said everything about the transformative force of the 2022 moment and the EU’s openness to new members.²⁶²

Lessons Learned

Windows of geopolitical opportunity must be seized through domestic preparation: circumstances offer the chance, and society’s will for change and reform locks in the result.²⁶³ The combination of reforms and context made the acceleration of European integration possible, which requires keeping up the pace of reforms to turn candidate country status into actual accession.

The accession process is, in itself, an instrument of institutional modernization, beyond the final objective. The rigorous framework of the negotiations provides a discipline and a reform benchmark without domestic equivalent, and putting it to full use remains essential.

Administrative capacity can be mobilized quickly when there is an objective and the will to reach it. That Moldova received candidate country status and then opened accession negotiations in record time shows that the state can deliver when the direction is clear, political and popular support exists, and most of society feels the weight of the moment. The same mobilization is needed at every stage of the accession negotiations.

²⁶⁰ Expert-Grup, “State of the Country Report 2022” — the chapter on governance and European integration; Chişinău, December 2022. <https://www.expert-grup.org/ro/biblioteca/item/2436-raportul-de-stare-a-%C8%9B%C4%83rii-2022>

²⁶¹ European Council, conclusions of the meeting of June 23–24, 2022 (EUCO 24/22) — the granting of EU candidate status to the Republic of Moldova and Ukraine. <https://www.consilium.europa.eu>

²⁶² European Commission, communications on EU enlargement policy — the 2022–2024 enlargement packages. <https://neighbourhood-enlargement.ec.europa.eu>

²⁶³ Schimmelfennig, F., Sedelmeier, U. (2005), op. cit.; European Commission — the revised enlargement methodology (2020).

Case Study

Nine steps to move forward

Candidate status came with a set of reform conditions covering the justice system, the fight against corruption, de-oligarchization, administrative reform, and the strengthening of institutions. These conditions turned the European aspiration, until then often declarative, into a concrete list of tasks, with deadlines and criteria, monitored closely by Brussels. For a country that had only recently escaped state capture, and where deep reforms had always been blocked by obscure interests, the agenda provided both an external discipline that was hard to evade and a domestic lever of pressure that could be invoked to overcome resistance. The accession process thus became the main engine of institutional change.

33. The Inflation Crisis and Macroeconomic Resilience 2022–2023 — Inflation above 30%, followed by stabilization

-1

Impact Score

Net impact on development: *Moderately negative impact (scale -3 ... +3)*

The net impact is rated moderately negative. Average inflation of around 28.7% in 2022, with a peak of 34.6% in October, hit low-income households hard, as energy and food account for the largest share of their consumption. The score goes no lower because the rapid disinflation to 4.7% in 2024 demonstrated the effectiveness of a monetary policy that stabilized inflation in good time.

Description

The years 2022–2023 brought the most severe inflation crisis since the episode of the 1990s, with average inflation of around 28.7% in 2022 and a peak of 34.6% in October.²⁶⁴ The crisis grew out of the combination of the energy shock, costlier food on international markets, and the effects of the war; for low-income households, the large share of spending on energy and food turned inflation into a heavy social burden.

Expert-Grup's analysis in the State of the Country Report 2022 described the picture as one of stagflation: economic stagnation against average annual inflation of nearly 30%, driven mostly by costlier imports of energy and food. The asymmetry of transmission was significant — industrial producer prices for the domestic market rose by around 32%, more than three times faster than those for export (around 9%) — and the monetary tightening needed to anchor expectations made financing more expensive for businesses. The same report warned that the budget deficit of 6.2% of GDP (17.2 billion lei) was financed almost entirely from external resources, a sign of how critical the development partners were in cushioning the shock.²⁶⁵

The National Bank of Moldova's response was firm: an aggressive increase in the base rate, to around 21.5%.²⁶⁶

The tightening tempered growth but helped bring inflation down, to around 13.4% in 2023 and roughly 4.7% in 2024, close to target — confirmation that the monetary policy instruments built up over the years worked.

To protect households from rising energy prices, the authorities introduced a bill compensation mechanism.²⁶⁷

Targeted by consumption and by vulnerability, the mechanism supported hundreds of thousands of families through the crisis winters, which softened the social impact and preserved cohesion.

The crisis tested macroeconomic resilience but confirmed that the monetary policy framework had come of age.

Unlike in the 1990s, when inflation slipped out of control, the 2022 episode was managed through a functioning inflation-targeting framework and external support; the resilience on display contrasted with the fragility of earlier decades.

The 2022 inflation crisis pushed inflation to a peak above 34% that fall, fed by surging energy and food prices and by the shock waves of the war — one of the highest rates in Europe. The National Bank responded

²⁶⁴ National Bureau of Statistics, consumer price index, monthly series. <https://statistica.gov.md>

²⁶⁵ Lupușor, A., Fală, A., Cenușă, D., Madan, S. (Expert-Grup), "State of the Country Report 2022," Chișinău, December 2022, prepared in partnership with the Friedrich-Ebert-Stiftung. <https://www.expert-grup.org/ro/biblioteca/item/2436-raportul-de-stare-a-%C8%9B%C4%83rii-2022>

²⁶⁶ National Bank of Moldova — monetary policy decisions on the base rate (2021–2023). <https://www.bnm.md>

²⁶⁷ Government of the Republic of Moldova — the Energy Vulnerability Reduction Fund, the bill compensation schemes (2022–2023).

