

ECONOMIC FRAMEWORK

Main macroeconomic indicators

In 1991 the Republic of Moldova made the choice to be an independent and sovereign state with primary task to build a society based on a market economy. Presently, the initial stage of transition to the market economy and macroeconomic stabilization is completed. As a result, the national currency is stable, the inflation rate and bank interest rates are reduced, the fiscal budget deficit is moderate, mass privatization of public properties is concluded, the private sector has expanded, various agricultural enterprises have appeared; and a base of legal and regulatory actions were implemented to promote reforms.

The main sectors of the economy are: agriculture and food processing (56,5 percent of total industrial production), power sector (7.5 percent), machinery and metals processing (13.9 percent), light industry (4.8 percent), building materials (4.5 percent), milling and fodder (4.5 percent), and forestry, wood, pulp and paper processing (3.3 percent). *Foreign investments are encouraged in all sectors, especially in the fields of agriculture, light industry, transportation and telecommunications.*

Dynamics of main macroeconomic indicators (percent given to the previous year)

	1991	1992	1993	1994	1995	1996
Gross Domestic Product	82.5	70.9	98.8	68.8	97.0	92.0
	82.0	71.2	97.4	69.6	96.0	90.0
Industrial Output	88.9	72.9	100.3	72.3	96.1	91.5
Overall Agricultural Output	89.9	83.6	109.9	75.0	104.0	87.0
Capital Investment	91.0	67.0	56.0	49.0	83.0	85.0
Freight Dispatch by General Transport Means	80.0	44.0	47.0	69.0	85.0	82.0
Retail Sale	82.0	53.0	75.0	58.0	96.9	94.8
Services Offered to Population	81.0	55.0	67.0	52.0	102.1	77.0
Average Monthly Inflation Rate	7.9	27.0	32.0	6.2	1.8	1.2

CREDIT AND MONETARY POLICIES

Credit Policy

In 1991, a two part banking system was established in the Republic of Moldova. The first part consists of the regulation of monetary and credit activities by the **National Bank of Moldova**. The second part is the commercial banking sector consisting of 21 commercial banks and one branch of a foreign bank.

One of the main objectives of the currency credit policy of the National Bank of Moldova concerns *quantitative limitation for internal assets of National Bank*.

The National Bank is trying to activate the utilization of excessive reserves for credits to commercial banks. The National Bank has an established management and operational system that has greatly contributed to financial sector stabilization, inflation control, currency stabilization and enhanced credit availability.

Credit policy management is via credit auctions for refinancing commercial banks, compulsory reserves, credits through collateral free market operations and auctions for share sales on the primary market. The objective of this credit management is to maintain financial stability.

Inflation is at a low level, and has been decreasing on an annual basis. For instance, the average price increase of consumer goods was 1.18 percent in 1996, whereas average monthly monetary growth was 1 percent.

Non-banking financial institutions

At present in Moldova there exist 43 investment funds and 11 fiduciary companies. Citizens can participate in state assets privatization via the above mentioned funds. Funds take part in auctions and purchase shares in privatized companies. Fiduciary companies act as intermediaries and purchase stocks according to clients' instructions.

In June 1995 the first stock exchange was opened in Moldova. Transactions performed by stocks of privatized companies account for 95 percent of total exchange activity. The average amount of weekly transactions ranged between USD 5,000 and 7,000.

Foreign citizen have the right to participate in the domestic stock market.

Monetary policy

In November 1993 the national currency Moldovan Lei (MDL) was introduced. The exchange rate is set by currency auctions. Interbank market sessions have been regularly held since February 1995. Most payments and transfers for transactions as well as some capital transfer have been free of control since 1994.

	1994	1995	1996	1997
Exchange rate in early year (MDL/USD)	3.64	4.27	4.499	4.65
Exchange rate at the end of the year (MDL/USD)	4.27	4.499	4.65	4.67
Modification (percent)	17.31	5.36	3.36	0.43

In June 1995 the Republic of Moldova accepted Article VIII of the International Monetary Fund Treaty and declared the national currency as convertible for all transactions to external accounts.

