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FOREWORD

*Life has to be lived forward,
but learned backward.
Soren Kirkegaard*

When Kirkegaard wrote this sentence some 100 years ago it was not necessarily a truism, but it actually captured a forward looking philosophy. We all know that Moldova is going through a complicated process of transition, in the economic, political and social domains. 100 years is not a long time, 7 years are even shorter. The point is, if we can learn, we can live.

The UNDP supported National Human Development Reports for Moldova are about learning and, therefore, about living, about Sustainable Human Development. The Republic of Moldova is a young nation struggling with the complex issues of state and people, private and public, urban and rural, national and foreign. The Human Development Reports attempt to provide a yardstick of all of the above, to measure the present status and perceptions and to recommend a possible way ahead.

The Report this year is blunt and analytical, it takes stock of the past and points to the future, and it learns and lives. It learns, but it only lives if it is part of a process. And that process will be the continuous dialogue among the citizens of the country, between the state and its people, civil society and Government, Moldova and foreign nations.

Moldova has history and traditions, by learning from the past, we can shape the future too. The present Report is part of that history, but used actively, it can be part of the future.

Read it and live it, together we can make it.

A handwritten signature in black ink, appearing to read 'Soren Tejno', is centered on the page.

Soren Tejno
UNDP Resident Representative
UN Resident Coordinator



BASIC FACTS ABOUT MOLDOVA

<i>Official Name:</i>	<i>Republic of Moldova</i>
<i>Geographical Position:</i>	<i>The Republic of Moldova is a state in the South-East of Europe, situated between Romania and Ukraine, in the basin of the Rivers Prut and Nistru</i>
<i>Area:</i>	<i>33.8 thousand km²</i>
<i>Population:</i>	<i>4,305,000 people</i>
<i>Population Density:</i>	<i>127 people/km²</i>
<i>Capital:</i>	<i>Chisinau (about 700 thousand inhabitants)</i>
<i>National Holiday:</i>	<i>The Independence Day (August 27)</i>
<i>National Banner:</i>	<i>Three equal vertical stripes of blue, yellow and red (the first one near the flagstaff) with the emblem of Moldova in the center, on the yellow stripe</i>
<i>Form of Statehood:</i>	<i>Republic</i>
<i>The Head of the State:</i>	<i>President</i>

INTRODUCTION

The analysis of the human development processes in the Republic of Moldova is very timely, as it corresponds to the needs of the current stage of transition towards the different pattern of the society organization based on the establishment of the institutions necessary for the proper functioning of a democratic state founded on the principles of the rule of law and market economy.

Obviously, the changes which took place in the political and economic system, in the social life and in the mentality of the population of Moldova affected the process of human development, the effects of these changes being, in many cases, negative and unfavorable.

Indeed, the "historical interval" passed through by the ex-communist countries is marked by a serious long-lasting crisis as well as by the fundamental changes, accompanied by the inevitable economic imbalances and social tension. The identification, analysis and solution of the complicated human development problems characteristic of this period is very difficult, especially given the lack of experience in the respective field.

The role of the state and the efficiency of the government during the transition period is determined by the cognizable effects of the economic and social policies, by the ability of the public authorities to actualize transformations at the lowest social costs as well as by the degree of understanding (acceptance) of changes and of the political responsibility for the success (failure) of the decisions taken. The efficient implementation of reforms is impossible without the unified political will of all the power structures and without the support of the majority of citizens.

Although some experts state that the Republic of Moldova is doing much better than other CIS member-states in terms of promoting reforms, the reality does not always prove this statement. The elaboration of the legal framework necessary for the implementation of reforms and making it functional is very slow. The state sector accounts for 48% of the social capital of the nation's economy. The level of productivity and competitiveness remains low. The stocks of goods produced by the national economy equal, on average, one third of the country's GDP.

The modification of the direct and indirect functions of the state in promoting the economic and social development is taking place with great difficulties. Indirect mechanisms are practically not operational, with state institutions continuing to use the practice of direct interventions: administrative measures, subsidies, targeted credits, etc.

The inconsistency and incoherence of reforms implemented during the previous years have led to the aggravation of the crisis and to an increase in the social costs. At the beginning of 1997, the Republic of Moldova entered the most difficult stage of its transition process.

Essential changes and profound reforms, which could "set in motion" the market economy mechanisms, add dynamism to the process of human development and social cohesion and contribute to the expanding of choices, cannot be postponed anymore. At the same time, social costs might further increase, once again putting to the test the patience of the population.

As of to date, the country has come to a multidimensional deadlock characterized by the stagnation of the economy (following a sudden decline in 1990-1994); the external and internal debt which has surpassed the critical level; the growing commercial balance deficit; the unprecedented financial difficulties; the mutual debts of the economic entities and those to the state; the increasing salary and pension arrears; the inefficiency of the production process and non-competitiveness of local products; the energy sector crisis; the growth of shadow economy; the malfunctioning of the fiscal system, among many others. The situation is even more difficult given that all the above-mentioned phenomena and processes are taking place under the conditions of a huge financial crisis in the CIS area.

Obviously, the human development crisis is deepening which is manifested by the intensification of the process of the population's pauperization, the proliferation of poverty, the increased unemployment and malnutrition; the depreciation of the public education, health care and social protection systems and of the infrastructure; the social anxiety, depression and different forms of social tension; the increased distrust in public authorities. Despite the fact that the Human Development Index, which has slightly increased as compared to 1994, remains at a low level, the Republic of Moldova is still ranked as one of the countries with the medium level of human development in the HDI classification of the nations made by the UN.

The 1998 National Human Development Report (NHDR) is focused, primarily, on the problems

related to the evolution and efficiency of the institutions and mechanisms functioning in the state based on the rule of law and their role in the process of transformations. It also addresses the most difficult aspect of the long-lasting transition - poverty. The pauperization of the population, the lack of proper information and the inability of people to accept new mentality, behavior and different life style are considered to be the most important impediments to the implementation of reforms and the achievement of sustainable human development.

The final solution of the problem of poverty entirely depends on the acceleration of the fundamental reforms and on the speeding up of economic and human development processes. In this context, to be highlighted is that all the social protection measures have a very specific nature; under the critical circumstances, they may be necessary to undertake even in the most developed countries.

It is widely known that human freedom gives an impulse to all forms of human development. In 1998, the world community commemorated the 50th anniversary of the Universal Declaration of Human Rights. In view of this, a separate Chapter discussing the human rights situation in the Republic of Moldova has been included in the present Report.

As part of the efforts to analyze the current situation in the country, the NHDR highlights the many economic, social and infrastructure problems, paying special attention to the human development issues.

Since in Moldova there have been conducted very few comprehensive sociological researches on the social changes underway in the country or on the human development concept and, therefore, there are almost no detailed information available on these subjects, the formulation of the present National Human Development Report, under the guidance of the United Nations Development Programme (UNDP), together with the preparation of the previous NHDRs, is important, as it constitutes an effort to fill, at least partially, this gap.

The qualitative analysis and quantitative evaluations presented in the Report are mainly based on the official data elaborated, with a high degree of professionalism, by the Department of Statistical Analysis and Sociology for **1990-1997**, as well as , in some cases, on the data of the Ministries, Departments and scientific research institutions, on the researches conducted by international organizations or some independent surveys. **Of importance is that the present Report addresses the situation in the country in 1997. The changes that occurred in 1998 will be included in the next Report.**

On the initiative of UNDP Moldova, the national team for the preparation of the 1998 NHDR was formed on the basis of a tender organized among the experts working in different fields, supporting different concepts and having different opinions. Therefore, **all the views and conclusions expressed in this Report are solely those of its authors. They do not necessarily coincide with the views of the state authorities or UNDP.**

In the process of the formulation of the Report, a number of thematic discussions were organized. Some of them were attended by Mr. Maarten Keune, international consultant, whose contribution to the preparation of the 1998 NHDR was very important. A very useful discussion on the Report was conducted during a national seminar, attended by a big number of experts from the Ministries and research institutions, by teaching staff from higher education establishments, representatives of NGOs and mass-media. Opinions expressed during the discussions held allowed to improve the content of the Report and turned out to be very useful for making the analyses more profound and estimations - more precise. In this context, members of the national team would like to express their gratitude to Mr. Maarten Keune who assisted in the elaboration of the overall structure of the Report as well as in the formulation of some parts of its final version. Equally appreciated is the contribution of Mr. Calvin Allen who helped in the editing of the English version of the 1998 NHDR, thus making it more accessible for the readers in other countries.

Finally, the authors would like to extend their thanks to the researchers and experts of the national scientific institutions and Universities, Ministries and Departments, in particular, to the Department of Statistical Analysis and Sociology and some NGOs, which provided them with all the necessary information. They would also like to express their deepest appreciation to the United Nations Development Programme for the financial, logistical and moral support without which the publishing of the 1998 Report would have been impossible.

Tamara Golenco
Scientific Coordinator

Table of Contents

CHAPTER I. THE CONCEPT OF HUMAN DEVELOPMENT	1
CHAPTER II. Building the Fundamentals of a Democratic State	5
2.1. On the Path of Democratisation	5
2.2. Unity and Integrity of the State	8
2.3. From Centralism to Decentralisation	10
2.3.1. The Need for Decentralisation	10
2.3.2. Reforms and Persisting Problems	10
2.3.3. The Need for Change	12
2.4. Civil Society	12
2.5. Public Security	13
2.6. Conclusions	14
CHAPTER III. HUMAN RIGHTS AND SOCIAL COHESION	17
3.1. The Role of the State – Main Achievements	17
3.2. International Law and Fulfilment of the Obligations Assumed	18
3.3. Main Human Rights Concerns	19
3.3.1. Mass Media and the Right to Information	19
3.3.2. Access to Justice and the Right to an Impartial Hearing in Court	20
3.3.3. Security of Person and Privacy	21
3.3.4. Freedom of Conscience and Religion	21
3.3.5. Freedom of Association and Assembly	22
3.3.6. Treatment in Places of Detention	23
3.4. National Minorities and Human Rights	24
3.5. Parliamentary Advocate	25
3.6. Conclusions	26
CHAPTER IV. THE ECONOMY IN TRANSITION AND HUMAN DEVELOPMENT	29
4.1. Economic Development	29
4.2. Macroeconomic Problems	31
4.2.1. Stability and Dynamism	31
4.2.2. Fiscal Policy	32
4.3. Post-Privatisation Problems	36
4.4. Human Capital	38
4.5. Shadow Economy	41
4.6. Conclusions	43
CHAPTER V. SOCIAL POLICIES	45
5.1. Social Policies in Support of Sustainable Human Development	45
5.2. Income and Poverty	46
5.3. Nutrition Security	50
5.4. Functioning of the Labour Market	52
5.5. Problems in the Education System	54
5.6. Managing the Social Sphere	56
5.7. Conclusions	58

CHAPTER VI. INFRASTRUCTURE – A SUPPORT FOR SOCIAL COHESION	61
6.1. Regional (Territorial) Development	61
6.1.1. Local Communities	61
6.1.2. Transition to Other Principles of Community Organisation	63
6.1.3. Territorial Planning – an Expression of Social Policy	64
6.2. Housing System and Physical (Technical) Infrastructure	65
6.2.1. Housing	65
6.2.2. The New Role of the State in the Apartment Construction Sector	66
6.2.3. Public Utilities and Physical (Technical) Infrastructure	67
6.3. Transportation System	68
6.3.1. General situation	68
6.3.2. Vehicles and traffic security	69
6.4. The Energy Sector	69
6.5. Telecommunications, Information and New Information Technologies	71
6.6. Conclusions	73
 Annex - Human Development Indices for the Republic of Moldova	 75
Human Development Index	75
Human Development Profile	75
Profile of Human Deprivation	75
Trends in Human Development	75
Rural-Urban Gaps	76
Child Survival and Development	76
Health Profile	76
Food Security	76
Education Imbalances	77
Employment	77
Welfare, Poverty and Social Investment	77
Resource Flow Imbalances	77
Disproportion between the military expenditures and resources usage	78
Urbanization	78
Demographic Profile	78
Natural Resources Balance Sheet	78
Energy Consumption	79
National Accounts	79
Trends in Economic Performance	79
 ABBREVIATIONS	 81
 BIBLIOGRAPHY	 83

List of Tables

Table 1.1. Human Development Index for Moldova: Values and Rankings	2
Table 2.1. Results of the 1998 Elections	8
Table 2.2. Crimes in 1996-1997	14
Table 4.1. GDP Indicators by Main Types of Economic Activity	30
Table 4.2. Structure of GDP by Types of Economic Activity	30
Table 4.3. Public External Loans Negotiated and Managed by the Government	32
Table 4.4. Public External Loans Negotiated and Managed by the NBM	32
Table 4.5. Loans Granted to the Republic of Moldova Under the Guarantee of the Government	32
Table 4.6. Evolution of the Key Macro-Economic Indicators	33
Table 4.7. Evolution of the Consolidated Budget	34
Table 4.8. Structure of the Consolidated Budget	35
Table 5.1. Structure of Income of the Population	46
Table 5.2. Average Annual Consumption of Basic Food Products	51
Table 5.3. Labour Mobility in 1996	53
Table 5.4. Structure of the Official Unemployment by Sex and Age	54
Table 5.5. Students of Higher Education Institutions, by Faculty	56
Table 5.6. Social Expenses from the State Budget	57
Table 5.7. Structure of Social Expenses	57
Table 6.1. Comparative Data on the Age of Apartment Blocks	66
Table 6.2. Traffic Accidents	69
Table 6.3. Capacity of Automatic Telephone Stations and Density	71
Table 6.4. Population's Access to TV Programmes	71

List of Figures

Figure 4.1. Evolution of GDP	30
Figure 4.2. Assessment of Reforms	40
Figure 4.3. Assessment of Changes Resulting from the Privatisation in Agriculture	40
Figure 4.4. Evolution of Official and Shadow GDP	42
Figure 5.1. Lorenz Curve of the Income Distribution of the Population	47
Figure 5.2. The Proportion Between Lyceums and General Secondary Schools	55
Figure 5.3. Supply and Demand for Specialists with Higher Education	55
Figure 6.1. Proportion of Rural to Urban Population , 1959-1998	62
Figure 6.2. Ethnic Composition of the Urban and Rural Population, 1989	62
Figure 6.3. Access to Water Mains and Sewerage by the Population	68
Figure 6.4. Charges on Electricity Consumption in Some Countries of the World	70

List of Boxes

Box 1.1. Calculation of the Human Development Index	3
Box 1.2. Topics of the Global Human Development Reports	4
Box 2.1. Increase in Crime	14
Box 4.1. Ambivalence Towards Reform	39
Box 5.1. Poverty Characteristics	48
Box 5.2. Social Protection	50
Box 5.3. Food Security in the World	51
Box 5.4. Problems in Education	56
Box 5.5. Family Today	59
Box 6.1. Environmental Factors Influencing the Development of Human Settlements	63
Box 6.2. Situation in the Information Sector	72



CHAPTER I. THE CONCEPT OF HUMAN DEVELOPMENT



Human welfare and human progress have been the concern of many philosophers and great thinkers throughout history and have been paid much attention in, for example, the classic works on political economy of the 18th and 19th centuries. Early approaches focused mainly on the interdependence between economic development and human progress. During the last 50 years, however, modern approaches have been developed which treat this subject in a more complex way on the basis of the interdisciplinary theories and studies. Still, until 1990, the common view was that human progress depended directly on and could be measured by economic growth.

The first Global Human Development Report of the United Nations Development Programme, launched in 1990, challenged this view as too simplistic. It argued that development strategies based solely on the promotion of economic growth could not assure the achievement of sustainable human progress. Economic growth does not automatically lead to the improvement in people's well-being which rather depends on what is being done with the results of the economic growth and who benefits from it. Also, economic development implies certain costs such as environmental depletion, inequality and others, which may affect human well-being. Therefore, the Report presented a new concept, the concept of human development. Although there is no direct cause-effect relationship between the system of freedoms and human development, international experience shows that freedom releases creative social energies. The 1990 Human Development Report states: "Human development is incomplete without human freedom. In the course of history people sacrificed their lives to win national and individual freedoms".

Human development has been defined as a continuous process of expanding choices. The availability of certain choices is essential for a human being. *The choice of a long and healthy life, the choice of being educated and the choice of having a decent standard of living are the fundamental ones.* Other categories of choice, which have no less importance, pertain to the social and political relations of a human being: *participation in political life; cultural diversity; human rights and individual freedom.* Both types of choices are considered to be *crucial* and their absence limits the process of development, i.e. the process of expanding choices. In view of this, the task of a society is to provide its people with access to such choices and create

opportunities for their realisation.

Another fundamental concept used in the global Reports is the sustainable human development, the concept which points to the long-term process of change that reconciles the interests of the present and future generations. The regeneration of resources, environmental protection, preservation of the national cultural heritage, effective performance of public institutions, modernisation of the functions of the state and civil society, improvement of the moral atmosphere in the society, promotion of legality, development of culture in the large sense of this word, and continuing improvement of the socio-political climate – all these are the foundations of human development.

The Global Human Development Report of 1995 synthesised four essential components of the human development paradigm:

- *Productivity.* The population should have the possibility to increase productivity and fully participate in the process of income generation. Economic growth is just a subset of human development patterns.
- *Equity.* People should have equal access to opportunities. All barriers impeding participation in economic and political life should be removed.
- *Sustainability.* Access to opportunities should be assured for only for the present but also for the future generations. All forms of physical, human and environmental capital should be strengthened.
- *Empowerment.* Human development should be achieved through the common efforts of people and not only in their individual interests. Individuals should fully participate in the decision-making and other processes that influence their lives.

The concept of human development emphasises the need to give all these components equal attention in the design and implementation of development strategies and policies. It calls for a balanced set of measures aimed at the economic, social, cultural and political development and environmental protection. The many dimensions of human development such as economic growth, productive employment of members of the society, gender equality, environmental protection and fundamental human freedoms are treated holistically. The objectives and implications of policy in one area should be

"You should always view the man as the goal, never the means of your actions"

Immanuel Kant

compatible with the objectives and policies in other areas, so that to ensure the positive human development.

Human development means much more than the satisfaction of the vital needs of people and their wellbeing or the simple modernization of human capital. It is a multivalent notion which comprises a continuous performance and sustainable development of a human community viewed as an integral body with a dynamic equilibrium between the growth of human capabilities, the multilateral development of those of the society and the maximum expanding of choices. *A growth of human capabilities is based on the access of all members of the society to education, health care, normal living conditions and nutrition. However, if the growth of human capabilities outpaces the process of expanding choices or vice versa, human development might suffer.* Correlation and equilibrium between the human capabilities and those of the society and the continuity of the democratization process constitutes an essential condition for human development.

In the Republic of Moldova, like in other countries in transition, the democratisation process formally favours the expanding of social, economic, political and cultural choices. In fact, however, the new opportunities are only partially realised, with the expanding of choices being blocked due to various objective and subjective reasons. Democratic institutions in all spheres are experiencing a crisis, which attests to the reduced ability of the human community to find solutions for overcoming the difficulties, or even to its total inability to do so. Opportunities can be expanded and realised only when the ability of the whole population to make use of them increases (mental and behavioural dynamism, awareness, preparation, knowledge, appropriate perception, positive attitude, political will, competence, responsibility and productive work, among others).

At present, poverty is the most painful social phenomenon, which imperils sustainable human development and social cohesion in the Republic of Moldova. It affects the realisation of choices vital for each human being, first of all those pertaining to the living standards and health. Together with other social phenomena, poverty generates tensions, social fragmentation, isolation, alienation, and physical and psychological underdevelopment, with harmful effects on the stability of the country.

Promotion of sustainable human development in the Republic of Moldova would mean strengthening social cohesion through a precise identification of the sources and consequences of social exclusion and the

elaboration of the necessary policies to address these. The society and its government should be responsible for meeting the basic needs of the most vulnerable layers of the population, this being a precondition for sustainable human development.

The human development problems experienced by the country are reflected in the Human Development Index, HDI (see Table 1.1 and Box 1.1). The HDI values for Moldova decreased rapidly during the period from 1992 to 1994, indicating a decline in the level of human development. As a result, the HDI ranking of Moldova decreased, with its relative position among the countries of the world having fallen from 81st to 110th during these three years. In 1994, Moldova's level of human development was comparable to that of Uzbekistan (ranking 100), Albania (102), Georgia (105), China (108), Egypt (109), Salvador (112) and Tajikistan (115). A positive development is that the HDI value for 1996 is slightly higher than the 1994 value (see Box 1.1).

Table 1.1. Human Development Index for Moldova: Values and Rankings

Global Human Development Report	Year figures refer to	HDI value	Ranking
1995	1992	0.757	81
1996	1993	0.663	98
1997	1994	0.612	110

Note 1: The HDI values for all countries are published every year in the Global Human Development Report, with the figures generally referring to the situation in the country three years previously.

Note 2: The HDI ranking indicates the relative position of a country compared to the rest of the world. The country with the highest HDI score is ranked number 1.

Note 3: For the calculation of the HDI, see Box 1.1.

Moldova's National Human Development Reports

The first Moldovan National Human Development Report (NHDR) was published in 1995, and examined possibilities for the evolution of the Moldovan society towards sustainable human development. The Report introduced the concept of sustainable human development and discussed its application in the Republic of Moldova, evaluating the impact of transition, independence and market economy. The problems of gender equality, the situation and the rights of women, the freedoms obtained by the population after the declaration of the country's independence, the

Box 1.1. Calculation of the Human Development Index

The Human Development Index (HDI), developed by UNDP to provide a way of measuring and comparing the level of human development, is based on three key elements: longevity; educational attainment and standard of living. Longevity is measured by the life expectancy at birth. The educational attainment is calculated as an arithmetic average of the adult literacy rate (two-thirds weight) and the combined education enrolment ratio (one-third weight). The real Gross Domestic Product per capita, calculated at Purchasing Power Parity in US Dollars, is used to measure the standard of living of the population. The steps in calculating the HDI for the Republic of Moldova in 1996 were as follows:

Life expectancy	=	66.7 years
Literacy level	=	96.4%
Enrolment in the education system ratio	=	65.0%
Real GDP per capita (PPP\$)	=	US\$ 2,122

According to the methodology employed in the *Human Development Report, 1997* (UNDP, page 122), each component is compared with the fixed minimum and maximum values established by UNDP: 25 and 85 years respectively for life expectancy; 0 and 100 for the literacy rate; US\$ 100 and US\$ 40,000 for the real GDP per capita (PPP\$). The levels of the real GDP per capita in excess of the world average (US\$ 5,835) are adjusted according to a descending scale. For Moldova, with the real GDP per capita of US\$ 2,122 in 1996, the value does not have to be adjusted. For each component, the difference between the actual and the minimum value is divided by the difference between the minimum and maximum values. In this way, the following indices are obtained:

$$\text{Life expectancy index: } \frac{66.7-25.0}{85.0-25.0} = 0.695$$

$$\text{Literacy index: } \frac{96.4-0.0}{100.00-0.0} = 0.964$$

$$\text{Enrolment in the education system index: } \frac{65.0-0.0}{100.0-0.0} = 0.650$$

Educational attainment index, calculated on the basis of the two above indexes:

$$\frac{2 \cdot 0.964 + 0.650}{3} = 0.859$$

$$\text{Index of the real GDP per capita: } \frac{2,122-100}{6,154-100} = 0.334$$

The Human Development Index, which is calculated as a simple average of the three key elements, is therefore:

$$\frac{0.695 + 0.859 + 0.334}{3} = 0.629$$

reform of the political sector and the rights of the citizen were paid particular attention.

The 1996 NHDR looked at human development in the context of political reform, creation of the country's statehood and social integration. The Report advised the public opinion-formers and decision-makers of the negative phenomena the solution to which had not been yet found (the territorial separatism, energy crisis, shadow economy, unemployment, among others).

The third NHDR, published in 1997, dealt with the issue of social cohesion. Economic problems and the social effects of the crisis and transition constituted its main topics. Special attention was paid in the Report to the social sphere problems, particularly to

social protection.

This 1998 NHDR examines the topic *The Role of the State in Social Cohesion*, the main idea of the following chapters being to analyse the impact of the Moldovan model of transition on the society. In line with the above, *Chapter 2* examines the progress that the country has made in building a democratic state, the decentralisation of decision-making process and the development of civil society. Attention is paid as well to the present problems pertaining to the national unity, the territorial integrity of the state and public security. *Chapter 3* discusses the achievements and the remaining problems in Moldova in the area of human rights. This chapter should be considered particularly relevant in the context of the celebration of the 50th anniversary of

Box 1.2. Topics of the Global Human Development Reports

Each Global Human Development Report, published yearly by UNDP since 1990, presents a different topic. All the Reports propose concrete policy recommendations with the purpose of promoting sustainable human development.

- The *Human Development Report, 1990* presented the concept and the methods of assessment of human development, introduced the Human Development Index as an instrument for measurement and comparison of the quality of life, and provided various indicators of human development.
- The *Human Development Report, 1991* focused on the financial issues pertaining to human development. The main point of the Report was as follows: it is not the lack of resources but rather the absence of political will and competence to find mechanisms for their attraction that is the main constraint to human development. The Report provided ideas on ways to restructure national budgets as well as on aid allocations to generate more resources for human development.
- The *Human Development Report, 1992* referred to the international dimension of human development. The Report claimed that, as long as the industrialised world kept its door closed to the developing countries for trade, capital flow and migration, international inequality would grow and the objectives of human development would not be attained.
- The *Human Development Report, 1993* examined the problem of people's participation. It showed that "jobless growth" hindered the participation of ordinary people in the revitalisation of the economy. It analysed how participation could be enhanced through the people-friendly market mechanisms, the decentralisation of governance, NGOs and civil society institutions.
- The *Human Development Report, 1994* discussed the topic of human security. It argued that people's security was much more important for human development than territorial security.
- The *Human Development Report, 1995* focused on gender equality, considered to be one of the most important factors in the process of democratisation and human development. The Report concluded that progress had been made in building women's capabilities, but not in expanding their choices.
- The *Human Development Report, 1996* presented the topic of economic growth for human development. It concluded that there was no automatic link between economic growth and human development and that such a link could be created only through the deliberate public policies.
- The *Human Development Report, 1997* discussed the problem of human poverty. It highlighted the many dimensions of human poverty, stressing not only income poverty, but also various other forms of social exclusion such as the lack of access to education, health care and participation. The Report presents an agenda for the eradication of poverty for the 21st century.

the Universal Declaration of Human Rights. In *Chapter 4*, the performance of the national economy and the corresponding policies are examined in the light of the role they do or should play in promoting human development. *Chapter 5* looks at the developments and encountered difficulties in the social sphere, in particular at the widespread poverty,

developments in the labour market and in education, and examines the role social policies have been playing in promoting human development. Finally, *Chapter 6* takes a closer look at the role of the country's technical infrastructure, including housing and the transport, energy and telecommunications systems, in promoting human development.

