

## USAID AND THE ECONOMIC DEVELOPMENT OF THE REPUBLIC OF MOLDOVA: CONTRIBUTIONS, IMPACT, AND FUTURE PERSPECTIVES

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**Abstract:** *In the context of Moldova's evolving development landscape, international assistance has played a vital role in supporting structural reforms and economic modernization. Among the key development partners, the United States Agency for International Development (USAID) has maintained a significant presence for over three decades.*

*The study quantifies the role and impact of USAID assistance in the Republic of Moldova over the past 30 years in building a modern country with the potential to integrate into the global market, a process marked by significant economic and political changes and obstacles. The research aims to assess the contributions of USAID in strengthening strategic sectors, enhancing institutional capacities, and facilitating the modernization of Moldova's private sector. Employing a mixed-methods approach—combining documentary analysis, statistical review, quantitative survey, and impact evaluation—the study provides empirical evidence on USAID's transformative influence in key domains such as ICT, sustainable agriculture, textiles, tourism, and winemaking.*

*Drawing on both official statistics and primary data from 80 surveyed beneficiaries, the research highlights the catalytic role of USAID in fostering innovation, digitalization, and export capacity, especially among SMEs. Furthermore, the study analyses the systemic risks associated with the agency's announced withdrawal in 2025, underlining vulnerabilities in institutional resilience, employment, and green transition efforts. The findings offer a solid empirical basis for policy formulation, advocating for diversified international partnerships and adaptive strategies to mitigate development gaps. This contribution fills an important gap in the literature by providing a contextualized and data-driven evaluation of external assistance effectiveness in an emerging economy.*

**Key words:** *economic development, external assistance, USAID, public policy, Moldova*

**JEL:** F35, O19

### 1. Introduction

Since gaining independence, the Republic of Moldova has faced multiple structural, political, and economic challenges and obstacles. The process of development and combating the effects of the economic and political crises that the Republic of Moldova has gone through has been and continues to be supported by development partners. Development partners provide the technical and financial assistance necessary to minimize negative effects and contribute to long-term economic development. The support of development partners plays an essential role in the design and implementation of reforms and the integration of the Republic of Moldova into global economic communities, such as the European Union.

The main development partners are the European Commission, the International Monetary Fund, the World Bank, and the United States Agency for International Development (USAID). The United States Agency for International Development is one of the most important providers of technical and financial assistance, offering support worth \$280 million over the years. USAID's support is represented by strategic and long-term guidance, with intervention in the development and consolidation of multiple strategic sectors, contributing to the creation, modernization, and development of economic sectors and institutional consolidation in the Republic of Moldova.

The relevance of the topic is particularly evident in the geopolitical context and crises in the region, the effects of the war in Ukraine, the energy crisis, inflation, climate change, the need for digitalization, and ensuring sustainable development.

The suspension of US foreign assistance and the liquidation of USAID impact a significant number of national actors: economic agents, public institutions, and civil society, emphasizing the dependence of several sectors and strategic areas on USAID technical and financial assistance.

Quantifying the volume of foreign assistance received by the Republic of Moldova and assessing its impact on the republic's strategic sectors is relevant from an academic perspective and significant in terms of the urgency of identifying the alternative sources needed to continue reforms and ensure sustainable national development.

The study aims to investigate the role of external assistance provided by USAID in the economic development process of the Republic of Moldova by presenting the quantified results of technical and financial assistance received by strategic areas and the possible risks associated with stopping assistance for the sustainable development of the republic. While scholars such as Casian [1], Gîrbu[2], and Lozovanu [3] have examined the link between external aid and national development, comprehensive research offering a systemic and empirical perspective on the socio-economic impact of such assistance in the Moldovan context remains limited.

Therefore, this study aims to fill that gap by offering a structured analysis based on official statistics, public reports, and both quantitative and qualitative assessments of USAID assistance in Moldova's economic sectors. The methodology integrates statistical data from USAID reports, the Ministry of Economic Development and Digitalisation, and the National Bureau of Statistics, the External Assistance Management Platform and results obtained based on a survey of 80 companies that received technical and financial assistance from USAID funds.