External finance relations of the Republic of Moldova.

Balance of international payments

External debt of the Republic of Moldova by the end of 1996 was USD 824 million. In 1996, credits granted by private creditors increased to 12 percent of the total from 5 percent in 1995.

The Government of Moldova committed foreign credits aiming to:

Power sources	21.0 percent
Financing of budget shortage	13.4 percent
Supporting the balance of payments	12.3 percent
Buying cereals	9.9 percent
Support for the private sector	5.8 percent
Promotion of export	5.0 percent
Recovery of roads	4.7 percent

Credits of “other purposes” totaled 28 percent of foreign credits. A large part of this category was a credit granted by the Russian Federation (USD 71.3 thousand) to conclude past debts and to purchase medicine, medical equipment, fertilizers, spare parts, etc.

In 1996 there was recorded a notable increase in *international economic relations* that was demonstrated by an increased volume of imports and exports of commodities, services and capital. However, imports exceeded exports, which contributed to a negative balance of payments position.

Key sector of the National Economy

Structural Changes

The first stage of transition to the market economy is concluded. It has resulted in a stable macroeconomic framework that included large-scale privatization, free market pricing, free trade, and financial sector reform. Now, the economy is at another crucial stage – structural changes that includes industrial restructuring. Moldova, like other Central and Eastern European countries, has passed the bottom point of economic decline. The signs of stabilization and growth are now present.

The First Privatization Program started in September 1993. Over 1,600 enterprises were privatized in a two-year period (about 40-50 percent of state assets), mainly by using vouchers. The Program of Privatization for 1995-1996 adopted by the Parliament in March 1995 provided for the privatization of 1,450 more enterprises.

As of January 1996, 2,278 enterprises were privatized with 2,231 privatized using vouchers and 47 privatized using other financing mechanisms.

In order to further privatization by using asset sales and other financial means, a Privatization Program for 1996-1998 was submitted to Parliament. The program extends privatization to infrastructure (i.e. power generation and supply, transport, telecommunications and other public utilities). The program also includes enterprise restructuring support and rural land privatization.

With the aim to create the legal conditions for small business, there have been adopted the following laws: “On Entrepreneurship” and “On Small Business Protection”.

The Moldavian’s first Free Enterprise Zone “Expo-Business Chisinau” has been established.

The Parliament also adopted laws on leasing, bankruptcy, secondary material resources, and collateral. These laws have the aim to create a competitive private sector.

Agrarian Reform

Two thirds of the non-agricultural assets of the country were transferred to the private sector.

With 63 enterprises, the Ministry of Agriculture and Food is now reorganizing and privatizing.

With the support of the Center for Private Business Reforms funded by the United States Agency for International Development (USAID) there is being implemented a

pilot project termed “Nisporeni”. The project provides for the creation of 9 agricultural enterprises and their asset distribution in the Nisporeni district. This project will eventually be transferred to over 70 more in 10 different regions.

Industry

Components of industrial policy are: utilization of the technical scientific abilities of the workforce; reorganization of enterprises, further privatization, and support to private investment and business; and alleviation of the social consequences of the structural reform.

Among current key tasks is the improvement and completion of the legal framework as well as reformation of ownership and privatization and post privatization restructuring (financial strengthening, technology updating and structural reform) of viable industries.

Enterprise restructuring is a Government priority, as identified by the Governmental Conception Industry Policy in 1996-2000 and by the Governmental Program of Activity for the Period January, 1997-March, 1998. Enterprise restructuring is being performed with the technical assistance of the World Bank and the European Union. The main goal of the reorganization of enterprises consists in *overcoming the critical situation, improving the current performance, and strengthening competitiveness.*

Pilot programs on restructuring have been completed by the Agency for Enterprises Restructuring Assistance (ARIA) in cooperation with sector ministries. The programs are focused on modern management of economic units, on mastering modern technologies, and if necessary, on division of large enterprises into small units including new lines of business.

Foreign investors can be included in the process of enterprise restructuring by buying stocks of production enterprises in order to update production technologies; further develop markets; provide capital and modern equipment to companies that had been set up with local partners.

