



2026

From Ambition to Capability: Economic Development and Economics Education in Moldova

From education
to employability – toward EU readiness.

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Prepared within a project supported by



MINISTERUL EDUCAȚIEI
ȘI CERCETĂRII
AL REPUBLICII MOLDOVA



From Ambition to Capability: Economic Development and Economics Education in Moldova

Research Report

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April 2026

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doi: 10.5281/zenodo.20514975

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Introduction

This report synthesises wide research on Moldova's organizational behavior insights, economic policy, institutional, and economics education development challenges, drawing from over 1,000 pages of international assessments and policy briefs; consultations with 30+ local stakeholders and 15+ Western think-tanks and policy analytical institutions during 2024-2025; based on the survey and reports prepared at the order of the Ministry of Education and Research.

The analysis identifies binding constraints that prevent effective implementation of existing reform strategies and proposes

practical responses aligned with Moldova's EU accession trajectory and economic modernisation needs for 2026-2035.

The main constraint is not in the reform intent but in the execution framework. Moldova's development gap shows not a lack of human potential but a shortage of conditions that make that potential worth using at home. Improving the enabling environment for individual and business initiative, along with the long-term strategic capacity to maintain reform, is therefore the priority.

Recommendations:

- Establish a free from political influence, independent, internationally embedded, strategic evidence-based policy capacity
- Reduce regulatory burden and administrative barriers to formalisation, enterprise development, and individual economic participation
- Introduce performance-based higher education reform aligned with the labour market and technological transformation
- Foster inclusive, multi-year strategic planning across all governance levels
- Focus economic policy on European value chain integration and market opening
- Adopt integrated, trust-based policy delivery models across state and stakeholder actors

The findings represent the authors' analytical interpretation and do not constitute definitive empirical conclusions. In accordance with standard practice for reports, citations and references are not reproduced in this summary document. The alternative interpretations of Moldova's development constraints exist and should be considered alongside the conclusions presented here. The report focuses on enabling conditions for market participation and institutional reform and does not cover many other relevant approaches and critical fields, including

human rights, social protection and environmental sustainability, which fall outside its scope but remain integral to Moldova's broader development agenda.

Projections and recommendations are subject to significant uncertainty given regional security, global developments and the evolving EU accession process. The authors have sought to maintain analytical independence.

I. Strategic Context: The Binding Constraints

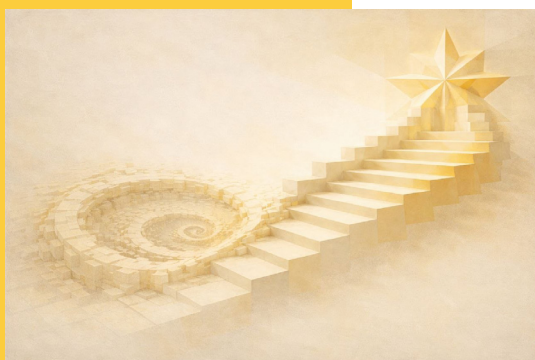
Economic Reality vs. Reform Ambition

Moldova operates within structural constraints typical of small transition economies, further intensified by regional instability and the war in Ukraine. The economy remains narrowly diversified, highly exposed to external shocks, and dependent on remittances, transfers, and foreign assistance. Productivity growth has been limited, demographic pressures persist, and labour market participation remains constrained. These structural conditions define the realistic boundaries of reform impact.

Over the past three decades, Moldova has pursued successive waves of reform without achieving a durable shift toward convergence in economic performance. Over the past six years, the country has advanced toward alignment with European accession negotiations. However, this progress has not yet translated into perceptible accelerated high growth.

Reforms implemented within an unchanged incentive architecture tend to reproduce the conditions they are designed to address. Effective reform, therefore, requires not only new policies but a reconfiguration of the underlying rules, incentives, and freedoms within which economic actors make decisions.

The gap between aspiration and realisation lies in architecture and system characteristics.



Poverty Dynamics and Structural Determinants

Moldova's poverty indicators remain among the highest in Europe. Cross-country comparisons show that absolute income levels of lower-decile populations are more closely associated with overall economic performance than with redistribution alone. Economies characterised by greater economic openness, secure property rights, and competitive market conditions consistently exhibit substantially higher income floors for the lowest-earning segments.

Moldova's intermediate positioning on economic freedom and business environment indices, reflecting post-Soviet patterns, constrains productivity growth and income expansion. Persistent informality, administrative burden, and weak capacity for investment absorption suppress firm scaling and the creation of formal employment. Where property rights are insecure and regulatory costs fall disproportionately on small economic actors, the rational response is informality rather than compliance.

Poverty reduction should be linked to sustained productivity growth and the expansion of formal employment. While transfers can alleviate short-term vulnerability, they do not address the conditions that make productive activity viable. In contexts of weak frameworks and budget deficits, redistribution efforts may inadvertently reinforce dependency and clientelistic distortions.

Lasting poverty reduction is built on growth, not fiscal redistribution.

Reform initiatives should prioritise reducing administrative barriers, enhancing predictability, securing property rights, and expanding formal employment opportunities. Sustainable poverty reduction requires a development model that harnesses comparative advantages and creates conditions for enterprise and individual initiative to generate returns worth pursuing.

Growth defines the income floor; transfers stabilise it.

Demographic Patterns and Capability Architecture

Human capital represents Moldova's primary development asset, yet current demographic conditions limit its effective utilisation. GDP per capita remains approximately one-third of the EU average. Labour force participation is below EU benchmarks, an estimated one million citizens reside abroad, youth disengagement remains elevated, and research intensity is low. A significant share of firms report persistent skills shortages.

These constraints operate along two dimensions. Quantitatively, outward migration, population decline, and limited labour-force participation reduce the effective labour base and fiscal capacity. Qualitatively, weak alignment between education, research, and labour-market demand constrains the formation and retention of advanced capabilities. High tertiary attainment reflects years of schooling rather than the quality or market relevance of skills acquired. Emigration at this scale is not only a demographic loss – it is a signal. When capable people consistently choose exit over voice, the conditions for productive deployment of talent at home have not yet been established.

Moldova retains relevant strengths: comparatively high educational attainment, expanding some knowledge-intensive sectors, and strong transnational networks through its

diaspora. The strategic priority is to establish conditions that make domestic deployment sensible and beneficial.

The human capital paradox is both Moldova's greatest asset and its binding constraint on growth.