CHAPTER II. BUILDING THE FUNDAMENTALS OF A DEMOCRATIC STATE



In the process of building a new society, based on new values, democratisation constitutes one of the main objectives of reform. The actual democratisation of the Moldovan society, acceptance by every citizen of the universal human values and the process of enlarging people's choices constitute the essential condition for overcoming such severe problems as poverty, social exclusion and others.

The fundamental principle of a democratic society is freedom – a political value and a dimension of being a citizen. The intrinsic condition for exercising political freedom is the right to participate in governance and to control the authorities. Unless this right is present and exercised, the governors will not take the will of the governed sufficiently into account. The periodical change in governors on the basis of popular vote was and remains the only means through which the population can impose its will on the governing authorities.

In a democratic state governance can no longer be the monopoly of the government. The effectiveness of governance depends to a great extent on the ability of the leaders to democratise the process of decision-making by extending local autonomies and allowing different actors – political parties, trade unions, corporations, non-governmental organisations (NGOs) – to get involved. Through the activities of these bodies, the needs and priorities of the citizens will be part of the relevant decision-making processes.

The protection of the population from abuses by public authorities can be ensured by guaranteeing their human rights. The process of democratisation in the Republic of Moldova led to the discovery and acceptance of the individual and collective human rights as fundamental values. As will be discussed in more detail in Chapter 3, the acceptance and, more importantly, observance of human rights and freedoms, will face different problems, but it will bring forth a new quality of human development in the Republic of Moldova.

For the moment, there are still many persistent problems affecting the creation of a democratic, free society. In this Chapter, some of the aspects most important for the consolidation of democracy in the Republic of Moldova will be analysed: the achievements in the democratisation process; the problems related to national unity and territorial integrity; the need to intensify decentralisation and strengthen the role of

local governments; the creation of a civil society; and the rapidly increasing level of crime, which seriously affects public security.

2.1. On the Path of Democratisation

The Republic of Moldova was established on a territory where, during the existence of the USSR, the need for economic development was of primary importance. Since the collapse of the totalitarian communist regime and under the conditions of transition to a market economy, the nation faces the problem of achieving the real objective of economic development: the economy should serve human development, with the economic growth being driven by the needs of the population. Sustainable human development is the key objective of every society.

This means that the focus of development policy should be re-oriented towards the main problems affecting human development in the country, including the strengthening of democracy, the observance of human rights, the alleviation of poverty and the prevention of the exclusion of certain categories of the population from social and economic life. Only then will it be possible to get the country out of the crisis it has been experiencing in recent years. It will also help to increase the confidence of people in the will and ability of the public authorities to improve the well-being of the population.

The fundamentals of the state and of democratic society in the Republic of Moldova have been built in three, relatively distinct stages. The first stage – confusing, contradictory and short-lived – started in 1990 with the first democratic elections that marked an important step in the process of democratisation and creation of the rule of law. On 23 June 1990, the Supreme Soviet, at its first meeting, expressing the will of the people, declared the Moldavian Soviet Socialist Republic (MSSR) a sovereign state. This act formed the basis for the fundamental principles of the constitutional process: people being the source and the bearer of the sovereignty; the integrity and indivisibility of the state; the acceptance of fundamental human rights; the establishment of citizenship of the Republic of Moldova; etc. It served later on as the basis for the Constitution.

Under the difficult conditions inside the country, and especially those outside it, the institutions of a new state started to be created. On 2.09.1990, as a result of the territorial

“...Democracy is a process, not an outbreak. Solid democracy requires perseverance and ability to work on ourselves, as a national collectivity.”

Bill Clinton

separation of the MSSR, the institute of the Presidency was formed as part of public authorities. It was created as a political authority capable of assuring the observance of the law and the sovereignty of the state. The official name of the state – the Republic of Moldova – was adopted on 23 May 1991.

The second stage began after the political coup of 19-21 August 1991 in Moscow that led to the collapse of the USSR. On 27 August 1991, the Parliament of Moldova, on the basis of the right of people to self-determination, declared the Republic of Moldova an independent, sovereign and democratic state and requested all the states and governments of the world to recognise its independence. This act “crystallised” the image of the new state and represented a “mini-constitution” of the Republic of Moldova. It was followed by a very difficult and controversial period of almost three years which was characterised by successes and drawbacks in the process of political reform, consolidation of the values of the state of law, preparations for parliamentary elections, and elaboration of the fundamental laws of the young state.

The third stage began with the adoption of the Constitution that served as the basis for the state of law and the institutional system of power. Article 1.3 of the Constitution states that, “The Republic of Moldova is a democratic state of law, where human dignity, rights and freedoms, free development of human personality, justice and political pluralism are the supreme guaranteed values.”

The Constitution offers a clear definition of the relationship between the state and the individual. The fundamental rights of the citizens (Constitution, section II) limit the power of the state. According to the rights granted by the Constitution, the citizens can oppose the power and the state is declared the guarantor of the freedoms and rights of its citizens. In a narrower sense, the state of law presupposes not only the elaboration of legal norms (e.g. the Constitution, other laws), but also requires an effective functioning of the mechanisms that ensure the absolute observance of these norms.

However, the path from proclaiming the above values to their affirmation has been rather difficult and the state is not yet completely subordinated to the rule of law. Not all actions of the state are legitimate and within the confines of the law. State structures and individuals – all subjects of the law – do not always observe laws or strictly follow legal rules. State agencies, in performing their functions, do not all the time respect the basic legal guarantees such as the constitutional guarantees of equality, freedom and security of citizens. As a result, a poll conducted by the Sociological Centre CURS from Bucharest shows that the credibility of public authorities

was very low at the beginning of 1997. Only 15% of the respondents had confidence in the Government, 17% in the judiciary, and only 9% in the Parliament. A fundamental condition for strengthening the relationship between the citizens and the state, and for building a democratic state based on the rule of law is the complete observance of the law by all state entities.

The development of democracy in the Republic of Moldova, like in other former communist countries, is at its initial stage. Much time will still be needed for the actual realisation of freedoms and responsibilities of individuals and community related to the creation of a new society based on other values.

Below, there will be taken a closer look at the basic pillars of democracy in the Republic of Moldova: the Presidency; the Parliament; the Constitutional Court; political parties; and elections.

The President. The Constitution that functioned until 1994 provided for a presidential political system. The present one, adopted in 1994, substantially diminished, however, the powers of the President. Now, six years after the creation of the Presidency, divergent opinions exist on its role and usefulness, with some people questioning the very need for this institute. Thus, the writer Ion Druta, being one of the first to openly pronounce himself for the elimination of the Presidency, argue that the institution is ineffective and that too many financial resources are spent to support the huge bureaucratic apparatus, which, under the conditions of the economic crisis, is inappropriate. The leader of the Communist Party also favours the abolition of the Presidency, claiming, on the basis of ideological considerations, that a parliamentary republic is “more appropriate to the needs of the people.”

The attitude of the citizens of the Republic of Moldova towards this issue seems to be quite different. A poll organised by the foundation “The Modern Moldova” at the end of 1996 asked the following question: “In case of confrontation between the Parliament and the President, who should have the decisive say?” 52.7% of those interviewed indicated the President and only 18.9% - the Parliament. Moreover, the massive participation in the last presidential elections confirms the importance and necessity of this institute within the present political system. The population seems to rather accept a powerful President than a parliamentary republic and it is the President who is principally identified with the state. A weak President, however, will not be supported by the people. Another poll, conducted at the beginning of 1998, indicated that the trust in the Presidency continues to

be high, as 57% of those interviewed answered that they had «very much» confidence in the President.

The Parliament. The Parliament elected in February 1994 consisted of 104 deputies representing different social groups, political orientations and opinions of the electorate. Almost two-thirds of the deputies were 30-35 years old and the majority had received higher education. One deputy, Ilie Ilascu, has been retained in prison in Transnistria for political reasons, during the whole time of his mandate.

The legislative procedure in the single-chamber Parliament consists of the following stages: legislative initiative; examination and appraisal of draft laws by the permanent committees; inclusion of the drafts in the agenda of the plenary sessions; parliamentary debates on the drafts; adoption; signing of the law by the Chairman of the Parliament; and its promulgation and publication.

The elements of the legislative procedure are determined by the Constitution, the Regulations of the Parliament and, in some cases, by common laws accumulated from parliamentary practice and traditions. According to Article 73 of the Constitution, the right to legal initiative is granted to deputies, the Government and the President of the Republic. Legal initiative for revising the Constitution can be submitted by 200,000 citizens with voting rights, a minimum of one-third of the parliamentary deputies, by the President or by the Government.

The laws and decisions of the Parliament are adopted through the majority vote of the deputies present. Organic laws are adopted through the majority vote of the elected deputies. The President of the Republic promulgates the adopted laws. He has the right to send laws back to the Parliament for re-examination in case he has objections. If the Parliament insists on its decision, the President must promulgate the law. Laws become operational on the date of their publication or on the date stipulated in their text. The law which is not published, is considered not to have any legal power.

As mentioned above, the confidence of the public in the Parliament is decreased. Many people consider that the parliamentarians promote their personal interests rather than those of the electorate.

The Constitutional Court. According to the Constitution, the Constitutional Court controls the constitutionality of the laws, decisions and decrees issued by the respective public authorities. Up to now, the political actors and public authorities have not ignored the decisions of the Constitutional Court, a fact which increases confidence in the gradual establishment of a legal climate and the supremacy of law in the country.

Nevertheless, there are many problems that impede or sometimes impair the implementation of the “constitutional control” by the Court. These include, for example, the overt scepticism of some politicians unwilling to accept the Court’s jurisdiction over legislative acts. They fuel their resistance by arguing that this control damages the sovereignty of the Parliament.

In general, the year of 1997 was characterised by the lack of efficient collaboration among the branches of power in the Republic of Moldova. In many cases the Parliament blocked the initiatives of the Executive aimed at restructuring the Moldavian society. In this respect, a speaking example is the Parliament denial of the initiative of the Government to adopt in 1997 the law on territorial-administrative reform. The Parliament also interfered in some areas of activity of the Government. The Constitutional Court was called to declare as partially or completely unconstitutional 9 laws and 2 decisions of the Government and 3 presidential decrees. Analysis of the petitions to the Constitutional Court in 1996-1997 (96 petitions) shows that often the Parliament got involved in Governmental areas of activity, and the Government adopted decisions on issues that are the competence of the Parliament. Similarly, some presidential decrees, in terms of their impact, exceeded the powers of the President.

Political Parties and Elections. The acceptance of the principle of freedom and equality makes possible and, more so, inevitable the existence and actual manifestation of the multiple interests, convictions, beliefs and human aspirations in the form of pluralism. In a democracy, pluralism is expressed by, among other things, the existence of diverse political parties whose purpose is to gain and exercise political power and influence the process of political decision-making.

In Moldova a multiparty system was created after the declaration of independence. However, of the many existing political parties, groups and associations (there are around 50 registered political formations), very few meet the minimum requirements of a modern political party. The party system is still in the process of crystallisation and many parties are too fragile or represent groups striving to gain power rather than representing social forces and consolidated interests of the society.

The above statement is confirmed by the results of the elections. In 1994, the Democratic Agrarian Party (DAP) won the elections and formed the Government. However, in the 1998 elections the DAP suffered a disastrous defeat and did not manage to get a single seat in the Parliament.

These elections completely changed the political “landscape” which is reflected in the persisting economic and social crisis.

Looking at the main political parties just before the 1998 elections, the right wing of the political spectrum comprised three main forces – the Democratic Convention of Moldova (DCM), the Party of Democratic Forces (PDF) and the Alliance of Democratic Forces (AFD). The DAP was really a political formation without clear principles and doctrines while the “Movement for a Democratic and Prosperous Moldova” (MDPM) represented the views of the centre.

The most important left wing party was the Communist Party of Moldova (CPM), which, in the electoral campaign, had the goal of “changing the destructive path the Republic has been following during the last seven years.” A special place in the spectrum was taken by the Socialist Union, uniting the Socialist Party of Moldova, Unitatea-Edinstvo (unity movement) and the Union of Communists of Moldova. They characterised themselves as “the fighting vanguard of the left wing socio-political movement” and set the goal of removing the democratic forces from power because “in the last couple of years they had been following the instructions of the international institutions”.

The elections of 1991-1995 showed the need to elaborate and adopt an Electoral Code and to establish a Central Permanent Electoral Commission, which was successfully done in 1997. Although the Code is not operational in regard to the standardisation of the electoral legislation, it was and remains the subject of discussions and different opinions. The majority of Moldovan analysts and those from other countries, as well as important political formations in the Republic of Moldova, assessed the Code as a “step backwards” in comparison to the law of 1993. The Electoral Code (Article 73.2) stipulates that the “parliamentary elections are organised in one national constituency, where 101 deputies are elected”. This stipulation discredits completely the system of voting the parties.

As a result of the elections on March 22, 1998, four political formations (see Table 2.1) are now engaged in the political struggle and exercise of power, which allows for some interesting conclusions.

First of all, the big surprise of the elections, although foreseeable, was the “elimination” of the parties that formed the majority in the previous Parliament – the DAP and the Electoral Bloc of the Socialist Party in Moldova and Unitatea-Edinstvo. This might be interpreted as a clear judgement by the electorate of the quality of governance during the preceding four years.

Another surprise was the enormous victory

of the Communist Party with 30.01% of the total vote. The rapid ascension of the CPM started already in the first round of the 1996 presidential elections when its leader, Vladimir Voronin, ended, quite surprisingly, in the third place after Mircea Snegur and Petru Lucinschi.

The last and most important factor in the evaluation of the post-electoral political situation requires a look at the distribution of seats in the current Parliament. 40 parliamentary mandates were obtained by the CPM, 26 by the DCM, 24 by the MDPM and 11 by the PDF. Still, even though the CPM obtained the largest number of mandates, it did not manage to form a coalition with any of the other three parties. These three decided to create a central-right wing bloc, named “The Alliance for Democracy and Reform”, which formed the government coalition.

Table 2.1. Results of the 1998 Elections

Parties	Votes	%	Mandates
Communist Party of Moldova (CPM)	487, 002	30.01	40
Democratic Convention of Moldova (DCM)	315, 206	19.42	26
Movement for a Democratic and Prosperous Moldova (MDPM)	294, 691	18.60	24
The Party of Democratic Forces (PDF)	143, 428	8.84	11

2.2. Unity and Integrity of the State

The building of a democratic society in Moldova requires that the many different interest groups, parties and institutions of the country share a certain sense of unity in spite of their respective differences. Apart from defending their own interests, they should respect those of the others and aim to co-operate for the well-being of the country as a whole. The lack of such unity, the discrimination against certain groups of the population or the situation when certain groups defend solely their own particular interests damage the rest of the community and seriously obstruct the development of a society based on equal opportunities for all, the rule of law and the real participation of the population. Without unity, social, political or ethnic conflicts are inevitable. In this respect, the situation in Moldova since 1990 has been quite difficult and full of conflicts. Many problems are still unsolved. On the other hand, there is no doubt that national unity is increasing.

The national unity of the state depends, to a large extent, on the quality of the relationships between the political agents in power, the parliamentary opposition parties, non-parliamentary parties, the degree of polarisation of interests and the intensity of the rivalries. The slow evolution of the political culture and the multiparty system lacking a clear diversity of doctrines are unsettling for the interests of the country and for its unity. There is basically no political force, be it central, right or left wing, that has a political programme based on a clear-cut doctrine. The activities of political parties are rather based on the interests of certain groups.

After the parliamentary elections and the creation of the majority central-right wing coalition - the Alliance for Democracy and Reform - the first real possibility for the co-operation between the different branches of power and various political groupings have emerged. By signing the agreement, the factions within the coalition have taken collective responsibility for the governance.

The political struggle often takes place without the necessary conditions of loyal political competition. The neo-Bolshevik mentality and political behaviour dominates political life. This is true for most of the forces participating in the political process, especially those with the communist orientation. The latter, having gained the majority of the votes in the last elections, came to the Parliament with a populist program, unreal for a democratic reformation of the society. At present, the Communist Party constitutes a strong opposition to the majority central-right wing Coalition, playing the role of an adversary of the reforms. To be note, in this context, is that many analysts question the viability of the coalition. Although its members have much in common as regards their view on the economic and social reforms and have demonstrated their ability to negotiate and to reach agreements by making concessions, their ability to ignore their own, narrow interests in favour of the general interests of the country is still questionable. At the same time, one can not fail to mention that the creation of the coalition demonstrates an evolution of the political consciousness in Moldova. It is a decisive step towards the establishment of a new political mentality based on the democratic values.

In the previous years, it has become apparent that there is no sound co-operation between the basic democratic institutions. For example, as already mentioned above, the Parliament has several times blocked without clear motivation the initiatives of the Government aimed at restructuring the Moldovan society. As explained in the 1997 National Human Development Report, this unsatisfactory co-operation is partly due to the deficiencies in the system of organisation, separation and co-

operation between the state institutions as laid down in the Constitution.

The development of the sound national unity also depends very much on the relationship between the state and the civil society. For the moment, these relations are not very well developed. The state, represented by the President, the Parliament and the Government, has shown its willingness to support the activities of non-governmental organisations aimed at strengthening social cohesion, building a free society and promoting democratic reforms. However, there is no permanent, constructive dialogue between the two. NGOs are not involved in the process of developing and implementing state policies and there is no functional mechanism for achieving a partnership between the state and the civil society, which is not yet treated as a real partner.

The relationship between the state and NGOs has an occasional character, in most cases initiated by the latter. Still, co-operation exists in a number of areas. A good example in this respect is the creation of the Beijing Group, comprising 20 non-governmental women's organisations, which shows that the women's movement in the Republic of Moldova has started to consolidate. The Beijing Group has, together with the state, initiated many activities dedicated to, for example, the International Children's Day – 1 June - and the International Women's Day – 8 March. In addition, different youth, ethno-cultural, ecological, and human rights organisations do cooperate with the state.

Another sign of the increasing national unity is the normalisation of inter-ethnic relations. Concrete measures have been undertaken in the Republic to establish an atmosphere of tolerance and understanding between all its inhabitants. Government policy in this field aims to create favourable conditions for all ethno-cultural societies in the country, assuring the right of all ethnic groups to preserve, develop and express their cultural, linguistic and religious identity according to the recommendations of the European Council (see also Chapter 3). The attention of the state to ethnic problems is also demonstrated by the activities of the Commission for Inter-Ethnic Relations, the Department of National Relations and other state agencies. Joining the efforts of all the ethnic groups to consolidate the democratic nation is of particular importance for the achievement of national unity.

Ensuring the territorial integrity of the country was and remains one of the pillars of the national unity. The war in the Transnistrian region is over, but peace is not yet established and there is still a lot of tension. As a result of the political dialogue in 1997-1998, a series of documents were signed, including the

«The importance of public institutions for freedom is similar to the importance of schools for science; they train citizens in using it and teach them to enjoy its advantages. A nation can establish liberal governance but, without public institutions, it can not acquire the spirit of liberty.»

Alexis de Tocqueville

Memorandum on the Normalisation of Relations between Chisinau and Tiraspol (May, 1997), the Common Declaration of the Presidents of Russia, Ukraine, and the Acting President of OSCE, which confirmed their willingness to serve as guarantors of the observance of a special legal status of Transnistria which could be granted to the region in the future; and the Odessa Agreement (March, 1998). In spite of these declarations and agreements, no real effective measures to solve the Transnistrian conflict have yet been undertaken. The problem with the eastern region can be resolved only through negotiations, respecting the interests of the entire population and based on the Constitution of the Republic of Moldova and international law. The self-proclaimed Transnistrian authorities, however, interpret many articles of the above-mentioned Memorandum in their own particular way, continue to insist upon the statehood of the region, and insist on the independence of Transnistria, thus denying the territorial and political unity and integrity of the Republic of Moldova.

A specific feature of the conflict is its dependence on the strategic interests of Russia in maintaining its influence in this part of Europe and the presence of its military forces on the left bank of the Nistru River (this presence continues even though Russia has made a commitment to the European Council to withdraw its troops from the region). It seems that Russia intends to impose itself as the main guarantor in solving the conflict in order to control the situation in the region according to its specific interests. This statement can be confirmed by the fact that not only representatives of the Russian non-government organisations but also those of the previous and present State Duma interfered many times in the internal affairs of the Republic of Moldova (giving as reasons for their actions their concern about the situation on the left bank of the Nistru River) thus supporting the separatist regime in Tiraspol.

Regardless of the future situation of the eastern region, the strategic interests of Russia in this area do not correspond to the interests of the national unity of Moldova. This means that Russia cannot operate as an impartial guarantor in resolving the conflict for good.

2.3. From Centralism to Decentralisation

2.3.1. The Need for Decentralisation

It is known that a nation striving to establish a democratic society should create the means

that would allow its citizens to participate in the management of public affairs and the decision-making processes that affect them. This can be achieved, among other things, by granting more power to local communities and local public administrations, and by encouraging the development of civil society, including non-governmental organisations. Democracy presupposes local autonomy, administrative decentralisation and competent local public authorities, as well as certain laws and constitutional regulations at the local level.

The participation of citizens in the social and political life of local communities brings them closer to the decision-making process on many issues, especially on those that affect their lives. If they get the opportunity to freely express their opinion, and if this opinion is really taken into account, such participation will create a continuing partnership between the elected and the electorate.

Unfortunately, the local public administration reform of 1991 in Moldova did not follow the pattern of a “modern local autonomy” accepted throughout Central and Western Europe. This pattern is based on the principles of administrative decentralisation which presupposes the existence of a complex of specific functions of the local public administration bodies necessary to administer a substantial number of public affairs, legally transferred to their jurisdiction, without the involvement of the central authorities. For the moment, Moldova retains the rigid and obsolete Soviet model of local public administration, characterised by the hyper-centralism, formalism and almost complete exclusion of citizens from participation in their community life which is monopolised by the officials delegated by the centre and diligent in fulfilling the orders of this centre, regardless of the opinion of members of the local community about these orders.

2.3.2. Reforms and Persisting Problems

The starting point in the creation of a new system of local public administration was the Law on the Fundamentals of Local Self-Administration, adopted on 10 July 1991. This law introduced certain features of a new local public administration system based on the principles of local autonomy, decentralisation, appointment of local public authorities by election and consultation of the citizens on various local problems. However, the laws necessary to legalise this system, regarding, for example, a new territorial-administrative organisation, local administration and local elections, were never debated in the Parliament that operated until the 1994 elections.

On 29 July 1994, the Constitution of the Republic of Moldova was adopted which defines the fundamental principles of the new local public administration system and contains provisions on its basic elements: Article 109 enumerates the basic principles of local public administration; Article 110 establishes the territorial-administrative organisation of the country; Article 111 allows for the possibility to provide special autonomy statuses, Article 112 defines the structure of the city and village authorities; and Article 113 specifies the functions of the district council. Through these articles, the Constitution espoused the need for a new, modern system of local public administration.

On the basis of the above-mentioned provisions, the Parliament adopted in December 1994 the Law on the Territorial-Administrative Organisation of the country, the Law on Local Public Administration and the Law on Local Elections, intended to develop further the constitutional regulations. However, these laws did not always follow the principles stipulated in Article 109 of the Constitution, with some of their Articles being sometimes in direct conflict with this basic legal document. This is especially true in the case of the Law on Local Public Administration.

For example, the provisions of Article 10 of this Law, which stipulates that territorial administrative units are subordinated to the Government in the fields that are outside their exclusive competence, contradict the principle of local autonomy. Indeed, territorial administrative units cannot be subordinated to the Government because they represent a territorial delimitation where the power of the state is exercised by the legally appointed authorities and, especially, by the representative local public authorities elected via the universal vote. Also, they cannot be subordinated to the Government because they perform their functions on the basis of the principle of local autonomy and are responsible only to the Constitution and the law. The Government, where needed, should perform its functions in the regions via the specialised decentralised public services and via representatives appointed at the local level.

Another example is Article 45, which stipulates that the Presidents of the District Executive Committees and the Mayors "are elected or approved by the President of the Republic of Moldova" and that "they are official representatives of the supreme executive authority at the local level". However, the concept of "supreme executive authority" is confusing, because the Constitution *does not divide the power of the executive into superior and inferior*. If one supposes that the concept "supreme executive authority" depicts the President, then the question remains why the President would

need such representatives and what would be their functions.

According to Article 19, the mayors and the Presidents of the District Executive Committees are the Chairpersons of their respective Local Councils. Article 25 grants them the right to sign the decisions of the Local Council. In this context, it should be mentioned that the mayors of communes and cities elected by the universal vote, and the mayors of municipalities and the Presidents of the District Executive Committees appointed by the Government, being the leaders of the Councils and representing the executive power at the local level, diminish the role of the councils as deliberative authorities. This represents, in fact, a violation of the principle of the separation of power given that the Constitution and the law stipulate two distinct forms of local authority that cannot be mixed up or converged: "deliberative" (the councils) and "executive" (the mayors).

Moreover, it should be stressed that over the last years the role of the Local Council as the representative authority at the commune level has diminished dramatically. They have ceased to perform their original mission assigned by the law and, in most cases, the mayor has personally and authoritatively taken on the responsibility for solving local problems. In addition, because the law does not clearly regulate the remuneration of local councillors (at least a partial salary or an indemnity), they no longer show much interest in local problems, with many Councils having turned into nominal and unviable bodies.

On the other hand, because there is no clear differentiation between the functions of the public authorities at different levels, the omnipresent intervention (or guardianship) of the superior district authorities (district councils and district executive committees) in the administration of local problems remains a common practice in the functioning of local authorities. This situation is only reinforced by the permanent lack of resources, which forces the mayors to accept the supervision of district executive committees and the Government. Similar to the old system, the mayors are summoned by the district executive committees to participate in the "working meetings" organised in order to discuss the activity of the mayors and to stress once again their subordinate position towards the district bodies. An example of this subordination is the frequent instructions, addressed to the mayors, to collect state taxes more actively and to transfer money to the Social Fund, tasks which are not included in their responsibilities as stipulated by the Law on Public Administration.

Local finances continue to be administered according to the rules, habits and procedures

inherited from the period preceding the administrative reform and the political independence gained at the local level. Local sources of income are limited and local authorities remain to a large degree dependent on fiscal transfers controlled by the Ministry of Finance.