Structure of industry in 1990-1996 (in current prices in percent)

	1990	1991	1992*	1993*	1994*	1995*	1996*
Industry-total including	100	100	100	100	100	100	100
Power engineering	2.8	1.8	4.4	11.1	17.8	18.2	16.6
Chemical industry	3.3	2.7	1.0	0.6	0.6	0.3	0.4
Machinery	20.9	15.6	15.0	14.4	10.7	8.7	7.4
Forestry/wood/pulp/paper	3.5	3.4	4.0	4.4	4.3	4.3	3.6

Construction materials	4.1	4.1	4.4	3.6	4.5	3.2	3.0
Light industry	22.6	22.3	10.6	7.9	6.2	6.1	6.4
Food industry	38.2	45.4	53.5	51.6	46.2	54.4	58.1
Glass Industry	0.5	0.6	1.1	1.5	2.1	3.0	2.6
Printing Industry	1.0	1.0	0.5	0.6	0.8	1.1	1.2
Other industries	3.1	3.1	5.5	4.3	6.8	0.7	0.7

*Without units from the left side of Dnester and Tighina

Power supply, metallurgy, chemical industry

98 percent of Moldova's energy is imported and consists of natural gas, coal and oil. Hydropower is produced within the country.

Main tasks of the energy sector:

- diversification of power suppliers
- reconstruction of some blocks at the Moldovan power station. PS-1, PS-2 from Chisinau and PS from Baltsi
- exploring local deposits of petrol and gas (southern zone)
- optimization of electric and thermal systems of enterprises and settlements
- passing to practical utilization of renewable power sources (sun power, hydro power)
- curtailment of power and heating expenses in distributive networks
- decentralization of power supplying systems, etc.
- new alternative sources of power supply (in Middle East, Romania).

Metallurgical engineering is represented by the Metallurgic Plant in Ribnitsa (capacity 700,000 tones pr year) and by 39 steel and non-ferrous materials rolling lines. The main direction is oriented towards meeting domestic and export needs, as the metal from Ribnitsa is an important item for export.

Within the chemical industry (4 enterprises) there are two prospective fields: processing of imported raw materials and of half – finished materials (resin and powder for polymerization, technical gum materials, detergents, varnish and dyes); utilization of local vegetable and animal resources as well as of non-ferrous raw materials.

Conversion Project of former military industry provides production of medical equipment and of medicines, production of household equipment of various goods for consumption.

Machine building

The sector is represented by the production of electromechanical instruments, pumps, tool making, device making, tractors and agricultural machines.

The sector includes production of electric appliances, electric power transformers, electric engines, cables and derived items, tools, automatic devices and systems , pumps, industrial cooling facilities, equipment for food industry, equipment for city services, tractors, cooling trailers, combines, machinery and equipment for small farms, video and stereo equipment, and equipment for telecommunications households goods, etc.

The reform of the machinery building industry (77 enterprises) is aimed toward:

- reorganization of the most viable units and renovation of product range that would meet domestic and export requirements;
- development of production lines;
- modernization of machinery and equipment for agriculture and food processing; and
- interaction of groups of enterprises specialized in production of spare parts for transport means, for agricultural machinery and for industrial equipment.

It is necessary and reasonable to involve foreign investments in order to change the lines of business and to master production of needed goods on the market. Existing production areas as well as non-finished buildings can be utilized.

In order to focus resources on certain « points of growth » there are being implemented state programs and projects on production of medical means and equipment as well as of devices and preparations for chemical industry (JSC « Mezon », JSC « Vibropribor », JSC « Semnal », JSC « Sigma », JSC « Introsop », JSC « Raut », JSC « Alfa », etc.) ; on production of equipment for sun power utilization as well as of other alternative sources, equipment for power conservation, telecommunication equipment, automation of power system operations, equipment for public utilities (JSC « Semnal », JSC « Mezon, JSC « Raut », JSC « Micron »), on production of small machinery for agriculture and food processing (food processing micro factories) and machinery for small farms (JSC « Agromashina », JSC « Tracom », JSC « Moldagrotehnica »), on production of household equipment, devices, audio and video equipment (JSC « Alfa », JSC « Tebas », JSC « Sigma », JSC « Mezon », JSC « Raut »).

