

**8<sup>th</sup> World Telecommunication/ICT Indicators  
Meeting (WTIM-10)**  
Geneva, Switzerland, 24 - 26 November 2010



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*Information document*

**Document INF/18-E**  
**17 November 2010**

**English**

**SOURCE:** Ministry of Information Technology and Communications, Moldova

**TITLE:** Development of Information Society and ICT sector in the Republic of Moldova

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## **Development of Information Society and ICT sector in the Republic of Moldova**

### ***Contemporary history***

Republic of Moldova is a landlocked country in Eastern Europe, located between Romania and Ukraine, with a population of 3.6 million of habitants and a territory of almost 34 thousand square km. *The country is divided into 32 districts, 3 municipalities, and 2 autonomous regions.*

The country's central legislative body is the unicameral parliament, which has 101 seats, and whose members are elected by popular vote every four years. In fact, Moldova is a parliamentary democracy with a President, elected by the Parliament, as its head of State, and a Prime Minister, appointed by the President, as its head of Government.

Republic of Moldova gained its independence on August 27<sup>th</sup>, 1991 and became a member of United Nations on March 2<sup>nd</sup>, 1992. Also, in 1992 Moldova became a member of International Telecommunication Union.

### ***Economy of the Republic of Moldova***

Economy Reforms in Moldova are supported by the international specialised bodies, especially starting with 1992, after acceding to The International Monetary Fund, World Bank and European Bank for Reconstruction and Development. Also, a considerable financial support and technical assistance was offered to Moldova by such countries as USA, Germany, Japan, Sweden, Holland, Romania and Russia.

The Republic of Moldova became the World Trade Organization member on May, the 8<sup>th</sup> 2001.

Republic of Moldova is an agro-industrial country. Agriculture and Industry contribute with 37% to creation of Gross Domestic Product. The occupation of about 50.8% of active population of the country is agriculture and processing of agricultural products. Average monthly income of population is about \$247.

According to the National Policy on Communication, policy elaboration and regulatory functions have been separated since 2000:

The authority that develops, promotes and realizes Government policy on electronic communications and determines development strategy of this sector is the Ministry of Information Technology and Communications.

The authority that regulates and monitors the market for electronic communications and information technology services is the National Regulatory Agency for Electronic Communications and Information Technology.

The main task of the Ministry of Information Technology and Communications is the elaboration and implementation of the policy regarding information society building.

### ***The development of Information Society in RM***

In June 2002 the Republic of Moldova signed the Declaration of Intent among the member states of Stability Pact for South - Eastern Europe, and committed itself to build an Information Society based on principles established in the UN Charter, the Universal Declaration of Human Rights and enshrined in the Okinawa Charter on the Global Information Society. Following this,

- In 2004, through Presidential Decree, building of Information Society in Republic of Moldova was declared as a national priority.
- the Government established the guiding principles about “Policies for building information society in the Republic of Moldova”.
- A National Committee on Building an Information Society has been created as a multi/stakeholder mechanism to monitor the implementation of related policies.
- A package of fiscal and other facilities for ICT companies approved by the Parliament in December 2004 demonstrates is yet another proof of confidence that the Government has in moving forward towards a developed Information Society.
- The National Strategy for Building Information Society „Electronic Moldova” was approved by the Government Decision on the March 9, 2005.

The National Strategy „Electronic Moldova” expresses the Moldovan Government’s commitment to building an inclusive Information Society.

According to the National Strategy for Building Information Society, the Government will take all the necessary measures to develop the Republic of Moldova as an active and competitive member of the emerging global knowledge economy to ensure its democratic path to the development and secure future economic prosperity. To accomplish this strategic goal, the Government of Moldova, with its specialized body – the Ministry of Information Technology and Communications will take a leading role in developing appropriate conditions and policies, fully harmonised with the European Information Society development framework.

### ***Main achievements of Information Society building*** are:

- Creation of national institutional capacities for Information Society building;
- Developing of an European harmonized legal framework for IT&T
- Promotion of Information Society principles based on European agenda for Information Society building experience: Europe 2002, Europe 2005, and 2010

### ***Enterprises and staff in ICT sector***

In the last 10 years the Moldovan ICT sector has topped the list of the most dynamic national economy sectors and can be a major driver for increased competitiveness of the economy. ICT provides opportunities for building a competitive economy and increasing the effectiveness of the public sector.