It clearly follows from the above that, for now, one cannot speak about a real local autonomy or an effective administrative decentralisation. The present system and the respective practices do not meet the essential conditions of local autonomy, full responsibility and representative authority. These contradictions nourish a crisis amongst the local authorities, which are incapable of independently managing the interests of local communities.

2.3.3. *The Need for Change*

The need for radical changes in the system of local public administration is obvious. This was confirmed by a poll conducted by the IFES-Moldova Foundation in which only 4% of those interviewed were satisfied with the functioning of the present local public administration system and 60% were convinced that the system had to be improved substantially. In this situation, a new system of local public administration and the modernisation of local public institutions is very much desired and needed. Such a transformation, being in line with the expectations of the population and the obligations assumed by the state, makes part of the complex phenomenon of transition to an open society and constitutes a consequence and, at the same time, a logical follow-up to the political changes after 1991.

The attempts to reform the public administration system after 1994 have not substantially improved the activity of local authorities. Still, a positive step is that, in 1996, the Government, under the influence of internal and external factors, prepared a set of Draft Laws, intended to profoundly transform the present system of local public administration. The Drafts were not approved by the Parliament in 1997. One of the Draft Laws concerns changes to the territorial-administrative organisation of the country, as it became clear that the old organisation of the former MSSR would not allow for a successful implementation of reforms. The Draft Law envisages the division of the territory of the Republic of Moldova in eight administrative units where the decentralised public services will be operating. At the same time, administrative units of the second level will be the residencies of prefects, responsible for the general administration of the decentralised public services. These public services will have the role of intermediaries

between the central Government and local communities. However, if public administration officials at all the levels do not realise the essence of the reform and do not adjust their behaviour to the new conditions, the reform will not achieve its intended results. In reality elements of centralism will be preserved, thus making de-centralisation a declared achievement only.

In general, the Draft Law on Local Public Administration stipulates all the elements necessary for local autonomy. It defines clearly the competencies of the different authorities. However, there are still some important issues that should be taken into account when adopting the law. Otherwise, the new system will not function effectively.

At present, many of the local territorial-administrative units are too small to guarantee the efficiency of the services that they are supposed to offer to their citizens. For this reason, the Law should encourage the merger of small communes into bigger and more functional units, or promote a mechanism of inter-communal cooperation in the provision of basic services, as is done for example in France.

The most important problem in the reform of local governance is the need to guarantee the necessary financial resources. Even according to the new Draft Law, the local financial system does not sufficiently stimulate the consolidation of the local units' autonomy so that to allow them to improve the use of their own revenues or to motivate them to rationalise expenditures. Another important issue is the transfer of state property to the local administrations. For this purpose, an appropriate legislative framework is needed in order to regulate the problems related to the administration of municipal property assets.

For the more efficient public administration, especially during the period of transition to a democratic state based on the rule of law, it is necessary to strictly define the responsibilities of public authorities. In this respect, it would be useful to adopt a separate law that would regulate all forms of responsibility (civil, administrative, criminal and disciplinary) of all the officials who represent authorities in charge of public administration at the central and local levels.

2.4. Civil Society

Democratic changes in the Republic of Moldova need the presence of social institutions that would meet the standards of developed countries. Unlike in western countries, the society in eastern countries has insufficient practice of self-organisation due to the secular monopoly of the totalitarian administration. The newly created

independent states inherited a society without social non-governmental mechanisms, without experience of self-development and self-organisation. This society proved unprepared and incapable of replying independently to new challenges, establishing its own way of development, defending its interests and influencing the decision making process. The degree of activism in the society is reduced.

Although the civil society is not confined to the officially registered non-governmental organisations (NGOs), the number of these organisations constitutes an important indicator of the degree of the population's participation and the level of society structuring. At the beginning of 1998, most NGOs were concentrated in Chishinau (95.3%), with around 1,000 persons per organisation. In the rest of Moldova, there are 100,000 persons per NGO (for a comparison, this indicator is 188 persons in Croatia, 283 persons in Hungary, 742 persons in Czechia).

This situation is the result of extremely centralised administrative structure. It proves that the majority of the population is not prepared for social aggregation due to the lack of the necessary minimum of stable social entities.

The Constitution of the Republic of Moldova offers the citizens the right to create socio-political organisations, but it does not mention anything about the right to create non-governmental organisations. The Law on Public Organisations (1997) compensated for this deficiency at the legislative level, but it did not reduce the number of registration procedures, reports, re-registration and did not diminish the resistance of the administrative apparatus.

The civil society in Moldova is being created in an unfavourable environment - chaotic and amorphous social processes, rapid polarisation of the society, deformed social relations. So far the Moldovan society does not acknowledge the fact that the state is just a part of the social architecture and can not assure all the aspects of social existence. Many people do not realise that their own efforts are needed to make sure that the society is well functioning (42.5% of the interviewed know nothing about the non-government sector). There is much confusion in the country. The population still considers that the state can be the only guarantor of their wellbeing and can satisfy their human needs. 87% of the interviewed consider that the state should ensure the necessary level of wellbeing and only 7% entirely trust the activity of the state.

Some positive results have been achieved. 1997 marked the active processes of internal structuring of the civil society, followed by a change in the forms and methods of activity

of various public organisations in the field of protection and representation of citizens' interests, human rights, realisation of individual potential, provision of social services. The process of informational and non-governmental structural exchanges among affiliated organisations began. This can be defined as a form of the horizontal social cohesion, with NGOs playing the role of "the crystallisation centres".

In 1997, NGOs made attempts to participate in the process of problem solving. For the first time they addressed the President, the Government and the Parliament with the Memorandum of the First Round Table proposing cooperation. The proposal was accepted and reflected in the Resolution and the Declaration of the First Forum of NGOs in Moldova which prepared the White Book identifying the problems of the civil society development in the country. Of course, these kind of declarative activities, no matter how important they are, do not set in motion the mechanisms of the civil society functioning. In fact, the problems of the civil society development are much more serious. Many of these were discussed in the 1997 NHDR.

2.5. Public Security

The collapse of the Soviet political system and the disintegration of the respective economic structures have led to a severe social, economic, political and also moral crisis. One of the consequences of this multifaceted crisis has been a sharp increase in crime during the last years (see Box 2.1 and Table 2.2). Unlike during the previous period in the country's development when crime was not perceived as a significant threat, nowadays it is one of the primary concerns of the population. Crime is not only increasing, it is also changing its character. This includes:

- the re-orientation of criminal activities to the economic sphere, the rapid development of the shadow economy and the legalisation of revenues obtained via criminal means;
- the internationalisation of crime and an increase in the number of trans-national crimes;
- the consolidation of criminal groupings;
- attempts of criminal elements to penetrate into the state and legal bodies;
- an increased number of violent crimes, unusual cruelty of offence and growing use of guns and modern technologies.

The society in the Republic of Moldova is far from having an internal movement of local communities for the participation in the solution of their own problems. As part of the civil society, NGOs appeared as outsiders, often relying on western support.

Box 2.1. Increase in Crime

According to the data provided by the Ministry of Internal Affairs, in the last two years, on average, every fourth offence was included in the category of grave offences. In 1997, the number of deaths resulted from crimes equalled 824. There were committed 460 offences involving guns, explosives, and grenades. Thefts and robbery represented 8.2% of all crimes in 1997, an increase of 23.6% as compared to the previous year. Half of the total number of disclosed crimes was performed by unemployed people, 17% by people with a criminal record, 14% by drunks, 12% by groups, and 10% by minors.

During 1997, street criminality increased abruptly and street robberies constituted 54.2% of the total number of crimes. There was also a tendency to an increasing cruelty in offences, as well as of the number and share of grave offences. If in 1990 there were no known contract murders, 6 crimes of this type were committed in 1995, 12 in 1996 and 12 in 1997. The police managed to stop the activity of 1,063 criminal groupings including 65 related to the well-organised criminal communities, equipped with modern audio and video means, transmission devices, vehicles, guns and ammunition.

In the economic sphere, 254 criminal groupings and 1,686 people were apprehended, including 471 persons holding positions of responsibility (e.g. directors of enterprises or public officials). Economic offences are growing fast and are hard to fight because of their distinct character.

Table 2.2. Crimes in 1996-1997

	1996	1997	Change 1996-97 (%)
<i>Registered offences</i>	34,822	39,914	+14.6
Including:			
<i>Murder and attempted murder</i>	396	414	+4.5
<i>Severe physical injuries</i>	509	525	+3.1
<i>Thefts</i>	797	874	+9.7
<i>Robberies</i>	1,851	2,400	+29.7
<i>Swindles</i>	860	2,714	+215.6
<i>Drugs</i>	726	802	+10.5

Source: Ministry of Internal Affairs

As a result of growing crime, most people have today lost their trust in the state bodies that are intended to protect the rights and freedoms of the people. They believe that many of the employees of special and legal agencies, as well as some government officials, are corrupt. The idea that attempts to fight corruption are futile is widespread. People say that whoever has money will buy freedom and whoever has power will make his or her own justice. And since the majority of the population does not have either money or power, they feel exposed to insecurity, inequity and injustice.

Crime in general, and organised crime in particular, cause tremendous economic losses for all individuals and legal entities. They also occasion moral damage for the entire society as they affect the life and the health of the population and demoralise its conscience and behaviour. Against the background of the deep economic, social and moral crisis, there is an increasing risk of deviant behaviour becoming

considered a "normal" way of adaptation to the new and difficult realities or as an "innovative" behaviour. In this way, the border between legal and illegal activities and socially acceptable and unacceptable behaviour becomes blurred.

Taking into account the extremely complex criminal situation, it has to be concluded that in reality the public security is not guaranteed. Today, people are afraid to walk along the streets in the evening, parents are afraid to let their children play outside or go for a walk in the park, etc. People are unsure whether the official agencies that are supposed to protect the rights and freedoms of the citizens are performing their functions well. In the end, this means that the state is not able to protect its citizens and to provide them with a feeling of security.

2.6. Conclusions

The building of democracy in the Republic of Moldova is an ongoing process that has seen some important achievements in the past seven years, including first of all the establishment of political pluralism and a multiparty system, the system of political parties being still in the process of consolidation. The results of the elections confirm a certain evolution in the readiness and ability of the population to judge the performance of political parties and their abilities to govern the country. Also positive proposals have recently been developed for the reform of the local public administration system and national unity has been strengthened in several areas.

However, many problems still persist. Possibly the main problem is the very low confidence of the public in the state institutions, caused by the rapidly increasing

crime, the attitude of politicians pursuing their own interests, corruption amongst public officials and the general social and economic crisis, including widespread poverty. There is also a great need to establish a tighter relationship between the authorities and the population at large at all levels of society. This requires a change in the technology of public administration and the mentality of authorities and public officials, as well as a more active participation of the population in the policy development and implementation. The most appropriate mechanism which would assure such participation would be to strengthen the civil society and to intensify its cooperation with the state.

Special attention should be paid to fighting the crime because it severely affects people's security. Poverty undermines social cohesion and democracy as it excludes large parts of the population from meaningful participation in the country's social and economic life (see also Chapters IV and V).

Another problem that follows to be resolved

is the establishment of a modern system of local public administration. The principles concerning local public administration stipulated in Article 109 of the Constitution have not yet materialised. Rather, a centralised regime of public administration still persists which deepens the crisis in the administrative system. Experience accumulated so far has shown that the present system of local public administration cannot be simply modified. A deep reform is urgently required so that to establish a modern system of public administration that would take account of social and cultural particularities, and administrative and local political traditions, and align it with international standards. The process of the public administration reform, being a political and legal act with profound social implications, is not and cannot be a unilateral process, an act of goodwill of the state or of only one of its derivative powers. In a democratic country, the reform process, including that of public administration, is and should remain continuous and diversified.

CHAPTER III. HUMAN RIGHTS AND SOCIAL COHESION



Human rights constitute a concept very important for a country in transition. It comprises several elements essential for the attainment of the high level of human development: changing the way the society perceives basic rights and freedoms of individuals; and adjusting the norms of the national law towards the principles of international human rights in the legislative and institutional practices of the country.

Fundamental human rights and freedoms, including freedom of speech, freedom of thought and religion, the right to personal security and private life, access to justice and the right to an impartial hearing in court, freedom of association, and the right not to be exposed to torture or inhuman and degrading punishment, can be defined as the inherent rights of the human nature, without which human beings cannot exist. They allow for the development and realisation of our human abilities – intellect, talent and consciousness – which, in turn, satisfy our needs. The denial of these rights leads not only to personal tragedies, but is also a source of social and political disorder, conflicts and violence. People may differ in their place of birth, colour, sex, religion, language and psychology, but they have similar aspirations. The diversity can and should be used to promote general progress rather than being a reason for tension and conflict.

This universal truth, a product of historical reasoning and the development of civilisation, found its voice in the concept of the fundamental human rights and freedoms defined in the Universal Declaration of Human Rights (UDHR). The UDHR does not have a mandatory judicial character, it rather serves as “an interpretative reference”, according to Article 4 of the Constitution of the Republic of Moldova. It represents a universally-accepted minimum standard in the field of human rights and constitutes a common ideal to which Moldova is striving.

In 1998, the global community celebrates the 50th anniversary of the Universal Declaration of Human Rights. For a society in transition like Moldova, still influenced by the old regime mentality, the Declaration is an important guiding document in the creation of the national norms of human rights, the separation of powers and the promotion of the supremacy of the law. A clear concept of, and respect for, human rights is to become a cornerstone of the independent and democratic Republic of Moldova. In this context, in 1997, the Centre for Human Rights was created, thus confirming the adherence

of the Republic of Moldova to the Universal Declaration of Human Rights.

This chapter examines the current situation in the field of human rights in Moldova, the achievements made during the transition period and the many problems which still persist. Special attention will be paid to national minorities and to the institute of parliamentary advocates.

3.1. The Role of the State – Main Achievements

According to the stipulations of the Constitution, implemented in the framework of the legal system reform in 1996, justice is executed by the Supreme Court of Justice, the Court of Appeal, tribunals and courts of law. Also, special economic and military courts have been created. The Superior Council of Magistrates assures the functional independence of the judiciary. It proposes the judges that are to be appointed by the President of the Republic of Moldova. The only exception is the Supreme Court of Justice, where the Parliament appoints the judges at the proposal of the same Council. In 1995, the Constitutional Court started its activities as the only authority competent in constitutional jurisdiction, and independent of any other public authority. In 1997, the Constitutional Court took 40 decisions on the constitutionality of laws, parliamentary regulations and decisions, presidential decrees, governmental provisions, and decisions regarding the interpretation of the Constitution. Some of these decisions refer to human rights and fundamental freedoms.

The transfer of the penitentiary system to the supervision of the Ministry of Justice was an important step in adopting the principles of a modern society. The Republic of Moldova was the first CIS country to make this step. The subordination of the penitentiary system to a civil ministry is part of the commitment the Republic of Moldova made having joined the Council of Europe and is, among other things, a necessary step towards the future adjustment of conditions in the places of detention to international standards.

As a result of the ratification of the European Convention, the Government of Moldova has developed a concrete programme that envisages the modification of 22 Normative Acts, including the Constitution. It is proposed to change Articles 24, 25, 30, 32, 54 and 55 of the Constitution in order to exclude the

Following the adoption of the Constitution in 1994, the Republic of Moldova has undertaken substantial efforts aimed at the structural reform and the reorganisation of the state: reform of the legal system; transfer of the penitentiary system to the supervision of the Ministry of Justice; adjustments of the national legislation to the stipulations of the European Convention on Human Rights and Fundamental Freedoms (ECHR) and the creation of the institute of parliamentary advocates.

possibility of an arbitrary interpretation of human rights. The legal Acts to be adjusted to the stipulations of the Convention include the Criminal Code and Criminal Procedure Code, the Family Code, the Labour Code, the Code on the Enforcement of Criminal Sanctions, the Code on Administrative Contraventions, the Migration Law, the Law on Operative Investigations, and others.

3.2. International Law and Fulfilment of the Obligations Assumed

The Republic of Moldova has adhered to a series of international documents in the framework of the United Nations and the Council of Europe. The Government of Moldova participates in the activities of the OSCE/CSCE. However, Moldova does not always fulfil its obligations.

The Republic of Moldova signed the Universal Declaration of Human Rights and International Covenants on civil, political, economic, social and cultural rights on 28 July 1990. The Parliament decided to adhere to international documents on human rights like the final act of the Conference on the Security and Cooperation in Europe, the Concluding Documents from the Madrid and Vienna Meetings on the Security and Cooperation in Europe, the Document of the Copenhagen Meeting of the Conference on the Human Dimension of the CSCE, and the Paris Charter for a New Europe.

The Constitution of the Republic of Moldova was adopted on 29 July 1994. According to it, international human rights laws are part of the internal legislation of the Republic of Moldova. International treaties on human rights are applicable on the territory of the Republic and their stipulations can be directly invoked by the courts. The Constitution specifies the supremacy of the international human rights laws over the national legislation, including the Constitution itself.

The applicable international instruments regarding human rights create a solid framework for aligning national legislation with international standards and promoting the observance of human rights. At present, the Republic of Moldova is part of a series of international documents, among them the International Convention on the Rights of the Child, the Convention on the Political and Civil Rights of Women, the International Convention on the Elimination of All Forms of Racial Discrimination, the Convention against Torture and Other Cruel, Inhuman and Degrading Forms of Punishment or Treatment, the Convention against Discrimination in the Education System, the Convention on the Indefensibility of War Crimes and Crimes Against Humanity, the Convention on the Prevention and Punishment of the Crime of Genocide, the Convention on the Abolition of Forced Labour, and the Convention on the Elimination of All Forms of Discrimination against Women. The Republic of Moldova is also a member of the International Labour Organisation and has

ratified seventeen of its Conventions.

Having adhered to the above international agreements, the Republic of Moldova has thus agreed to comply with their stipulations and to present reports on their observance and implementation. However, up to now this has not always been done. The Republic did not sign the Optional Protocol to the International Covenant on Civil and Political Rights that specifies that complaints will be examined and decided upon by the respective Committee. This fact deprives the individual - victim of the human rights violation - of the international instrument of obtaining justice.

Moldova is part of the regional European system of human rights protection. Having joined the Council of Europe in 1995, the Republic ratified the following documents and instruments regarding human rights: the European Convention on Human Rights and Fundamental Freedoms (ECHR); the Framework Convention on the Protection of National Minorities; the European Framework Convention on Local Public Administration, and the Framework Convention on the Protection of the Language of National Minorities and the European Convention on the Prevention of Torture and other Cruel, Inhuman and Degrading Treatment, including both additional Protocols. The latter Convention became operational in Moldova on 2 February 1998, which allowed the Committee for the Prevention of Tortures to exercise control over the state practices regarding torture, inhuman and degrading treatment. The respective Committee is expected to visit Moldova in 1998.

The European Convention on Human Rights and Fundamental Freedoms (ECHR) became operational on 12 September 1997. According to the Convention, the Republic of Moldova recognises both the right of each individual to appeal to ECHR and the jurisdiction of the European Court of Human Rights. The ratification was conditioned by a series of reservations. Thus, until the conflict in its Transnistrian region is completely resolved, the Republic of Moldova will not be able to assure that the actions carried out by the authorities of the self-proclaimed "republic" of Transnistria on the territory controlled by them are in line with the provisions of the Convention. Also, Moldova retains the right to employ disciplinary measures in the military in the form of arrest by superior commanders, or according to the specifications in the disciplinary regulations of the armed forces.

Signing the ECHR, the Republic of Moldova made commitments that will have to be honoured in the course of the following one to three years. Thus, as mentioned before, the penitentiary system was transferred from the Ministry of Internal Affairs to the Ministry of

Justice, and a presidential decree abolished the death penalty. Among the obligations that the country has not yet fully fulfilled, mentioned should be the development and adoption within one year of the Criminal Code and the Criminal Procedure Code according to the norms of the Council of Europe; the modification of the role and functions of the Prosecutor's Office; the confirmation of the complete freedom of belief for all citizens without discrimination; and the development of a policy on minorities according to recommendation 1201 of the Parliamentary Assembly of the Council of Europe in 1993. Moldova is an active participant of the CIS agreement, but it did not ratify the Convention on Human Rights of the CIS countries, as this is not compatible with the stipulations of the ECHR.

The Republic of Moldova is also affected by the non-observance of international conventions by other states. This refers especially to the continuing presence of the Russian troops on the territory of the Republic (in its Transnistrian region), a factor obstructing human development and social cohesion. When the Russian Federation joined the Council of Europe, it took on the obligation to withdraw its troops unconditionally. It ratified the ECHR on 5 May 1998, but the commitment has not yet been fulfilled.

3.3. Main Human Rights Concerns

3.3.1. Mass Media and the Right to Information

The media has developed significantly in the recent years. The necessary framework for its functioning is guaranteed by the Law on the Press and the Law on the Broadcasting Media, which has established a Co-ordination Council of the Broadcasting Media. This is an independent, autonomous body, consisting of representatives of the Parliament, Presidency and the Government. Other media agencies affiliated to various parties and socio-political movements are also functioning in the country. A religious press is present as well. Noteworthy is that there are no restrictive regulations as to the import and export of press materials and the Russian and Romanian magazines and newspapers are broadly circulated in Moldova. Broadcasting institutions are developing more slowly due to the scarcity of resources needed for their functioning and the state monopoly in this field. Beside the central public television, there is an independent TV station *Catalan* functioning in the Chisinau municipality. Public authorities in Balti, Comrat, and Tiraspol have local TV studios. The Romanian

TV channels and one channel of the Russian TV are transmitted throughout the country.

Unfortunately, the Constitution of Moldova does not provide for the autonomous or independent functioning of the media. Nor does it provide for the full freedom of speech, one of the most basic human rights. Articles 34 and 32 state that "Sources of public information are not subject to censure. State or private, they are obliged to provide accurate information to the general public." The Constitution guarantees "to every citizen the freedom of thought and opinion as well as the freedom of speech in public, via words, images or any other possible means." However, it does stipulate the independence of the media, specifying that "the freedom of speech cannot harm another person's honour, dignity or the right to his/her own opinion."

The Laws on the Press and the Broadcasting media impose restrictions which do not reflect the international principles and legislation on human rights. In this way, both the Constitution and the Law on the Broadcasting Media explicitly prohibit and punish "any defamation of the state or its people, or other actions that violate the constitutional regime. The law on the press follows the same limitations and prohibits false information or anything that harms the honour and dignity of a person. In 1995, the stipulation providing for sanctions against attacks on the honour and dignity of the President was excluded from the Criminal Code. However, the restrictions punishing "profanation of the national symbols of the state, behaviour that insults any representative of the authorities or of public organisations maintaining public order in the course of their duty," are still valid, even if few cases of their application are heard. In 1998, the Parliament adopted a decision obliging the government to propose in the course of six months modifications that would harmonise the Constitution and the provisions of the laws on the press and broadcasting media with the stipulations of the ECHR.

The procedure of registering broadcasting institutions differs from that of the written media. A press institution which is not involved in other commercial activities is registered with the Ministry of Justice. No major problems seem to occur in this process. The registration of a broadcasting institution, based on the Law on the Broadcasting Media (operational from 1995), depends on the Ministry of Transport and Communication (MTC) and on the Co-ordination Council of the Broadcasting Media (CCBM). Practice attests to the fact that the involvement of MTC is excessive and that the independence of CCBM, created as an autonomous body that would guarantee the independence of private and public broadcasting institutions, is very much undermined, among other things by abusive legislative interpretations. MTC

Freedom of speech is not yet sufficiently guaranteed, especially in the case of the broadcasting media. In some cases, public access to information is limited.

The reform of the judicial system (1996) is underway but not yet completed. In practice, access of justice is limited, with the judiciary not having sufficient resources to perform its functions properly.

determines the number of available frequencies, issues licences for the use of broadcasting frequencies and, together with the CCBM, it can warn broadcasting institutions to respect the licence obligations that stipulate the content of programmes, and take sanctions against them.

In general, public media, intended to reflect without discrimination the diversity of opinion, are often subject to governmental intervention. The Law on the Press does not guarantee the immunity from the pressure from public authorities. Mass media are frequently used to promote the interests of the political movements in power, especially during the election campaigns, more so given that the Law on the Broadcasting Media stipulates priority access for the central authorities to the public broadcasting media. In addition to this, Teleradio-Moldova, the only national broadcasting institution that covers the whole of the country, is a state monopoly.

Although the Constitution provides for the “right of any person to have access to information of public interest”, there is no particular law specifying this statement and assuring an effective mechanism for the realisation of this right. As a result, the public at large is unaware of its rights and obligations. The activity of the media, non-governmental organisations, commercial agents and civil organisations is affected by the excessive state control over the information of public interest. Regulations adopted by the ministries do not specify the obligation of officials to disclose this information, and executive bodies do not publish annual information about their functions, structure, activities and personnel.

Parliamentary sessions and court hearings are public, according to the Constitution. In practice, however, there are restrictions on access to such sessions. The removal of media representatives is allowed after a majority vote of the deputies present in the Parliament. Parliament may decide to withdraw the authorisation of any media representative to attend this or that event. This can be done in case the information presented to the public is considered to be inaccurate and the respective publication does not so inform its readers. Also, individuals are not allowed to record court hearings on tape or video nor to take pictures during sessions.

The situation regarding the freedom of speech and access to information is much worse in the eastern part of Moldova where the conditions in which mass media is functioning are very different from those in the rest of the country. Local authorities eliminate media agencies that are undesirable to the political regime and there is no party or press agency in the region that would oppose it. Apart from the newspaper *Dobrii Deni* (*Good Day*) from

Ribnita, the entire press is owned by the “state”, with the circulation of national publications being very limited.

3.3.2. Access to Justice and the Right to an Impartial Hearing in Court

Article 20 of the Constitution stipulates that “every person has the right to be satisfied by competent legal bodies for any violations of his/her legal rights, freedoms and interests; no law can imperil access to justice”. As of 27 August 1996, justice and access to it are assured by the new judicial system consisting of courts, tribunals, the Court of Appeal and the Supreme Court of Justice. In 1996, the Constitutional Court decided that the creation and functioning of the specialised economic courts was also constitutional. Both the national legislation and the judicial system create real possibilities for the citizens to use two ordinary methods of disputing a court’s decision (appeal and recourse) in order to correct an eventual judicial error.