The innovative nature of the research is demonstrated by the multidimensional analysis of the impact of USAID external assistance and the correlation between assistance and the results achieved by the Republic of Moldova in the process of institutional and economic development. The study also analyses a normative dimension, formulating recommendations on maintaining sustainable development in the process of phasing out USAID assistance, and targets academia, national decision-makers, international partners, and organizations with the aim of developing effective economic development models.

The purpose of the research is to examine the role and impact of USAID assistance in the economic development process of the Republic of Moldova.

The research is based on the following specific objectives:

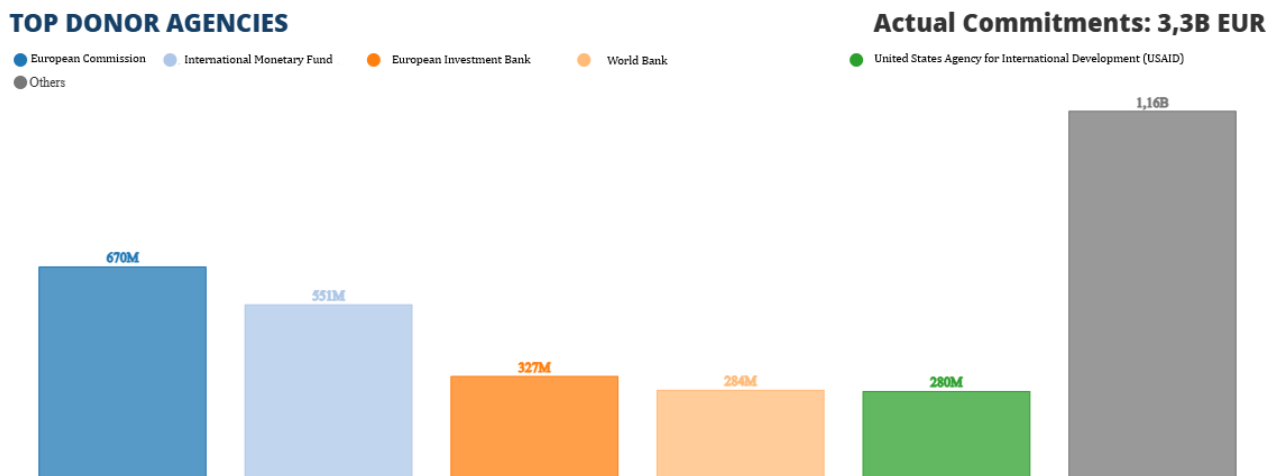
1. Assessing the impact of USAID on the economic development process of the Republic of Moldova;
2. Examining the evolution of strategic areas impacted by external assistance provided by USAID;
3. Determining the economic risks generated by the cessation of USAID assistance.

The research will present a structured diagnosis of the impact of USAID's external assistance on key areas and the risks generated by its cessation. The research results will inform future policies and strategies for streamlining external support and promoting long-term economic progress.

## **2. Assessment of USAID's impact on the economic development of the Republic of Moldova**

In the process of developing and consolidating as a state, the Republic of Moldova has faced numerous structural, economic, and political challenges. Barriers to development and the effects of global and regional crises have been gradually reduced or eliminated with the support of development partners, who have provided financial and technical assistance to emerging sectors. Strategic support has contributed to generating long-term, multiplier results. External assistance plays an undeniable role in the development and implementation of reforms and the economic integration of the republic into global economic systems, including EU accession.

According to data provided by the External Assistance Management Platform [6], the total volume of financial assistance received by the Republic of Moldova from independence until 2025 amounts to approximately EUR 3.3 billion (Fig. 1). The top donors include the European Commission, the International Monetary Fund, the European Investment Bank, the International Development Agency, the United States Agency for International Development (USAID), among others.



**Figure 1. Volume of External Assistance Received by the Republic of Moldova during the Period 1992–2025**

*Source: External Assistance Management Platform. Available online: [www.amp.gov.md](http://www.amp.gov.md)*

The ranking of development partners, based on the volume of assistance provided, underwent a significant shift in 2025, due to the cessation of USAID funding and the partial compensation of this deficit by other donors, notably the European Commission.

Since 1992, the support provided by the United States Agency for International Development (USAID) to the Republic of Moldova has constituted a foundational pillar in the country's economic and institutional transition. This contribution has been reflected through a wide range of programmes aimed at fostering private sector development, strengthening institutional capacity, reforming public administration, promoting trade—including e-commerce—and supporting Moldova's integration into the regional economy. Evaluating the impact of such support requires a multidimensional approach focused on measurable outcomes and structural transformations generated by financial and technical assistance.