Construction material industry

The construction material industry is key as part of the building sector. In 1996 it was comprised to about 50 companies. It is based on local raw materials.

Expanding the industry is based on two factors: export expansion (cement, gypsum products, ceramics); and resumption of investment in building activities.

Production capacities in Moldova are as follows: cement – 2.5 million tones; concrete blocks and items- 2.2 million m³; asbestos- cement pipes and coupling parts- 3.000 km conventional pipes; gypsum- 110.000 tons; building bricks- 254 million conventional pieces; stone blocks for wall building; 460 million conventional pieces; linoleum- 4 million square meters.

Foreign investments would first of all focus on the following projects:

- “CEMENT”- establishment of joint company to produce cement finishing building of the second technological line with a capacity of 1,750.000 tones annually, building a packaging for exported cement;
 - “USBA”- finishing building of a line for production of cellular concrete; developing production capacities up to 80.000 m³ annually;
 - “MACON”- utilization of output capacities of the line for production dividing walls out of large panels as well as of sanitary cabins;
 - “CALCAR”- exploring deposits and production of calcium carbide;
 - “CRISTAL”- reutilization of glass recipients and household goods production.
- Moreover it is foreseen to set up joint companies producing ceramic plaques for floors and walls (JSC “Ceramica- T”), china extension works at JSC (“Cariera de ghips din Criva”).

Food industry

The food industry includes 15 main production areas, 180 companies. It is based on local raw materials. The industry supplies domestic food needs and needs and increasingly contributes to exports.

Wine making. Wines represent the main item of the Republic of Moldova for export (26.7 percent in 1996). The volume of wine marketed to other countries was 25.9 million dcl and 3.5 million dcl of brandy and liquor.

Prospects: production of raw wines for champagne- 6 million dcl; current consumption wines- 32.5 million dcl. The volume of sparkling wines will increase due to the building of new lines at wineries in Milestii Mici, Nisporeni, Stauceni, Ciadir-Lunga, and Carpineni.

Excellent climate and soils and low labor costs- these reasons attracted investment in wine making from such companies as Penfold's Australia and wine HDR France. Moldovan wines are now popular in Europe and in the United States due to the higher quality compared with competitive wines from neighboring countries. In 1993, at an international wine competition in Bordeaux, France, Moldovan dry-wines won all, except one prize.

Development program provides equipping wineries with 25 grapes processing lines. With the support of foreign investments and bank credits it is foreseen to equip 19 wineries with bottling lines for plain and sparkling wines.

Thanks to the credits granted by the European Bank for Reconstruction and Development, 19 wineries have been equipped and a glass factory with a capacity of 150.000 bottles per year is under construction. Moreover, thanks to the credits granted by the Canadian company "Garling", 5 more wineries have been newly equipped. These activities afforded to increase the output in terms of sparkling wines up to 2.1 million dcl.

Canning industry. Moldovan canneries possess steady opportunities to maintain themselves on external markets, including European markets. They produce concentrated apple juice and tomato pastes, fruits and vegetables and tinned foods. Available production capacities for concentrated apple juice are 68.8 thousand tons. In case of an extended processing season, they could reach a volume of 120 thousand tons.

The above mentioned sector is processing over 20 types of vegetables. Tomatoes represent 60 percent of it. The export weight of pickled tomatoes is so far rather low, according for 21 percent (40 thousand tons) out of the total volume. Production capacities for tomato pastes are utilized only to a level of 30 percent. This paste contains 20- 28 percent dry matter, whereas the world standards require minimum 32 percent. In order to produce high quality concentrated tomato paste it is necessary to invest capital to refurbish and modernize equipment.

The fruit and vegetable processing sector includes 7 large, 15 medium and 100 small companies. Tomato and apples are the main agricultural crops, other than grapes, in Moldova and cover about 80 percent of the total fruit and vegetable output, other than grapes. The other 20 percent of products represent canned plums, dry fruit, baby food and jams. All crops are harvested mainly by hand.