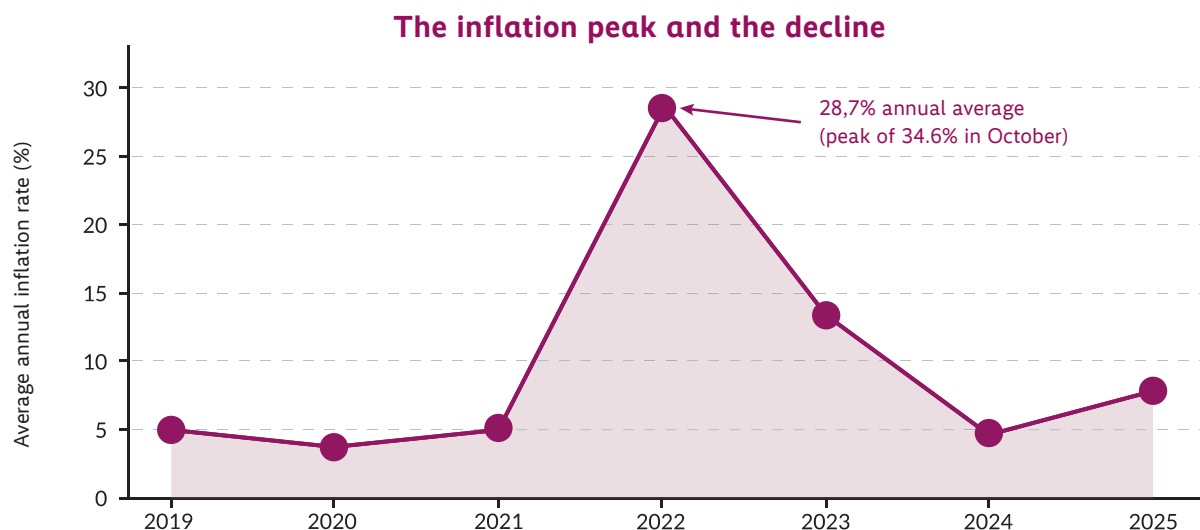
firmly by raising the policy rate, and from early 2023 inflation entered a rapid downward trajectory. Unlike in 1993, the currency and the institutions held.

Higher inflation in the Republic of Moldova reflected structural vulnerabilities that amplified external shocks. Between 2010 and 2021, prices rose by 5.6% a year on aver-

age, against 1.4% in the EU, which pointed to a standing predisposition toward higher inflation. The explanation lay in heavy dependence on imports and energy, a far larger share of food in consumption (43.9% versus 14.8% in the EU), and a small market with limited competition. In times of crisis, these features made external price rises pass through faster and harder into domestic prices.

Inflation averaged 28.7% in 2022, with a peak of 34.6% in October, before returning toward the target.

Fig. 8



Source: NBS, NBM

Impact

The inflation shocks of 2022–2023 eroded real incomes and pushed a sizable part of the population below the poverty line. The absolute poverty rate climbed from 24.5% in 2021 to 31.1% in 2022 and 31.6% in 2023, a deterioration of more than 7 percentage points in just two years. The impact was sharper in rural areas, where the poverty rate rose from 32.8% to 42.0%, but it also increased in the cities, from 11.9% to 17.7%. The rapid rise in the price of basic goods and services hit households with low or fixed incomes hardest and deepened social vulnerabilities that already existed. Costlier energy and food weighed disproportionately on people with low incomes and required compensation measures, such as support for paying bills.

At the macroeconomic level, monetary tightening tempered growth but stabilized inflation, proof of the institutional framework's effectiveness.²⁶⁸ The short-term cost of stabilization was offset by inflation's return toward target and by the preservation of financial stability.

The energy compensation schemes protected households and maintained social cohesion through a hard period.

The mechanism demonstrated that social protection adjusted at the right time can absorb a shock efficiently without significantly destabilizing the budget — a valuable lesson for managing future crises.

The crisis also strengthened the credibility of the National Bank by demonstrating its capacity to manage a major shock. That credibility is an institutional asset that lowers the cost of future crises and anchors inflation expectations.

The inflation surge eroded households' real incomes, but macroeconomic stability held — a fundamental difference from the hyperinflation of the 1990s. A credible central bank, an IMF program, and European support allowed the crisis to be managed efficiently. The macroeconomic resilience demonstrated in 2022–2023 revealed the maturity and professionalism of the country's monetary authority.

²⁶⁸ World Bank, "Moldova Economic Update" (2023); IMF, 2023 Article IV consultation. <https://www.imf.org/en/Countries/MDA>

Regional and International Context

The inflation wave of 2022 was a European phenomenon, set off by the energy crisis and the war, but its intensity varied with each economy's exposure. In the euro area, inflation peaked at around 10.6%; in the Baltic states it exceeded 20%; in Moldova it climbed above 34%, a reflection of extreme energy dependence and the large weight of food and energy in the consumer basket. The smaller, more open, and more import-dependent an economy, the harder the shock hit.²⁶⁹

What matters, though, is the capacity to manage a crisis — and here the comparison with the country's own past is more telling than the one with its neighbors. Moldova's disinflation trajectory in 2023 was comparable to that of the Baltic states, a sign of alignment with the practice of European central banks. That inflation above 34% was brought back under control in about a year, without catastrophic devaluations and with the banking system kept stable, showed how far the Moldova of 2022 stood from the monetary chaos of the ruble zone in 1993.²⁷⁰

Lessons Learned

A credible monetary policy framework allows shocks to be managed efficiently, in contrast with the fragility of earlier periods.²⁷¹ The rapid disinflation confirmed the importance of mature monetary institutions, which makes it imperative to protect the National Bank's independence and credibility.

Robust social protection mechanisms are needed to soften the impact of inflation shocks on vulnerable groups. The energy compensation schemes proved the value of well-targeted protection, and strengthening it remains essential for managing crises equitably.

Investment in institutions pays off in moments of crisis. The lesson of the contrast between 2022 and the 1990s is that a mature institutional framework turns a potentially catastrophic crisis into a manageable one. Building and protecting institutions is the best insurance against shocks.