According to data from the External Assistance Management Platform (AMP Moldova) [6] and USAID reports [4], between 1992 and 2025, the Republic of Moldova received over USD 280 million in non-reimbursable grants and technical assistance. Of this amount, approximately 37% was directed toward economic development, 21% to good governance, and the remainder to sectors such as energy, health, and education.

The economic impact of these interventions is evident through fundamental indicators such as GDP growth and the expansion of the small and medium-sized enterprise (SME) sector. One of the most significant support instruments was the EDGE Programme (Economic Development, Governance and Enterprise Growth), launched in 2020 to support entrepreneurship and integrate Moldovan companies into European value chains. By 2023, the programme had facilitated over 61 partnerships and investment projects, totalling USD 3.1 million, directly contributing to the export capacity of Moldovan SMEs. These initiatives targeted strategic sectors such as organic agriculture, sustainable textiles, information technology, winemaking, and rural tourism through the attraction of foreign visitors.[5]

From the perspective of institutional capacity building, USAID has supported reforms in the tax system, trade facilitation, and the alignment of economic legislation with European standards. For instance, through the Moldova Structural Reform Program (MSRP), implemented from 2018 to 2022 with a budget of USD 11.17 million, reforms were undertaken in public procurement, taxation, and digitalisation of services for businesses. As a result, more than 600 public officials were trained in modern economic management techniques, and the average time required to register a business was reduced by over 30%. Another notable effect was the increase in foreign direct investment (FDI), supported by an improved business environment. According to the Ministry of Economic Development and Digitalisation (2023), the growth rate of FDI in USAID-supported sectors was 18% higher than in non-supported sectors, indicating a positive correlation between USAID interventions and Moldova's investment attractiveness.[5]

On the social front, the economic effects of USAID support have helped reduce regional disparities by stimulating entrepreneurial initiatives in rural areas and promoting economic inclusion for women and youth. Between 2020 and 2024, USAID programmes impacted approximately 100,000 individuals, both directly and indirectly, of whom 46% were women and 38% were young people under the age of 35.

The financial and technical assistance provided by USAID reveals a transformative effect on the national economy, evident through the modernisation of the private sector, the optimisation of economic governance, and the intensification of Moldova's integration into regional and global markets. These results confirm USAID's role as a strategic facilitator of sustainable development and underline the importance of continuing multilateral partnerships, particularly in the development of emerging economic sectors such as creative industries, the energy sector—especially green energy production—and the transition to a green economy.

### **Strategic sectors impacted by USAID assistance**

The impact of USAID assistance, focused on the economic development of the Republic of Moldova, has contributed significantly not only at the macroeconomic level but also in facilitating the promotion of effective governance. Programs implemented with USAID support have impacted several sectors, facilitating the transition to a strong, competitive economy based on innovation, digitization, and the continuous development of human capital. USAID assistance has been redirected toward the creation and development of value-added economic sectors, the creation of specific infrastructure necessary for these sectors, and the education of professional human capital involved in the development of target sectors.

The sectors impacted by USAID assistance are: information and communications technology (ICT), creative industries, high value-added agriculture, tourism, winemaking, the fashion industry, and the energy sector. The development of these sectors involved a combination of strategic actions: the integration of innovative production technologies, support for the development of companies in the field, support for certification, facilitation of exports, integration of local value chains into regional and global ones, and ensuring a relevant institutional framework for the development of the business environment.

The tangible results of USAID's intervention are: the "Tekwill" and "Tekwill in Every School" programs, which were designed to develop the ICT sector, build digital skills, create innovation ecosystems, and facilitate the launch and growth of well-known companies with a global impact. The launch of the "Mediacor" and "CyberCor" centers aims to develop new sectors and drive innovation in the media industry and the use of technology in data security. [7]. "ZipHouse" was developed as a center to boost the fashion industry and support the local designer community. The importance of the programs launched by USAID for the economic development of the Republic of Moldova is also relevant in ensuring the continuation of these interventions and the further development of Agroteck Arena, which will become a space for innovation, testing, and implementation of technologies

relevant to the agricultural sector. In parallel, the agri-food sector has benefitted from numerous interventions aimed at technological modernisation and sustainability. The "High-Performance Agriculture in Moldova" (APM) programmes have supported the adoption of modern technologies, smart irrigation systems, and organic certification. More than 150 beneficiaries have received assistance in applying advanced agricultural technologies, thereby increasing the sector's resilience and efficiency.