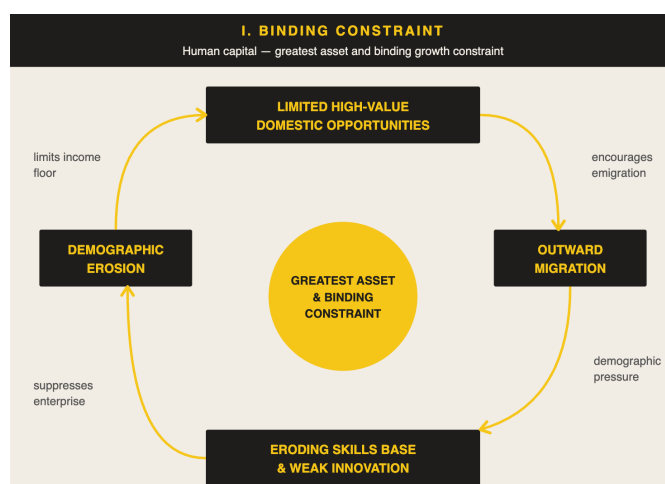
Implementation Patterns

International assessments consistently identify uneven implementation as a recurring constraint. Policy frameworks are frequently aligned with European standards, but implementation favours visible, proximate results over sustained structural commitment. Resource allocation follows short-term feasibility and political considerations rather than clearly sequenced strategic priorities.

This pattern produces fragmented interventions that address discrete issues while deeper structural bottlenecks persist. Reforms that do not alter the underlying incentive architecture – the rules, costs, and rewards that shape individual and organisational behaviour – tend to generate activity without transformation. Durable progress requires coherence between strategy, resource allocation, accountability mechanisms, and the enabling conditions within which actors make decisions.

Selective implementation undermines transformative potential.

European Integration as an Anchor



The European accession framework provides Moldova with a structured combination of financial support, benchmarks, and implementation discipline that may be difficult to replicate through domestic incentives alone. The EU Growth Plan appears to derive substantial value not only from financial resources, but from the accountability architecture embedded in conditionality, milestone tracking, and performance-linked disbursement mechanisms.

Such external anchoring can enhance policy continuity across political cycles and strengthen prioritisation where internal coordination and enforcement capacity remain constrained. By linking legitimacy and financial support to measurable institutional progress, accession processes tend to influence the sequencing of domestic reforms and resource allocation.

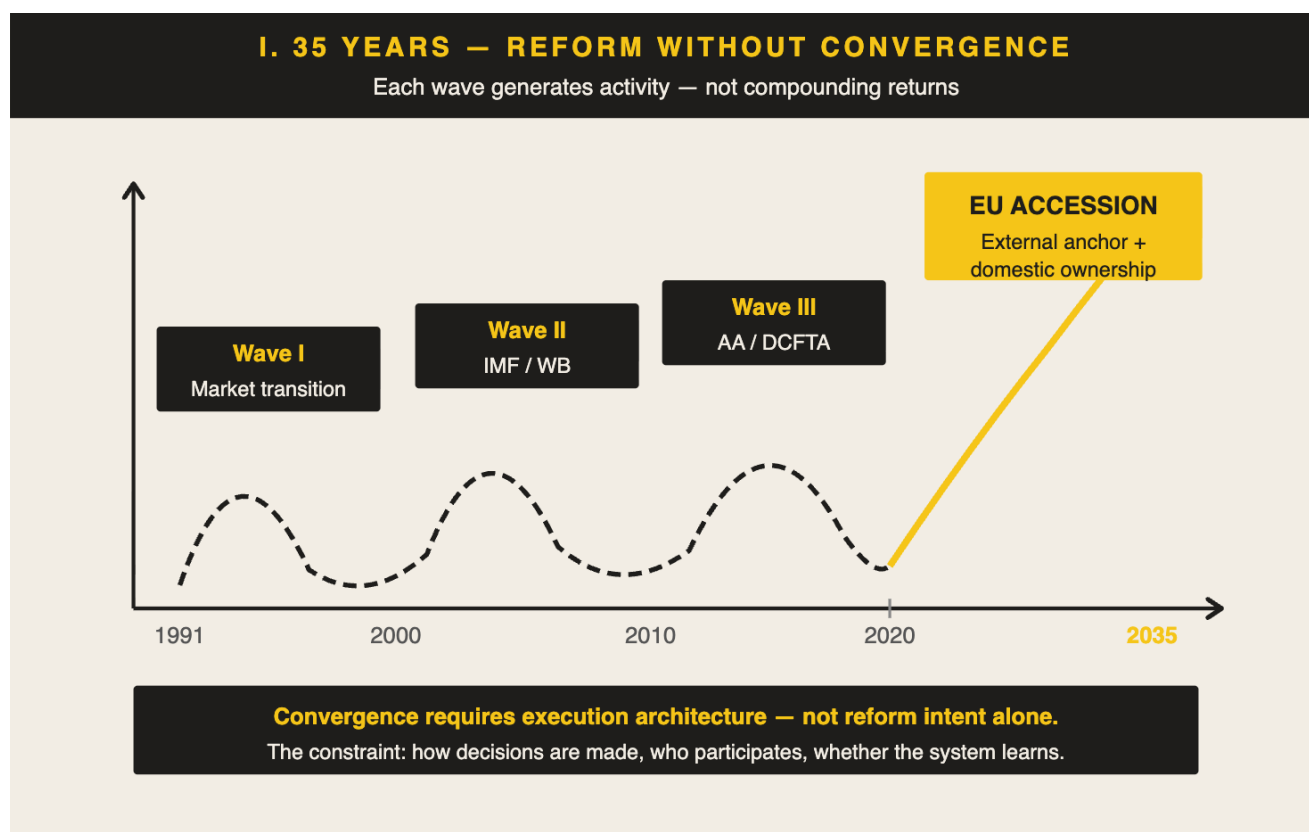
At the same time, regulatory alignment alone may not be sufficient to generate sustained economic dynamism. This creates both opportunity and responsibility. While harmonisation with European standards can improve organisational quality, long-term convergence also depends on reducing structur-

al barriers to formal activity and enabling entrepreneurial and social participation. In contexts of high informality, shadow activity may signal institutional frictions rather than solely non-compliance.

Accession, therefore, extends beyond procedural compliance. It may require a strengthened national capacity to assess cost-benefit analyses, trade-offs, and priorities; engage constructively within common European frameworks; and adapt standards to domestic economic structures while maintaining credibility. Given that the European Union operates through negotiated commitments and shared governance, effective participation is likely to depend on strategic ownership rather than passive transposition.

European integration is expected to significantly improve long-term convergence when external accountability mechanisms are supported by domestic strategic coherence, capability, and a conducive environment for widespread economic participation.

European integration requires democratic reform discipline.