For the following years it is foreseen to equip the technical facilities by installing European standards for production to include evaporators, tubular pasteurisators, bend pressers, twisting machines, packaging lines of "tetrapac" type. All this in order to produce jams, fruit pastes in polymeric packaging (20-50 g) and in "bag-in-box" sacks

(200kg).

It is necessary to improve the quality level of baby food products and medicinal foods for health treatments.

The Tobacco industry consists of 8 companies. Five years ago the industry was able to provide at least 10-12 percent of the state income. Currently it requires urgent reorganization. According to the estimation of JSC "Tutun" it is necessary to invest USD 120 million to reorganize the industry.

Component parts of reorganization are qualitative improvement and extension of the raw material base and the adoption of modern processing and manufacturing techniques. Cigarette production is to be increased to 12.5 milliard pieces per year, including filter cigarettes- 9.6 milliard pieces.

In 1997, the tobacco industry will involve significant foreign investments both in raw material production and into primary and secondary processing.

The legal form of organization able to ensure a reorganization process within the industry is the Joint Company - type created together with a large foreign company through an international tender. Entire development of the tobacco industry will be taken into account. This means: production expansion, increased employment, strengthening the technical base, cost-effective raw material production and tobacco processing system, and the increased export of tobacco products.

The sugar industry (10 factories) is based on raw material grown on a surface of about 80 thousand hectare.

The primary task is to improve integration between sugar beet growing farms and sugar factories.

Annual processing capacity is 3 million tons of sweet roots. Every year there are processed 1.8 million tons sugar beet and produced 0.22 million tons granulated sugar. A sugar deficiency noticed recently in CIS countries can insure a future for sugar producers and exporters from Moldova. The sector requires investment committed with the aim of equipping processing enterprises and providing producers with agricultural machines for growing and harvesting crops.

A common goal of the sugar industry is to reduce power consumption by at least 30.35 percent (using gas, low power steam, substitution of boilers and appliances, and utilizing computer-aided processing).

A great part of textile and clothing industries is equipped with modern machines. There are already created joint companies with foreign partners. Investment is needed in order to enlarge raw material supply, to create joint companies, to make use of production capacities enterprises, and to find new external markets. The sector produces knitwear and hosiery cotton and silk fabrics, clothes, carpets, natural and artificial leather items, shoes, and a large range of

Some significant advantages for light industry are multi-sector structure, highly qualified specialists and relatively low salaries compares to European wages. For the following years the need for state support to export light industry products will be emphasized. Favorable conditions and quotas settled for Moldova by the European Community and USA will be taken into account.

Wood and furniture industry

Wood processing companies in Moldova perform on the base of imported raw material. Forests in the country have a status of protection and reservation zones. The volume of local wood for processing do not exceed 70.00 cubic meters (3 percent of needed volume).

According to this, wood processing is focused in mastering technologies that would ensure integral utilization of wood (producing of furniture, cardboard, compact pulp panels). Imported raw material must optimally meet the requirements for quality and for the content in order to get crude items and timbers of typical size.

The furniture industry includes 20 enterprises. Decreased purchasing power of population and increased raw material, power and transport prices have led to reduced production during the last five years.

The sector is to be developed with the support of Moldova's first financial-industrial group "Mobila-group". It will join 23 enterprises including Commercial "Mobiasbanca"; furniture factories in Chisinau, Tiraspol, Baltsi, Bender, Orhei and Drochia; wood processing and cardboard making plants in Chisinau and Tiraspol; plant "Fanerodetali" in Bender; a glass factory; and building enterprises.

Joint Stock Company "Mobila-group" has worked out proposals concerning the state support for the sector, as well as concerning improvement of external business relations of the above mentioned sector. These measurements will: foster the process of enlarging range of products by at least 25 percent, create marketing and design services, renovate the design base, modernize equipment and technologies, and reduce power and input consumption to achieve competitiveness with foreign companies.