The winemaking industry, a traditional yet high-potential sector, received support through the "Competitiveness and Rural Resilience Project" (PCRR), which focused on rebranding and expanding export markets for Moldovan wines. Interventions included support for certification, processing infrastructure, international marketing, and the consolidation of the "Wine of Moldova" brand platform. These initiatives led to increased wine exports to the European Union, Japan, and the United States.

Rural tourism was another targeted sector, benefitting from investments in thematic route development, local heritage promotion, and the training of tourism service providers. Through projects such as CEED II and the Competitiveness and Rural Resilience Project (PCRR), numerous guesthouses, artisan centres, and cultural festivals were established.[8]

In response to the regional energy crisis in 2021, USAID launched the Moldova Energy Security Activity (MESA), a comprehensive programme aimed at diversifying energy sources, enhancing energy efficiency, and supporting the adoption of green technologies in public infrastructure and SMEs. MESA aligns with national objectives to reduce external energy dependence and accelerate the transition to a green economy.

A cross-cutting component of USAID's interventions has been the development of human capital. The need for a skilled workforce was addressed through professional training initiatives, digital education, and partnerships with educational institutions. Between 2017 and 2022, more than 8,000 individuals were trained in IT, entrepreneurship, design, and project management under the Moldova Workforce Development Activity.[7]

The "Tekwill in Every School" initiative, launched in 2020, achieved significant impact by training over 100,000 students and teachers in areas such as programming, robotics, artificial intelligence, and cybersecurity. This initiative enabled the nationwide introduction of digital education, reduced regional digital divides, and increased young people's employability.

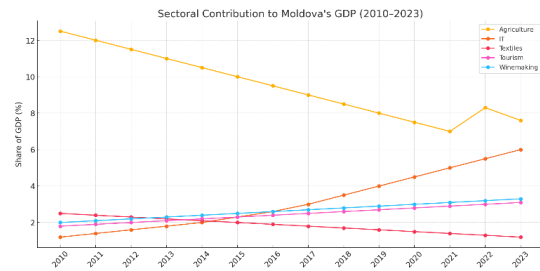
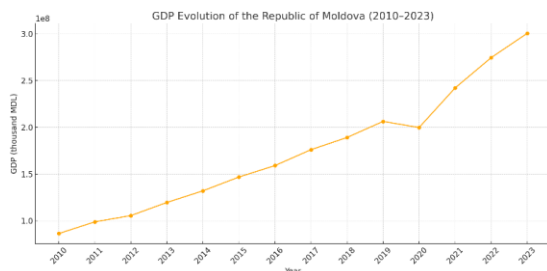
Strategic partnerships with universities in Chişinău, Bălţi, and Cahul led to the modernisation of laboratories, curriculum updates, and the creation of educational hubs integrated into local innovation ecosystems.[10]

USAID has played a catalytic role in the development of a national network of innovation centres aimed at connecting education, research, and the private sector. Innovation centers launched with USAID support: Tekwill, Ziphouse, MediaCor, Fintech Hub, Nortek, Tekwill Comrat, Cybercor, Inotek, Glia Impact Hub, and Agroteck Arena play an essential role in regional development and provide access to innovation and educational resources to over 60,000 people annually, including students, entrepreneurs, freelancers, and researchers.

To conduct a qualitative assessment of the impact of USAID assistance, we analyzed statistical data from key impacted sectors and surveyed the direct beneficiaries of the programs—entrepreneurs who received nonreimbursable financial support and technical assistance in various fields.

The analysis of GDP evolution over the period 2010-2023 shows steady economic growth, with insignificant fluctuations, as a result of social and political crises in the region. Fig. 2 shows the periods of crisis, but also Moldova's resilience, marked by a rapid recovery, thanks to development partners. The analysis of the contribution of the main economic sectors benefiting from external assistance to GDP shows upward trends in ICT, tourism, and wine production, while the agricultural sector and the textile industry have declined. This is supported by the need to identify other impediments to the development of sectors, such as unpredictable changes in the international market or climatic factors with unpredictable effects.