II. Research Capacity Economics Education

Research System

The research system operates at a limited scale relative to European benchmarks. International bibliometric indicators demonstrate modest overall publication volume, low citation impact, and restricted density. Moldova remains positioned in the lower segment of European innovation systems and globally in terms of total documents, citations, and H-index. Research activity is concentrated in a narrow set of disciplines, primarily selected natural sciences, technical fields, and medicine. Even within these areas, absolute output remains limited by international comparison. Moldova has an extremely limited presence in leading high-impact journals. Publications in frontier segments are sporadic and largely associated with international collaborations rather than domestically anchored research clusters. Research intensity remains structurally low at approximately 0.2% of GDP, with weak business-sector engagement in research activities.

Among domestically published journals, *Stratum Plus*, published by a non-state institution, is a notable exception, ranked in the Q1 quartile. A limited number of Moldovan physicians and other scientists publish in high-ranking international journals. However, these contributions are concentrated within narrow groups and do not yet constitute a diversified or self-sustaining research ecosystem. A high proportion of international co-publications indicates the presence of researchers capable of integration into global knowledge networks. Historical R&D expenditure reached 1% of GDP, a level not sustained; the 3% target, which correlates with strong innovation outcomes and is the norm across European economies, remains structurally out of reach under current conditions.

Despite a relatively high percentage of foreign doctoral students and scholars interested in becoming scholars, researcher density remains insufficient to generate the cumulative knowledge effects typical of converging innovation systems. The age structure of the research community raises additional sustainability concerns. With a relatively small cohort of early-career researchers and a median age that remains comparatively high, the system faces a risk of capacity erosion over the next 10 years unless renewal mechanisms are strengthened. Knowledge and technology outputs remain modest in scale, limiting the economy's ability to shift toward higher-complexity production

Overall, Moldova occupies a peripheral position in global research networks. The system is characterised by a low density of internationally integrated research groups and a limited scale. Where researchers capable of international-level work consistently leave, the system is sending a signal about conditions rather than capacity.

Moldova does not suffer from a lack of talents, but from a lack of research.



Higher Education

Despite relatively high tertiary attainment, Moldova’s higher education system remains weakly aligned with knowledge-intensive development. Digital, quantitative, and interdisciplinary competencies are unevenly embedded. Discussions, research design and methodology, data analysis, modelling, and causal reasoning are not systematically integrated into curricula.

The frequent claim that education is “overly theoretical” is conceptually inaccurate. It reflects two underlying perceptions. First, higher education is often expected to provide direct vocational preparation. Second, theory is frequently transmitted descriptively, without methodological and epistemological grounding, dialogical engagement, or systematic linkage to literature, data, modelling, and analysis. In addition, parts of the curriculum remain outdated and insufficiently connected to contemporary research and empirical frameworks. The constraint is not excessive theory, but weak integration of modern thinking methods.

Under this pressure, expanding practice is often presented as a corrective measure. In reality, it nudges students toward internships and work placements in low-complexity domestic sectors. Such practice does not generate advanced capabilities. It improves short-term employability for young people, but reinforces adaptation to existing structural limitations and the local bubble. The issue is not the extent of practice, but whether it is embedded in frontier knowledge and aligned with the long-term epistemic mission of higher education.

Intellectual potential is not the binding constraint. The narrative of insufficient critical thinking requires nuance. There is a notable ability to perceive and accept complexity, discomfort, reality, and economic constraints. The deficit lies in the analytical culture and in the skills of structured dialogue, pluralism and consensus or cooperative reasoning. Gaps persist in evidence-based argumentation, structured

| II. RESEARCH SYSTEM — BENCHMARK GAP | | | |
|---|-------------------------------|----------|---------|
| Absence of research scale — not absence of talent | | | |
| INDICATOR | MOLDOVA | EU SMALL | PEER |
| R&D intensity % of GDP | 0.2% | 1.8% | 0.9% |
| Economics visibility | LOWER GLOBAL | MID-TIER | MID-LOW |
| Q1 journal presence | NEGLIGIBLE | MODERATE | LOW |
| Researcher renewal risk | HIGH RISK 10–20 yr horizon | MANAGED | MEDIUM |
| Moldova lacks research scale — not talent. | | | |
| Fix: performance-based funding + international benchmarks + institutional incentives. | | | |

analytical writing, quantitative integration, interdisciplinary framing, and academic English proficiency.

Education currently produces graduates who are not well-suited to existing market conditions and are not well-equipped for capability upgrading. Without systematic reinforcement of digital literacy, quantitative methods, interdisciplinary integration, and research-based reasoning, the transition from educational attainment to economic competitiveness will remain incomplete.

Universities are central institutions for knowledge creation, diffusion, and capability formation, operating through sustained research, critical examination, and the disciplined pursuit of truth.

Institutional Incentives

The governance framework of higher education and research remains predominantly administrative and compliance-oriented. The education system was oriented towards the local market and tradition. Performance-based funding linked to international benchmarks is not fully adopted. Independent evaluation using international scientometric tools or the state’s strategic priorities is not consistently embedded in transparent funding and promotion criteria. Market stakeholders’ demands exert limited structured influence over programme and quality configuration.

Recent reforms have strengthened central coordination and EU integration. However, the balance between oversight and motivated autonomy should remain an area of focus.

Curriculum content, textbook selection, and pedagogical methods are domains where professional autonomy and market competition tend to produce more flourishing outcomes than central prescription.

Systemic inertia in the academic and government sectors persists. Incentives for professional renewal are weak, and many staff operate under conditions of low remuneration, high teaching loads, and administrative burden. Experience of collaboration with modern research institutions remains limited.

Participation in EU research programmes is constrained by limited experience in research and project development, time capacity, domestic co-financing, and weak integration into established consortia networks. A structural gap persists between research-active scholars and teaching-oriented staff.

Stronger central coordination and EU alignment can serve as a transitional platform toward modernisation.

Recommendations

Moldova's research and education system requires simultaneous action on two tracks: comprehensive reform of existing institutions and creation of new human capacity that incremental improvement cannot generate.

A. Research System

1. Concentrate public research and innovation funding on integrated clusters

Moldova's research potential is dispersed across institutional and business boundaries in ways that limit cumulative impact. The strategic opportunity lies in consolidating this potential into clusters that bring together domestic research groups, private-sector partners, and international collaborators – governed by independent boards with local and international representation. Supporting clusters that meet transparent, internationally recognised criteria

could offer a realistic chance of measurable impact. The experience of Sweden, Estonia, and Israel in building research and innovation offers relevant models worth studying and adapting, with direct expertise available for invitation. The professional demographic window for building on existing capacity is narrowing.

2. Build modern performance-based evaluation and incentive frameworks

A shift from post-Soviet toward internationally benchmarked criteria – linked to research output, graduate trajectories, and grant acquisition – could create the incentive architecture necessary for sustained quality improvement. Systematic inclusion of independent international experts, from accreditation panels to curriculum review and thesis defence procedures, could introduce a meaningful comparative perspective. Multi-year, performance-linked funding cycles would give the stability to plan and the accountability to deliver. Where evaluation outcomes are consequential and visible, leadership, students, and policy makers are better positioned to make informed decisions and demand meaningful improvement.