Case Studies

Case Study

The policy rate, raised to 21.5%

To stem inflation and steady the exchange rate, the National Bank raised the base rate aggressively, to a level of around 21.5% in 2022, one of the harshest tightenings in the region. The decision made credit more expensive and tempered economic growth, at a real cost to firms and to borrowers, but it contributed decisively to the rapid disinflation that followed, toward 13.4% in 2023 and 4.7% in 2024, close to target. Unlike in the 1990s, when the lack of a national currency and of a functioning monetary authority had let inflation reach four digits, this time the instruments of monetary policy worked — the mark of an institutional maturation that made the difference between a manageable crisis and a collapse.

Case Study

Compensation for hundreds of thousands of families

To protect households from energy prices that were tripling their bills, the authorities introduced a bill compensation mechanism, targeted by consumption and by vulnerability, so that support reached those who needed it most. Hundreds of thousands of families received help through the crisis winters, which softened the social impact of the energy shock and preserved cohesion in a period that could have produced serious tensions. The mechanism, financed partly from external sources, was an example of social protection delivered on time, able to absorb a shock without significantly destabilizing the budget, and a model for the equitable management of future crises.

²⁶⁹ National Bank of Moldova, Inflation Reports (2022–2023) — the 34.6% peak of October 2022 and the disinflation path. <https://www.bnm.md>

²⁷⁰ Eurostat — HICP inflation in the EU member states (2022–2023); comparisons with the Baltic states. <https://ec.europa.eu/eurostat>

²⁷¹ IMF, Article IV consultations with the Republic of Moldova (2022–2024) — assessment of monetary policy. <https://www.imf.org/en/Countries/MDA>

34. The European Referendum and the Opening of Accession Negotiations

2024 — The European integration objective, enshrined in the Constitution

+2

Impact Score

Net impact on development: *Major positive impact (scale -3 ... +3)*

The net impact is rated major positive. The official opening of accession negotiations and the enshrinement of the European objective in the Constitution brought a lasting strategic gain. Still, the score falls short of the maximum: the referendum passed only narrowly, with 50.38%, amid an unprecedented campaign of interference and vote buying, which showed how fragile, and how exposed to manipulation, the domestic consensus remains.

Description

The year 2024 brought the official opening of accession negotiations, in June, and the enshrinement of the European objective in the Constitution, through the referendum of October 20.²⁷² The opening of negotiations turned candidate status into a concrete process, structured by chapters and clusters, while the referendum sought to anchor the European objective irreversibly in the country's basic law.

The referendum was validated by the narrowest of margins, with 50.38% voting “YES,” in a ballot marked by an unprecedented campaign of foreign interference and vote buying. The tight result reflected both the polarization of society and the scale of the effort to undermine the European course.

The vote-buying operation, attributed to the Kremlin and run through the network of a fugitive oligarch, was extraordinary in scale.²⁷³ The authorities reported that more than a hundred thousand people had allegedly received money to vote a certain way, through transfer schemes from the Russian Federation. This interference explains much of the extremely tight result, and it exposed how vulnerable democratic processes are to manipulation.

The balance was tipped decisively by the diaspora vote, which went about 77% in favor of the European objective.²⁷⁴ As in the presidential election, the community abroad played the decisive role, fresh confirmation of the close bond between citizens outside the country and the European path.

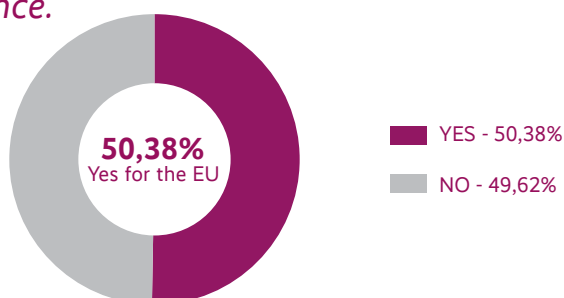
The narrow margin was at once a confirmation of the European choice and a warning about the fragility of the domestic consensus. The European course, though it commands a majority, remains contested and exposed to manipulation; even so, writing the objective into the Constitution provided a lasting strategic anchor, hard to reverse through any short-lived swing of power.

The year 2024 brought the double consecration of the European path: the official opening of accession negotiations, in June, and the October referendum, which wrote the integration objective into the Constitution. The referendum was won by a hair, with around 50.4% in favor, against a backdrop of documented foreign interference through vote buying and disinformation. European anchoring thus became legally irreversible, but politically contested.

The referendum was validated with 50.38% “YES” votes, and it was the diaspora vote that tipped the balance.

Fig. 9

The EU accession referendum (October 20, 2024)



Source: CEC, Constitutional Court

²⁷² Council of the European Union — the first accession Intergovernmental Conference with the Republic of Moldova, Luxembourg, June 25, 2024. <https://www.consilium.europa.eu>

²⁷³ National Police — the case files on voter bribery.

²⁷⁴ Central Electoral Commission — results of the republican constitutional referendum of October 20, 2024; [alegeri.md. https://alegeri.md/w/Referendumul_republican_constitu%C8%9Bional_din_2024](https://alegeri.md/w/Referendumul_republican_constitu%C8%9Bional_din_2024)

Impact

The year 2024 anchored the European objective in the Constitution and turned integration into a concrete, irreversible negotiating process. Writing the European course into the basic law provided legal protection against reversals of direction and strengthened strategic predictability.

On the democratic front, the referendum exposed the scale of external interference from the Russian Federation and of electoral corruption.²⁷⁵ The vote-buying and disinformation campaign was a test of democratic resilience, one that laid bare the vulnerability of democratic processes to manipulation.

The diaspora's decisive role confirmed the close bond between citizens abroad and the European path. This dimension redraws the country's political geography and makes policies for engaging the diaspora all the more important.