Access to justice depends to a large degree on the legal assistance that citizens can obtain in practice. Article 26 of the Constitution stipulates the right to assistance from a chosen or an appointed lawyer, but an organic law that would regulate this right does not yet exist. If the criminal procedure ensures the above mentioned right, although with great difficulties, in the case of the civil procedure people can obtain legal assistance only if they choose a lawyer and pay his/her fee themselves. When a person does not have enough means to afford the required legal assistance (under the conditions of a contradictory procedure when the parties are obliged to present the appropriate evidence to the court), lack of the free assistance from the state turns the right to access to justice into a simple statement, given that it can not be exercised by most people in the country due to financial difficulties.

Due to the lack of resources, the judiciary has problems in performing its functions properly. Some courts do not have the necessary premises where they could conduct their activities, with a number of tribunals, including the Court of Appeal, having to function in inappropriate buildings. Mention should also be made of the lack of judges in some of the courts. Absence of the adequate logistics prevent many courts from being able to meet reasonable deadlines in hearing and reasoning on cases. This ultimately leads to a decreased efficiency of the entire legal system.

Although the judicial system has been reformed and now meets most of the international requirements, criminal

proceedings are still regulated by the old acts which do not assure the protection of the constitutional human rights of both victims and the accused. Maintaining the old procedures has led to a situation in which the preliminary criminal investigation is unacceptably long. As a result, evidence is lost, the right to freedom and security is violated, and the fight against crime becomes inefficient. This situation demands urgent reform of the procedures for criminal investigation and improvement of the legislation that regulates them. In this respect, a law on the state protection of victims, witnesses, and other individuals assisting the criminal process has already been adopted and a working group on the development of a new Criminal Procedure Code has been created.

3.3.3. Security of Person and Privacy

The Constitution (Article 25) stipulates that the personal freedom and security are inviolable; the search, arrest and detention of a person are permitted only in cases specified by the law and according to the set down procedures. In 1998, once the Law on the Modification of and Additions to Some Legislative Acts became operational, the function of issuing and extending arrest warrants was transferred to the judges, which substantially strengthens the right to freedom and security of the detained person. These modifications reiterate the principles of international norms: the right of a person to be informed about the motives of his/her detention in a language that he/she understands; to have an official lawyer; to be interrogated in the presence of a lawyer; to inform relatives of his/her detention; to be brought within 24 hours before a judge who will decide on his/her arrest or liberation; the right not to be tortured, etc. Unfortunately, the law does not include the right of an individual not to be forced to give evidence against himself/herself, or to recognise his/her guilt.

In respect of the right to privacy, criminal legislation has not been changed. As a result, bodily search, search of a house or apartment, the withholding of postal or telegraph correspondence, and listening to telephone and other calls are warranted by prosecutor. Complaints by the victims of such actions are also heard by the prosecutor, which contradicts the international practice and the ECHR stipulations. In view of the above, there is an urgent need for the improvement of the respective legislation in order to guarantee that the right to privacy is exercised according to international requirements.

3.3.4. Freedom of Conscience and Religion

The number of sects and religious organisations active in Moldova has increased significantly in the last couple of years. Nine denominations with central administrative bodies and ten religious associations, communities and societies are currently registered. Some of them have their own press and broadcasting agencies. The state is not involved in the functioning of the various denominations. The Constitution of the Republic of Moldova guarantees the freedom of conscience and of religious belief, allows for the organisation of sects according to their own statutes, and stipulates that religion is separated from the state. In spite of the idea of tolerance being widely promoted and the freedom of conscience being respected, the above mentioned constitutional provisions are not explicit enough and do not include the freedom of religion, with the limitations being very broad and vague.

The Law on Creeds, adopted in 1992 (two years before the Constitution), has been in force so far without modification. It “guarantees the right to practise freely any religious belief and in any form, individually or in association; to disseminate this belief, and to exercise it publicly or privately unless this contradicts the Constitution, the present law and the existing legislation.” Religious proselytism is, however, prohibited. In this context, it should be noted that the Law on Creeds does not explicitly specify the freedom of thought, conscience and religion. It imposes limitations on the passive right to religion: the exercise of religious practices and rituals are conditioned by the need to observe, in addition to the Constitution, other existing laws. The ambiguity in the wording of the limitations on the exercise of the fundamental freedom is not justified from the point of view of the international norm. The prohibition of religious proselytism contradicts the granted freedom to disseminate belief since according to the international standards, the right to religion includes in itself the right to exchange and adopt new beliefs and new religions.

To be created and to function, religious organisations have to be recognised by a decision of the Government, whereas other non-governmental organisations are simply registered with the Ministry of Justice. The government can reject the statute of a religious organisation based on a disagreement over its confessional principles. In this respect, it is worth mentioning the refusal of the government to register the Basarabian Orthodox Church (Mitropolia Basarabiei). This decision was motivated by the existence

Legal provisions and practices regarding personal security and privacy are deficient. The Prosecutor's jurisdiction is excessive.

There are many creeds and religious organisations in the Republic of Moldova. Still, the present legislative framework imposes unnecessary limitations on the exercise of the right to the free functioning and establishment of sects. To remedy this situation, the Government will present proposals on adjusting the Law on Creeds to European principles. Meanwhile, the discriminatory intolerance of sects is a way of life in the eastern part of the Republic of Moldova.

Freedom of assembly and freedom of association are guaranteed by the Constitution but the related laws stipulate certain restrictions. This affects the number of non-governmental organisations and trade unions. Socio-political pluralism is not allowed in the eastern part of the country.

of another Orthodox Church – the Orthodox Church of Moldova (Mitropolia Chisinaului si a Moldovei) – on the territory of the country. The second one could not, therefore, be recognised. The failure to register the Basarabian Orthodox Church (Mitropolia Basarabiei) deprived this organisation of the status of a legal entity. As a result, the parishioners of the church have been denied the right of property over the church premises. Following the subsequent appeal procedure, the Court of Appeal obliged the Government to register the Basarabian Orthodox Church (Mitropolia Basarabiei). This decision, however, was declared illegal by the Supreme Court of Justice.

There exist some restrictions on the right of the clergy to the free movement, and to their participation in religious activities outside the country. For this, the law demands a case-by-case approval by the state authorities. Such a restriction discriminates against the clergy and violates their right to the free movement. It also allows for the discrimination against some denominations (for example, new sects) in comparison with those already established. In addition, it should be noted that non-citizens are not allowed to participate in religious services in Moldova.

The authorities in the eastern part of Moldova refuse to register the Jehovah's Witness Sect. Legal entities of Transnistria openly abuse its followers, with their property being confiscated and destroyed. The refusal is justified by the incompatibility of the sect's statute with the legislation of the self-proclaimed "republic". In general, religious rituals different from those of the Orthodox Church are prohibited to take place in public or private places "not envisioned for these purposes." This means the unjustified limitation of the freedom of religion.

As part of the programme of adjusting the legislation of the Republic of Moldova to the stipulations of the European Convention on the Protection of Human Rights and Fundamental Freedoms, proposals for several modifications to the Law on Creeds have been prepared. These referred, among others, to the freedom to change religion or denomination and to practise respective rituals; to reforming restrictions on the manifestations of the freedom of religion or belief; and to stipulating the autonomy of sects.

3.3.5. Freedom of Association and Assembly

According to the Constitution, the freedom of assembly is not limited: meetings, demonstrations, processions or any other free convocations can be organised and executed

peacefully, without the use of arms. However, the Law on the Organisation and Conduct of Meetings specifies the freedom of assembly in a more restrictive way. Meetings are allowed to take place only in public places. The freedom to meet in private places, at work or on the premises of economic units is not stipulated, which contradicts international principles. The law also discriminates against non-citizens by not guaranteeing them the freedom to organise meetings unless they are the residents of the Republic. This last stipulation was recently declared unconstitutional by the Constitutional Court.

Contrary to the international law which requires a simple notification for organising meetings but the national law demands a licence for the same purpose. The procedure for obtaining this kind of licence is long and difficult, and comprises two stages: first, the relevant public authorities have to be informed 15 days in advance of the date of the meeting; and, afterwards, a licence must be obtained from the same authorities.

Meetings can be suspended on the basis of vaguely formulated legislative provisions. Local public authorities can suspend meetings which they consider may defame the state and its people, foment war or national hatred, instigate discrimination or territorial separatism, or threaten the constitutional regime. People who violate moral norms or instigate any violation of the Constitution and other laws are not allowed to participate in meetings. This stipulation, besides other restrictions on organising meetings, allows for abusive and inadmissible interpretations. The restrictions are ambiguously formulated, they do not refer to the immediate circumstances and consequences of meetings and do not correspond to the principle of proportionality between the law and the limitations it lays down.

The Law does not allow for meetings to take place on the premises of public authorities and it states explicitly that meetings should take place at a distance of at least 50 metres from the building of the Parliament and the Presidency and of at least 25 metres from the premises of public authorities. The law does not provide for the positive right of the organiser to ask local authorities to ensure the security of a meeting. The organiser is responsible for maintaining order, has to coordinate his activities with the police and has to pay for the services provided. He is obliged to respect other normative acts, as well as the recommendations of the authorities or those of the police. The law allows the authorities to undertake any other measure that would guarantee the peaceful and civilised character of the meeting.

There is hope that the situation will improve shortly. According to the programme of

adjusting the legislation of the Republic of Moldova to the stipulations of the Convention on the Protection of Human Rights and Fundamental Freedoms, the Law on the Organisation and Conduction of Meetings has to be revised, taking into account all its deficiencies. In line with this, the government will present a proposal to exclude the provisions on suspending a meeting if this activity denies or defames the state or its people, or threatens the constitutional regime. Proposals will also be made on modifying the provisions prohibiting the participation of people that instigate the violation of the Constitution or other laws by speeches, appeals, slogans, flags, leaflets, audio-visual aids or any other means. The provisions on denying authorisation for a meeting will also be re-examined.

Freedom of association is stipulated in Articles 41 and 42 of the Constitution. The Articles speak of the freedom of association of “parties and other socio-political organisations” and of “the right to create and join trade unions”. They also assure the equality of all parties and socio-political organisations before the law, and of their rights and freedoms, while prohibiting secret associations and parties founded by foreigners. The creation and membership of trade unions is not limited by the Constitution; they can be created and run according to their statutes and the existing legislation. The Constitution does not stipulate the freedom of association for religious and non-governmental organisations.

The legislation imposes, however, some restrictions regarding the purpose and the objectives of political parties. Those parties and socio-political organisations whose objectives threaten political pluralism, the principles of the rule of law or the sovereignty and independence of the country, are considered unconstitutional. The law on parties and other socio-political organisations prohibits organisations that promote a totalitarian regime and undertake activities that contradict the constitutional order. Cases related to this measure have not been identified so far.

The Law on Public Associations imposes restrictions that contradict international norms. The definition of the concept “public association”, taken from the old soviet legislation, does not express the legal essence of what is called “non-governmental organisation” in other countries. This creates both theoretical confusion and real life problems as citizens that do not live on a permanent basis on the territory of the country are not allowed to create public associations, while non-citizens are prohibited from participating in the administration of such associations. In fact, trade unions function according to the model designed by the old

system. The present Law on Trade Unions was adopted in 1990 by the former Supreme Soviet. This law is one of the reasons trade unions have not developed very well during the past few years as they remained dependent on the state. This legislative handicap should be remedied to allow for a normal development of the trade union movement.

The local authorities of Transnistria prohibit the creation and functioning of the international non-governmental organisations’ branches or organisations whose objectives contradict the statehood principles of this self-proclaimed “republic.” As a result, there are no parties or socio-political movements that would oppose the regime. Non-governmental organisations are persecuted and their leaders are often forced to leave the region.

3.3.6. Treatment in Places of Detention

Prisoners are protected by the Constitution which “guarantees the right to life and physical and psychological integrity. Nobody will be subject to torture or crude, inhuman or degrading punishment or treatment” (Article 24). In recent years, the treatment of prisoners has changed substantially. The transfer of responsibility for the penitentiary system to the Ministry of Justice and the evolution of legislation in this field (Criminal Code, Criminal Procedure Code) have significantly improved the treatment and protection of prisoners. The death penalty has been abolished, places of detention have become more open for the public, with non-governmental organisations (for example, the Helsinki Committee of Moldova) now being able to monitor and inform the public about the actual situation in penitentiary institutions.

Even so, places of detention are the most vulnerable as regards the observance of human rights. In monitoring conditions of detention, the Helsinki Committee for Human Rights in Moldova has discovered many cases of inhuman and degrading treatment of prisoners. The financial, technical and medical capacity of various places of detention is far beneath the admissible level. They do not meet minimum detention conditions and even damage the health of prisoners. Large numbers of prisoners become infected with various diseases, including tuberculosis. The diseases spread quickly and, due the lack of resources, the authorities are unable to create conditions in order to stop or reduce their expansion. As a result, the death rate in places of detention is experiencing a continuous increase.

Access to internal justice for prisoners is not assured and there is no impartial mechanism of disputing administrative sanctions made against them. According to internal

Minimum conditions of detention, the provision of sufficient nutrition and appropriate medical treatment are not observed and the rights of prisoners to justice are not respected. Local authorities in Transnistria continue using torture and inhuman and degrading treatment.

The terms “ethnic group”, “national group”, “ethnic minority” and “national minority” - controversial from the legal point of view - as well as the existent political tension constitute the reason why the law that would regulate the status of individuals belonging to the ethnic groups and national minorities of the Republic of Moldova has not been adopted yet. Still, a series of provisions in the national legislation do take into account the multiethnic character of the country, establishing special approaches to protecting the national identity of these people. The policy of genocide against ethnic minorities is being pursued in the eastern part of the country.

regulations, punished prisoners can appeal directly to the chief of the penitentiary, to a commission composed of internal staff or to the Prosecutor, a procedure which does not clearly guarantee an impartial solution. Sometimes long-term and repeated, isolation in cells with especially bad conditions is one of the punishments that can be applied.

Prisoners are also abusively and unjustifiably restricted in their right to own personal objects allowed by the regulations, to have access to personal medical files, and to make telephone calls. In many places of detention, searches and controls by specialised troops under the authority of the Ministry of Internal Affairs are common practice. As a result of these activities, many personal belongings are confiscated. Prisoners are physically abused, which is against the law.

The penitentiary system in the eastern region of the country has not been changed in any positive way, with places of detention still being subordinated to the so-called Ministry of Internal Affairs of the region. There are many instances of inhuman and degrading treatment. The most well-known example is constituted by the case of the Ilascu group. These people, convicted on political grounds by the local authorities, have suffered irreparable physical and psychological damages. Necessary medical assistance is being refused to them until today. Places of detention are absolutely inaccessible to the civil society institutions. Thus representatives of the Helsinki Committee of Moldova, and other international NGOs, have been refused access, and have not been able to observe the conditions of detention in this region.

3.4. National Minorities and Human Rights

The Republic of Moldova is a multicultural society with a number of minorities whose ethnic identities are different from those of the majority of the population, i.e. the ethnic Moldovans. The minorities include, among others, the Russians, Ukrainians, and Gagauzians. Concerning the rights of minorities, Article 10 of the Constitution emphasises that “the state... guarantees the rights of all its citizens to preserve, develop, and express their ethnic, cultural, linguistic and religious identity.” It also stipulates that .citizens of different ethnic origin, together with the Moldovans, constitute the people of the Republic of Moldova and provides the possibility to create administrative autonomies in the regions densely inhabited by minorities and in Transnistria (where 42% are Moldovans, 28% - Ukrainians, and 24% - Russians). After the disintegration of the Soviet Union in 1991, the law on citizenship provided for the so-called “zero” modality

which granted citizenship to all who, at the moment of adopting the law, were living on a permanent basis on the territory of the Republic. The Law on Identification Documents in the National System of Passports does not stipulate any regulations for identifying the ethnic origin of a person. The concept “nationality” refers directly to citizenship. The most important international document in the domain – the European Framework Convention on the Protection of National Minorities – was ratified on 22 October 1996.

There is still confusion, however, as regards the exact definition of the notion “national minority”, which is subject to both political and judicial debates. The status of national minorities is not regulated satisfactorily. After the previous attempts to develop appropriate legislation, the 1994-1998 Parliament elaborated another draft law on the rights of individuals belonging to national minorities. The draft law specifies that national minorities are, “individuals who live in the Republic of Moldova, who do not belong to the ethnic group that constitutes the majority of the population and who are considered persons of a different ethnic origin”. Unfortunately, the proposed definition is vague and contradicts Recommendation 1201 of the Council of Europe, which, apart from the criteria stipulated by the definition proposed in the draft law, demands a national minority to meet the following requirements: citizenship; presence of the old, solid and durable relationships with the respective state; a sufficient number of representatives; and a will to collectively protect their rights. It is obvious that the development of a law on national minorities that would meet the requirements of a democratic state is extremely important.

The possibility of using their mother tongue is one of the main problems faced by the majority of national minorities. Although the right to a mother tongue exists, the fact that the Russian language was granted a specific legal status creates a hierarchy of minority languages. The draft laws in this field, as well as the Law on the Functioning of Spoken Languages, guarantee the publication of all normative acts, official communications and other information materials of public interest in both Moldovan (the official language) and Russian. They also provide for the right to address public institutions, orally or in writing, in either the official language or in Russian. In areas mainly inhabited by national minorities, the language used by the state administrative bodies in their secretarial work or in drafting documents can be the mother tongue of the respective population. The Law on Creeds ensures the right to use the native or traditional language of the creed during services and religious activities.

In the eastern part of the country, the Moldovan population is being discriminated against even though they constitute the majority in the region: 42% of the population are Moldovans as compared to 24% who are Russians. None of the normative acts adopted by the Parliament of the Republic of Moldova have been recognised there. Three languages are proclaimed the official “state” languages: Moldovan (based, however, on the Cyrillic alphabet instead of the Latin one), Ukrainian and Russian. The use of the Latin alphabet in Moldovan writings and publications is prohibited by law and punished. In their every day work, the local authorities in the region use the Russian language exclusively, thus violating the right of the majority of the population to their mother tongue.

The Law on the Press includes the right to create a press agency by any person or legal entity provided that the citizenship condition is met. At present 50% of all publications are in the languages of minorities.

The Law on Education and the Law on the Functioning of Spoken Languages stipulate one basic principle: *the state assures the right to choose a language of education and training at all levels and stages of the education process, with mono-linguism being the priority form of this process's organisation. In line with these provisions, national minorities can have schools which teach in their mother tongues.* There is also a special state programme that promotes the use of national languages in higher education establishments.

In the eastern region of the country, there are no specialised education establishments or universities teaching in the language of the majority of the population – the Moldovan language based on the Latin alphabet. There are a small number of schools where the inhabitants managed to oppose the pressure and established the Moldovan language based on the Latin alphabet as the language of study. The majority of pupils in the Moldovan language schools in this region, however, can not exercise this right.

In respect of the judicial system, the Constitution states that individuals who cannot understand and speak the official language have the right to read all the Acts and court documents, and to speak at the hearing, via an interpreter. According to the provisions of the legislation, the legal proceedings can be conducted in the language accepted by the majority of its participants. Public notaries can use both the official and the Russian language. In Transnistria justice is effectuated exclusively in Russian, the Moldovan and Ukrainian languages being completely ignored.

According to the Law on the Special Legal

Status of Gagauzia, adopted in 1995, Gagauz-Eri is an autonomous territorial unit and represents a form of the self-determination of the Gagauz people. The representative authority is the Popular Assembly of Gagauzia with the jurisdiction in science, culture, education, communal services, health care, budgetary, financial and local fiscal activities, economy and ecology. The Governor is the supreme official person of Gagauzia, with other authorities being subordinated to him. The Tribunal of Gagauzia is a second-level entity and the Prosecutor is nominated by the Prosecutor General of the Republic of Moldova. The Law on Gagauz-Eri stipulates that the judges are proposed by the Superior Council of Magistrates, with the prior agreement of the authorities of Gagauz-Eri, and approved later by the Parliament of the Republic of Moldova. This procedure is not justified, because the involvement of local executive authorities undermines the independence of the Superior Council of Magistrates. The procedure of appointing the Prosecutor of Gagauzia is also affected by the direct involvement of executive authorities of the region.

Linguistic standards are a special problem in the Republic. Some representatives of the national minorities do not know the official language (named in the Constitution “the Moldovan language”, although national and foreign philology experts consider it to be the Romanian language). According to the “Final and Provisional Instructions” of the Constitution, the Law on the Functioning of Spoken Languages on the Territory of the Republic of Moldova was proclaimed, at the time of its adoption in 1989, a constitutional law for a period of 7 years. This law stipulates that the officials from the state administration, public organisations, health care, educational, cultural and social services institutions should, regardless of their national origin, know both the official and the Russian language. In the regions where the majority of the population is Gagauz, knowledge of the Gagauz language at the communication level is necessary for public officials to perform their professional obligations. At the request of the Council of Europe to guarantee a proper, objective period for the study of the official language and to reduce the potential legal consequences of insufficient knowledge of it, the Parliament postponed the examination of public officials on their knowledge of the official language until 1997.

3.5. Parliamentary Advocate

In 1997, the Parliament adopted the Law on Parliamentary Advocates. The corresponding institution, named the Centre for Human Rights, is supported financially by the United

The institute of parliamentary advocate, legalised in the Republic of Moldova, is based on the concept of a dependent statutory parliamentary body that supervises the observance of legislation.

Nations Development Programme. Three parliamentary advocates are elected for a period of 5 years by a majority vote of the Parliament, at the proposal of the President or at least 20 deputies of the Parliament and the Government. The Director of the Centre for Human Rights is appointed from amongst the parliamentary advocates by the Parliament at the proposal of the Chairman of the Parliament. The parliamentary advocates are granted the status identical to that of the judges of the Supreme Court of Justice. Parliamentary advocates have the right to notify the Constitutional Court of the need to control the constitutionality of the laws and decisions of the Parliament, Presidential decrees, decisions and instructions of the Government, and of their compliance with the international principles and legal acts on human rights. The institution of parliamentary advocate is not supported by any particular provision of the Constitution.

The Centre for Human Rights performs some functions similar to those of the Prosecutor's Office and has jurisdiction over petitions concerning the decisions and activities (or inactivities) of all local and central public authorities, institutions, organisations and enterprises, public associations and persons holding responsible positions at all levels which, in the opinion of the applicant, have violated constitutional rights and freedoms. After examining the petition and detecting the violations, the parliamentary advocates will present their recommendations to the respective authorities regarding the measures that are to be taken to reinstate the applicant's rights, informing the applicant at the same time. Failure to execute the recommendations is dealt with according to the existing legislation. Under the law, the parliamentary advocates cannot examine petitions related to parliamentary decisions, presidential decrees, and governmental decisions and instructions. The creation of the institution of parliamentary advocacy is a progressive step. If it manages to become an efficiently functioning institution, it will have a positive influence on the observance of human rights and the rule of law in the country.

3.6. Conclusions

The evolution of the legislation and the practice of the human rights observance in the Republic of Moldova are not unequivocal. The current process of structural reform of the state, the harmonisation of the national legislation with international legal norms and the promotion of civil values is accompanied by cases of the actual violation of human rights. Although, in general, the state does not violate human rights systematically - with the exception of the silent acceptance of the human rights violations in the eastern part of

the country where such violations are common practice - *the general situation in the Republic concerning the observance of human rights is unsatisfactory and there is much room for improvement.*

In order for the right not to be exposed to torture or inhuman and degrading treatment to be better observed, it is necessary to eradicate deficiencies in the regulations concerning the access of prisoners to justice, assuring them the right to dispute the imposed sanctions at an independent administrative or judicial body; to improve conditions in the places of detention according to the minimal European standards and those of the United Nations regarding penitentiary institutions; to assure the right to private property, personal security and the right to information. In this context, recognition of the complete competence of Article 22 of the UN Convention against Torture and other Cruel, Inhuman or Degrading Treatment in cases of individual appeal to the Committee on Torture, would be an important step. This recommendation is supported by the appeal made by a series of international non-governmental organisations in their letter of February 1998, addressed to the permanent mission of the Republic of Moldova to the United Nations in New York. The letter was signed by the International Helsinki Federation for Human Rights, the Association for Torture Prevention, the International Federation of Christians for the Abolition of Torture, the International Council for Rehabilitation of Victims of Torture and the World Organisation against Torture.

Regarding access to justice and the right to an impartial court hearing, there is a need to improve the national legislation according to the requirements of the European norms so that an adequate procedure is established for satisfying effectively, by competent institutions, all cases of the violation of fundamental rights and freedoms. Free legal assistance should be guaranteed and the judiciary should be provided with the necessary resources to make possible the normal functioning of the judicial system.

Concerning the right to privacy and personal security, it is necessary to introduce modifications to the provisions of the national legislation that would guarantee this right in accordance with international norms on human rights. The Law on Postal Services, the Law on Telecommunications and other laws related to the observance of the right should be adapted accordingly.

As for the right to association and assembly, a new law on trade unions should be adopted urgently and the restrictive provisions of the existing legislation should be changed.

To strengthen the freedom of thought,

conscience and religion, all the commitments made to the Council of Europe should be fulfilled. In addition to the proposals already elaborated in the programme for adjusting the present legislation, further changes are necessary. These changes should include the elimination of discrimination against certain sects, elimination of the excessive control of the state over economic and financial activity of creeds and their right to free movement.

As regards the freedom of the media and the right to information, some provisions should be included in the Constitution that would explicitly guarantee the media independence. Also, created should be the autonomous public administration agencies that would ensure the independent functioning of the media. The modification of the Law on the Press and Broadcasting media, aimed at assuring the real autonomy of the Co-ordination Council of Broadcasting Media; the exclusion of the Ministry of Transport and Communication from the administration of the broadcasting media; the elaboration of a special law on access to information of public interest; the elaboration of a support programme to the development of the local mass media and the development of new communications technologies in order to ensure the effective circulation of information would also be necessary.

To strengthen the institute of parliamentary advocate, it is recommended to take the following measures: to develop amendments to the Constitution which would constitutionalise the institute of parliamentary advocate; to modify and make more precise provisions regarding the unhindered access of parliamentary advocates to all public authorities in order to ensure a correct impartial judicial process; to modify provisions on free access to private and non-government institutions; to specify the relationship between the institute of parliamentary advocate and public authorities

(prosecutor's office, police, judiciary); to elaborate provisions that would allow to initiate a legal process for reinstating the rights of people whose rights were violated; to specify the need to abide by the recommendations made by parliamentary advocates; to strengthen the statutory independence of parliamentary advocates in order to avoid their dependence on the policies promoted by the majority in the Parliament; to extend their functions regarding recommendations to public authorities having the right to initiate amendments to the current legislation; and to broaden the jurisdiction of the ombudsman (parliamentary advocate) with regard to his/her monitoring and control functions over the police and places of preventive detention.