B. Faculty and Institutional Conditions

3. Restructure academic workload frameworks to create conditions for research engagement

Where teaching contact hours significantly exceed European norms and the administrative burden is substantial, time available for research is structurally constrained. Adjusting workload frameworks to create protected research time for academically active staff is a necessary precondition for meaningful expansion of research output. Without this adjustment, other interventions aimed at research productivity, including training, are unlikely to achieve their intended effect.

4. Establish a tenure-track pathway for internationally qualified researchers

A tenure-track structure with clearly defined, internationally aligned criteria could provide a credible pathway for renewal. Dedicated funding – designed to attract diaspora members, early-career researchers beginning their academic paths, and established professors seeking both additional engagement and social impact – could broaden the pool of internationally qualified faculty. If adopted consistently, this approach would likely produce measurable shifts in faculty culture.

5. Invest in upgrading existing faculty capacity as a primary strategy

While attracting international faculty can be valuable, relying on expensive external recruitment might be neither scalable nor efficient under current fiscal constraints. A parallel strategy should prioritise upgrading the qualifications of existing academic staff through targeted investment in training, research exposure, and international collaboration.

A proportion of current faculty – even if limited – could reach internationally competitive standards if provided with structured support and incentives. This approach offers several advantages: institutional loyalty, long-term commitment to the Moldovan system, and the potential to organically expand professional networks and collaborations. Over time, this may represent a cost-effective and systemically sustainable pathway to quality improvement than external hiring alone.

C. Curriculum and Teaching Quality

6. Reduce regulatory barriers to enable the emergence of private higher education providers

The current system remains overly regulated in ways that limit the entry and development of private universities. Yet such institutions can play a critical role in increasing competition, improving quality, and responding more rapidly to labour market trends.

Reducing administrative barriers to programme creation and institutional development would allow new providers to compete for students on content and delivery. Public policy can still shape strategic priorities through indirect instruments – such as targeted tax incentives for high-demand or nationally important fields – rather than restrictive bureaucratic controls.

7. Enable flexible, student-centred and future-oriented education models

Global trends in education are shifting toward shorter programme formats, online and hybrid delivery, and increased flexibility in scheduling, with systems adapting to student needs rather than the reverse. Moldova's reform strategy should not be limited to alignment with existing European frameworks but should aim to anticipate, pioneer and shape emerging models.

Developing novel innovative, scalable education formats domestically would give Moldova the ability to compete in a rapidly evolving international education market, including with emerging regional providers.

8. Mandate core analytical competencies across social science programmes

Making reasoning, analytical and deep learning methods, causal inference, and empirical research design non-negotiable curriculum elements could address a gap with material consequences for Moldova's domestic analytical capacity and graduate competitiveness.

9. Integrate strategically important open-access courses as mandatory curriculum components

High-quality, freely available programmes and materials – such as CORE Econ, IEA, CERGE-EI Distance Learning Program, or NVIDIA Deep Learning Institute – represent immediate pathways to curriculum enhancement without requiring full restructuring. Mandatory integration or collaboration could cost-effectively

ensure advanced competencies reach entire student cohorts rather than remaining concentrated among the self-directed few.

10. Transition from didactic pedagogy toward competitive, collaborative, and project-based learning formats

Moldovan students arrive shaped by a school culture of top-down instruction and deference. However, young people tend to transform productively in structured competitive environments: under mentorship, students demonstrate adaptability, resilience, and analytical capacity that conventional formats do not consistently surface. Team-based projects, academic debate with free speech, and participation in international competitions – Junior Achievement, Enactus, Imagine Cup, WorldSkills, the International Economics Olympiad, and other hackathons and olympiads – supported by locally embedded experts, could meaningfully boost activity. Linking academic assessment partially to performance in such formats would create direct institutional incentives for engagement. Beyond individual development, visible competitive achievement at the international level provides concrete benchmarks and aspirational content that could raise standards across the education system at every level.

11. Build institutional capacity to access and deliver EU funding across sectors

Moldova's engagement with EU programmes – across research, infrastructure, business competitiveness, and civil society – remains well below its potential. Participation requires specialised expertise in grant design, evidence requirements, and consortium structures that individual researchers, organisations, and firms find difficult to develop alongside core responsibilities, despite genuine interest. Establishing professional agencies for consulting, fundraising, grant writing, and implementation supervision – and actively positioning Moldovan organisations as credible execution partners

within European consortia – could materially increase absorption of available funding and expand Moldova's role in European knowledge and investment networks.

12. Educate for prosperity

Foundational competencies in entrepreneurship, economics, financial literacy, and digital skills are directly relevant to productive labour market participation and informed economic decision-making. If implemented with practical simulation formats and equitable access to digital ed-tech across regions, this reform could lay a stronger foundation for Moldova's long-term economic performance.

13. Develop Moldovan universities as international education providers

Demographic trends are reducing the domestic student base, creating structural pressure on institutional viability. Moldova's multilingual population, geographic accessibility, and existing academic infrastructure remain underutilised relative to their potential in international education markets. Universities developing internationally competitive programmes could generate revenue streams that support cross-subsidisation of domestic education and may attract development finance if positioned credibly as a scalable, export-oriented sector.

14. Shift quality standards from structure to substance

Curriculum changes that address formal structures without addressing actual content, pedagogy, and intellectual culture are unlikely to produce meaningful improvements in capability. Evaluation frameworks that assess teaching quality, the currency of course materials, and the development of analytical independence rather than procedural compliance alone could create incentives for pedagogical renewal that structural reform cannot reach.

III. Governance Architecture and Strategic Capacity

From Reactive to Strategic Governance

Moldova's governance architecture has demonstrated a persistent pattern: reforms are initiated in response to pressures, implemented selectively. The tendency to prioritise visible, short-term initiatives over structurally consequential ones reflects a logic oriented toward crisis response.

Thirty-five years of reform cycles without a durable convergence shift in performance suggest that the constraint is not political will alone. It lies in the architecture of governance itself: rules, traditions, degree of freedom, how decisions are made, who participates in making them, how implementation is organised, and whether the system learns.

The question is no longer whether to reform, but whether the conditions for sustained reform exist.

The Vertical and Horizontal Engagement Gap

The silo problem in Moldova extends beyond the coordination of inter-state bodies. It operates vertically within institutions: between senior leadership and operational staff, and between central government and local, civil, and community levels. Shared understanding of strategic objectives does not consistently reach the people responsible for implementation. Communication between the centre and local remains predominantly political in character, activated around electoral cycles rather than embedded in continuous planning and feedback processes.