The opening of negotiations turned the relationship with the European Union into a concrete working process. Moving from candidate status to actual negotiations opened a phase in which reforms are assessed chapter by chapter — the most powerful modernization instrument the country has ever had.

Regional and International Context

The referendum and the opening of negotiations came in a regional context in which the European Union had relaunched enlargement, but in which destabilization pressure had also intensified. Unlike the Central European states, which joined without being the target of a hybrid war, Moldova had to defend its European choice under active foreign interference, orchestrated through vote-buying networks. Negotiations opened at the same time as Ukraine's,

Case Studies

Case Study

The vote-buying network

The October 2024 referendum was the target of a vote-buying operation of unprecedented scale, attributed to the network of a fugitive oligarch convicted in the bank fraud case. The authorities reported that more than a hundred thousand people had allegedly been paid to vote a certain way, through transfer schemes from the Russian Federation, in the largest operation of its kind ever documented in the country. This interference, combined with a massive disinformation campaign, goes a long way toward explaining the razor-thin margin of the result, and it exposed, in the most concrete fashion, the vulnerability of democratic processes to manipulation and to the money of a criminal network prepared, in effect, to buy a national decision.

with the first Intergovernmental Conference on June 25, 2024, in a strategic tandem that has become emblematic.²⁷⁶

The comparison with Georgia, which that same year was sliding into an anti-European drift, is a reminder that the path is anything but guaranteed. While Tbilisi pulled away from Brussels, Chişinău consolidated its commitment, if by a narrow margin. The contrast shows that in the eastern neighborhood a European orientation is not a linear trajectory but a choice renewed under pressure, one that Moldova managed to keep in 2024 even as other countries abandoned it.²⁷⁷

Lessons Learned

The European path demands more than institutional delivery: it also requires a stronger domestic consensus and democratic resilience in the face of foreign interference.²⁷⁸ The referendum's narrow margin exposed the fragility of that consensus, which calls for investment in social cohesion, in communicating the benefits of integration, and in protecting electoral integrity.

Democratic processes need protection from manipulation and electoral corruption, threats that are becoming ever more sophisticated. The scale of the 2024 interference exposed the system's vulnerability; strengthening electoral institutions, civic education, and informational resilience remains a priority.

Strategic anchoring in the Constitution shields the country's direction from short-term swings. The lesson of the referendum is that, fragile as the consensus was, writing the European objective into the basic law provides lasting protection. The right direction was locked in legally, despite the ballot's narrow margin. The irreversibility of European integration is not guaranteed by a text; it is defended daily by institutions and citizens. Strengthening electoral integrity thus becomes a matter of national security.

²⁷⁵ Promo-LEX Association — election observation reports. <https://promolex.md>

²⁷⁶ Central Electoral Commission; [alegeri.md](https://alegeri.md/w/Referendumul_republican_constitu%C8%9Bional_din_2024) — the republican constitutional referendum of October 20, 2024. https://alegeri.md/w/Referendumul_republican_constitu%C8%9Bional_din_2024

²⁷⁷ Council of the European Union — the opening of accession negotiations with the Republic of Moldova and Ukraine, June 25, 2024; European Commission, the 2024 enlargement package. <https://www.consilium.europa.eu>

²⁷⁸ European Commission — the accession negotiations methodology (thematic clusters); screening process reports (2024–2025). <https://neighbourhood-enlargement.ec.europa.eu>

Case Study

The diaspora tips the balance again

The “YES” vote scraped through at 50.38%, and it was the diaspora, around 77% in favor, that tipped the balance and offset the tighter result at home. As in the presidential election, the community abroad played the decisive role and confirmed its status as a structural actor in national politics, not merely a source of remittances. Enshrining the European objective in the Constitution, achieved despite the tight margin and Russian interference, provided a durable legal anchor, hard to reverse through any short-lived change of power, and turned a fragile victory at the ballot box into a constitutional commitment with long-term effects.

35. The Growth Plan, Resilience, and the European Path

2025–2026 — Probably the last ticket aboard the “European integration train”

+2

Impact Score

Net impact on development: *Major positive impact (scale –3 ... +3)*

The net impact is rated major positive. For the first time, the country has, all at once, a clear direction, an institutional framework anchored in the European integration process, and generous EU financial support through the Growth Plan for Moldova, worth up to €1.9 billion, which ties financing to reforms. The score stops short of the maximum because the vulnerabilities — demographic, security, capacity — remain deep, and the road to convergence is long and exposed to risk.

Description

The years 2025–2026 mark the shift from managing crises to building convergence, driven by the EU’s Growth Plan for Moldova and by the acceleration of accession negotiations.²⁷⁹ Adopted in 2024, the Plan provides support of up to €1.9 billion for 2025–2027, the largest EU assistance package in the country’s history, conditional on an ambitious set of reforms.

With an implementation rate of around 93% and more than €600 million already released by mid-2026, the Plan has become the main instrument for financing development and anchoring reforms.²⁸⁰ By tying money to reforms, it turned financial support into an engine of modernization, though the challenge remains the capacity to absorb these resources and put them to efficient use.

The Growth Plan arrived against a complicated economic backdrop. After the record rebound of 2021, the economy slipped into prolonged quasi-stagnation: +1.2% in 2023, +0.3% in 2024, and +2.4% in 2025 — an average of just

1.3%, against around 1.6% in Romania, 2.1% in Poland, and 2.4% in Bulgaria over the same period. The Growth Plan’s task was therefore essential: to support the Moldovan economy’s transition to a different growth model, one based on higher value added.²⁸¹

The European Union’s Growth Plan for Moldova, worth up to €1.9 billion for 2025–2027, is the largest external support package the EU has granted the country, conditional on a comprehensive reform program. Given its size relative to a small economy, the plan carries transformative potential comparable to that of the pre-accession funds that propelled Central Europe’s convergence.