**Figure 2. GDP growth, 2010–2023, current prices      Figure 3. Contribution of sectors to GDP formation, 2010–2023**

Source: Author's elaboration

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The development of these sectors is affected by both the external assistance received and environmental conditions and fluctuations in international markets. The impact of USAID assistance on the development of the entrepreneurial environment was accurately determined by surveying 80 companies that directly benefited from financial assistance in four key sectors: agriculture, textiles, winemaking, and tourism.

The survey results show that USAID financial assistance has contributed to the adoption of modern production technologies, digitization, and energy efficiency in beneficiary companies (98% of respondents). USAID assistance also contributed to an increase in the beneficiary companies' revenues by at least 15% (78% of beneficiaries). Respondents (57%), mainly from the wine and tourism sectors, mentioned that the support they received contributed to the formalization and development of their businesses. Companies in the agricultural sector mentioned that USAID support was advisory and financial support that enabled them to market their products in new markets. The companies surveyed repeatedly confirmed that the USAID support they received directly had long-term effects, facilitating local economic development, job creation, and the international expansion of local companies.

### **The economic impact of the suspension of USAID assistance on the Republic of Moldova**

The end of USAID's external assistance is a critical moment for the development process of the Republic of Moldova, one of the recipient countries of external assistance, continuously over the last 30 years. The process represents the collapse of an architecture of innovation and progress, especially in the context of political and economic instability in the region.

The effects of the termination of USAID's external assistance on the Republic of Moldova can be analysed from several perspectives, including structural consequences with a negative impact on the dynamics of national economic development.

Firstly, the cessation of external assistance directly impacts strategic sectors, particularly the entrepreneurial sector, which is represented by 98% of SMEs. The sector will not receive assistance in strategic areas, and support for the digitisation of companies and the migration to alternative energy sources will be discontinued. Auxiliary industries that supported and facilitated the implementation of external assistance projects are also affected: event organisation, translation, certification and legal services, and related organisations that depend on these funds. The reduction in assistance leads to negative knock-on effects on employment and capital flows.

At the macroeconomic level, USAID has been a partner that has supported structural reforms and supplemented the budgets needed to combat crises: the COVID-19 pandemic, the energy crisis, and the lack of assistance creates additional pressure on the national public budget or conditions the need to identify or supplement the budget from other partners.

Furthermore, USAID's withdrawal will negatively influence the investment climate, and investors may become reluctant to invest locally, as the investment climate is constantly affected by various socio-political events in the region.

The economic impact of USAID's withdrawal is not limited to the loss of funds, but also involves a series of chain imbalances, including the unemployment of more than 250 USAID project employees, which affects the national capacity to ensure sustainable long-term economic growth.

### 3. Conclusions

The assessment of USAID's role and impact on national economic development over the past 30 years highlights the strategic and efficient allocation of resources. USAID's intervention has contributed to shaping the country's economic development path by supporting business environment reforms, digitalisation, innovation and human capital development.

USAID support has aligned with national development strategies, ensuring a multiplier effect of the results achieved in emerging sectors. The sectoral programmes implemented have yielded results such as increased investment, diversification of exports, increased digitalisation and innovation capacity of companies, and reduced regional disparities.

The end of USAID support directly impacts the development of strategic sectors, as well as the sustainable development of infrastructure. The loss of a strategic partner such as USAID, in a tense period, contributes to the revision of national policy and the identification or generation of the resources necessary to support strategic projects.

This research confirms not only the positive impact of USAID's assistance on Moldova's economic development but also the high degree of dependency that certain essential sectors have developed toward this support. In this regard, the absence of a well-managed transition and a viable alternative support framework may slow the pace of reforms, weaken economic performance, and exacerbate systemic vulnerabilities in the Moldovan economy.

The study highlights the urgent need to redefine Moldova's international cooperation paradigm and to reinforce a national strategy for attracting external funding, one based on diversification, institutional coherence, and the valorisation of regional partnerships. Simultaneously, it is imperative to mobilise internal resources and sustain innovation ecosystems through proactive public policies and smart investments capable of assuming the catalytic functions previously exercised by USAID.

In a transitioning economy with confirmed potential, the future of sustainable development will depend on the capacity of decision-makers to maintain the reform trajectory, translate past lessons into concrete actions, and ensure continuity of progress in a constantly evolving international environment.

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