Where accountability frameworks are ambiguous and the consequences of initiative



outweigh the consequences of inaction, people tend to develop characteristic defensive patterns. Passive compliance, procedural rigidity, and risk-avoidance become rational individual responses to environments in which proactive behaviour carries asymmetric personal risk – the cost of failure is visible and attributable, while the cost of inaction is diffuse and shared. In such contexts, the path of least organisational resistance is the negative decision: deferral, referral upward, or non-engagement. Over time, these individual responses aggregate into cultures characterised by low ownership, limited discretionary effort, and the systematic suppression of the proactive behaviour that complex reform environments most require.

This engagement gap has direct consequences for implementation quality. Policies designed without meaningful input from those who must execute them encounter resistance that could have been anticipated. Local knowledge about what works, what is feasible, and what actually needs to be, remains largely outside formal processes and candid feedback.

Initiatives designed at the centre and implemented downward tend to absorb resources at each level without generating the ownership that makes outcomes self-sustaining.

Effort compounds where it is anchored in genuine local agency; it dissipates where it is not.

Where strategic vision does not translate reliably into behaviour, a predictable adaptive response emerges: governance shifts toward direct control as a substitute for shared understanding and synergy. When implementation depends on personal oversight rather than internalised objectives, organisational energy concentrates on compliance monitoring rather than productive initiative. This dynamic tends to reinforce itself: environments oriented toward control create incentives for selecting staff on the basis of reliability and deference rather than capability and independent judgment. Over time, this pattern narrows the talent pool available for institutional leadership and reduces the system's capacity for the adaptive, problem-solving behaviour that complex reform environments require.

This is not a reflection of individual leadership failure. It is a structural response to a context in which trust between levels of government, between leadership and staff, between state and society has not yet been sufficiently established to sustain delegation. Breaking this pattern requires not only changes in management practice but investment in the shared culture, transparent incentives, and accountability frameworks that make productive autonomy viable.

A system built on compliance rather than trust produces actors who are risk-averse and accountability-avoidant.

The Participation Deficit and Quality

The prevailing governance model – in which the centre formulates policy and lower levels respond – systematically underutilises the knowledge, motivation, and implementation capacity that broader participation could provide. Professional communities, industry associations, civil society organisations, and local councils possess information and op-

erational capability that central structures cannot replicate. Where these actors are engaged as genuine co-designers rather than formal consultees, policies tend to be better calibrated, more motivated, and more durably implemented. The diversity and pluralism of views that complex reform environments require remain structurally underrepresented and often unwelcome in formal processes. However, certain policymakers exhibit democratic inclinations.

The deficit, however, is not only one of quantity but of quality on all levels. Participatory processes are vulnerable to dynamics that undermine their stated purpose: information asymmetries that advantage well-organised interests, coalition formation oriented toward positional gain rather than collective problem-solving, and selective disclosure of information as a tool of influence rather than shared understanding. In environments where formal collaboration coexists with informal competition for resources and influence, these patterns represent predictable responses to incentives that reward individual positioning over collective outcomes.

A related structural feature is the predominance of individually oriented leadership profiles in institutions that formally require collective decision-making. Where informal rewards flow to positional authority and vertical loyalty rather than collaborative performance, coalition-building tends to serve personal advancement over mission. Substantive decisions migrate to informal channels, while formal participation processes generate the appearance of collective governance without its substance.

These dynamics share a common root: an environment in which the expected costs of genuine participation, exposure, accountability, and risk of failure exceed their perceived benefits. This is a trust deficit in a precise sense: cooperation is withheld not solely from bad faith, but from rational calculation under

conditions of asymmetric risk and insufficient protection against uncontrolled failures.

Trust formation follows a documented progression. Cooperation first emerges not from goodwill but from calculation – when defection carries reliably higher costs than compliance. Repeated positive interactions generate predictability and reliability, making genuine delegation viable. Control mechanisms can substitute for trust in the short term but inhibit its development if sustained. The entry point is therefore a consistent design: transparent decisions, symmetric accountability, and kept commitments produce the repeated signals that shift behaviour from defensive avoidance toward cooperative engagement. As trust accumulates within institutions, it extends to inter-institutional relationships and, over time, to broader public confidence in the system.

Trust is not a precondition for better governance. It is its most durable output.

Consent-Based Decision Architecture

A deeper reassessment of decision-making processes could overcome obstacles that procedural reform alone cannot eradicate. Decision-making processes that seek workable consent: where proposals proceed when no participant has a reasoned, substantial objection rather than either top-down authority or full consensus, have the potential to reduce the inertia associated with outdated hierarchical approval chains while maintaining accountability. This principle could meaningfully accelerate implementation cycles.

Strategic Foresight as Shared Capacity

Governments, businesses, and civil society across Moldova tend to operate within short planning horizons, responding to immediate pressures rather than preparing for structural shifts. Decisions are shaped by what is



urgent today rather than what will provide advantages and opportunities in the future. As a result, transitions that were foreseeable: demographic decline, energy dependency, technological disruption, regional instability, climate, water shortage, arrive as crises rather than as anticipated and managed challenges. Aligning multi-year programming with EU strategy, combined with decentralisation of responsibilities and corresponding governance capacity, could provide structural anchors for longer planning horizons.

The governance and participation challenges described above share a common feature: they are difficult to resolve through direct negotiation, because competing interests, positional loyalties, and information asymmetries make agreement costly. Collective foresight practice offers a different entry point. When diverse actors, including officials, business leaders, educators, local communities, and students, engage together to build a shared image of the future, map barriers and oppor-

tunities, and identify necessary actions, the exercise reframes the conversation. The question shifts from who is right today to what we collectively need to be true in order to build a better tomorrow. This reframing reduces positional conflict, surfaces shared interests that informal competition obscures, and generates the kind of distributed ownership that top-down planning cannot produce.

Foresight without forecasting remains aspirational. Modern quantitative methods, including scenario-based projections and data-driven policy modelling, market predictions convert collective vision into credible, implementable plans and allow course correction as conditions evolve.

Foresight mapping and discussion practice is most effective when it functions as a shared culture: a practice of modelling alternative futures, stress-testing assumptions, and aligning planning across time horizons, available equally to a village council, a university, a business, or a student choosing a path. If embedded across levels, from national strategy to local planning, from corporate investment decisions to individual educational choices, foresight practices could shift Moldova's culture from reactive adaptation toward anticipatory, strategically coherent action.

Scenarios suitable for collective development encompass EU integration routes under both accession and non-accession scenarios, regional security developments, the effects of AI and digital transformation on Moldova's labour market, and European industrial and financial stress scenarios, etc.

A society that plans only for the present will consistently be surprised by its future.