Concerning the problems experienced by the national minorities, a new law ought to be elaborated in line with the requirements and standards of Recommendation 1201 of the Council of Europe. Also, more effort is needed to solve the Transnistrian conflict and to assure the observance of human rights in the eastern part of Moldova.

It is very important that the Republic of Moldova states more explicitly its position on the problem of human rights in the international arena and actively participates in the life of the international community. In this respect, the following measures are needed: to fulfil all the commitments made to the Council of Europe; to harmonise national legislation with the provisions of the European Social Charter; to actively participate in the activity of ILO (International Labour Organisation); and to study, with the purpose of its eventual ratification, the International Convention on the Status of Refugees, as insistently recommended by UNHCR (UN High Commissioner for Refugees) in Moldova.

CHAPTER IV. THE ECONOMY IN TRANSITION AND HUMAN DEVELOPMENT



The transition to a market economy and the creation of a democratic society in the Republic of Moldova exhibited important achievements as well as difficulties, restraints, mistakes and inconsistencies which had a negative impact on human development and social cohesion. The deficiencies of the transition period threaten the convergent evolution of the above-mentioned two processes and the efficient development of the national economy. However, without a real dynamism of the economy, human development, being a perpetual process of extension and diversification of individual and community opportunities related to the realisation of their capacities via creative activities, is impossible.

The negative evolution of the economy in the Republic of Moldova is demonstrated by the “depressive stagnation” that aggravates the social crisis characterised by poverty, unemployment, moral decline, corruption, deviant behaviours, doubtful public authorities, etc. This economic stagnation and poverty augmentation are the consequences of the overestimation of the “gradual therapy” that justified the delay of reforms in previous years and favoured the interests of various groups and short term political solutions, ignoring all the time the consequences for the future.

Many of the reforms in the Republic of Moldova are supported by the international financial organisations (IMF, World Bank) that provide financial assistance and expert advice. However, the mechanisms that could contribute to the effectiveness of reforms are not working. There are a lot of factors, both subjective and objective, which contribute to such a situation, these being the inconsistency demonstrated by the politicians in getting things done, lack of experience and professionalism at all levels, and the persistence of the old communist mentality and practice. Another important reason is the problems the country is experiencing in adjusting to democratic principles. Reforms will not be successful without the widespread participation of the population and a general will for change. Both these conditions have not yet been fulfilled. As a result, much is being said about economic reforms and restructuring but, in practice, the process is characterised by hesitation.

The present Chapter provides an analysis of the developments in the economy and the respective policies of the past seven years and their effects on human development. After a short overview of economic developments, examined will be the legitimacy of the macro-

economic policies which have been pursued, followed by a discussion of the dilemmas related to the collection of budgetary incomes and the harmonisation of the redistribution and stimulation functions of the tax system; privatisation problems, the quality of human capital and the shadow economy.

4.1. Economic Development

In 1997, the Government announced a set of economic policies with the following goals: to maintain social and economic stability; to continue reforms and revitalise the economy; to extend the private sector and restructure enterprises; to tighten fiscal discipline; to reduce wage and pension arrears; and to ensure social protection. The focus of the economic system reform was put on three important problems: property reform, including the complete de-monopolisation and privatisation of the state and *kolchoz* property; the general liberalisation of the economic activity; and the fight against inflation.

The above policy seems to have had some positive effects. According to the preliminary data, in 1997, the rapid and continuing decline of the economy registered in previous years came to a halt. For the first time in 7 years, GDP registered some kind of growth, having amounted to 1.3%. The inflation declined to its lowest level since 1989, and equalled 0.9% per month. The share of the private sector increased and, by the end of 1997, this sector contributed some 60% of GDP and accounted for 50% of all employment. Apart from this, a series of new, successful enterprises were created (e.g. in the light, canning and wine industries), with increased production and export volume. The overall structure of the population's income also changed.

At the same time, many political programmes intended for 1997, which were very important for the achievement of profound changes not only in the economic field - no matter how important it was - but in the Moldovan society as a whole, either failed, were implemented partially or not at all. These included the programme of agrarian reform, the de-monopolisation of the energy, transportation and telecommunication sectors, the attraction of foreign investment, the restructuring of enterprises, the creation of an encouraging legal and economic environment for small- and medium-sized businesses, and the social sector reform, including that of social insurance and assistance. Hesitation in the promotion of reforms in these key areas,

Forcing economic growth in an unstructured economy would be a mistake

accompanied by difficulties in establishing well-functioning capital, commodity and labour markets, has been affecting macro-economic stability (see Section 4.2). Together, they also hinder improvements in the efficiency of economic activities and discourage competition.

The economic stagnation, the so-called “depressive stabilisation”, characteristic of the last 3-4 years, is no less harmful than a sharp decline in production registered in the previous years. The evolution of GDP and the gross added value in all spheres of the economic activity after 1990 reveals the cost of some failures of transition. GDP started to decline in 1990, having reached its lowest level in 1996 and remained practically unchanged in 1997. During the period from 1990 to 1994, GDP decreased by about 21% per year, with the production volume having decreased almost by a factor of 2 between 1989 and 1994 (these statistics cover the whole territory of Moldova). During the period of “depressive stabilisation” (1995-1997), the yearly rate of GDP decline slowed down to 2.7% (see Figure 4.1). The 1.3% growth of GDP in 1997 is encouraging, but a more thorough analysis shows that it can scarcely be considered a significant indicator of the economic revitalisation since, first, it is only an estimate, and, second, it is mainly due to the activities of the agricultural sector which very much depends on the weather conditions. Indeed, an economic growth accompanied by an increase in the level of poverty can not be treated as an indicator of the successful economic performance.

Figure 4.1. Evolution of GDP

Source: Socio-Economic Evolution of the Republic of Moldova in 1997, Chisinau, March, 1998

Stagnation attests to the existence of a profound functional crisis in the national economy that generates unemployment and poverty with all the consequences which these two phenomena might cause for human development. Both privatisation and stability are not goals in themselves, rather they should serve the objective of achieving economic growth and translating such growth into the increased well-being of the population. This requires a the profound restructuring of enterprises, the improvements in productivity,

the development of marketing skills, the stimulation of an efficient service sector, etc. The state needs to get more actively involved in the implementation of reforms. It should create the enabling environment which would promote competitiveness, the efficient functioning of market relations and economic growth.

Examining the components of GDP, one can clearly see the declining share of industry and agriculture (Table 4.1 and 4.2). Industrial production in 1996 dropped 2.4 times as compared to 1990, maintaining the same level in 1997. Agricultural production decreased, on average, by approximately 30-35%, as compared to the previous years, fluctuating after 1990. Five times it experienced 10 to 24% decreases, and three times 3 to 11% increases, as compared to the previous years.

The competitive potential of agriculture is only occasionally displayed on the external market. The profitable use of land by farms of optimal dimensions, with modern technology and technique is a dream of the future and its becoming a reality depends on the gradual and coherent promotion of agrarian reforms.

Table 4.1. GDP Indicators by Main Types of Economic Activity

(1993 = 100)

Indicators	1994	1995	1996	1997
1. Gross Domestic Product	69.1	68.1	62.8	63.6
2. * Industry (including energy, water supply, quarrying)	70.9	72.7	65.1	65.5
3. * Agriculture	82.6	85.3	74.1	82.1
4. * Construction	47.3	38.8	34.4	31.7

* according to the production volume

Source: DSAS

Table 4.2. Structure of GDP by Types of Economic Activity

%

	1994	1995	1996	1997 estimates	1997/1994 (+ -)
GDP	100	100	100	100	
<i>of which:</i>					
Gross added value	93.5	88.6	89.3	87	-6.5
Agriculture	27.3	29.2	27.2	26	-1.3
Industry	31.4	25.0	25.4	25	-6.4
Construction	4.5	3.5	3.8	4	-0.5
Other activities	30.3	30.9	32.9	32	+1.7
Net taxes on goods and imports	6.5	11.4	10.7	13	+6.5

Source: DSAS

Thus, the main characteristic of the economic policy in the next stage of transition should be the promotion of dynamism in all elements of social and economic life - so that to ensure the proper functioning of the goods, services, capital and labour markets - and the implementation of programmes of structural reform and improvements in productivity that would promote sustainable growth accompanied by the social transformations favourable for the process of human development.

4.2. Macroeconomic Problems

4.2.1. Stability and Dynamism

It is well-known that the spontaneous market mechanisms are not sufficient for the promotion of the balanced and sustainable development which is especially true for countries in transition. The experience of other countries shows that the active intervention of the state and a comprehensive economic policy are absolutely indispensable. This economic policy, however, is only one component of the general development policy whose main objective, in the case of the countries in transition, is the complete reformation of the socio-economic system (including privatisation, effective economic restructuring, improved productivity, macro-economic stability and properly-functioning markets, changes in the mentality and behaviour of the population, reduction of poverty and social tension, regional development, improved education and health, and a general improvement of the standard of living) carried out at the minimum possible costs. This does not mean that economic objectives are of lesser importance, rather that they have to be in harmony with objectives in other policy areas.

The level of monetary stability achieved in the Republic of Moldova is officially regarded as a major accomplishment, but its relationship with other economic variables is often not taken into account. The control of the monetary resources did indeed maintain a low rate of inflation, having limited price and wage increases. At the same time, however, it led to a decrease in demand and economic activity. Some experts even argue that such a policy does not favour sustainable development and actually inflicts serious social and economic damages.

The exchange rate of the Moldovan Leu to the US Dollar depreciated only 20-25% during the period 1993-1997 (from 3.85 to 4.75 Lei for one US Dollar) whereas the exchange rates in other transition countries - principal

partners of Moldova decreased much more. Thus, the Russian Rouble depreciated by 80-90%, both the Ukrainian and the Belarusian currency - by several thousand percent, and the Romanian Leu by 300-400%. However, in terms of economic development during 1993-1997, the Republic of Moldova showed one of the most unfavourable performances in comparison with these countries. The "stability" of the Moldovan Leu was maintained by the National Bank of Moldova (NBM) not through the utilisation of means based on the economic processes in the country, but with the short- and long-term funds (3-5 to 10 years) granted by the IMF.

A real stability of any exchange rate should depend on three conditions: a growing or at least steady GDP; an active trade balance; and a favourable balance of external payments. None of these conditions were met in Moldova from the date of the national currency's issue (in 1993) to the present. Therefore, the "stability" of the national currency cannot be called sustainable but instead artificial. Sustainable macro-economic stability can only be achieved through the profound micro-economic reforms which have not been yet fully implemented in the country.

One of the main effects of the exchange rate policy was that it encouraged imports and discouraged exports, as the exchange rate was more favourable for foreign companies and less favourable for domestic businesses. This could not fail to negatively influence the external trade balance. The trade balance deficit grew from US\$ 95 to 297 million, or 34.0 % of total exports between 1995 and 1997, and it continues to grow. The growth rate of imports exceeds that of exports not only because of the huge imports of energy resources. The other important reason is the decreased competitiveness of the Moldovan goods in both domestic and foreign markets and an increase in imports.

The "stability" of Leu may have had a positive psychological effect but this factor, being very important for a short period of time, should not be over-estimated. An adequate exchange rate policy should take into account the real situation in the economy, as well as the exchange rate policy pursued by other trade partners. The costs of maintaining the stable exchange rate, as well as its negative consequences for the economy and for the population, are very high and it will take a long time to overcome them.

Since 1992, the Republic of Moldova has annually negotiated public and private external loans. There are three categories of such loans: loans negotiated, obtained and managed by the Government (70% of the total); loans guaranteed by the Government and obtained by different commercial organisations (7%); and loans obtained and

"Separation of the macro-economy from the micro-economy is a difficult task, if not a mistake from the scientific point of view."

J. Bremond, A. Geledan

managed by the NBM (23%) (see Tables 4.3-4.5). As of 1 January 1998, the external debt of the country was US\$ 1.2 billion, and the internal debt - 984 million Lei. The balance of payments deficit in 1997 reached the critical level of US\$ 295 million or 16% of GDP (a level above 10% is considered risky). External loans experienced an annual growth of 10-25%, whereas GDP was decreasing steadily.

All these loans were used for the current consumption needs. Their repayment (plus the interest charge) constitutes a heavy burden on the budget and, in 1997, some 20% of the consolidated budget income, or US\$ 150 million, were used for this purpose. The amounts to be repaid in the following years are much higher and, for example, in 1998, US\$ 215 million will have to be repaid. This will generate a serious financial crisis, reduce the currency reserves of the NBM, and lower expenditures in the social sphere. Finally, these repayments will make it impossible to maintain the stable exchange rate.

Table 4.3. Public External Loans Negotiated and Managed by the Government

(US\$ million)

Year	Amounts Received			Repayments		
	Negotiated	Effective	Cumulative debt	Principal	Interest charge	Total
1992	57.13	19.73	19.73	-	-	-
1993	203.87	144.63	164.36	0.76	3.34	4.10
1994	151.57	177.47	341.83	-	15.87	15.87
1995	117.28	81.87	423.70	33.32	30.10	68.42
1996	257.33	80.76	504.46	17.14	32.71	49.85
1997	116.72	204.21	708.67	66.63	45.70	112.33
1998				157.00	54.15	211.15
1999				103.06	45.10	148.16
2000				72.20	41.28	113.48

Note: The repayments for 1999-2000 are calculated for loans obtained until 31 December 1997, without short term loans.

Source: NBM

Table 4.4. Public External Loans Negotiated and Managed by the NBM

(US\$ million)

Amounts	1993	1994	1995	1996	1997
Negotiated	87.01	77.15	66.02	32.30	20.33
Debt	87.01	164.16	230.18	247.34	234.07

Source: NBM

Table 4.5. Loans Granted to the Republic of Moldova Under the Guarantee of the Government

(US\$ million)

Amounts	1994	1995	1996	1997
Contracted amounts (cumulative)	9.09	148.22	144.21	148.39
Debt	0.0	13.92	44.43	69.55

Source: NBM

It can be concluded that the stability of a few macro-financial factors, maintained artificially with monetary tools, does not serve economic development and does not improve people's living standards. In order for the country to get out of the state of "depressive stabilisation", which it has been experiencing over the last 3-4 years, and to add the authentic and healthy dynamism to the process of human development, a re-focusing of the economic policy is needed. Much more attention should be given to the micro-economic restructuring, productivity improvement and promotion of investment. Taking into account the tough conditions resulting from international financial obligations and the growing fiscal burden, an advantageous external credit policy should be developed. The resources necessary for the socio-economic development of the nation should be sought within the country through, first of all, legalising the shadow economy. The amount of external credits managed by the NBM could be reduced substantially.

4.2.2. Fiscal Policy

The radical reform of the fiscal system in the Republic of Moldova began in 1997. The Fiscal Code (the first three sections), elaborated with the support of the international financial organisations (the World Bank and IMF), became operational. However, since the country does not have the necessary logistical base and the relevant institutions are not prepared for their new functions, the Fiscal Code is being applied gradually. The new fiscal system is based on the following principles: similar methods of determining the taxables and equal income tax burden for individuals and legal entities (regardless of their property form, organisational type and size of business); gradual reduction and future cancellation of the existing fiscal arrangements; reduction of direct taxes to diminish the fiscal burden; creation of an efficient tax collection system; and the organisation of a computerised network of record-keeping.

According to the new fiscal system, there are 17 types of state and local taxes and other fiscal collections. The main taxes, covering up to two-thirds of the consolidated budget

Table 4.6. Evolution of the Key Macro-Economic Indicators*% as compared to the previous year*

Indicators	Years						
	1991	1992	1993	1994	1995	1996	1997
GDP	82.5	70.9	98.8	69.1	98.6	92.2	101.3
Industrial production	88.9	72.9	100.3	72.3	96.1	93.5	100
Agricultural production	90	84	110	76	103	87	111
Investments in fixed capital	91	74	55	49	84	92	92
Consumption price index	198	1,209	1,284	587	130	124	112
Average monthly inflation	7.9	27	32	6.2	1.8	1.2	0.9
Export	-	-	103	117	132	107	110
Import	-	-	98	105	128	128	109
Trade balance deficit	-	-	85	65	62	405	134
Budgetary deficit (% GDP)	-	-	7.5	5.8	5.8	9.8	7.8
External debt, US\$ million	-	-	225	593	805	1,054	1,264
Refinancing rate of the NBM (as of the end of the year)	-	-	245	42	21	18	16
Exchange rate Leu/US\$ (as of the end of the year)	-	-	-	14.8	6.1	2.6	0.2
Real income of the population	-	-	71	81	123	101	102
Real wages	92	67	69	59	102	106	104
GDP per capita, lei*	5.9	4.4	508	1,313	1,798	2,128	2,408
Unemployment rate	0.0	0.1	0.7	1.1	1.4	1.5	1.5

* 1991 – 1993 – for the whole of the Republic of Moldova 1994 - 1997 – without Transnistria

Source: DSAS

income, are income tax, value added tax, excise tax and real estate tax, including the land tax. The public has not perceived the new system favourably, mainly because the fiscal burden on taxpayers will increase. Also, certain fiscal facilities for certain priority activities (investments, small businesses, etc.) were cancelled, which can affect the strategic objectives of human development, primarily, the economic growth.

The Fiscal Code stipulates two levels of income tax for all taxpayers: 20% on annual income below 10,800 Lei and 32% on annual income above it. In 1998, some modifications were introduced to this scheme with 4 levels of income tax having been established: the minimum of 15% on annual income of 6,000 Lei and the maximum of 25% on annual income above 10,800 lei. Individuals with an income of 175 Lei per month (US\$ 37), or 2,100 Lei per year, are tax exempt, and taxes are paid only on income exceeding this threshold.

Another dubious stipulation of the new Fiscal Code, is the undifferentiated taxation of dividends and interest on savings in commercial banks. Under the present conditions, when most citizens do not deposit their savings in banks, this can further reduce the availability of resources for investment. In 1997, from the total internal investments of about 1,100 million Lei, 400 million Lei

(37%) came from individual bank deposits.

The key problem – stimulation of economic growth – remains unattended in the new fiscal policy. Despite the claims in financial and fiscal circles that the fiscal burden in the Republic of Moldova is moderate, calculations actually indicate the reverse situation, which encourages tax evasion. This is confirmed by the findings of the Centre for Research on Market Problems (part of the Ministry of Economy and Reforms and the Academy of Science). The index of fiscal pressure, including payments to the social fund and excluding individual taxes, was 37% in 1993, 38% in 1995 and almost 40% of GDP in 1996. According to the estimates of foreign experts, if a transition country is striving to revitalise the economy and to stimulate sound business initiatives, this index should not exceed 30% of GDP. Interesting is that the dynamics of the respective index correlate with the growth rate of the shadow economy (see Section 4.5). The effective tax collection rate has been fluctuating between 70-85% in recent years.

The collection of resources necessary to finance public expenditure is only one of the functions of the tax system which has other objectives as well, related to the redistribution of income and stimulation of the economic growth. Harmonising these functions of redistribution and stimulation (via optimal

Reduction of taxes constitutes the best stimulus for economic growth.

Table 4.7. Evolution of the Consolidated Budget

Indicators/years	Million Lei				% compared to the previous year		
	1994	1995	1996	1997	1995	1996	1997
Revenue – total	1467.6	2002.0	2074.2	2941.7	136.4	103.6	141.8
<i>Including:</i>							
Income tax	418.2	397.5	358.6	244.2	95.1	90.2	68.1
Individual income tax	130.0	201.7	219.1	281.1	155.2	108.6	128.3
Value added tax	282.0	576.7	613.9	948.9	204.5	106.4	154.6
Excises	151.5	190.3	196.5	401.1	125.6	103.2	204.1
Tax on external economic activities	29.7	51.3	94.8	127.4	172.7	184.8	134.4
Expenditure – total	1742.3	2376.0	2827.0	3608.4	136.4	119.0	127.6
<i>Including:</i>							
Economic sphere	134.7	162.6	245.9	297.0	120.7	151.2	120.8
Social sphere and science	967.2	1154.5	1581.9	1998.5	119.4	137.0	126.3
<i>of which:</i>							
Education and science	428.7	598.5	828.8	923.9	139.6	138.5	111.5
Health care	292.1	374.9	520.7	537.0	128.3	138.9	103.1
Social protection	28.7	42.3	53.7	455.6	147.4	126.9	848.4
Legal, public order, financial control and public administration entities	129.4	233.3	373.7	348.8	180.3	160.2	93.3
External economic activity	50.4	112.2	-	41.1	222.6	-	-
Deficit:							
In million Lei	274.7	374.0	752.8	666.7	136.1	201.3	88.6
As % of GDP	5.8	5.8	9.8	7.7	-	-	-

Source: DSAS

rates for different types of taxes, differentiated levels of fiscal pressure, etc.) with the budgetary policy is a problem too complex for a young state in transition. Starting in 1993, when Moldova adhered to the principles of the World Bank and IMF, the budgetary policy of the country was implemented according to the recommendations and under the control of these international institutions, in pursuit of the goal of balanced revenue and expenditure, with a minimal budget deficit, set at 3.5% of GDP. In reality, this deficit has been much higher in the past years (see Table 4.6). Even though in 1997, budget deficit, expressed as a proportion of GDP, decreased in comparison to 1996, it was still 2.2 times bigger than the target rate. Although during that year, expenditure increased by only 27.6% (compared to a 41.8% increase in revenue), it still constituted 42% of GDP, while 30% is considered acceptable.

The evolution of the budget structure (Tables 4.7 and 4.8), especially that of revenues, reflects the evolution of the process of real economic development. The decreased share in total income of direct taxes on profits can be attributed to the decreased efficiency of the national economy and the practice of concealing income, rather than decreased production. According to some estimates, the level of profitability in the production sector of the national economy is negative, with the

share of direct taxation having decreased 1.7 times between 1994 and 1997. The share of indirect taxation increased 1.4 times. To be noted is that a considerable part of taxation was collected via administrative and coercive means such as the confiscation of production or real estate in order to cover debts to the budget or to the social fund; freezing of bank accounts, among others. It is evident that the persistent use of such means can not fail to result in negative consequences for the entrepreneurship.

The contribution of different sectors of the economy to the budget does not correspond to their contribution to GDP. In 1997, industry, accounting for 25% of GDP, covered 32% of the budget income. As for the agriculture, despite its 26% share in GDP, it contributed only 15% to the budget income. This fact might be explained by the various facilities granted to this sector and the indirect subsidies awarded by the state. Agricultural producers are exempt from income and value added tax on exported production and on imported equipment and other materials. However, the efficiency of the agricultural sector is very low as a result of the delay in the implementation of reforms and the inadequate management.

Although social allocations (education, health care) dominate budget expenditure, the amount per capita/beneficiary is miserable

Table 4.8. Structure of the Consolidated Budget

Indicators	years			
	1994	1995	1996	1997
Revenue – total	100	100	100	100
Direct taxes:	38.4	34.6	33.5	22.2
<i>Including:</i>				
On income	28.5	19.9	17.3	8.3
On individual income	8.9	10.1	10.6	9.6
On land	1.0	4.6	5.6	4.3
Indirect taxes:	37.0	47.0	48.6	53.1
<i>Including:</i>				
Value added tax	19.2	28.8	29.6	32.3
Excise tax	10.3	9.5	9.5	13.6
External economic activity tax	2.0	2.6	4.6	4.3
Public taxes	0.9	1.0	1.4	1.0
Road tax	4.2	4.5	2.8	0.9
Real estate tax	0.4	0.6	0.7	1.0
Tax on non-fiscal income	24.6	18.4	17.9	24.7
Expenditure – total	100	100	100	100
Economic purposes	7.7	6.8	8.7	8.1
External economic activity	2.8	4.7	...	1.1
Social purposes	54.7	47.6	54.9	55.4
<i>Including:</i>				
Education	23.8	24.2	28.3	24.7
Health care	16.8	15.8	18.4	14.9
Social assistance	1.6	1.8	1.9	12.6
Public order and state apparatus	7.4	9.6	12.4	13.6
Capital investments	6.3	5.9	5.3	6.5
Other expenses	21.1	25.4	18.7	15.3

Source: DSAS

(444 Lei or US\$ 94). Expenditure on infrastructure, so vital for the national economy, is also well below the necessary level. As a result, the situation in the social sphere remains very complicated, affecting directly the quality of life and the development of human potential.

Another factor that affects budgetary expenditure is the practice (not stipulated by the law) of protecting certain organisations which benefit, on an exceptional basis, from governmental guarantees in requesting credits. Loans are frequently reimbursed with delays and losses for the budget. The lack of strict regulations regarding state loans makes it possible to use budgetary funds for loan repayments.

A particular problem is constituted by the distribution of revenue between central and local budgets. Some 72-75% of revenue goes to the central budget and the local budgets receive far too few funds to meet local requirements. For this reason, the districts and municipalities appeal to the central

government for additional funds. The granting of these funds depends, sometimes, on various subjective factors (influence, relations, persistence, etc.) and is often accompanied by corruption. This practice, inherited from the past, nourishes inequality and unproductive behaviour and obstructs a well-targeted spending of funds. It also limits the possibility of finding independent solutions to local problems. A review of the revenue distribution system is, therefore, required.

In conclusion, it should be stated that improving the fiscal system of the Republic of Moldova is an urgent task. However, application of a fiscal code reproduced from the practice of the developed countries with well-organised market economies, without modifications which take into account the specific situation in the country still characterised by the disorganisation and absence of growth, will not have the desired effect. For this reason, it is imperative that the law is gradually changed and adjusted to the realities of an economy in transition. Some modifications have already been made.

4.3. Post-Privatisation Problems

“The fundamental idea of privatisation is that property should belong to the most motivated individuals who are able to administer it well.”

Paul Welfens

For countries in transition, privatisation constitutes the basis of democratic reforms, extension of opportunities, market economy and liberalisation of social relations. It is a basic indicator of the achievement of these objectives and is often considered an important step towards development focused on individuals. The means, mechanisms and results of privatisation in Moldova are well-known, as they have been analysed in the National Human Development Reports of previous years. In the present Report, therefore, discussed will only be the contribution that privatisation has made to the economic development of the country.

In economic terms, the first test in determining if privatisation is successful is to check whether it improves economic performance. Unfortunately, this has not been the case in Moldova, with the privatisation having achieved neither its economic nor its social objectives. The private sector, with a 58% share in GDP in 1996, did not have any positive influence on the levels of productivity, efficiency and competitiveness in the national economy. Neither did it manage to halt economic decline or diminish poverty, nor has it motivated or forced enterprises to restructure and reorganise their activity in order to increase competitiveness and attract new investors. As long as this remains the case, the creation of a viable private sector, able to contribute effectively to the solution of social and economic problems, will be long delayed.