The Growth Plan has the potential to generate a significant multiplier effect on investment. On top of the €1.9 billion in financing the EU is providing for 2025–2027, the European Commission²⁸² estimates that a further €2.5 billion or so can be mobilized from international financial institutions and the private sector, which could bring the total resources associated with the Plan to roughly €4.4 billion. The first signs have already appeared: the EU–Moldova In-

²⁷⁹ European Commission and the Government of the Republic of Moldova — monitoring reports on the implementation of the Growth Plan for Moldova (2025–2026). <https://neighbourhood-enlargement.ec.europa.eu>

²⁸⁰ European Commission — the tranches released under the Reform and Growth Facility for the Republic of Moldova (2025–2026). <https://neighbourhood-enlargement.ec.europa.eu>

²⁸¹ International Monetary Fund, World Economic Outlook database — series for the Republic of Moldova and for Romania, Poland, and Bulgaria (real GDP, export volumes, investment rate, current account balance, 2021–2025) (accessed August 2026; values for 2024–2025 are IMF estimates/projections). <https://www.imf.org/en/Publications/WEQ>

²⁸² European Commission, “Moldova – Enlargement and Eastern Neighbourhood” — which states that the €1.9 billion Plan is expected to mobilize €2.5 billion in additional investment in transport, energy, agriculture and irrigation, schools, and hospitals..

vestment Conference in June 2026 brought announcements²⁸³ of potential investments of up to €641 million, including €433 million through international financial institutions and €208 million from the private sector. With sound implementation, the Plan's impact will therefore exceed the EU's direct financing: it is set to act as a catalyst for attracting additional capital into infrastructure and the private sector.

Impact

The Growth Plan and the negotiations turn the European perspective into a concrete program of investment and reform, with structural effects on the economy. The unprecedented support provides resources for infrastructure, institutional capacity, and the modernization of the economy, conditional on reforms that anchor the transformation.

The period marks the transition from a survival model to a convergence model, oriented toward integration into the European single market.²⁸⁴ Growth remains modest, but the foundations of sustainable development (energy security, access to financing, a reform framework) are, for the first time, being consolidated simultaneously.

The path remains exposed to security, demographic, and geopolitical risks, which demand vigilance and continuity. The regional conflict, demographic decline, and external pressures are lasting challenges that will test the country's ability to turn today's opportunity into real convergence.

The biggest challenge, though, remains the capacity to absorb and implement. Unprecedented financial support has value only if institutions can use the resources efficiently, which makes stronger administrative capacity a condition for the success of the entire path. Here Moldova faces major constraints: its institutions have limited capacity to generate mature investment projects and to deliver complex infrastructure works. On top of this, there is a persistent risk that Growth Plan resources are used for electoral ends, with minimal effect on economic growth, given that most of the Plan's money is disbursed as direct budget support and that the 2027 local elections and the 2028 presidential election are approaching.

For the first time in its history, Moldova has, at the same moment, all three elements essential to European integration: a clear strategic direction enshrined in the Constitution, an institutional framework anchored in the Eu-

ropean integration objective, and generous financial support from the EU. This conjunction creates the opportunity to accelerate the convergence missed over three decades. The risks — demographic, security, absorption capacity — remain major, and the outcome depends on the quality of reforms, not just the volume of funds.

Regional and International Context

The Growth Plan for Moldova draws on the pre-accession instruments and on the Growth Plan for the Western Balkans: it adapts, for a small candidate, the logic by which the Union financed the convergence of its new members. Set against the size of the economy, the €1.9 billion allocation is proportionally very large, comparable in ambition to the support that modernized Poland and Romania before and after accession. Moldova is now receiving, roughly two decades late, instruments similar to those that drove Central Europe's convergence.²⁸⁵

The “money for reforms” logic has also been tested, on a far larger scale, in Ukraine. The Ukraine Facility, adopted by the EU in February 2024, allocates up to €50 billion for 2024–2027, conditional on implementation of the Ukraine Plan, a reform program owned by the government in Kyiv and monitored quarterly. The mechanism is a living one: in July 2026 the EU Council topped up the 2026 financing with a further €8.3 billion, and at the same time attached new conditions on the rule of law and the fight against corruption. The Growth Plan for Moldova applies the same architecture to a small candidate: predictable financing, released in tranches and strictly conditional on verifiable reforms. For Chișinău, the parallel carries a double meaning: on one hand, it confirms that the EU treats the eastern neighborhood as an enlargement in progress, not just a partnership; on the other, it is a reminder that payments can be suspended when reforms stall — a discipline on which the entire path depends.²⁸⁶

The strategic question of the moment is whether Moldova can reproduce the convergence it missed in the 2000s. At roughly a third of the European average in purchasing-power terms, the country starts from far lower than the Central European states did, but it finally has the same combination that propelled them: access to the single market, convergence funds, and a binding reform framework. Romania's experience, up from around 35% of the European average in 2004 to nearly 78% today, shows that catching up is possible, provided reforms are carried through. That is what is at stake on Moldova's current path.²⁸⁷

²⁸³ European Commission, “EU-Moldova Investment Conference announces up to €641 million in strategic investments,” June 4, 2026.