At present more than 11 thousand employees work in ICT sector, with an average monthly salary of about \$600. The highest percentage of staff with university degree is involved in the sector.

On 1st January, 2004 in Republic of Moldova the liberalization of the electronic communications services market started that led to the promotion of changes on its various segments.

### ***Development of ICT sector in RM***

In this period, most of the market segments were marked by stable tendencies of growth.

The total sales volume on the electronic communications service market increased in 2009, compared to 2005, by 55%, and showed 524 million US dollars. Average value of the electronic communications sector was estimated at 9,7% in the country's Gross Domestic Product for the last 5 years.

At the end of 2009 the number of license holders in the IT sector and telecommunications reached to 1355. 214 of which have got general authorization and total number of active companies is 1261, including:

- 656 companies in the field of information technology
- 161 companies of audiovisual services
- 19 fixed communications operators
- 3 mobile cellular communications operators

During the last 5 years, mobile telephony sector had the highest share of 52,1% of the total Electronic Communications Market Sales, followed by the fixed telephony market with 33,1%.

The share of Internet access service market is constituting 7,5%, while the share of broadcasting and retransmission of audiovisual program services maintains its level of 4,0%.

The decrease in the share of fixed telephony to be natural, as this market is close to saturation. However, the other markets, in particular the mobile and Internet access service market are developing rapidly.

The increase in the turnover was backed up by the growing volume of investments in market sectors, estimated at 158 million US dollars. The highest share of 64,8% was invested in mobile networks.

Investments in Internet access services grew by 56,2% in comparison with 2008, and constituted 13,6% of the total investments.

The saturation of fixed telephony market accounts for the reduction of investments in this sector and constituted only 19,4% in the structure of the total investments.

At the beginning of 2010, there was the following level of penetration of ICT services:

A penetration rate of 32% for fixed telephony and 78% for mobile telephony is achieved. In terms of number of users per 100 inhabitants, Internet penetration is 37%, computers penetration is 33%.

Although, the Internet access service market, especially broadband access, was the most dynamic segment of the electronic communications sector, the penetration rate of broadband Internet access is indicating only 5,2%.

According to ITU Report „Measuring the Information Society - 2010”, Republic of Moldova is placed in the „Medium average” category, with a medium level of ICT Development Index, and is on the 73<sup>d</sup> place.

After examination of e-readiness level of the Republic of Moldova, are observed general positive trends at all chapters: regulation framework is created, which establishes principles and conditions of Information Society development, different programs are financed to facilitate assimilation of ICT, number of Internet users and demand for broadband access is growing, computers become an usual tool in business process and in the day-to-day life, etc.

Certainly, all these achievements are still modest comparing with data from other developed countries. This fact imposes the necessity to strengthen the state policy in this area and to find solution to stimulate growth.

To stimulate further development of IT and electronic communications services market in the Republic of Moldova is necessary to undertake a number of actions such as:

- identification and analysis of relevant markets, designation of operators with significant market power,
- design and implementation of Methodology for calculating long-term incremental cost at the interconnection of electronic communications networks and services,
- regulatory insurance of access to the local loop,
- Finalizations of the process of rebalancing tariffs for public fixed telephony services.

In conclusion I would like to mention that taking into account all above, the ministry identified the main objectives to prepare and approve by Government of the follow strategical documents:

- ICT sector development 2010-2013
- Broadband strategy 2010-2013
- Digital television switchover
- Postal services development 2010-2013

We expect, that implementation of those initiatives will lead to:

- ✚ ICT growth incentives, such as:
  - defining a place for Moldovan ICT proposition in global value chain
  - facilitative policies to support Country Proposition
  - positioning and promotion of the national ICT sector
  - stimulating public procurement
- ✚ Infrastructure development, such as:
  - open communication market
  - broadband deployment targeting 20% penetration
- ✚ Education sector as enabler, as such:
  - to ensure ICT sector has adequate resources to grow
  - to prepare citizens for e-Government.