In comparison with other sectors of the economy, agriculture faces the most severe problems. At present, in conformity with the legislation in force and with the support of the US Government (the Programme on Privatisation and Restructuring of Agricultural Enterprises – “Land”) and that of the World Bank (Agency for Restructuring Agriculture – ARA), agricultural land and assets of the former collective farms are being transferred to the rural population engaged in the agricultural sector. This activity is intended to be completed in 1998. Certain experts, however, consider that the process of legalisation of private agricultural property requires more time. They point out that from 1,034,000 citizens with the potential right to own land, 984,000 (95%) actually received the certificates confirming this right and nearly 200,000 citizens (19%) actually received their land property titles by April 1998. Of these latter citizens, only 96,000 (48%) created and registered officially 68,000 peasant households. According to the law, peasants (farmers) are not legal entities, with their options being limited by this provision.

Acceleration of the land privatisation process is an imperative, dictated by the need for the agrarian sector to become efficient, productive and competitive, with the private property being, in this respect, considered the best option for the agriculture and for the human development in the rural areas of the Republic of Moldova. At present (1997), the debt of the collective farms to the state exceeds 1 billion Lei, even though they receive state subsidies, which are unfortunately of a somewhat arbitrary and distorted character. According to the current statistics, 46% of the collective farms suffer losses, with the average profitability of this type of agricultural enterprises having been estimated at 0.14%. As for the small owners, their contribution to the total agricultural production is significant. Thus, in conformity with the statistical data for 1997, “peasant and population households”, owning approximately 27% of the agricultural land, were responsible for 52% of the total agricultural production while “agricultural enterprises” (collective farms), owning around 73% of the land, produced only 48% of the total. Consequently, a comprehensive process of agricultural restructuring is vital for the consolidation of the private sector through the maximum diversification of the types of agricultural enterprises. Priority should be given to the medium-sized farms, including those renting land, as well as new independent associations of various sizes.

The inconsistencies and delays in the agrarian reform remain very painful for the national economy and affect human development. The efficiency of agricultural production has diminished tremendously. The process of ownership development in agriculture is hampered by the resistance of local public authorities and managers of former collective farms as well as by the lack of state support to the new owners and their endeavours (financial or moral support, expert advice, training, services, etc.). To be highlighted is that those opposing the “demolition” of old collective farms and maximum diversification of the types and sizes of agricultural enterprises, provide, in favour of a modern agriculture, technical and technological arguments, rather than economic and human development reasoning. They do not take into account the fact that the technical potential of the collective farms has deteriorated and new investments, with a few exceptions, have not been made. The old service infrastructure for the purchasing of inputs, equipment, and materials, and for the sale of agricultural production, has collapsed and no alternative mechanism corresponding to the new circumstances has been developed. The access of small owners to the agricultural equipment remaining under the control of collective farms is limited, with this equipment being, in many cases, inappropriate for the new plots.

As regards the new equipment, small farmers do not have the means to purchase it.

Unfortunately, as demonstrated above, the present circumstances do not favour the independent development of private agricultural households. There is little intention to set up farms as people do not want to run the risks and face many obstacles that might appear. A survey of peasants (see also Section 4.4) showed that only 13.7% would like to become farmers, while 66.7% did not want to do so and the rest did not have a clear opinion. Among the reasons for the reluctance to become farmers, mentioned were the absence of the necessary equipment and materials (around 32%), old age and poor health (18%), lack of legal guarantees (16%), reluctance to change their lifestyle (15%), the fact that a higher income could be obtained in the collective farm (2%), and other reasons (16%).

The deficiencies in the Moldovan model of privatisation that was applied in the other sectors of the economy and was so much appreciated during the first stage, later on acted to discredit the whole concept. Privatisation on the basis of vouchers (National Patrimonial Bonds) was completed in 1996. The privatisation of 2,335 small, medium and large enterprises (see 1997 National Human Development Report) via Bonds, transformed later on into shares, allowed for the creation of the Stock Exchange and a secondary market of securities. In 1997, 170 agents of specialised institutions (including 42 investment funds, 10 assurance companies, and 17 commercial banks) and over 1,000 individuals with the right to manage securities participated in the transactions on this market. As of to-date, all individuals and legal entities can buy and sell securities.

The sum of securities transactions increased in 1997 to 322.7 million Lei (11.2 times the 1996 amount), including transactions of 110.7 million Lei outside the Stock Exchange. Nevertheless, most of these transactions relate to the mutual exchange of security portfolios between privatisation investment funds, with the goal of concentrating their respective shares in specific associations. The price of the shares was equalled a maximum of 10% of their nominal value. Obviously, most of the shareholders are dissatisfied. They lose their investments and do not receive the promised dividends.

The huge number of shareholders – approximately 3 million in total, owning one-third of the national property (with the exception of land) – has, as was stated above, practically devalued the concept of an owner. The shares owned by one shareholder have a value of 10 to 1,000 lei (US\$ 2 to 213), a fact which tremendously reduces his/her sense of

responsibility for the participation in the administering the property. The shareholder does not really know the enterprise in which he/she has shares and has no influence on investment decisions. The 2,400 enterprises and organisations which have been transformed into joint stock companies regardless whether they are completely privatised or whether the state holds part of the control shares, maintain the old managerial system and administrative apparatus. The result is the continuation, with a few exceptions, of an obsolete economic model which adopted some elements of the shadow economy in the interests of a small group of enterprise administrators and other powerful individuals.

Many enterprises have thousands of shareholders who think that their participation in the production process organisation is limited to receiving dividends. Up to the present moment, there are no legal, economic, or organisational mechanisms regulating the establishment and functioning of the corporate management organs of a joint stock company. Lack of information is obvious: shareholders do not know their rights and obligations. The effective participation of shareholders in the management of their property or in the election of managers does not take place. Most of the investment funds, holding 60% of the shares of enterprises privatised with Bonds, are indifferent, showing no initiative even in the companies where they are the major shareholder.

Under the conditions of a market economy, the manager is the main person on whom the success of the enterprise depends. At present, however, most of the managers of the joint stock companies are the former directors of the state-owned enterprises who do not meet the requirements of the market relations. As a rule, they act in pursuance of their personal interests. For this reason, most privatised enterprises are not profitable. The imperfection of the existing legislation (e.g. there is no law on managerial contracts) and the insufficient legal knowledge of the owners allow the managers to remain in control of the enterprises incurring permanent losses. This is true even for the enterprises which have 90% of their shares owned by the investment funds.

A problem behind these unsuccessful developments is that the reformers and major economic actors do not understand that privatisation is not just a legal act, it requires a profound change in all aspects of the economic activity. This should include the following:

- *Re-organisation and restructuring of privatised enterprises, focused on their modernisation and on the use of new technologies aimed at raising*

productivity;

- *Attraction of the internal or external investments needed for such modernisation;*
- *Creation of incentives for enterprises based on comprehensive business plans and economic motives;*
- *Improvement of the skills of employees.*

Some measures have already been undertaken in this direction with the help of international institutions, especially as regards the restructuring of industrial and agricultural enterprises. In 1997, 40% of industrial enterprises and 80% of agricultural enterprises were restructured and re-organised, in most cases by splitting them into smaller economic units. Still, in general, these measures do not result in all the necessary changes, they do not have the needed financial back-up and do not really re-orient the enterprise's output towards the market. Apart from this, most enterprises do not have the professional management meeting the requirements of the market economy, their equipment and organisation patterns are obsolete, and their marketing activities are inefficient. As a result, the enterprises can not become competitive, even on the local market.

It can be concluded that, up to now, privatisation efforts have not been very successful and may rather have brought about the phenomena harmful for the economy. The inconsistent implementation of privatisation and other reforms in the agriculture, the continuing domination of the collective farms and the difficulties encountered in establishing new associations or small farms have turned the agricultural sector into a non-competitive and inefficient sector. It has a very important social function as a survival mechanism for large parts of the population, but it hardly has any function in revitalising the entire economy.

Concerning industry, privatisation has not managed to establish real owners who exercise control over the management and investment decisions. Ownership is splintered, while incompetent former enterprise directors have remained in control, serving their personal interests instead of trying to build productive, competitive businesses. As a result, owners' shares lose their value, the technological level falls and most enterprises suffer from continuing losses. *As estimated by ARIA, according to the international criteria for the calculation of economic-financial indices, 90% of the industrial enterprises in the Republic of Moldova are close to bankruptcy.*

better living conditions for the population. Therefore, the economic growth cannot be a goal in itself, it is rather a precondition for the well-being and human development. For the real growth, GDP should have another quality: a bigger value added, more profit, higher competitiveness as well as market orientation of the most important activities and consumption. This other dimension of GDP will mean a different quality of human development: reduced poverty, development of the education system, improved public health, social protection, economic and social security, access and the right to affirmation etc.

Here, the achievements obtained in other countries may be instructive. Modern theories on economic growth claim that the differences between the growth rates of different countries originate in spheres closely linked to human development – the development of knowledge, education, health and human behaviour. Sociological and economic research frequently use the concept of human capital in this respect. The well-known American economist T.W. Schultz, Nobel Prize winner in 1979, has contributed to the development of the human capital concept by demonstrating that, in the long run, “...investments in people have a decisive influence on economic growth” and “...education is the fundamental and key investment in human capital”. These theories on economic growth coincide with the human development concept, according to which the individual is the motor of economic development (growth).

This scientific message is reflected in social and economic policies in the developed countries, but is valid for all countries. This is especially true for the Republic of Moldova, which has only very few natural resources and where human capital could become the main source of economic growth. Still, the subject of human capital receives little attention in the economic policies of Moldova. There is much talk about improving the technological base of the production process, but in most cases the fact that any technology cannot function without the appropriate human capital is ignored. At the same time, there exists a dilemma - without economic growth massive investment in human capital is hardly.

As discussed in Chapter 5 of the present Report and in the 1997 *National Human Development Report*, the heritage of the Republic of Moldova in the field of education is really good: the literacy rate of the adult population is 96.4%, 75-83% of the 25-40 years old people have secondary and higher education (see Section 5.5 of the present Report and Section 5.6 of the 1997 NHDR). During the transition period, the education system has undergone significant modifications with both positive and negative

“Knowledge is the highest quality power.”

Alvin Toffler

4.4. Human Capital

An eventual revitalisation of the economy and increased GDP would not necessarily lead to

Box 4.1. Ambivalence Towards Reform

A sociological research conducted in 1997 in the framework of the UNDP/World Bank project **on the formulation of the Strategy for Development** confirmed the ambivalence in the population's attitude towards reforms. If compared to the previous years, the general assessment of reforms have not changed considerably, with only 26.6% of the respondents considering that the results of reforms were satisfactory, while 37.7% claimed that most of the reforms had negative results. As can be seen in Figure 4.2, the level of education clearly influences this assessment. Among the higher educated, the percentage assessing the reforms as positive is higher than average, while among the lower educated, it is lower. Also among the latter, the percentage with no clear opinion is also very high.

The formation of different types of property is considered to be a positive development by 36.2% of respondents, including by 49.6% of students, 57% of people with higher education and 57.4% of workers in the private sector. The re-organisation or restructuring of state enterprises is perceived with little satisfaction: 32% of the respondents assessed it negatively while 36% viewed it as a positive phenomenon. The break-up of kolchozes and sovchozes is seen negatively by 45% and positively by 27.3% of the respondents, these figures being 41.3% and 31.7% respectively in rural areas. The liberalisation of prices and trade is evaluated positively by 55.7% of the respondents, the development of the private sector by 33.6%, and the right to buy and sell land by 29.5%. The opinions about the effects of privatisation in agriculture are mixed, but mainly negative and indicate grave organisational and economic problems (see Figure 4.3).

There is an obvious confusion regarding the problems faced by enterprises: 32.15 % of the respondents think that the situation in the respective enterprises can be improved by the state and its institutions, 24.52% assign priority to the private sector, and 17.49% - to the enterprise administration. Respondents consider that the conditions for entrepreneurship are unfavourable, with the main impediments to the development of entrepreneurship being "very high taxes" (30.4%), "lack of state support and protection" (27.2%), "corruption of officials from state structures" (51.5%) and "bad communal services" (26.3%).

The results of this and other sociological researches carried out in the Republic of Moldova demonstrate the lack or insufficiency of knowledge and information in society on the essence of the transition to a market economy and its other aspects. The results of the survey also show that the mentality of the collectivity is still contradictory and hesitant and that the most important reforms are assessed negatively.

results. However, there is a real danger that the situation in the education sector will deteriorate substantially in the coming years.

Moldova also has significant intellectual potential and appreciable achievements in the area of research and development, even though the situation in this field have started to deteriorate lately. In 1997, 25 institutions of the Academy of Science, 9 higher education institutions and 55 field research institutions, as well as 10 private institutions and companies, conducted research and development activities. More than 9,000 employees were engaged in this field, compared to 33,000 in 1990.

Although investment in research and development is of utmost importance for the national economy, this sector is not considered a priority one. Up to now, it has not undergone any significant modifications. *The creation of a national model of innovations and development in science has not even been outlined yet. In reality, the old functional models are preserved, which does not stimulate either researchers or the potential beneficiaries of the theoretical (fundamental), applied and technological outcomes.* Many

sectors of research, where Moldovan scientists achieved remarkable results, have disappeared. Also, the exodus of the many successful and widely recognised scientists has reached critical proportions and will have lasting effects on the development of the human capital of the country.

Even if the state investments in the education and research system were sufficient and adequate, their effects could not be immediate and direct. In this respect, the 9-12% share of GDP allocated for the respective sector can not change much. The education and research systems are facing serious problems related to the substantial reduction in budgetary allocations, the absence of reforms that would support and ensure their normal functioning, and the lack of a competitive environment that would stimulate continuous investment in human capital. With some exceptions, the quality and competitiveness of the present education and research systems are doubtful and some sectors experience an acute lack of qualified professionals that could meet the new challenges.

The present policy of investment in education, training and knowledge focuses on the next

Figure 4.2. Assessment of Reforms

%

Source: Centre for Strategic Studies and Reforms

generations and on certain occupational categories (recycling, upgrading), changing very little in the behavioural patterns and prevailing attitudes in society. *Any reform is an innovation in itself that could only be successful with the general and conscious support of the population. Not a single modification of a society is possible without*

a serious and profound change in the mentality and behaviour of its people. Adjusting the economy to market requirements is an immediate priority, it cannot wait for the generations to come. The transition process requires other values in social, economic and civil behaviour, in the management and organisation of the

Figure 4.3. Assessment of Changes Resulting from the Privatisation in Agriculture

Source: Centre for Strategic Studies and Reforms

production process, in the execution of work, in marketing and trade, and in consumption.

The first conditions for such a renovation are the assimilation of a new mentality, acceptance of the new responsibilities and a spirit of competition, creative behaviour, and broad participation of the population in the reform process. *Privatisation has not been able to generate much changes. The lack of knowledge and information has created tension between those sticking to the old ideas, values and routines, and those supporting innovation, with this ambivalence affecting the entire Moldovan community, from the political class to the ordinary citizens.* The reforms are still hesitant, partial, overlapping, and incoherent and for this reason, the desired effects are not achieved, which puts at risk the confidence in the reforms and in the political class that promotes them.

The political actors should better explain the reasons behind the policies that they are promoting, accept responsibility for the mistakes made, and remove all information barriers to allow the population to form an independent opinion. Apart from the field of education and research, investment is much needed in public information and comprehensive social education on topics concerning the reasons for and direction of transition and reform, and the causes of the present crisis. An open, public discussion would contribute to the acknowledgement of the inevitability of the reforms and improve their quality. It would also make easier the acceptance of changes by the population.

4.5. Shadow Economy

The transition to a market economy undertaken by the Republic of Moldova is accompanied, like in other states in Central and Eastern Europe, by the development of a shadow economy comprising all activities and incomes that are not duly reported, thus violating the law.

Specialised economic literature and UNDP publications on human development contain no criteria classifying the economic activities according to their legality and acceptable for all countries of the world. The general rule is: the higher the degree of economic development, social aggregation and authority of the state institutions, the more efficient and appropriate for the society are the state regulatory mechanisms, and the more reduced is the informal sector.

For poorly or under-developed countries, the informal economy is often viewed as a beneficial factor because it generates additional jobs, thus decreasing unemployment. It provides its participants with the means for survival, in case they have

no other possibilities. In Moldova there also exists the informal sector which makes a considerable contribution to the level of human development via creating opportunities for honest work. Shadow or parallel economy is a black sector in the economy in transition. It comprises all illicit activities, including corruption, money washing, smuggling, prostitution, mafia and criminal structures and rather causes material and moral damage to the entire society.

The proportions of the shadow economy are alarming and constitute a major impediment to the development of a healthy and productive economy. Under the conditions of an economic crisis it has direct damaging effects on the success of the reform, on the creation of a new model of the market economy and the democratic society. Shadow economy is not about unreported income and tax avoidance only. It is rather about gaining economic and, ultimately, political power. Operating in the atmosphere of illegality the shadow economy makes use of the weaknesses and vices of state institutions, with the economic behaviour in this sector of the country's economy being fraudulent (misappropriation of public resources for personal interests, corruption, forgeries, etc.), focused on consumption, not contributing to the investment protection, having no respect for any values and ethics. Ignoring economic rules and regulations, the shadow economy impedes the creation of strong, viable and professional economic organisations.

There are many aspects that favour the evolution of the shadow economy in the Republic of Moldova. Some of them are characteristic for the entire ex-Soviet area, including the inability of the state to assure the adequate functioning of the market economy mechanisms and effective supervision over this process (observance of the "rules of the game"); excessive use of bureaucratic rules and regulations; lack of political will; high incomes in the shadow economy caused by fiscal evasions; poverty and a high fiscal burden. There are also causes specific to the Republic of Moldova: the imperfection of the new legislative system and the mechanisms of its operation; disregard of the factors related to the social education of the population and remodelling of their mentality and behavioural patterns; existence on the territory of Moldova of the three state formations with different legislative and regulatory systems (especially of the self-proclaimed "republic" of Transnistria); lack of a state border with respective services in the east of the country that makes it easy for the criminal elements to penetrate in both direction and organise illegal operations which are impossible to control.

The proportions of the shadow economy, compared to the official one, seem to be

"In the new economic system, countries have to create a climate of public confidence on the basis of new ethical standards. If such a system is absent, the entire process of economic transformation is jeopardised."

J.K.Bielescki

Figure 4.4. Evolution of Official and Shadow GDP

Source: Centre for Strategic Studies and Reforms

similar to those in the neighbouring and ex-Soviet countries, although the data are quite contradictory. According to the results of a research on evaluating the shadow economy (these being different depending on the methods of calculation), it has expanded most rapidly after 1995 and, in the last two years, it fluctuated between 55-65% of official GDP. In 1996, official GDP dropped by 7.8% compared to 1995. However, if the shadow economy indices had been taken into account, it would have increased by several percentage points (see Figure 4.4).

Other estimations made on the basis of the current assets system analysis show that the share of shadow economy in GDP reaches 85-100%, with most of its activities (70%) being in the financial sector.

The shadow economy generates serious disturbances in the economic and social sectors, the most important of them being:

- huge fiscal evasion seriously affecting budget allocations, with repercussions for the social sphere;
- unhealthy competition between the formal and informal sector as the costs and prices for goods and services in the latter are lower;
- deformation of economic indicators (GDP, unemployment rate, population expenditures and income, quality of life etc.) that leads to inadequate policies and poor decision-making;
- lack of confidence in the state and in the reform of the society, increased corruption and economic fraud.

Elements of the shadow economy are present in the formal economy activities as well. Thus, between 1995-1997, the number of commercial organisations doubled, but the tax

collection (indexed according to the rate of inflation) diminished. Analysis of the information provided by the State Principal Tax Inspectorate shows that, between 1994-1997, the proportion of tax evasion in the formal economy increased 4.4 times, from 4.5% to 20%. In 1994, only 32.3% of commercial organisations were subject to fiscal control, with this number having decreased in 1997 to 10%. Only a small share of evasions is detected and, therefore, an urgent improvement of the control and fiscal systems is imperative.

It is hoped that, with the implementation of the Fiscal Code in 1998, the tax system and the ability of the state institutions to legalise the shadow economy will improve. *Many experts, however, are less optimistic, claiming that the shadow economy reflects social, economic and moral problems that are more serious than simple fiscal discipline. The main cause of the presence of a shadow economy rests in the real economy.* If the latter gets reformed and restructured according to the market economy rules, if it shows dynamism and succeeds in creating employment, the shadow economy will automatically diminish. To be highlighted is that delays in the implementation of reforms in all domains and at all levels reflect the interests of certain social categories, with the plague of the shadow economy reaching the highest levels of the social structure and includes state officials.

Corruption has become viable and has penetrated in the social conscience like a common law not only due to the bureaucratic traditions but also because of the imperfections of the legislation in force. A survey conducted among business people showed that only 17% of the respondents answered positively to the question "Is it possible to conduct business activities without violating the law?" Half of those interviewed thought it was impossible to conduct any activity without bribing state officials, and every fourth one mentioned that "criminal services" had to be paid for as well.

Corruption deeply affects the moral climate of the entire society and a good, coherent legislation should guarantee the impossibility of the abusive exercise of public office and should make it impossible for an official to demand bribes. Abolishing parliamentary immunity could be another opportunity since it is inadmissible and socially immoral to use parliamentary immunity as a shield for various minor and major illegal activities, as is sometimes the case at present. Unquestionably, fighting corruption is more that a priority for Moldova which demands the improvement of the legislation in force and restructuring of the bureaucratic apparatus. This would require, primarily, a strong commitment to the new moral values,

political will, and a corresponding level of professionalism.

4.6. Conclusions

In 1997, after a seven-year decline, GDP registered a slight growth of 1.3%. The economic stability was maintained, although exclusively with monetary tools, inflation further declined and the exchange rate of the Moldovan Leu remained stable. At the same time, *the national economy was still affected by the many trends counter-productive for human development and social cohesion:*

- *The attempts to revive the national economy through cautious reforms have not been successful and have only partially achieved their goals.* Delays in the implementation of reforms carry increasing social costs, which are already startling and find their expression in widespread poverty, unemployment, insecurity in the economic, social and nutrition fields, deviant behaviour, etc. Under the present circumstances, excessive prudence (delaying the reforms, stopping “in the middle of the road”, and indecisiveness) can have dramatic consequences;
- *Privatisation is proceeding very slowly, without concrete positive effects in extending opportunities for the majority of the people.* Voucher privatisation did not change the life of those 3 million citizens (70% of the population) who became shareholders. Only a limited number of people, often managers, benefit from the activity of joint stock companies, which contributes to the development of corruption, increase in crime and further expansion of the shadow economy. *Money-based privatisation planned for 1997 was completed only partially, as only 15% of the proposed assets were actually sold.* The reform in agriculture where the effects of privatisation have been most painful, is far from being completed. Regarding the energy sector, considered to be one of the most vulnerable sectors of the national economy, it maintains its monopolistic nature. The reforms in the social sphere (social assistance, pensions, medical services, etc.) practically came to a halt;
- State budget marked a deficit of 7.8 % of GDP, with the problem of collecting the necessary funds to the budget being increasingly pressing. The state cannot maintain the normal functioning of its institutions and cannot pay all the wage and pension arrears. Covering the budget deficit with loans (external and internal) only increases the debt of the state. *Monetary stability achieved in the first*

years of transition, unaccompanied, however, by an efficient economic growth threatens the national economy with bankruptcy. Under the conditions when the trade balance deficit and that of the current balance of payments are growing rapidly while the restructuring of the economy is delayed, one cannot hope for an easy and rapid improvement of the situation in the social sphere. *As a result, the well-being of the population continues to decline. Dissatisfaction and popular distrust are legitimate.* Trade union movements, strikes and other forms of protest are intensifying;

- The failure of the reforms reflects the lack of knowledge and information concerning the need for reform and the directions such reform could take. It also reflects the mentality of both policy-makers and the population at large who have not yet assimilated a new way of thinking and new values;
- The need for the development and continuous improvement of the human capital is ignored.

Unemployment crisis, risk of poverty, degradation of conditions ensuring investment in the human capital constitute, first of all, the effects of the economic, social and moral crisis of the society. On the other hand, they are the inherent result of the transitional changes. They also prove the reduced efficiency of the government and of the market mechanisms.

This reality demands a strategic programme of sustainable human development with clear short, medium and long-term objectives and priorities. Speeding up the reforms has, and will have, short-term negative social effects and it is, therefore, during this period that Moldova needs external assistance most. To ensure sustainable results, foreign assistance should aim to help in the development and implementation of a coherently- structured strategy of poverty alleviation. In this context, it is important to remember that the most efficient type of assistance which will have important medium and long-term results is the creation of productive jobs. Foreign support could be based on programmes providing accessible credits to small and medium enterprises or to individuals willing to start their businesses. Programmes aimed at rural development could assist agricultural enterprises in increasing and improving their production. They could also stimulate the development of the rural industry and build distribution and supply networks for inputs and agricultural products. Halting the decline in human capital would be one more key objective.

It is especially important for the public authorities to maintain maximum transparency

in the process of decision-making related to the reforms, particularly in cases when their decisions may have important social repercussions. They should also maintain a continuous dialogue with the civil society, the

purpose of which should be to take into account its opinions, explain to it the objectives of the reform policy (insurance of the future well-being of the population), and avoid possible social tension.

CHAPTER V. SOCIAL POLICIES



5.1. Social Policies in Support of Sustainable Human Development

In a broad sense, the social policy comprises all spheres of human development: living conditions; labour relations; social protection; provision of social services; social equality; health; education, etc. It aims to ensure human development both for the individual and the community, to extend opportunities and ensure equal access to them for all members of the society and to promote sustainable social cohesion.

The transition to a market economy which is presently underway in the Republic of Moldova causes a series of problems that make it hard to achieve social policy objectives. The economic downturn implicitly generates a social crisis that is manifested through the different negative social phenomena. Decreasing real incomes and low labour utilisation have led to massive poverty, making it impossible for the majority of the people to satisfy their basic material and spiritual needs. This is further exacerbated by the bad demographic situation, the downgrading of the health care and education systems, and increasing social stratification of the population, often unjustifiable. All these processes have inevitably led to the human capital depreciation and have consequently reduced the chances of overcoming the crisis and ensuring sustainable human development in the future.