²⁸⁴ IMF, World Economic Outlook (April 2026); World Bank, “Moldova Economic Update” (2026). <https://www.imf.org/en/Countries/MDA>

²⁸⁵ European Commission — the Growth Plan for Moldova and the Reform and Growth Facility, up to €1.9 billion for 2025–2027 (October 2024). <https://neighbourhood-enlargement.ec.europa.eu>

²⁸⁶ Regulation (EU) 2024/792 of the European Parliament and of the Council of February 29, 2024 establishing the Ukraine Facility, Official Journal of the EU, February 29, 2024; Council of the European Union, “Council amends Ukraine Plan to reflect more than €8 billion in additional Ukraine Facility financing for 2026,” press release, July 30, 2026, <https://www.consilium.europa.eu>. <https://eur-lex.europa.eu/legal-content/RO/TEXT/?uri=CELEX:32024R0792>

²⁸⁷ Eurostat — GDP per capita in PPS, series for 2004–2024; World Bank, “Moldova Country Economic Memorandum: Rekindling Economic Dynamism,” 2019. <https://documents.worldbank.org>

Lessons Learned

The historic opportunity of integration must be seized through sustained reform and continuity, because windows of opportunity do not stay open forever.²⁸⁸ Financial support and the accession perspective offer an unprecedented chance, but turning it to account depends on implementation capacity, which means keeping up the pace of reform and strengthening institutional capacity.

The “Rethink Moldova” precedent shows that external resources, however generous, do not convert automatically into development. At the donor conference co-chaired by the European Commission and the World Bank in Brussels on March 24, 2010, external partners pledged around €1.9 billion (\$2.6 billion) to the Republic of Moldova for 2010–2013, on the basis of the then government’s priorities document, “Rethink Moldova” — relative to the size of the economy at the time, a package comparable to the current Growth Plan. A significant share of these resources could not be put to use: independent evaluations put the effective absorption of the assistance at just 40–50%, amid weak administrative capacity, slow-moving reforms, and the govern-

ance failures that would culminate in the bank fraud. The lesson for the current financing cycle is direct: without implementation capacity, without transparent public procurement, without sound governance of the funds, and without a functioning judiciary, the story of squandered generosity can repeat itself.²⁸⁹

Un drum corect, dar dificil, poate fi parcurs mai inteligent dacă lecțiile trecutului sunt asumate. Sinteza celor 35 de ani este că direcția, spre suveranitate, independență economică și integrare europeană, a fost cea corectă, iar convergența cu Uniunea oferă cadrul în care lecțiile trecutului pot fi, în sfârșit, folosite pentru a construi un viitor sustenabil.

Lecția finală a acestui volum este că ancorarea externă poate compensa fragilitatea internă, dar nu o poate înlocui: fondurile creează oportunitatea, în timp ce reformele o transformă în convergență. Experiența Europei Centrale arată că banii europeni produc prosperitate doar acolo unde sunt însoțiți de instituții capabile să îi absoarbă eficient. Oportunitatea generației actuale este reală, dar nu garantată; ea se va măsura în capacitatea de a converti sprijinul în transformare durabilă.

Case Studies

Case Study

Europe on your phone: roaming like at home

Since January 1, 2026, the Republic of Moldova has been part of the European “Roam Like at Home” area, one of the most tangible examples of Single Market integration ahead of accession itself. Moldovans traveling in the EU can use the minutes, text messages, and mobile data included in their home plans without roaming surcharges, under the fair-use policy, and incoming calls and texts are free. The benefit was preceded by gradual tariff cuts starting in 2024: for Romania alone, falling prices had been accompanied, as early as 2023, by a 155% rise in roaming data use and by around 6 million days of active roaming. Full integration now removes one of the invisible borders between Moldova and the EU. For citizens, drawing closer to Europe no longer means just negotiations and directives; it means opening your phone in Bucharest, Rome, or Paris and using it much as you would at home.

Case Study

A one-euro transfer, like anywhere else in Europe

The Republic of Moldova’s integration into SEPA, operational since October 6, 2025, connected the Moldovan banking system to the European infrastructure through which euro transfers follow the same standards of cost, security, and processing. The effect showed almost immediately. In the first ten months, around 960,000 transfers were processed through the new system, and nearly 8 in 10 euro transactions were already using SEPA. The average cost of a cross-border transfer fell from fees that could reach €20–150 to an average of just €1.09 per transaction; the National Bank of Moldova (NBM) estimates the resulting savings for citizens and companies at €13.2 million. For the diaspora, this means more money reaching home; for firms, it means payments to European partners at costs comparable to those inside the EU. SEPA thus shows how integration into the Single Market can precede political accession: the financial border between Moldova and the EU has already become far less visible in daily life.

²⁸⁸ World Bank, CEM 2019, op. cit.; Bruegel (Darvas, Z.) — studies on the convergence of the new member states.

²⁸⁹ World Bank, “International Development Partners Support Moldova’s Vision for a Better Future,” press release, Brussels, March 24, 2010; IDIS “Viitorul” (Gaibu, S. et al.), “Evaluation of Moldova’s Absorption Capacity of External Assistance,” Chișinău, 2011.
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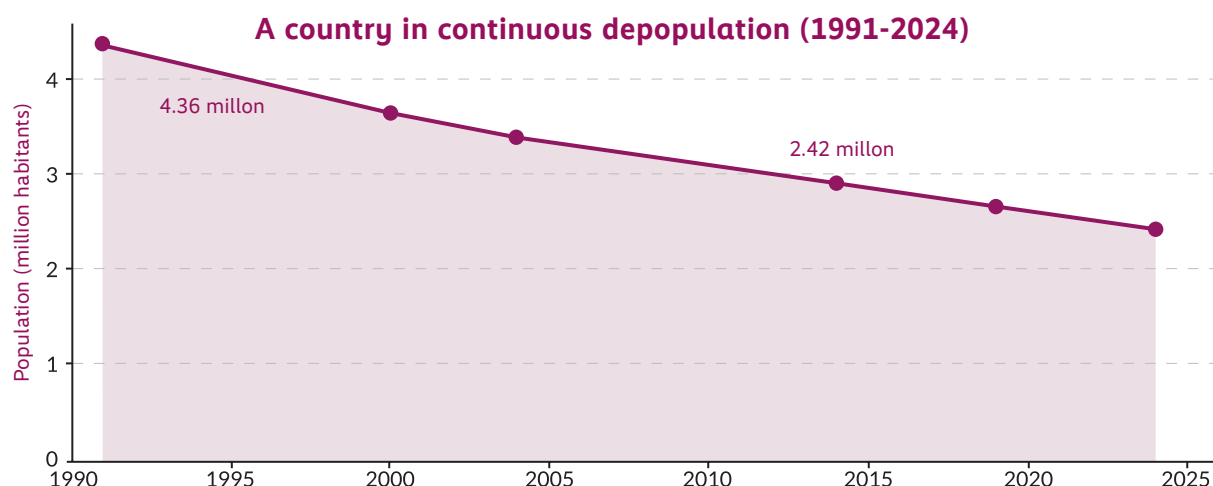
7 Lessons from 35 Years of Independence: A Synthesis for the Future

