Moldova’s economic freedom score is 61.3, making its economy the 78th freest in the 2022 Index. Moldova is ranked 39th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Five years ago, Moldova’s economy began to decelerate, and growth turned negative in 2020 before recovering in 2021. During those five years, economic freedom continued to expand slowly. Led by higher scores for rule of law and government spending, Moldova has recorded a 3.3-point overall gain of economic freedom since 2017 and remains in the “Moderately Free” category for the third year in a row. The tax burden is light, and fiscal health is solid, but investment freedom and financial freedom are lagging.

**IMPACT OF COVID-19:** As of December 1, 2021, 9,141 deaths had been attributed to the pandemic in Moldova, and the government’s response to the crisis ranked 141st among the countries included in this Index in terms of its stringency. The economy contracted by 7.5 percent in 2020.

**BACKGROUND:** Moldova, landlocked but separated from the Black Sea by only three kilometers of Ukrainian territory, was long a pawn in Eastern European politics. It is vulnerable to economic pressure from Russia and has to contend with a secessionist pro-Russian movement in its Transnistria region, which is currently home to about 1,500 Russian troops. The election of Western-leaning President Maia Sandu, street protests, a constitutional crisis, and dissolution of the Russia-friendly parliament led to snap parliamentary elections in July 2021. The pro-Western Party of Action and Solidarity (PAS) gained a clear victory. Former Finance Minister Natalia Gavrilita was appointed prime minister in August 2021. Moldova’s economy depends on emigrants’ remittances and such agricultural products as fruits, vegetables, wine, and tobacco.
Property rights are protected by law, and ownership titles are registered by a national cadastral office, but enforcement is undermined by a weak and sometimes corrupt judiciary. Judicial appointments lack transparency, and courts are highly susceptible to political pressure. Corruption remains entrenched at all levels of government, and anticorruption laws are not adequately enforced. Officials engage in corrupt practices with impunity.

The top individual income and corporate tax rates are 12 percent. Other taxes include a value-added tax. The overall tax burden equals 17.3 percent of total domestic income. Government spending has amounted to 32.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 35.3 percent of GDP.

Inefficient administrative capacities, political uncertainty, and vested bureaucratic interests stunt business freedom. Remittances from the approximately one million Moldovans who work abroad account for almost 15 percent of GDP. The government subsidizes agriculture and other sectors and maintains price controls on food and other staple goods.

Moldova has nine preferential trade agreements in force. The trade-weighted average tariff rate is 4.2 percent, and eight nontariff measures are in effect. Foreign and domestic investors are treated equally, but the overall investment regime is not conducive to dynamic investment growth. The level of overall financial intermediation remains shallow. Long-term financing remains difficult.