Perfume and cosmetics In the early 1990s, Moldova used to produce out of etheroleaginous plants (rose, lavender, and salvia) on third of the total essential oil produced in the former Soviet Union. The sector includes research and production units: perfume factory "Viorica-Cosmetics" and 16 raw material factories under a total surface of 60.000 hectares. Its products are marketed domestically - 45 percent, as well as in Russia- 45 percent, the Ukraine- 3 percent and Romania-0.6 percent.

Availability of specialised enterprises and of raw material (essential oils, spirit, clear chemical chalk) as well as production experience creates preconditions for revival of the sector. The participation of foreign partners is a crucial ingredient for this sector's growth.

The reorganisation program till the end of 2000 for the JSC "Viorica-Cosmetics" needs investment of USD 5.2 million with the aim of equipping and mastering new production technologies (for shampoos, cremes, eau de cologne, tooth

Other industries

Twelve other large enterprises produce a range of products consisting of ceramics, glass, compound fodder, printing, microbiology products, handicrafts, etc. Most of these enterprises have expansion potential.

Taking into account both social-economic and moral criteria, it is necessary to work out and implement a state program " On handicrafts and folk trades".

There exist investment opportunities to provide easier access for tourists to monuments and archaeological and cultural rarities, such as monasteries in Capriana and Rudi, Old Orhei town, and fortresses in Soroca and Bender.

"Moldova- Tur" Company in co-operation with the Ministry of Agriculture have worked out a tourism development project. The name of the project is "Ruta Vinurilor" and it is supported by the European Union, as well by other European tour companies.

External economic relations in 1997

Foreign Trade

The state monopoly on foreign trade was removed in 1992. In April 1993 the centralized system for issuing export licenses was substituted by goods lists for which some restrictions were settled. Since 1994, foreign trade of the Republic of Moldova was liberalized. At present, businesses market freely a wide range of goods except some specific groups (weapons, precious metals, explosive matter, poisons, as well as medicines, medical items and equipment).

Since 1995, there are not quotas for other restrictions for exports. Import tariffs do not exceed 20 percent.

Total exports in 1996 were USD 1.879.9 million, and 18 percent from 1995. The majority of exports were to CIS countries with central and West European countries being a secondary market.

	1992	1993	1994	1995	1996	dynamics 1995/1996.
Total	1110.0	1111.0	1224.7	1586.2	1879.9	118.0
Export	470.0	483.0	565.4	745.5	801.5	107.0
Import	640.0	628.0	659.3	840.7	1078.4	128.0
Balance	-170.0	-145.0	.93.9	-95.2	-276.9	***

Total **exports** in 1996 in terms of FOB prices were USD 801.5 million, an increase of 7 percent from 1995. Exports amounted to 50 percent of Gross National Product. Compared to previous years, increases occurred in the export of food products, strong drinks including wine, tobacco, textiles, ready-made clothes, items from stone, gypsum, cement and glass increased.

In 1996 total **imports** in terms of CIF prices totaled 1.078.4 thousand - an increase of 28.3 percent compared to 1995.

External trade by geographical zones

The main export destinations in 1996 were: CIS countries 68 percent (Russia 53.7 percent, Ukraine 6 percent, Belarus 4.3 percent, Kazakstan 1 percent); Eastern Europe (Romania 9.3 percent, Latvia 1.9 percent, Lithuania 1.8 percent, Bulgaria 1.6 percent, Hungary 4 percent), and the European Union (Germany 3.7 percent, Italy 2.6 percent, the Netherlands 1.1 percent and Austria 5 percent).

Above-mentioned figures compared with 1995 attest some changes in the geographical orientation of exports. Exports to other countries than CIS have decreased (from 37.4 percent down to 31.8 percent) and increased to CIS countries (62.6 percent to 68.1 percent). Reorientation of exports happened due to the fact of increased prices at main product groups on markets of these countries.

Imports are mainly from CIS countries (61.5 percent), followed by Central and Eastern European countries (16.6 percent), and the European Union (15.1).