The major and the most exacting social problem in the Republic of Moldova is the growing poverty, which jeopardises all the objectives of human development in both the short and the long term. Poverty can be considered a disease of the society which generates individual suffering and also affects the entire society because it creates impediments to both its economic and social development. Unlike other countries that encounter the same problem, poverty in the Republic of Moldova affects many social groups, the majority of which became poor in the last 3-5 years of transition. The “old” have-nots, represented mainly by the elderly with small pensions, families with many children or one-parent families, have been joined by the impressive number of the “new” poor, represented by the families with breadwinners who have small salaries or no job at all. Nearly half of employees receive a salary of less than

175 Lei (≈US\$ 37), which covers only 36% of the minimum consumption budget.

Under these conditions, the state has an exclusive responsibility to provide social assistance for its citizens who need to be protected from poverty. But the chronic shortage of financial resources complicates or reduces substantially any good intentions that the state may have. And although the living conditions of the majority of the population are below the lowest acceptable limits, which calls for the increased levels of social protection, the economic recession has reduced the available resources for such protection to the minimum, and other solutions and actions are needed.

At present, poverty is one of the most stringent social problems in Moldova and its alleviation becomes the priority issue of the global policy of the state and requires both the extraordinary urgent measures as well as the review of the entire sustainable development strategy of the country. The effective poverty alleviation should be based on the overall revitalization of the national economy in order to ensure decent living conditions for every member of society and, therefore, cannot be achieved solely through the redistribution methods, more so given that, as mentioned above, the resources available in the country are very scarce. Nevertheless, in the short run, under the conditions of persistent economic decline, efforts should be taken to improve the existent redistribution mechanisms, so that social assistance is provided to the most vulnerable social groups to prevent them from falling into absolute misery.

From the experience of many countries in poverty alleviation, a set of possible policies has emerged, with their choice being determined by the economic situation, the profile and dimensions of poverty, and the philosophy dominating the social and economic policy of the state. Based on the objectives to be pursued, the available policies to alleviate poverty are:

- Income distribution policies, mainly focused on transfers (in cash and in kind) to poor families. These policies do not attend the causes of poverty, they rather treat its symptoms;
- Policies supporting the participation of the poor in economic activities and encouraging income through employment. These are policies that address the causes of poverty, and more specifically, the economic causes that affect people's ability to work (unemployment, reduced

Man is the goal, not the means of production.

labour productivity, difficulties encountered by small businesses in getting access to markets, etc.);

- Policies based on investment in human capital, increasing and retaining people's ability to participate effectively in economic and social life. These are policies focusing on both the causes of, and the effects generated by, poverty. Low educational levels, poor health and insufficient nutrition are frequently associated with poverty and represent both its causes and effects at the individual and societal level. The improved level of education and professional training, as well as by the improved health will increase the opportunities of individuals to obtain employment or better salaries and thus their chances of avoiding poverty. Policies aimed at alleviating poverty through investing in human capital comprise, first of all, policies for developing social services, especially education and health care, and policies ensuring access to these services for the entire population, including the poor. Investments in these areas will definitely contribute to the development of the human capital, which will raise labour productivity, induce economic growth, and facilitate sustainable human development;
- Policies stimulating the access of the poor to the social services.

With all the above in mind, in the following parts of the chapter there will be made an analysis of poverty in the Republic of Moldova and of the policies implemented by the state for its alleviation.

5.2. Income and Poverty

The abrupt decrease in the population's living standards caused by the decrease in purchasing power has been the most difficult problem faced by the Republic of Moldova. According to estimates, during the six years of economic transition, since the time of price liberalisation, real income *per capita* declined in 3.5 times. In recent years this decline has slowed down, but it still displays an alarming trend.

The average annual income *per capita* was 1,419 Lei in 1995, 1,779 Lei in 1996, and 1,974 Lei in 1997. In 1997, the total nominal income of the population reached 7,211.6 million Lei, a 12.7% increase over 1996. Noteworthy is that during that year the nominal income registered a greater increase than that of inflation and, as a result, the real income grew for the first time since the start of transition, by 0.6%. This insignificant growth is due to the enormous efforts of the state aimed at achieving the macro-economic stability and based on the use of monetary and

fiscal tools. It is clear, however, that such a policy cannot function for long as maintaining the stability has not stimulated an increase in production and has rather led to poverty. Thus, the more active policy solutions aimed at accelerating production are now urgently needed.

Many socio-economic factors influence the process of income generation in the Republic of Moldova. The process of transition to a market economy has led to the diversification of the types and structure of income. This is exemplified by the rapid decrease in the share of wages and salaries in the total income, from 71.6% in 1992 to 35.9% in 1996 and 34% in 1997 (see Table 5.1).

Table 5.1. Structure of Income of the Population

Year	Wages	Pensions, allowances and scholarships	Income from the sale of own production	Income from the sale of foreign currency	Other income	Total income
Current prices, million Lei						
1992	53.0	13.4	4.6	-	3.0	74.0
1993	500.2	109.3	44.3	-	17.2	671.0
1994	1296.7	447.7	211.0	354.1	881.4	3190.9
1995	1926.2	670.0	427.9	838.1	1252.1	5114.3
1996	2301.4	780.2	545.2	1112.1	1662.2	6401.1
Percentages						
1992	71.6	18.1	6.2	-	4.1	100.0
1993	74.5	16.3	6.6	-	2.6	100.0
1994	40.7	14.0	6.6	11.1	27.6	100.0
1995	37.7	13.1	8.3	16.4	24.5	100.0
1996	35.9	12.2	8.5	17.4	26.0	100.0

Source: DSAS

In comparison with other countries in transition, Moldova has the lowest salary levels. In 1996, the average monthly salary in Moldova was 187 Lei or US\$ 40, while in Uzbekistan it was US\$ 54, in Belarus US\$ 89, in the Ukraine US\$ 84, in Kazakhstan US\$ 102, in the Russian Federation US\$ 154, and in Romania US\$ 131. In 1997, the average monthly wage was 219.8 Lei (US\$47), an increase of 17.5% compared to 1996. Even so, this covers only 50% of the minimum consumption requirements of 440 Lei, as estimated in 1997. Apart from having negative effects on consumption and living standards, these low salaries and wages also negatively affect workers' motivation and productivity and, in this sense, hamper economic recovery.

The biggest wage increases were reported in the construction sector (30%), in the energy and water and gas supply sector (27.1%), and the processing industry (25.4%). The highest average wages are still registered in the

financial/banking sector, in the electrical energy and water and gas industries, amounting to 990 Lei, 490 Lei, and 396 Lei respectively in January -May of 1998. In the same period, the lowest average salaries were reported in agriculture and forestry (113 Lei), education (181 Lei), and health care and social services (175 Lei).

A factor substantially affecting the population's income and, as a result, living standards, is the delay in the payment of wages and social transfers, sometimes for up to 8-9 months. Wage arrears at the end of 1997 amounted to 362.6 million Lei or 15.1% of the national wages. The problem is most severe in agriculture, where debts to employees amount to 33.7% of annual wages. Recognising the importance of the problem, the government is putting much effort into addressing it. The problem, however, still persists and demands radical solutions, more so given that the previous attempts to address the situation with, for example, in kind payment of arrears or payment of additional benefits proved to be ineffective.

Under these conditions, certain categories of the population that have fallen into poverty got employed by the shadow economy, which "accompanies" the transition and which represents for some groups of the population a mechanism of quick enrichment, thus leading to unjustifiable social differentiation. The resulting social polarisation constitutes a factor of permanent socio-political instability that is jeopardising the transition and obstructing sustainable human development.

On the background of these changes in income generation, *the degree of inequality has intensified.* A vivid example of growing inequality is the tremendous increase in income of the superior quintile of the population, when the purchasing power of the inferior quintile has decreased dramatically. Thus, in 1997 the income of the richest 20% of the population (the superior quintile) was 11.5 times higher than the income of the poorest 20% (the inferior quintile), with the Gini coefficient, measuring the degree of income inequality, showing a steadily increasing trend. In 1997, it reached 0.44 (if calculated on the basis of total income) and 0.61 (if calculated on the basis of available income).

A degree of social differentiation can also be illustrated by the Lorenz curve (Figure 5.1).

Figure 5.1. Lorenz Curve of the Income Distribution of the Population

Source: DSAS

Poverty does not only impede the necessary reforms and the democratisation of society. It is also a source of social disorganisation and degradation, moral and behavioural. The real situation calls for a radical review of the economic and social policy in order to more effectively alleviate poverty and increase the income of all social groups. The state should intervene more actively in promoting productive activities, legalising the shadow economy and assuring the timely payment of wages. It should also develop a comprehensive income policy aimed at guaranteeing a minimum income at subsistence level and at eradicating unjustifiable income differentiation.

The development of a strategy aimed at poverty alleviation is to a great extent a problem of knowledge. One needs to know the dimensions, profile and causes of poverty, the existing systems of social protection, possibilities for their improvement and intended reform in this field. It is also important to investigate into the behavioral characteristics and particularities of different categories of the population (consumption, demographic patterns, civil, social etc), values, customs and mentality that generated this behavior, economic situation and its ability to create and deploy the resources necessary for improving living conditions of the population.

The development of a comprehensive poverty alleviation strategy is an important political action, involving a series of political decisions regarding the selection of the appropriate tools. This includes elaborating an official definition of poverty, setting the minimum subsistence level that the government strives to achieve for all citizens through the implementation of appropriate policies for alleviating poverty. In line with this, the government of the Republic of Moldova, with UNDP and World Bank support, started a broad poverty alleviation programme, which intended, first of all, to evaluate the causes, dimensions and characteristics of poverty, and to develop a set of short and longer term

Box 5.1. Poverty Characteristics

The results of the survey on poverty carried out in Moldova in 1997 show that people affected by poverty display the following characteristics:

- They are over-represented in rural areas: 33% of the poorest persons live in urban areas and 67% - in rural areas. In urban areas, poverty is predominant in the big cities;
- They are part of large families: nearly 46% of people living under the poverty threshold are families with 5 or more members and 25% are 4 member families;
- Many poor families have members unemployed for different reasons: 24% of families with unemployed members live in poverty;
- The majority of the poor are employed in agriculture: 28.6% of families with breadwinners employed in agriculture live below the poverty threshold;
- Income in kind is the dominant form of total income: 68.3% of the total income of poor families is in kind;
- Expenditure for food dominates total expenditures. In other words, the fact that expenditure for food prevails, indicates that the population is effected by poverty. According to the survey results, the proportion of food expenditure to total expenditure for the entire population of the Republic of Moldova is 68% compared to 25-30% in the developed nations. This proportion is higher in rural areas than in urban areas, 73.4% and 66.4% respectively;
- Low consumption of basic food products: on average, a poor individual consumes 16.1% of the average national level of consumption of milk and dairy products, 18.2% of fruit, 50.5% of meat and meat products, 58% of vegetables and 58.2% of sugar and sugar products.
- Malnutrition: it is estimated that the poor receive a daily average of only 1,775 kcal (84.5% of the national average), which contains 42.4 grams of proteins (76.5% of the national average), 9.9 grams of animal origin proteins (21.6% of the national average), 51.5 grams of fat (68.9% of the national average), and 28.4 grams of glucides (88.5% of the national average). Malnutrition is a real threat for the health of the poor;
- Very few household appliances: only 69% of the poor own refrigerators, 50% have washing machines and 28% colour TV sets;
- Health problems and a high death rate: the poor suffer from a high incidence of chronic diseases, some of which are considered social ones, which leads, among other things, to a higher death rate.

actions.

The National Department of Statistical Analyses and Sociology (with the technical support of the World Bank) estimated the dimensions of poverty in the Republic of Moldova in 1997 on the basis of the household budget survey. To complete this evaluation, the "minimum subsistence level" of 233.1 lei (US\$ 49.5) was used as a quantitative index for the calculations. *The analysis showed that the level of poverty in the Republic of Moldova was growing rapidly: 76.8% of the people surveyed were living below the subsistence level. Of this group, 65.5% lived in rural areas, where the risk of poverty was higher than in urban ones.*

The extreme scarcity of budgetary resources does not allow the state to provide sufficient social assistance to all those living below the subsistence level. Providing all of them with social benefits which would increase their income to the minimum subsistence level should be a longer term objective, but at

present it is not feasible. For the moment, the state tries to take responsibility for the protection of the poorest of the poor, that is to say, people living under the "poverty threshold" set at 70 Lei (US\$15), or 30% of the subsistence minimum. According to the results of the survey, 21% of the population live under this poverty threshold, meaning that every fifth citizen of the Republic lives in absolute poverty. This type of poverty could be considered short term, characterised by the temporary inability of an individual to ensure a minimum income. However, without timely and adequate assistance from the state, it can turn into chronic poverty, where poverty becomes a self-generating phenomenon.

In order to be able to design effective policies aimed at alleviating poverty, it is essential to determine what the characteristics of poverty and of the poor are. A summary of these characteristics is given in Box 5.1. It is equally important to identify the social groups which are threatened the most by poverty. In Moldova these groups can be classified as

follows:

- *Families with many children:* they represent the biggest social group likely to become poor under the present conditions. Thus, 36.4% of families with four or more children, 25% of families with three children, 24.4% of families with two children and 17.8% of families with one child live under the poverty threshold. The risk of a family becoming poor increases by a factor 2 when the first child is born, while it is 2.2 for the second child and 2.7 for the third child;
- *Incomplete, single-parent families:* incomplete families run a higher than average risk of falling into poverty. A single parent (generally the mother) is often not able to provide the income necessary to guarantee a decent living. As a result, 23.5% of these families live under the poverty threshold.
- *Unemployed:* the lack of employment is one of the most important factors leading to poverty. 29.3% of all the unemployed live under the poverty threshold. Families with an unemployed parent have, in most cases, only incidental incomes from small trade or social benefits, and consume, where possible, their savings. 70.5% of their expenditure is on food products.
- *Pensioners:* not all pensioners face the risk of poverty and there is a great differentiation in pensioners' well-being. Thus, 16.2% of pensioners belong to the poorest category of the population, while 23.3% of them can be considered as much better off than average. The specific living conditions are very important for this social group: whether they live alone or with their relatives, whether they have the chance to continue working, whether they own a plot of land, etc. Certain groups of pensioners are experiencing the most tragic forms of poverty, often because of loneliness and the need for permanent care.
- *Employees in agriculture:* both farmers and agricultural employees are included in this group. 28.6% of them live under the poverty threshold (of which 26.3% are farmers). Low labour productivity, low prices for agricultural products, delays in agricultural reforms, and huge wage arrears have caused widespread poverty among these occupational groups.

Social protection is one of the priorities of state social policy. At present, the social protection system in Moldova is financed by many different institutions including the Social Fund which plays the leading role, the Fund for the Social Support of the Population, enterprises and other organisations. In 1996, 968.7 million Lei were allocated for these

purposes, which is 6.8 times more than in 1993 in nominal terms. In real terms, however, the 1996 allocation represented only 71.4% of its 1993 level. Social protection expenditure as a proportion of GDP increased from 7.8% in 1993 to 13.2% in 1996, which contributed to the solution of a series of social protection problems.

The system of social protection provides the following services guaranteed by the state (see also Box 5.2):

- pensions;
- social benefits and allowances to vulnerable groups;
- special allowances for the procurement of medicines, transport, or payment for communal services for some social categories;
- Institutional care for elderly, people with disabilities and orphans;
- Social services provided at home for disabled elderly people;
- Financial assistance to poor people.

The above-described system of social protection, inherited from the old regime, was politically, but not economically justifiable even then. As a consequence, it proved to be prodigal and socially unjust, this being especially true under the conditions of transition. The crisis of this method during the transition period is characterized by the following factors:

- Severely decreased living conditions requiring a high degree of social protection. At the same time, the continuing economic crisis has reduced social assistance funds to the minimum;
- Incoherent functioning of the social protection system: the number of beneficiaries is growing while tax collections from individuals and enterprises are decreasing;
- A 4 times decrease of the purchasing power of the average salary;
- Consolidation of social insurance and social assistance functions under one system, with the "de-personalised" social insurance mechanism leading inevitably to social injustice;
- Untargeted social assistance, ignoring household conditions, which makes the utilisation of the scarce resources very inefficient. As a result, families living under the poverty threshold benefit from only 5.1% of the social assistance transfers, whereas 37.5% of the resources are used to improve the living standards of the relatively well-off families, whose income exceeds the minimum subsistence

Box 5.2. Social Protection

Pensions are the core of the social protection system. Every fifth person in the Republic is in receipt of a pension, including old age pensions, disability pensions, pensions for those who have lost their carer and "longevity" (depending on the years of service) pensions. The size of a pension depends upon the average salary of a person prior to the retirement, longevity, number of dependents, among others. Persons with very small pensions may also benefit from a wide range of allowances. The average pension as at 1 January 1998 was 80 Lei (US\$ 17). Pensions are paid from the Social Fund, which assigns annually around 700 million Lei for this purpose.

Nearly 90,000 people receive child allowances or benefits for poor families. The amount of child allowance depends on the number of children in the family and their age, and is calculated on the basis of the national minimum wage. The average benefit for single mothers is 9.3 Lei (US\$ 1.9) and for a child under a year and a half - 26.8 Lei (US\$ 5.7). Special allowances are provided to poor families, including allowances for children aged from 1.5 to 16 years (on average 9.3 Lei). The Social Fund finances these allowances and benefits, amounting to around 80 million Lei per year.

Besides the above mentioned social transfers, the Social Insurance Fund of the General Federation of Trade Unions offers benefits for those who have temporarily lost the inability to work, maternity and funeral benefits. These transfers reach more than 88 million Lei per year.

Individuals who have lost their job may receive unemployment benefit, allowances for professional (re)training and new job creation. The average unemployment benefit was 82 Lei in 1997, with the entitlement lasting a maximum of one year. More than 10,000 unemployed people (15% of the total unemployed) are enrolled every year in retraining courses. The expenditure of 9 million Lei for the social protection of the unemployed is covered by the Social Fund.

The existing legislation stipulates additional allowances for certain groups of the poor, including price discounts (up to 100%) for medicines, coal for the winter, urban and inter-urban transportation, communal services, etc. Around 1.2 million people (almost every third inhabitant) benefit from this kind of social assistance. This group includes, as a rule, the disabled, war veterans, pensioners, etc. It is estimated that the budget spends between 400 and 600 million Lei on these purposes.

The Ministry of Labour, Social Protection and the Family supervises 6 institutions for 2,000 elderly or disabled people and orphans. The state takes care of all these people by providing housing, meals and medical assistance. Around 17.6 thousand people (e.g. the elderly, people with disabilities) are provided with social assistance at home in the form of medical services, everyday goods (food etc.), payment for communal services and other basic needs. The cost of this form of social assistance is estimated to be around 3.4 million Lei (1996).

Social assistance to poor pensioners, people with disabilities, families with many children, etc. is provided by the Fund for Social Support of the Population. This Fund has been created with revenues obtained from the privatisation of state and municipal property, 1% of taxes from enterprises and businesses, and other contributions.

level. As a consequence, the present social protection system contributes to an unjust social differentiation of the population, leaves the poorest individuals without assistance and remains inefficient in achieving its objectives.

All of the above shows that the existing social protection system is not appropriate for the period of transition to a market economy and that its thorough reform is a most urgent objective. In more detail this issue will be dealt with in Parts 5.6 and 5.7.

5.3. Nutrition Security

In Moldova, guaranteeing the human right

to nutrition was and remains one of the most important problems to be solved by the state, especially during the last 10 years (1987-1996) when the food consumption per capita has dramatically reduced (see Table 5.2). A steep decline has occurred in the consumption of products of animal origin (meat by 53.7%, eggs by 45.3% and milk by 45.4%), thus worsening the quality of the average daily diet. In 1996, only 10% of the population (the better-off) managed to maintain a diet comparable to the average 1985 diet. Some 10% of the population has a diet under the critical nutrition level of 1,500 calories, recognised by the UN Food and Agriculture Organisation (FAO) as extreme under-

"The right to nutrition is as inviolable as the right to vote."

(International Conference on Social, Economic and Cultural Rights, 1976)

nourishment, allowing a person nothing more than sheer survival. This category is actually experiencing famine. This also affects children in some pre-school establishments and schools in rural areas where the daily diet covers only 30-33% of the physiological requirements.

Table 5.2. Average Annual Consumption of Basic Food Products

kg per capita

Indicators	Years				
	1985	1987	1990	1995	1996
Meat and meat products (including sub-products and bacon)	54	54	58	23	25
Milk and dairy products (milk equivalent)	294	295	303	165	161
Eggs, pieces	209	212	203	107	116
Fish and fish products	13.4	14.1	12.0	2.0	3.5
Sugar	44.9	50.9	48.9	21.0	22.5
Vegetable oil	12.3	12.1	14.1	8.0	8.2
Potatoes	79	79	69	68	71
Vegetables	129	125	112	86	65
Fruit, including grapes	64	67	79	60	59
Bakery products (bread, cakes, flour, oatmeal, vegetable products)	173	174	171	135	127

Source: DSAS

The diet of the population in the USSR did not meet nutritional requirements even before

the start of the transition. It was inferior to that in the developed countries and was not balanced according to the generally accepted principles of nutrition, with all the resulting negative health effects. Specialists assert that the structure of food consumption in former USSR and the republics was irrational and did not meet the physiological requirements of a human body (vitamins, some micro and macro-elements, especially calcium salt). The proportion of organic elements (proteins, lipids, and glucides) deviated from the accepted standards, thus having negative health effects. Between 1987 and 1996, the consumption of proteins in the Republic of Moldova decreased by 35% (including those of animal origin – 39%, lipids – 29%, glucides – 41%), with the average diet still remaining deficient in proteins, especially of animal origin. It is to be noted, in this context, that the diet of the population in urban areas was always of a higher quality.

In 1996, the average calorific intake was estimated at 2,127 calories per capita. This is an issue of major concern, since it is below the “calorie threshold” established by FAO and equalling 2,500 calories (see Box 5.3). This level is close to that of underdeveloped countries suffering from insecurity of nutrition, characterised by a calorific intake of less than 2,200 calories and a scarcity of basic nutritional elements in the daily diet.

The decreased levels of nutrition constitute possibly the most dramatic effect of the socio-economic crisis which led to a dramatic drop of GDP *per capita* down to the level of certain under-developed countries in Africa and Asia – Kenya, Benin, Nigeria, and Cambodia. They also attest to the inability of state institutions to manage the crisis. The consequences of such malnutrition will rapidly translate into

Box 5.3. Food Security in the World

Guaranteeing adequate food to the population is still one of the most acute problems in the world. Nearly 800 million people in the world suffer from famine, while 25 million people die of hunger every year. Chronic under-nourishment has social consequences such as crime, prostitution, different forms of deprivation and other phenomena which contribute to the destabilisation of the society. It was back in 1963, when the UN Food and Agriculture Organisation (FAO) declared in Rome the right of every individual to nutrition. For normal functioning, the human body needs 65 different substances and elements (proteins, glucides, fat, water, vitamins, micro-elements, etc.). According to FAO, the necessary minimum intake of energy, the so-called “calorie threshold”, equals around 2,500 calories per day. A rational diet contains some 3,200 – 3,300 calories and is characterised by the following structure: 11-13% proteins (half of which should be of animal origin), 25-30% fat and 55-60% glucides. At present, an individual in the developed countries consumes around 3,400 - 3,500 calories per day, in the developing countries - some 2,300 – 2,400 calories and in the underdeveloped countries – 2,200 calories. It is known that the caloric value of food, although necessary, does not reflect the quality of food reflecting the balance between elements of vegetable and animal origin, and depending on climate, type of activity, age, sex etc. The indicators of food quality in different countries reflect the level of their economic development, wellbeing of the population and the culture of food consumption.

poorer health in the population, increased ill-health and mortality, the spread of social diseases (e.g. tuberculoses), and a declining potential of the nation.

The right to nutrition and food security presuppose access of every individual to sufficient nutrition. It is a basic precondition for sustainable human development. The tough reality that the Moldovan society is facing obliges the state to take responsibility to ensure nutrition security, no matter how many problems it will have to solve. As the first condition, food has to be available (in sufficient quantity and variety) and accessible (at appropriate prices, reflecting the purchasing power of consumers' income). Some simple calculations show that most people are encountering difficulties in purchasing everyday basic products. In 1996, a person could buy 3.6 kg bread daily with an average salary, 1.5 kg bread with an average pension, 911 grams with a social pension, and 474 grams with the minimum unemployment benefit. A survey assessing the food consumption of families showed that only 3.4% have a normal diet in line with their preferences and wishes. 44.4% have a poor diet, buying the cheapest products. No less than 8.2% of families have a very bad diet and experience famine, many pensioners and families with several children among them. In 1996-1997, nearly 27,000 children from vulnerable families and orphanages have received food aid from abroad, amounting to 6 million Lei. Meanwhile, TV ads promote "tasty food" for dogs and cats, and are considered by public opinion to be an insult to the human dignity of children and the elderly who have little to eat besides a slice of bread.

The issue of the culture of nutrition are very much related to that of the health culture. In this respect, the lack of educational programmes and information about nutrition generates behaviour that has negative effects on health. People eat as they learned in their families and according to their budgets, very often without much knowledge of nutritional values and principles. Traditions and customs have developed without taking into account the required rationalisation and diversification of food consumption. Pastry, sugar and potatoes are preferred.

People's awareness that only a rational and balanced diet is a guarantee of personal health has to be increased. The state should get more involved in the process through awareness-raising campaigns and, for example, through the provision of training concerning organisational principles and mechanisms of warehousing, distribution, control and sale patterns that would ensure an appropriate quality of food products. It also needs to take part in creating reserve funds of the most important products to prevent shortages, and

in finding solutions to the much talked about problem of drinking water.

5.4. Functioning of the Labour Market

The assurance of the maximum and productive employment of the economically active part of the population and the creation of normal working conditions constitute one of the major objectives of the economic and social policy of the state. Employment, provided it is accompanied by reasonable wages and working conditions, is the main vehicle for an individual to earn the means to guarantee a reasonable standard of living. It gives the opportunity to develop skills and satisfy creative, intellectual and social needs. Sufficient, good quality employment contributes to the continuous development of the society and human capital and the achievement of sustainable human development. The inability of a capable person to find a job has severe repercussions for his/her living standards and social or psychological well-being. At the aggregate level, the lack of sufficient employment leads to a waste of (human) resources and has serious negative effects on socio-economic development, social cohesion and leads to poverty. At the same time, full employment achieved at any price and with any means will inevitably lead to reduced labor productivity, over-employment, different forms of hidden unemployment and ultimately will reduce efficiency and competitiveness of production and cause economic stagnation.