Recommendations

1. Replace top-down policy formulation with integrated co-design

Engage professional communities, civil society, and local actors as co-designers from the planning stage, not as formal consultees after decisions are made. Integrated project delivery formats, where all key stakeholders share responsibility from inception to implementation, could materially reduce execution failures and build distributed ownership. People contribute most where they have genuine agency over outcomes, not where they are managed toward them.

2. Adopt consent-based decision-making in inter-institutional coordination

Consent, where proposals proceed without reasoned objection rather than requiring full agreement or hierarchical approval, is not an ideological preference. It is a practical governance tool for modern complex environments, reducing coordination inertia and replacing informal back-channel negotiation with structured, accountable processes.

3. Redesign incentive frameworks to make proactive behaviour safe

Symmetric accountability, transparent decision rights, and protection against uncontrolled failure shift individual calculation from defensive avoidance toward cooperative engagement. Trust accumulates through consistent signals, not cultural appeals, and extends progressively from teams to confidence in the system.

4. Promote a culture of collective and evidence-based decision-making

Embed structured scenario development and quantitative modelling, from national strategy to municipal planning to business investment, as a standing cross-sectoral practice. Collective foresight reframes positional conflict into shared problem-solving, while modern forecasting methods convert vision into implementable plans.

IV. Economic Modernisation and Structural Positioning

The Formalisation Trap

Moldova's informal economy represents the highest share in Europe, according to available estimates. This is not primarily a compliance problem. Informality at this scale reflects a rational calculation: for a significant portion of economic actors, particularly small agricultural producers, micro-enterprises, and rural households, the costs of formal operation exceed its benefits. Compliance with full regulatory and tax obligations may not be viable at current income levels. The majority of the population living in rural and small-city areas, and already operating on the subsistence margin, illustrates the structural nature of this challenge.

Evidence from developed economies suggests that high levels of informality are not exclusively associated with underdevelopment. Even in high-income contexts, substantial segments of economic activity may operate informally within tightly knit social networks, often on a cash basis and outside formal taxation systems. In such cases, informality reflects income constraints and survival strategies rather than institutional weakness. This comparative perspective reinforces the interpretation of informality as a function of economic pressure rather than regulatory failure.

Segmented, incentive-based approaches to formalisation could generate both fiscal revenue and productivity gains that enforcement-led strategies cannot. However, effective segmentation requires evidence, including macro analysis and household surveys, that does not yet exist at the required granularity. A structured research programme that maps the composition of Moldova's informal economy by sector, actor type, and underlying

cause is a necessary precondition for policy design. Without this foundation, interventions risk targeting symptoms rather than the specific conditions that make informality rational for each group. This is among the higher-return analytical investments available to Moldova's reform agenda.

The objective of formalisation should therefore be carefully specified. One priority is improving the accuracy of macroeconomic measurement – including GDP, income distribution, and productivity estimates – which are currently distorted by the scale of unrecorded activity. However, formalisation should not be approached primarily as a tool for immediate tax extraction from low-income actors.

Instead, policy could experiment with ultra-low or even zero-rate entry regimes for small-scale informal actors, explicitly linked to long-term benefits such as pension accumulation, social protection, or access to services. Such approaches would reduce the perceived trade-off between survival and compliance, allowing gradual integration into the formal system without undermining livelihoods.

Informality is a symptom of design, not a failure of economic character.

Entrepreneurship Ecosystem

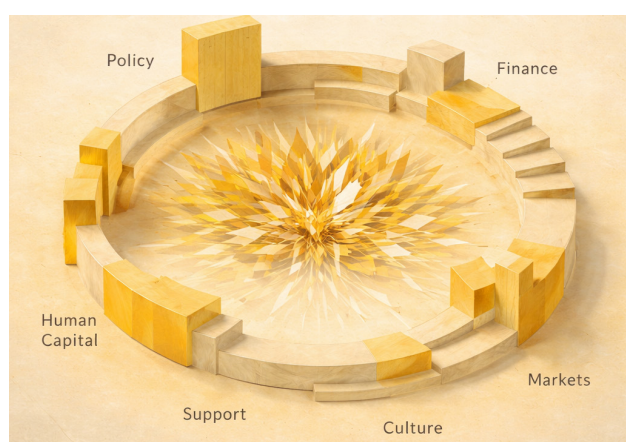
The private sector development framework reflects a related structural imbalance. Support programmes have proliferated, particularly in Chişinău, while the agricultural sector continues to expect a subsidy architecture and legacy state obligations crowd out market-oriented finance. The visible layer of entrepreneurial activity, including conferences, training cycles, and grant disbursements, remains weakly connected to the conditions

that actually drive business growth: market access, export pathway development, supply chain integration, and patient capital. High bankruptcy rates, limited access to affordable financing, and an underdeveloped risk capital market compound the challenge: entrepreneurs face a structural valley of death on the way to viable export-scale operations.

Public resources directed at entrepreneurial activity without addressing its underlying conditions tend to stay where they land – generating visible activity without compounding returns.

An entrepreneurial ecosystem comprises the interconnected actors, markets, and conditions within which businesses start, grow, and scale: accessible capital at each stage of development, talent pipelines aligned with market demand, regulatory conditions that reward productivity over compliance, connections to export markets and value chains, and a culture that normalises risk and learns from failure. Where entrepreneurial energy flows toward rent-seeking and subsidy capture rather than value creation, the problem is incentive design. These elements reinforce each other when present and block each other when absent. Investment will not materialise in Moldova in the current static condition. It could be attracted to a Moldova whose ecosystem demonstrates a trajectory of growth, comparative advantage, and credible returns.

Ecosystem development requires building conditions, not programming their appearance.



The Complexity Gap

Moldova's export structure remains concentrated in low-value-added sectors: agricultural commodities, textiles, and basic manufactured components. This positions Moldova at the periphery of European value chains, exposed to commodity price volatility and competing primarily on labour cost, a basis that demographic trends and regional wage convergence will progressively erode. The transition toward higher-complexity export sectors, including agro, is not optional; it is the primary mechanism through which sustained productivity growth and income convergence with European standards could occur.

Moldova has limited viable alternatives to actively attracting segments of international production chains on uniquely competitive terms. The participation of EU, US, Israeli, Turkish, Chinese, Japanese, and Korean manufacturers in Moldova's industrial base, even at entry-level processing and assembly stages, creates employment, transfers competencies, and builds the supplier relationships through which complexity upgrading becomes possible over time. Moldova's geographic position and candidate status create a specific structural opportunity: to function as a reliable assembly and processing bridge between Asian manufacturing and the EU market, and to establish itself as a stable, proximate partner in Ukrainian and regional reconstruction supply chains. For Moldova's secondary cities and regional centres, this is not an economic preference but a matter of survival: without anchored productive activity, demographic and fiscal decline becomes self-reinforcing. Realising this potential requires systemic effort across levels, from national investment promotion and regulatory streamlining to municipal infrastructure readiness and local workforce development aligned with investor requirements.