Taken together, the 35 events analyzed in this volume reveal a set of cross-cutting lessons that outlast their historical moment and serve as reference points for future decisions. Each event carries its own specific lesson, but reading them as a whole brings recurring patterns into

view: vulnerabilities that resurfaced again and again, errors that persisted, and solutions that proved effective. The synthesis of these lessons is perhaps this encyclopedia's most valuable contribution to public debate and to sound policy-making.

Output fell in the early years, but sovereignty provided the tools for the later recovery.

Fig. 1



Source:
NBS, censuses. The data reflect emigration, methodological changes, and coverage.

1. Diversification Is a Condition of Survival, Not Just of Efficiency.

The most persistent vulnerability of the Moldovan economy has been dependence on a single market, a single supplier, or a single source of income. The Russian crisis of 1998, the wine embargo of 2006, and the energy shock of 2022 each turned that dependence into a domestic crisis. The trade re-orientation toward the European Union and the energy decoupling from Russia show that diversification is possible and that it is the most effective instrument of resilience. Going forward, the principle of diversification must be applied systematically, in trade, energy, sources of financing, and strategic partnerships.

2. The Quality of Institutions Determines the Country's Economic Destiny.

The catastrophe of the bank fraud, along with the many other governance failures recorded under every single government across the Republic of Moldova's 35 years of independence, illustrates the fundamental role of institutional quality and integrity. Where institutions were captured, notably the judiciary and financial supervision, the costs were devastating. Investing in the genuine independence, capacity, and integrity of institutions is the precondition of any de-

velopment. Reforming the judiciary and strengthening oversight institutions therefore remain the absolute priorities of the European path.

3. Energy Security Is a Component of National Security.

For three decades, dependence on Russian gas was a strategic vulnerability repeatedly exploited as an instrument of pressure. The energy decoupling achieved after 2022, though costly in the short term, turned a chronic vulnerability into a manageable challenge. The lesson is that energy security cannot be sacrificed for short-term price advantages, and that investments in diversification, interconnections, and energy efficiency are investments in sovereignty.

4. The Consumption-and-Remittance Model Has Reached the Limits of Its Sustainability.

Poverty reduction financed by emigration and remittances brought prosperity, but it generated the most severe demographic crisis in Europe and perpetuated structural fragility. Depopulation, aging, and the loss of human capital threaten the sustainability of the pension and health systems, and of the economy as a whole. The transition to a model built on investment, productivity, and exports, one capable

of retaining the workforce and drawing the diaspora back, is the most pressing strategic imperative and the real stake of the €1.9 billion Growth Plan for Moldova offered by the EU. Missing that transition would be tantamount to missing the goal of European integration.

5. Political Stability and Strategic Consensus Are Preconditions for Lasting Reforms.

The country's path advanced in periods of clear mandate and continuity, and it stagnated or slid backward in periods of instability and capture. Political crises postponed reforms, and institutional fragility made capture easier. Strategic consensus around national objectives (European integration, judicial reform, security), shielded from short-term political swings, is a condition of lasting transformation. Writing the European path into the Constitution in 2024 was an expression of this need for an anchor.

6. External Strategic Anchoring Compensates for Internal Fragility.

For a small, vulnerable state, anchoring itself in a space of stability and values — the European Union — has proved to be the answer to its accumulated structural vulnerabilities, not merely one geopolitical option among others. European conditionality provided the discipline that the domestic will to reform did not always supply, and external support was decisive in managing crises. Making full use of the accession process as a lever of modernization is the historic opportunity of the current generation.

7. Most of the Shocks and Crises That Hit Moldova over Its 35 Years of Independence Were Shared by the Rest of the Region — the Quality of Institutions and the Maturity of Political Elites Made the Difference.

Moldova was not the only country in the region confronted, in its first years of independence, with energy dependence and reliance on the markets of the former Soviet space, nor the only one to face mass emigration, inflationary shocks, economic crises, or malign influence from the Russian Federation. These vulnerabilities cannot be invoked as excuses for how modest the country's economic and social performance has been over 35 years of independence. Poland, Hungary, and Romania coped with similar challenges, and 35 years ago the starting points were close to one another. That Moldova has remained, alongside Ukraine, the poorest country on the European continent is above all the result of internal factors: political elites lacking integrity, institutions weakened and captured by shadowy interests, the absence of a coherent vision of economic and social development and the inability to implement one, and the immaturity of the political class. Unfortunately, most of these vulnerabilities remain relevant today, to a greater or lesser degree, and that is what raises the historic stakes of the current process of European integration: if they persist, Moldova risks losing the last ticket aboard the European integration train. It is the duty of every citizen, and of every reader of this encyclopedia, to do their utmost to head off that risk and to help turn the European dream into reality.