Compared with 1995, imports increased from Central and Eastern European countries (from 14.3 percent up to 16.7 percent), and from the European Union (from 13.7 percent to 15.1 percent). Imports from CIS countries decreased from 67.6 percent down to 61.5 percent.

Main partners for imports are Russia (27.4 percent), the Ukraine (27.5 percent), Romania (6.7 percent), Germany (6.1 percent), Belarus (5.7 percent), Bulgaria (5.4 percent), Italy (3.1 percent), and Hungary (1.3 percent).

Foreign capital investments

Since Moldova's independence, public companies have performed enormous work to improve the picture about the country abroad and to amplify the attractiveness of the country. The membership in the Multilateral Investment Guarantee Agency (MIGA) of the World Bank has ensured compensation for foreign investments against civil wars, political disturbances and governmental actions. Within the Ministry of Economy and Reforms there has been created the Development and Foreign Investment Agency that provides a large range of services for foreign investors.

Companies which utilise foreign capital (joint companies and companies fully owned by foreign investors) can be established under any legal form of business. Requirements towards promotion and performance of companies with foreign capital go under the regulation "On Foreign Investments" adopted in April 1992, as well as of further amendments issued in 1994 and 1996 and other normative acts of the Republic

As of January 1997, the number of companies with foreign capital registered in Moldova was 915. In 1996 there were 322 joint enterprises, an increase of 50 percent compared with the previous year.

Electric energy, gas, water supply	54 percent
Processing industry	25 percent
Trade	14 percent
Financial operations	8.7 percent
Estate transactions	4.2 percent

Dynamics of investments from main countries by origin.

Total foreign investments by late 1996 accounted for USD 112.8 million, increased of 185 percent compared to 1995.

Total output of companies with foreign capital recorded the sum of Lei 183.8 million (4.8 percent of total national output) and has increased 1.6 times compared with the previous year. With the participation of foreign investors, there was produced: food products, beer and soft drinks, clothes, carpets, construction materials, tele- and stereo systems. The role of companies with foreign capital in promotion of exports has increased as well. The companies exported goods and services totaling USD 71.4 million. This figure is twice 1995's figure.

Main objectives reconstructed with the participation of foreign investments:

- Operating plant in Falesti town for production of swatted pipes for water and gas systems. It was implemented by investments from Romania;
- Promotion of plant in Baltsi city for sorting and calibrating sugar beet seeds. Partners from Germany took part in it.
- Elaboration and adoption of the project on rebuilding the International Airport in Chisinau. The project requires close to USD 30 million and is funded by the European Bank for Reconstruction and Development.

Significant external sources have been involved in the field of reorganization of food processing industry. Building works at the glass factory (bottling soft and strong drinks) are in their final stage (USD 28 million investment).

During 1996, a range of activities were undertaken in order to promote abroad the image of Moldova. There were organized symposiums in Athens, Thesaloniki, Paris, Istanbul, Berlin, Potsdam and Moscow.

At present most of investments are oriented towards agriculture. Winemaking, as a strategic sector, has attracted investors but requires additional investment. Unfortunately investments in agriculture are hindered by the prohibition to purchase land. The first phase of mass privatization has not attracted large foreign investment. Presently, efforts are being undertaken with the aim of direct foreign investment involvement for the current privatization phase. In this case, enterprises and unfinished constructions are proposed for sale. They can be privatized using various means,

According to the plan of Activity of the Government of Moldova for 1997, the following *production facilities* will be put into operation **through foreign investments commitment:**

- Packing cement in sacks and parcel production for 700.000 tons (JSC "Cement", Reziina);
- Extraction of gypsum stone-1 million tons (JSC "Cariera de gips din Criva");
- Dry gypsum mixtures-100.000 tons (JSC "Combinatul materialelor de constructie", Baltsi);
- Ceramics panel production-1.5 million square meters;
- Cellular concrete production-1.5 million square meter annually;
- Medicines production- to the sum of about 130 million Lei (JSC "Perfuzon");
- Champagne and wine bottles production-150 million units (Glass factory, Chisinau);
- high quality sugar beet seeds processing and calibration-100 tons (Baltsi).

including participation of foreign investors.