The opportunity lies in selective upgrading within existing strengths rather than whole-

sale industrial transformation. Agri-food processing offers the most immediate pathway: Moldova's agricultural base, geographic position, and existing EU market access, along with growing demand in Central Asia and Africa, create conditions for food production that could attract both investment and international partners. Precision manufacturing and automotive components represent a second tier, building on existing assembly capacity with higher technical content. Digital services and IT exports constitute a third vector, leveraging Moldova's educated workforce and comparatively low operating costs to serve European markets remotely.

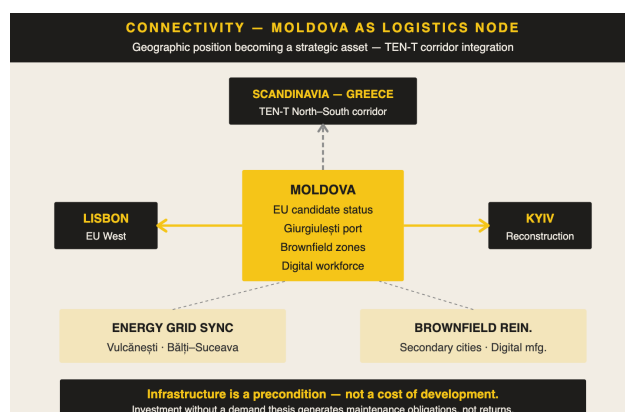
Another vector warrants consideration: fintech and digital financial infrastructure. Moldova's IT sector and geographic position between the EU, Eastern Europe, and Central Asia, combined with AI-driven growth in cross-border transaction flows, create an opportunity for developing regional connectivity in financial services. Realising this potential may require agile, forward-looking regulatory frameworks for digital assets and cryptocurrencies, potentially moving faster than larger jurisdictions while remaining compatible with EU frameworks.

Evidence-based reform in areas where existing prohibition has demonstrably failed, generating criminal revenue, governance costs, and disproportionate harm to vulnerable populations, could convert a fiscal liability into a regulated, taxable sector. For a country seeking asymmetric advantages, regulatory rigidity carries its own costs.

Each of these transitions requires preconditions: reliable contract enforcement, predictable regulation, accessible financing, and workforce development aligned with sector requirements. Sectoral outcomes follow from conditions, not before them.

Upgrading is not an option among others.

Connectivity, Infrastructure, Spatial Development



Territorial administrative reform is a necessary component of Moldova's modernisation agenda, but its design will determine whether it strengthens or erodes local capacity. Post-Soviet governance patterns tend toward centralisation as the default — concentrating decision-making at higher levels while reducing the agency of communes and villages to plan, invest, and respond to local conditions. The principle of subsidiarity offers a more productive framework: infrastructure coordination and fiscal architecture may benefit from consolidation at the rayon and regional levels, but planning agency, collective action, and local economic initiative require activation and development at the lowest viable level, not upward absorption. Communities possess local knowledge and social capital that centralised planning cannot replicate. Reform that preserves and actively stimulates this agency — creating conditions for services and export-oriented entrepreneurship, job creation, and community-driven development — is a prerequisite for economic activation. Coordination may be restructured, but interaction between bodies should flow through reduced barriers and lighter administrative processes, not through additional bureaucratic layers or greater distance from the communities they serve.

Moldova's geographic position could become a strategic asset as European infrastructure frameworks expand eastward. The case of the TEN-T network extension could create

an area for negotiations with concrete opportunities: positioning Moldova within the Scandinavia-Greece and Lisbon-Kyiv corridors could transform the country from the periphery into a logistics node with direct access to European markets. Realising this potential requires coordinated investment in modernisation, border infrastructure, and the Giurgiulești port, alongside the regulatory alignment necessary to operate within European transport frameworks. It should seriously consider and accept international partnership opportunities to build a port on the Dnestr delta that meets ecological requirements and offers compensation.

Secondary cities contain an underutilised asset: abandoned industrial zones within urban boundaries with existing utility connections, transport access, and a proximate workforce. Reindustrialisation is a new global trend focused on ‘brownfield sites’ upgraded with digital manufacturing, automation, and AI rather than new greenfield construction. This new industrialisation is not a return to legacy production models – it is technology-intensive, supply-chain-integrated, and lower-footprint, and brownfield urban sites are structurally well suited to host it.

A national competency and asset mapping exercise – covering available industrial zones, infrastructure condition, workforce skills, and logistics proximity by city – is a prerequisite for credible investment attraction. Without this evidence base, investment promotion remains generic. With it, Moldova could present specific, investment-ready propositions to international manufacturers seeking nearshore production capacity within EU regulatory reach. For many regional centres, a single anchor industrial tenant could reverse demographic and fiscal trajectories that no social programme can address at equivalent cost. Infrastructure investment without a demand or potency thesis generates maintenance obligations rather than economic returns. In conditions of limited resources, the prior ques-

tion is not whether a road, zone, or connection is desired – it is whether the investment will generate returns sufficient to justify it or to release resources for other priorities.

Energy infrastructure represents a parallel priority. Synchronisation with the European grid, through the Vulcănești-Chișinău and Bălți-Suceava interconnections, could materially reduce Moldova’s energy vulnerability and create conditions for attracting energy-intensive investment. The Cuciurgan power plant, currently operating under arrangements that create both fiscal and strategic vulnerabilities, could be examined as a candidate for acquisition by credible international energy partners under terms that align with Moldova’s European integration trajectory. Separately, the global expansion of small modular reactor technology opens a realistic planning horizon for Moldova to consider nuclear generation capacity at a scale appropriate to its grid and investment environment. All options require rigorous feasibility assessment rather than a declarative commitment, but excluding them from strategic planning would unnecessarily constrain Moldova’s long-term energy architecture. The transition from dependence to integration within a diversified energy market is both an economic and a security imperative.

Digital infrastructure, including telecommunications modernisation and cybersecurity capacity, underpins competitiveness across all sectors and is a prerequisite for Moldova’s positioning in digital services exports and technology-intensive manufacturing.

Infrastructure is not a cost of development. It is a precondition alongside human capital.

Remittances Mobilisation

Remittances have historically represented between 16% and 30% of Moldova’s GDP, among the highest ratios globally. For a significant portion of the population, particularly in rural areas, these transfers are not supplementary

income but the primary means of subsistence. They have already declined from a peak, and the trajectory reflects a demographic reality: as diaspora communities integrate into host societies across generations, remittance flows structurally decline. A sustained contraction, absent alternative income sources, would translate directly into household poverty at scale. This is among the most time-sensitive economic challenges Moldova faces.