Registrul de impact al celor 35 de evenimente

The table brings together the net impact scores for economic and social development, from –3 (profoundly negative) to +3 (profoundly positive). Read from top to bottom, the score column traces the country’s arc: a cluster of severe shocks in the 1990s, a mixed record in the following decade, and a tilt toward the positive as the European choice draws nearer. Of the 35 events, 14 have a net positive impact and 21 a negative one.

Year	Event	Score
1991	1. The Declaration of Independence and the Soviet Economic Legacy	+3
1991–1993	2. Hyperinflation and the Monetary Chaos of the Ruble Zone	-3
1992	3. The Dniester War and the Country’s Economic Fracture	-3
1993	4. The Introduction of the Moldovan Leu and the Birth of Monetary Policy	+2
1994–1996	5. Mass Privatization Through Patrimonial Vouchers	-2
1996	6. Deindustrialization and the Collapse of Employment	-2
1997	7. Energy Debts and Dependence on Russian Gas	-2
1998	8. The Russian Financial Crisis and the Economic Collapse	-3
1998–2000	9. The “Pământ” Program and the Fragmentation of Agriculture	-1
1999	10. Peak Poverty and the Collapse of Living Standards	-3
2000	11. The Exodus: The Beginning of Mass Labor Migration	-1
2001	12. The Statist Economic Model and the Consumption-Driven Recovery	+1
2002–2004	13. The Remittance Economy and Consumption as the Engine of Growth	+1
2003	14. The Administrative-Territorial Counter-Reform: The Return to Raions	-1
2005	15. The Geopolitical Reorientation: The EU–Moldova Action Plan	+1
2006	16. The Russian Wine Embargo and Export Vulnerability	-1
2007	17. The 2007 Tax Amnesty and Capital Legalization	-1
2008–2009	18. The Global Financial Crisis and the 2009 Recession	-2
2009	19. The April 7 Protests and the Change of Regime	+1
2012	20. The Reforms of the Alliance for European Integration	+1
2013–2014	21. The Vilnius Summit and the Association Agreement with the European Union	+2
2013–2023	22. The Chișinău Airport Concession: Anatomy of a Failed Partnership	-1
2014	23. Visa Liberalization with the European Union	+2
2014–2015	24. The Bank Fraud: The “Theft of the Billion”	-3
2015	25. The Devaluation of the Leu and the Crisis of Confidence	-2
2016–2018	26. The “Captured State” and the Democratic Crisis	-2
2016–2019	27. The Rehabilitation of the Banking System and the IMF Program	+2
2020	28. The COVID-19 Pandemic: A Health and Economic Shock	-2
2020–2021	29. The Labor Market Reversal: From Exodus to Labor Shortage	-1
2021–2025	30. The Energy Crisis and the Decoupling from Russia	+2
2022	31. The War in Ukraine: Refugees and Economic Shocks	-2
2022	32. EU Candidate Country Status	+3
2022–2023	33. The Inflation Crisis and Macroeconomic Resilience	-1
2024	34. The European Referendum and the Opening of Accession Negotiations	+2
2025–2026	35. The Growth Plan, Resilience, and the European Path	+2

The scores represent an analytical judgment, open to debate, and they distill the commentary presented for each event.

Glossary of Terms and Acronyms

Association Agreement — Treaty between the Republic of Moldova and the European Union (signed in 2014) that establishes political association and economic integration, including the DCFTA component.

Bank fraud — The theft, in 2014, of around \$1 billion from three Moldovan banks, the equivalent of roughly 12% of GDP.

Candidate status — Official recognition (granted to Moldova in June 2022) of a state's vocation to become an EU member, a prerequisite for opening negotiations.

CIS — The Commonwealth of Independent States — a regional organization of former Soviet republics.

DCFTA — The Deep and Comprehensive Free Trade Area — the trade component of the Association Agreement, which grants preferential access to the EU market.

Energy decoupling — The process of eliminating dependence on a single source of energy, in particular Russian gas.

GDP — Gross domestic product — the total value of goods and services produced in an economy over a given period.

Growth Plan — An EU financial support package for Moldova of up to €1.9 billion for 2025–2027, conditional on reforms.

Hyperinflation — An extremely rapid, uncontrolled rise in prices; in Moldova, it reached 1,613.6% in 1993.

IMF — The International Monetary Fund — an international financial institution that provides macroeconomic assistance and advice.

NBM — The National Bank of Moldova — the country's central bank, responsible for monetary policy and for supervising the financial system.

NBS — The National Bureau of Statistics — the institution responsible for producing official statistics.

p.p. — Percentage points — the unit used to measure changes in a rate expressed as a percentage.

Remittances — Money transfers sent by citizens working abroad to their families back home.

State capture — The phenomenon by which public institutions are subordinated to the private interests of influence groups, at the expense of the public interest.

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The socio-economic encyclopedia of Moldova

How does a country move from hyperinflation of over 1,600% in 1993 to opening accession negotiations with the European Union? What do the introduction of the leu, the one-billion-dollar banking fraud, and the energy shock of 2022 tell us about Moldova's economic journey? This encyclopedia reconstructs the socio-economic history of the Republic of Moldova through 35 events, one for each year of independence, grouped into four historical periods (1991–2026). Each event is described on the basis of official data, analysed in terms of its impact and regional context, and assessed on a scale from –3 to +3, with lessons that remain relevant today. The overall picture is as follows: 21 of the 35 events had a net negative impact, while the population, excluding the Transnistrian region, declined from approximately 3.65 million to 2.4 million inhabitants. The conclusion is that the Republic of Moldova's path to independence has been a winding and challenging one. Nevertheless, the direction towards sovereignty, economic independence and European integration has been the right one. We hope this encyclopedia will become a useful working tool for policymakers, researchers, students and journalists, as well as an invitation to anyone who wants to understand how Moldova reached where it is today and what it should do differently over the next 35 years.

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