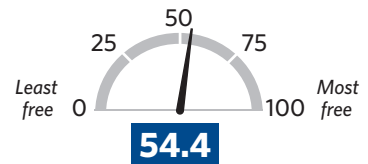


MOLDOVA

Economic Freedom Score



World Rank: **124** Regional Rank: **40**

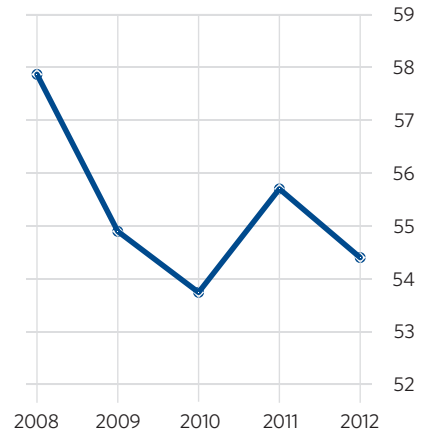
Moldova's economic freedom score is 54.4, making its economy the 124th freest in the 2012 *Index*. Its score has decreased by 1.3 points since last year, reflecting lower scores in four of the 10 economic freedoms including freedom from corruption and government spending. Moldova ranks 40th among 43 countries in the Europe region, and its overall score is below the regional and world averages.

The Moldovan government's overall progress in achieving sound macroeconomic management and enhancing the entrepreneurial climate has been uneven. The foundations of economic freedom are neither well established nor strongly protected in the economy. The judiciary is vulnerable to political interference and corruption, and the protection of property rights remains weak, undermining prospects for more significant and dynamic long-term economic development.

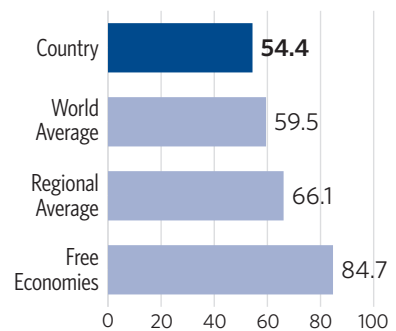
Economic performance is far below potential. Lingering state interference in the private sector increases economic risk in a volatile political environment. Political instability has left fiscal policy fragmented, and there is significant corruption in most areas of the bureaucracy.

BACKGROUND: Moldova became independent after the collapse of the Soviet Union in 1991 and continues to face a secessionist, Communist, pro-Russian enclave in Transnistria. The reformed Communist Party supports European integration and while in power did not reverse market reforms instituted in the early 1990s. The Alliance for European Integration coalition government was reconstituted in January 2011 following the November 2010 election but remains a few votes short of electing a new president. Local and municipal elections in June 2011 were also inconclusive. Agriculture remains central to the economy, and foodstuffs, wine, and animal and vegetable products are the main exports. Moldova is Europe's poorest country, and remittances from other European countries, including Russia, are equivalent to one-third of GDP. Real GDP fell in 2009 but experienced a slow recovery in 2010.

Freedom Trend



Country Comparisons



Quick Facts

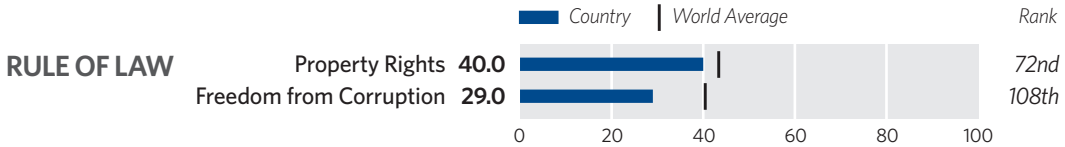
- Population:** 3.6 million
- GDP (PPP):** \$11.0 billion
- 6.9% growth in 2010
- 5-year compound annual growth 3.2%
- \$3,083 per capita
- Unemployment:** 6.5%
- Inflation (CPI):** 7.4%
- FDI Inflow:** \$198.9 million
- Public Debt:** 26.6% of GDP

How Do We Measure Economic Freedom?

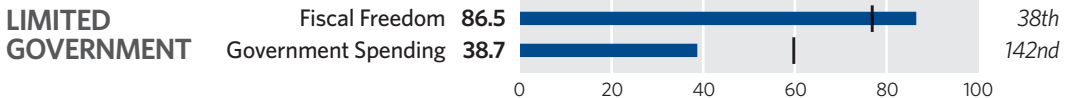
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

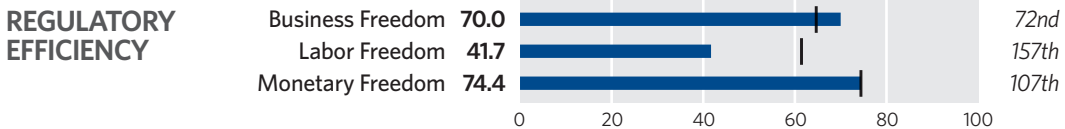
THE TEN ECONOMIC FREEDOMS



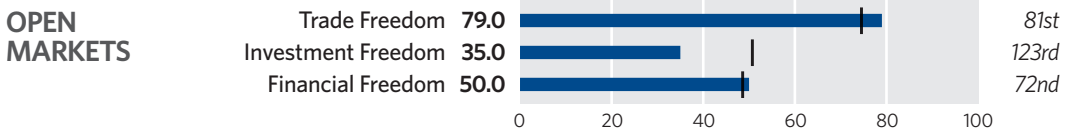
The rule of law is not strongly sustained by an effective legal framework. The judiciary has been improved but is vulnerable to executive influence. Enforcement of intellectual property rights is sporadic. A new law on copyright and related rights went into effect on January 1, 2011, increasing the role of Internet providers in preventing the spread of pirated materials. Corruption is perceived as widespread.



The top income tax rate is 18 percent. The corporate tax was eliminated as of January 2008, but authorities have discussed the reintroduction of a low corporate tax as early as 2012. Other taxes include a value-added tax (VAT), and the overall tax burden amounts to 32 percent of GDP. Government spending is equivalent to 45.2 percent of total domestic output. The budget balance shows a small deficit, but public debt is below 30 percent of GDP.



Moldova has taken steps to reform its cumbersome regulatory framework, but lingering bureaucracy and a lack of transparency often make the formation and operation of private enterprises costly and burdensome. Labor regulations are rigid. The non-salary cost of employing a worker is high, and restrictions on work hours are stringent. Inflation has been rising, weakening monetary stability.



The trade weighted average tariff rate is low at 3 percent. However, numerous non-tariff barriers and a lack of transparency increase the cost of trade. Although foreign and domestic investors are treated equally, the overall investment regime is not conducive to dynamic investment growth. The financial sector is relatively stable, but the level of overall financial intermediation remains shallow.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.9	Business Freedom	+0.5	Trade Freedom	-1.2
Freedom from Corruption	-4.0	Government Spending	-9.4	Labor Freedom	+2.7	Investment Freedom	0
				Monetary Freedom	-2.6	Financial Freedom	0