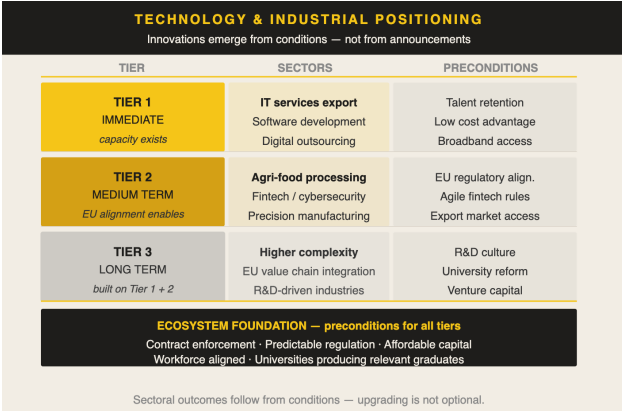
The gap between remittance volume and domestic investment rates reflects the absence of instruments that could intermediate diaspora capital toward productive use. Remittance-linked savings accounts, small business loan products, and mortgage instruments accessible to non-resident Moldovans could begin to shift the consumption-investment equilibrium. Diaspora bonds, sovereign instruments marketed directly to Moldovans abroad, offer a further channel: Israel and India have demonstrated this mechanism can mobilise significant capital at lower borrowing cost, though design and credibility conditions matter considerably. Redirecting just 10% of remittance recipients’ savings into formal investment products could generate a measurable impact on GDP and, critically, serve as a credibility signal that attracts international investors at multiples of the domestic capital mobilised.

Moldova faces a potential shortfall of ODA flows as US and European bilateral aid budgets decline. Blended finance instruments, including first-loss guarantees and partial credit guarantees available, could mobilise private investment at multiples of the public capital deployed. Cross-border philanthropy represents a further underutilised channel that simplified banking regulations and expanded tax-incentive mechanisms could help develop.

The transition from aid dependence to sustainable development finance is not a future consideration. The external financing landscape is already changing.

Technology and Industrial Positioning

Moldova has no articulated technology development strategy, and technology activity emerges opportunistically rather than by design. A structured prioritisation exercise, involving business, academia, and government, is a necessary first step: identifying which sectors could realistically grow, especially during EU integration horizon and what conditions each would require.



IT services export, software development, and digital outsourcing represent the immediate tier, building on demonstrated capacity. Agri-tech, precision manufacturing software, fintech, and cybersecurity services offer a second tier where EU regulatory alignment and regional market processing could create credible positioning over time.

What distinguishes sustainable technology development from facade-building is ecosystem structure: universities producing relevant graduates, firms investing in R&D, and government creating enabling conditions rather than picking winners. Venture-oriented projects with transparent governance and independent performance accountability compound; those without, extract.

Innovations can not be built by announcement. They emerge from conditions that make it rational for talent, capital, and knowledge to concentrate in risks.

Transnistria and Ukraine as Economic Variables

Transnistria's ('Pridnestrovie') unresolved status serves as a persistent discount to Moldova's investment attractiveness. The uncertainty it generates regarding territorial integrity, regulatory reach, and long-term political stability is priced into risk assessments by investors and partners. The economic costs of this discount are real and cumulative, even in periods of political quiet.

Resolution frameworks grounded in economic shared interest have chance to outlast those driven by political or ideological imperatives. On the ground, Moldovan society is broadly peaceful and, despite its kaleidoscopic self-identity, largely tolerant. The conflict persists not because of unbridgeable social antagonism but because of formal and makiavellian administrative divergence – compounded by interests and security dependencies. A potentially transformative path forward may require moving beyond declarative political frameworks toward a shared platform for prosperity: one designed to move stakeholders along a pragmatic continuum from dissensus toward accommodation and, over time, social concordia. It needs to begin with a property rights assessment and legalisation, direct engagement with enterprise owners, and investment projects tailored to businesses across both banks of the Dniester. Existing enterprises, whose infrastructure and supply chains assume integration as an operational reality, represent both a natural starting point and a proof of concept for the broader development logic and new businesses.

A special economic zone along the Dniester corridor could provide the structural architecture for this approach: creating conditions attractive enough to anchor cross-bank economic activity, reduce dependency on external political interventions, and gradually shift the calculus of key stakeholders toward cooperation. This would strengthen Moldova's economic resilience and sovereignty against

external shocks while building the constituency for normalisation from the ground up.

Democratic and economic driving resolving one of Europe's longest-standing post-Soviet frozen conflicts would generate international attention of a kind that no conventional investment promotion campaign could replicate. A peaceful settlement of this historical significance could place Moldova at the centre of media attention and global engagement it has never previously commanded. This, in turn, could function as a catalyst for accelerated EU integration and international investment interest.

Three decades of engagement have not produced great progress. The context has nonetheless shifted materially: the war in Ukraine, EU accession dynamics, and collapsing energy subsidies have altered Transnistria's traditional dependencies in ways that may make previously unviable approaches worth reconsidering.

Ukraine's reconstruction, while contingent on security developments that remain uncertain, represents a structural economic opportunity of a scale that Moldova is geographically positioned to participate in. Logistics corridors, agri-food processing, construction materials, professional services, and educational provision are sectors where Moldovan capacity could serve reconstruction demand. Treating Ukraine's reconstruction trajectory as a planning variable could yield early-mover advantages in sectors where relationships and capacity take time to build.

Removing the binding constraint unlocks the multipliers.



V. From Ambition to Execution

Moldova has no shortage of reform documents and consulting. What it has consistently lacked is the shared aspiration and architecture to convert intention into sustained institutional performance. Transformation is not administered – it emerges when individuals, entrepreneurs, and communities have the freedom and incentives to act on their own rational judgment.

This report has traced that gap across three domains: governance oriented toward crisis response rather than strategic capacity; an economy trapped in low complexity and high informality; and an education and research system where incentives do not reward performance, and a demographic window is closing. These are not separate problems. They share a common layout – and that must change.

Moldova's EU accession trajectory is the most significant structural opportunity the country has had since independence. The diaspora represents untapped capital, knowledge, and networks. The geographic position, between Ukraine and an eastward-expanding European infrastructure framework, is becoming an asset.

Whether the institutional conditions for its use will be in place in time is the only question that matters.

The report indicates that the distinction lies in the execution architecture: analytical capacity independent of political cycles, participatory design involving authentic stakeholder influence, incentives that render proactive behaviour rational, and trust deliberately cultivated as the foundational element facilitating coordination without coercion. No external framework substitutes for domestic ownership. The government must engage as one stakeholder among several. Civil society, universities, and professional communities must co-design the future rather than react.