At present in Moldova, the general situation concerning employment and unemployment is very worrying, with the labour market being still in the development stage. Production has fallen enormously in the past few years, but most of the big state enterprises have not reduced their staff for fear of social conflicts. Instead they prefer to use various forms of under-employment, including (unpaid) administrative leave and shorter working days, in combination with very low wages and huge wage arrears. This leads to an inefficient utilisation of labour and a waste of human productive potential.

Still, unemployment is growing and little new employment is being created. The combination of low wages and huge wage arrears, which have reached the unacceptable level, directly leads to the increased poverty. For this reason, one of the first objectives of a strategy of poverty alleviation should be to develop an effective employment policy, aimed at the creation of a well-functioning labour market and at promoting productive employment with reasonable wages.

The characteristics of the labour market in the Republic of Moldova at this stage of transition

are:

- *Very low wages and huge wage arrears.* As already indicated in Section 5.2., wages are very low - the average wage in 1997 was 219.8 Lei (US\$44.4) - and huge wage arrears persist. These low wages and wage arrears mainly result from the artificial attempts to maintain the level of employment, promoted in the past by the socialist state. Under the present conditions, low labor costs do not assure labor reproduction, on the contrary, they compromise salary-based labor and lead to migration of labor from productive sector to other spheres of economic activity; to the degradation of human capital and poverty. Another reason is constituted by the egalitarian principles that have been dominating the salary system for many years and which are still preserved. If the over-employment leads to the inefficient utilisation of labour and low productivity, egalitarianism in the remuneration undermines the motivation of employees and their desire to upgrade their level of training and occupation. This leads to a waste of human capital and ultimately to low economic efficiency and poverty. One more essential factor in maintaining low wages is the excessive centralisation of the economy and the dominant role of the state. This is proved by the growing differences in wages and salaries between the state sector and the private sector.

The above-described vicious circle can only be broken *by promoting radical economic reforms*, including privatisation and total decentralisation of the economy which would mobilise economic forces capable of stimulating investment, increase efficiency and competitiveness of the production process, create new employment, motivate employees and, ultimately, raise wages and incomes.

- *Low labour mobility.* The labour market is characterised by a low level of mobility, which reduces labour's dynamism and its ability to adjust to new conditions. Apart from the general conditions of economic crisis and the resulting lack of employment opportunities, this is caused by the system of resident visas inherited from the Soviet regime and by the non-functioning housing market. As can be seen in Table 5.3, labour mobility is especially low in agriculture while it is high in construction, real estate and repairing. Still, all sectors show declining employment levels except for the utilities, and defence and public administration.

Table 5.3. Labour Mobility in 1996

(% of the average number of employees)

Field of activity	Persons hired	Persons fired	Turnover	Variation
1	2	3	4 (2+3)	5 (2-3)
Total economy	12.4	18.1	30.5	-5.7
<i>Including:</i>				
Agriculture	7.3	13.5	20.8	-6.2
Processing industry	13.5	25.6	39.1	-12.1
Electricity, gas and water supply	26.6	21.6	48.2	5.0
Construction	24.8	39.5	64.3	-14.7
Trade	20.8	30.3	51.1	-9.5
Transport and telecommunications	16.3	22.2	38.5	-5.9
Real estate	27.8	30.4	58.2	-2.6
Defence and public administration	17.2	12.2	29.4	5.0
Education	12.4	13.1	25.5	-0.7
Health care and social services	12.8	14.4	27.2	-1.6

Source: DSAS

- *Low official unemployment.* The number of people officially registered as unemployed as of 1 April 1998 was 39,000 persons, each third person being dismissed from enterprises (on 1.01.98 - 28,000). For comparison, in 1997 alone the number of employees in enterprises with more than 20 employees declined by 6.2% - 74,100 persons - as compared to 1996. The low unemployment rate is explained by the fact that the labour market in Moldova has not been developed yet and many of the unemployed try to find a job through non-state mechanisms being suspicious of the Employment Services which hardly have any jobs to offer. Besides, the unemployment benefit is very low indeed (93 Lei on average per month). The entitlement to such a benefit depends on several criteria and, as a result, only one in every five people who are registered as unemployed actually receive it. The receipt of the unemployment benefit requires regular visits to the Employment Service's office. These visits may incur substantial transportation costs which make the already very low benefit even less attractive. As a result, the majority of the unemployed people do not show up in the official statistics. Of those who are registered unemployed, 56% are women and more than a half are under 30 years old.

Table 5.4 gives an overview of the changing structure of the registered unemployment in

the period 1994-1997. The increase in youth unemployment is striking, from 27.4% in 1994 to 34.8% in 1997. For women, this increase is even higher. The official unemployment rate may be low, but the duration of registered unemployment, both continuous and chronic, is increasing. In 1997, 29.1% of unemployed men and 44.1% of unemployed women had been unemployed for more than 6 months (continuous unemployment), while 8.6% of unemployed men and 19.0% of unemployed women had been registered for more than 1 year (chronic unemployment).

Table 5.4. Structure of the Official Unemployment by Sex and Age

January 1, 1998, %

Age group	1994		1995		1996		1997	
	Total	Of which Women	Total	Of which Women	Total	Of which Women	Total	Of which Women
16-25	27.4	26.9	33.1	32.8	33.2	33.4	34.8	35.9
26-30	16.9	16.6	15.5	15.9	15.4	15.8	13.1	13.3
31-50	30.8	31.5	42.0	43.6	34.4	35.3	36.4	36.5
51-60	24.9	25.0	9.4	7.7	17.0	15.5	15.7	14.3

Source: DSAS

- *Widespread hidden unemployment.* With the many unemployed not showing up in the official statistics, hidden unemployment has been growing. Hidden unemployment has developed due to the inclination of many enterprises to avoid massive redundancies and rather send their employees on unpaid “administrative leaves” or reduce their working time. The number of employees on unpaid administrative leave, as well as of those on a reduced working time schedule, is steadily growing. If instead they became openly unemployed, the unemployment rate would rocket.
- *A growing importance of the private sector.* The economic transformations that are taking place at present are accompanied by essential changes in the structure of employment in terms of ownership. In 1997, the proportion of people employed in the public sector decreased to 27% in comparison with 54% in 1993. At the same time, the proportion of people engaged in the private sector shows a steady growth. The highest shares of the private sector in employment are registered in agriculture (93%), trade (92%) and construction (65%).
- *Growing informal sector.* In order to increase the income and to improve the poor financial condition caused by meager salaries, a major part of the active population of the Republic of Moldova has multiple jobs, usually one official job combined with activities in the informal

sector. Such “double” occupation is necessary to supplement small wages or low social benefits. Therefore, the informal sector has a compensatory role in assuring a decent living when neither wages nor benefits received from the state are sufficient to prevent people from falling into deep poverty. At the same time it affects the official economy. With the shadow economy having now acquired such huge proportions, it is difficult to get a comprehensive picture on the labour market developments. However, little reliable information about the informal sector is available.

Despite its limited resources, the government has tried to take action to improve the situation of the unemployed. The state has become more active in promoting employment and the use of human resources. For example, during the first quarter of 1998, more than 5,000 unemployed people were enrolled in professional training courses and over 300 were engaged in unpaid public works. Still, a much more active policy is needed to promote economic revitalisation, including the mobilisation of foreign and domestic investment, the creation of new jobs and stimulation of demand through macroeconomic mechanisms.

Equally important is a dynamic and well-coordinated policy of supporting small and medium businesses in their attempts to enter the market since, as the international experience shows, they can potentially employ a major part of the available labour and could ensure a stable and effective growth of the economy. Such support would include the provision of free access to credits, creation of fiscal incentives, facilitation of investments, professional training, free access to internal and external markets for the purchase and sale of products, among others.

5.5. Problems in the Education System

For the Republic of Moldova, a country without important natural resources, education can have a major impact on improving the quality of life and ensuring the prosperity of the entire society (see also Chapter 4). Developing an effective, high-quality education system and upgrading occupational training, in other words, the accumulation of human capital, can be as important as the accumulation of other traditional forms of capital. *Education is one of the critical sources of social prosperity in any modern society.* This is a logical conclusion dictated by the great importance of competency and professionalism in organizing the economy and ensuring the competitiveness of the country. For this reason, it is important to build

Investment in education is the most profitable investment of all.

and consolidate a flexible education system that deals successfully with the rapid changes characteristic not only of this country, but also of the development of the entire international community at the end of this century.

The Law on Education, adopted in 1995, constitutes the legislative framework for the reform of the education system. The role of the state in the education system derives from its more general task of assuring prosperity, stability and high living standards in a society that is aspiring to follow democratic ideals. This priority task demands the acknowledgement of the fundamental human values and includes the responsibility to observe and protect human rights and to guarantee social security. In this respect, education is a basic right of every individual and a means to a better life.

Taking into account the country's present transitional situation, the state is held responsible for preserving the existing educational potential by creating, promoting and supporting those conditions in which this potential can be further developed and adapted according to the requirements imposed by the new economic and social realities.

The present situation in the education sector is very difficult indeed, with budgetary allocations covering only 30-40% of all its needs. The average salary of the pre-university institutions employees are 18% lower than the national average. And even these small salaries are usually paid with great delays. Although the plant of the many educational establishments have depreciated a lot and does not meet the requirements of the day, allocations from the budget have not changed substantially during the last seven years.

The design and implementation of the state's education policy is carried out by the Ministry of Education and Science. The main reforms of the education system stipulated in the Law on Education take in all five levels of the educational hierarchy: pre-schools; primary schools; secondary schools; universities; and postgraduate establishments. The transition to a new structure of the secondary professional education began in October 1997. Among other things, 17 technical-professional schools have been reorganised into vocational schools. Starting in 1998-99, the following changes were planned: (1) 60 general secondary schools will become lyceums (high-schools) and in the other 99 schools the "lyceum classes" will be organised; thus, the new standard of secondary education (lyceum education) will cover all districts of the Republic (see Figure 5.2); (2) the curricula for university (higher education) establishments will be revised in accordance with the norms of the lyceum education.

Despite all the above, many problems still persist and there is no indication that the situation will quickly improve (see Box 5.4).

Figure 5.2. The Proportion Between Lyceums and General Secondary Schools

Source: MES

One of the most worrying phenomena in education is the lack of co-ordination between future labour market demands, the number of students enrolled in the various faculties, and the curricula of educational institutions (see Figure 5.3. and Table 5.5.). Such a situation can have unfavourable consequences for the chances of future graduates to find a job, and negatively affect the productivity and the competitiveness of the economy. Up to the present moment, the problem of matching educational services and labour market demand has not been given appropriate attention (see Figure 5.3.).

Figure 5.3. Supply and Demand for Specialists with Higher Education

* TG - Total graduates

** RPEm - Received proposals for employment

*** Em - Employed

Source: MES

The occupational training services, both at the secondary as well as at the university level, should be supplemented with special services for the training of adults and graduates from *gymnasiums*, lyceums and general schools. Taking into account international experience, it could be recommended that all the parties interested in the development of human capital - the government, trade unions and employers'

Box 5.4. Problems in Education

Economic instability continues to have a negative impact on the education system which suffers from many problems. The main impediments at the present stage are:

- *Reduced access to pre-school education;*
- *Insufficient assistance to children from vulnerable families;*
- *A growing number of children who do not attend school;*
- *Insufficient allocations for maintaining and developing of the teaching materials, school buildings, and others;*
- *Insufficient salaries of teaching personnel, leading to a loss of human potential in education;*
- *The decreased length of mandatory education from 11 to 9 grades, leading to a decrease in the intellectual level of the population;*
- *Unequal access to general secondary education for urban and rural areas;*
- *The education and occupational training system not satisfying the demands of the labour market both at the local and national levels;*
- *No long-term forecast of the professional labour market needs;*
- *Lack of educational standards for all levels of the education and of efficient mechanisms for evaluating the results of training.*

organisations - should be equally involved in strengthening the link between education and the labour market.

Table 5.5. Students of Higher Education Institutions, by Faculty

1994	1995			Colleges			%
	1994	1995	1996	1994	1995	1996	
Law	20.1	22.1	29.2	14.4	7.4	28.1	
Philology	18.7	17.2	17.6	---	---	---	
Psychology and Pedagogy	12.3	10.7	9.4	29.9	25.0	11.7	
Medicine	11.7	5.5	6.3	26.7	30.7	20.5	
Economy	33.0	40.7	34.3	19.5	24.8	32.0	
Agriculture	4.2	3.8	3.2	9.5	12.1	7.7	
TOTAL	100	100	100	100	100	100	

Source: MES

One of the roads towards the modernisation of the educational system chosen by Moldova is that of international co-operation. Relations with many international organisations, countries and individual educational establishments have been established at the level of MES and at that of individual institutions. The US\$ 21.6 million project supported by the World Bank and aimed at the general education reform is a good example. Up to the present, several curricula have been developed and manuals for primary schools have been compiled in the framework of this project. As a result of co-operation

between the Government of Moldova and *Hewlett Packard*, various educational establishments have received 885 modern computer laboratories that will be connected into a national network.

In the field of education and occupational training, special mention should be made of the TACIS project *Assistance to the Reform of the Professional Reorientation System* that started in June-July 1998. It is expected that this project, whose main beneficiary is the Ministry of Education and Science, will contribute to the dynamism and occupational flexibility of the human capital, which will have a positive impact on the labor market and the economy in general. Another noteworthy activity in this field is the National Observatory project, initiated and promoted by the European Occupational Training Foundation, an EU organisation. The National Observatory of the Republic of Moldova is part of an international network for information exchange in the field of education and occupational training and serves as a link to other international organisations that operate in the same area.

5.6. Managing the Social Sphere

The present social policy in the Republic of Moldova is still based on the principles and mechanisms inherited from the socialist system, which was extremely centralised, rigid and, as the experience has shown, inefficient, but which offered generous social assistance to all its members. This assistance, financed from the state budget in a centralised way,

Socialism has taught many generations that it is the state that guarantees their well-being. At present, the social economic policy has to be redirected towards people's own efforts and personal initiatives as the exclusive source of economic and social progress.

included different types of subsidies for basic products, financial aid to socially vulnerable groups, free housing, free access to various social services, etc. As these measures were very expensive, they turned into a burden on the state budget that was rather difficult to bear. At the same time, the endless queues for certain goods and services, characteristic of the socialist period, turned the social guarantees into empty statements, thus undermining the authority of the state as a guarantor of the well-being of the population.

To achieve the objectives of social policy, the state had a tough revenue policy that employed discouragement mechanisms on increases in all types of income. This caused an unjustifiable decrease in labour costs and the absence of incentives to work more productively and to increase quality. Labour productivity dropped and the idea of technical progress was discredited. As a consequence, there emerged a series of tendencies unfavourable for human development which manifested themselves in the course of several decades: a decrease in the prosperity of individuals with a fixed income, especially that of intellectuals (doctors, teachers, pensioners, etc); a declining interest of employees in upgrading their skills and increasing productivity of their work; a discouragement of initiative and responsibility of individuals for their personal welfare, among others. Most people got used to the idea that it was the state that would assure a decent standard of living for them. Such a paternalism on behalf of the state led to the development of the social parasitism; social energy and initiative almost completely disappeared.

Transition to another form of society has imposed additional social costs caused by the economic decline, inflation, unemployment, and poverty. The number of those in need of social assistance is growing rapidly, whereas the financial resources of the state assigned for social protection are insufficient to cover all the expenditure.

During the last years, social expenses from the consolidated budget, as well as those from extra-budgetary sources (mainly the Social Fund), registered a steady growth in nominal terms. Thus, between 1994 and 1996, total social expenses, in nominal terms, increased by 64.2%, and expenses of the Social Fund by 65.5% (see Table 5.6). In real terms, however, total social expenses went down slightly.

Table 5.6 Social Expenses from the State Budget

	1994	1995	1996	1996, % compared to 1994
Total, million Lei	1,430.2	1,805.6	2,348.1	164.2
<i>including:</i>				
State Budget	451.6	430.6	490.9	108.7
Local Budgets	515.6	723.9	1,091.0	211.6
Social Fund	463.0	651.1	766.2	165.5
Total %	100	100	100	-
<i>of which:</i>				
State Budget	31.6	23.8	20.9	-
Local Budgets	36.0	40.1	46.5	
Social Fund	32.4	36.1	32.6	-

Source: DSAS

The share of social expenses in the total consolidated expenditure was 56.0% in 1996, compared to 48.6% in 1995. Social expenses as a proportion of GDP increased from 27.9% in 1995 to 30.7% in 1996. The largest part of these funds was allocated for the social protection purposes. Thus, in 1996, 39.6% of the total social expenditure went on social protection compared to 37.8% on education and 22.6% on health care (Table 5.7).

Table 5.7 Structure of Social Expenses

	1994	1995	1996	1996, % compared to 1994
Total, Lei	417.9	530.4	682.9	163.4
<i>including</i>				
Education and science	146.8	190.4	258.5	176.1
Health care	80.1	115.0	154.3	192.6
Social assistance	191.0	225.0	270.1	141.4
Total %	100	100	100	-
<i>of which:</i>				
Education and science	35.1	35.9	37.8	-
Health care	19.2	21.7	22.6	-
Social assistance	45.7	42.4	39.6	-

Source: DSAS

The intention of the state to compensate, to a certain degree, for the worsening financial

situation of the population has caused an accelerated increase in social expenses. Clearly, this kind of policy can not last forever since a continuous growth in social expenses can undermine the viability of the state budget and the socio-economic development of the Republic. Consequently, it can lead to social instability.

Given all the above, it is clear that the social policy built on the old principles can no longer deal with the new circumstances or match the new requirements. It has to adopt another vision and other principles which should correspond to the new political, social and economic situation.

The main objective of a social policy in the transition period is a) to create a well functioning labour market that would allow individuals able to work to utilise their capabilities to assure a decent living for themselves and their families; b) to provide appropriate social assistance to socially vulnerable groups on a target basis.

The state can promote an active social policy and sustainable human development only under the conditions of efficient economic growth. Therefore, the new social policy should be have an economic basis, so that it does not affect the normal development of the national economy. To be further highlighted is that the state should strive to achieve the objectives of its social policy at a minimum cost. In this respect, one of the tasks of the new social policy is to change the mentality of the people, to advance the idea that everybody is responsible for his/her own well-being. The role of the state in social protection will, thus, become completely different, with the new social policy being based on new mechanisms of redistributing national income, by offering minimum social guarantees only to people who, due to some objective reasons, cannot independently make a decent living.

The transition to a market economy presupposes changing the role of the state in managing the social sphere. One fundamental principle of a market economy, which has to be taken into account in the development of the new social policy, is liberty or, in other words, personal responsibility for the chosen way of life. The idea of liberty presupposes the implementation of the principle of decentralisation which would mean giving the local authorities more autonomy in managing the social sphere.

An important part of the social policy objectives can be achieved via the civil society institutions or via private enterprises, both of which are increasing in number all the time. By co-operating with them the state would solve a series of problems more efficiently and with fewer costs, maintaining nonetheless its decisive role in the promotion of social policy

through various legal, institutional and economic instruments.

In conclusion, it should be reiterated that *the market economy principles of ensuring the well being of the population focus, in the first place, on the individual responsibility. For this reason, preventative measures intended to avoid social problems, as exemplified by a system of individual (mandatory) insurance, are preferred to social assistance.* This way, the social policy of the state will cease to be a burden to the budget and will become more efficient and viable.

5.7. Conclusions

The present sustainable human development situation in the Republic of Moldova demands, primarily, taking urgent measures to alleviate poverty. In view of this, the Government, with the assistance of UNDP and the World Bank, has developed a comprehensive poverty alleviation strategy. It envisages the implementation of activities aimed not only at reducing the degree and proportions of poverty but also at halting the process of the mass pauperisation. This is one of the vital conditions for the socio-political and economic stability in the country. The implementation of the state programme for alleviating poverty is a complex and long process which will be carried out in two-stages.

During the first stage — 1998-2000 — when the negative social and economic tendencies are expected to continue and budgetary resources are scarce, the following problems will be solved:

- halting the processes that stimulate the pauperisation of the population at large;
- increasing social protection of the poor;
- preventing the present forms of poverty from transformation into chronic ones.

The second stage — 2001-2005 — should take place under the conditions of the complete macro-economic stabilisation. It is expected that, by then, the economy will be growing and, as a result, the financial resources available for promoting an active policy of eradicating poverty will also increase. Indeed, poverty can only be eradicated under the conditions of the economic revitalisation. However, the economic growth in itself, although so desperately needed, is not sufficient to alleviate poverty. What is necessary is a thorough restructuring of the current social policies, including making the system of social protection more efficient. This would mean:

- preventative social assistance for those groups that are suffering from poverty on a temporary basis;

- real social aid only to those individuals living under the poverty threshold who have no chance of getting out of this situation.

In line with the above, people able to work but having temporary difficulties should be offered indirect assistance such as the organisation of retraining courses and public works as well as the provision of micro-credits. People unable to work would receive direct assistance, including poverty allowances, subsidies, and free social and communal services.

The social assistance offered by the state should be minimal, so that every person at risk of becoming poor would strive to overcome the difficulties by himself/herself, thus eradicating the social parasitism inherited from the socialist regime. Therefore, the new system of social protection against poverty should be based on the following principles:

- targeted provision of social assistance. This means that only individuals that truly need help would receive social assistance;
- optimisation of methods of social assistance (allowances in cash or in kind, subsidies, micro-credits provided on the concessional basis, etc.);
- differentiation of the size and period of

social assistance to people in difficulty, according to the causes of poverty and particularities of the social group to which they belong.

The system of social protection against poverty can function efficiently only if the types of assistance are regulated and the persons that are wrongly demanding social assistance are excluded from the list of recipients. Incomes policy, an important means in alleviating poverty, should focus on the following:

- re-establishing wages and salaries as the main component of the total income, with the purpose of increasing motivation and productivity;
- assuring social fairness in income distribution through improvements in the tax system that would allow a thorough control over all forms of income;
- stimulating the investment-oriented behaviour of the population;
- restructuring the present system of allowances and compensations offered to socially vulnerable groups and rationalising the grounds on which these are offered;
- developing a proper system of the minimum state-supplied social guarantees.

Box 5.5. Family Today

The entire process of the humanity development represents the evolution of the various collectivity forms, the family being the oldest and the most specific form of the assertion of human nature. Although it is relatively independent from the society, the family and its organization is determined and conditioned by the organization of the society which it is reflecting. The family is a subsystem of the social body which exists in the society and has its internal (biological, educational, economic, psychosocial and family solidarity) as well as external (integration in the social life, participation in the social production process) strategic functions. It constitutes a decisive factor influencing the sustainable development of the society and that of the human capital.

The evolution of the family displays new tendencies that affect the demographic situation in the country: a decrease in the general birth rate, increase in the number of divorces, incomplete families, few children. Nuclear family is the type most adjusted to the present conditions in the Moldovan society. Unlike in the West, where the number of nuclear families decreases in favour of cohabitation and consensual families, the nuclear family (family couple, with or without children) remains dominant in the Republic of Moldova, constituting 83% of the total families (this is the highest index in the CIS).

With the industrialisation and intensification of the village-to-city migration, the birth rate and the average size of the family decreased. Thus, if in 1959-1970, a family had an average of 3.8 members, beginning with 1979 this index declined, being 3.4 at present (3.3 members in urban families and 3.5 members in rural ones)

One family has in average of 1.2 children, which is insufficient for a simple reproduction of the population. The number of couples without children is growing: from 23.3% in 1970 to 35.4% in 1989; while the number of families with one child is decreasing: from 30.7 % in 1970 to 27.9% in 1989. While the birth rate is falling, the death rate is increasing, causing a decrease in the natural population growth rate. The regions with the negative natural population growth rate are extending.

Under the difficult economic conditions, a family usually cannot afford having more than

one child. Women who do not work and are financially supported by their husbands have twice as many children as employed women. Sociological researches show that in bringing up their children, women encounter two major problems: lack of free time (44%) and financial difficulties (43%). At the same time, the number of unmarried women with children is growing: from 7.4% in 1980 to 14.6% in 1996 (in urban areas this index reaches 17.2%).

The situation of families with only one parent is especially difficult: low standard of living, difficulties in combining family with career, problems in educating children, etc. Single mothers, as a rule, are in a very tense situation, the main cause of it being poverty, social instability, lack of confidence in the future, insecurity about the future of their children. Obviously, incomplete families, like families with many children, are in need of social protection.

The number of marriages is decreasing, while the number of divorces is constantly growing. In the last couple of years around 1/3 of the families fell apart. Divorce, being a serious failure, creates many social problems: growing number of single persons, worsening health condition of the former spouses and their children, reduced work capacity and decreased psychic and physical potential of those divorced. Thousands of children remain semi-orphans every year.

The present family performs its education function very poorly. The number of abandoned children is growing (around 15,000). More cases of child abuse in the family and abandonment of the newly-borns are registered.

More than one third of all children live in poor families, and it is these children that form the "risk group". The family relations sometimes favor infantile criminality. Minors commit 10% of discovered offenses. According to the data provided by the police, 12% of crimes are committed by pupils, 54% by unemployed minors, and 6% by students of technical-vocational schools. The number of homeless children is growing (around 1,000 children).

Radical socio-economic transformations influence sexual ethics, family relations, educational principles, spouse behaviors and existing family patterns. This does not mean that the prestige of the family is decreasing. Unlike other developed countries, where special services are assisting families in critical situations, the Moldovan families usually take full responsibility for taking care of their elderly or sick relatives.

The problems related to the family's social functions could be overcome once the human relations are brought to normal as a result of profound changes in the democratic organisation of the society.

CHAPTER VI. INFRASTRUCTURE – A SUPPORT FOR SOCIAL COHESION



Infrastructure in its broadest sense comprises all technical-material elements that can potentially facilitate the sound functioning of social and economic life: living conditions; environment; communication; information services; energy; transport, etc. A good quality infrastructure is evidently of great importance for the promotion of sustainable human development. It affects the quality of living conditions in many ways, for example through the quality of housing, the availability of water, electricity, transport, means of communication, energy supply and other basic services. Finally, a good infrastructure may increase the population's freedom, opportunities and choices as it may facilitate mobility, contacts and communication, and access to information.

It is known that for any society to function effectively and achieve social cohesion, social equality, equal opportunities and freedom of choice for both communities and individuals should be priority values. Differences between regions, communities and social groups in terms of available possibilities and access to comfort are likely to cause conflicts and the disintegration of society. Examined from this point of view, the problems of territorial planning, regional development and infrastructure have a social connotation which can not be ignored.

This Chapter intends to highlight the most severe infrastructure problems in Moldova. It should be noted here that the habitat as well as the economic and social infrastructure reflect the history of a country's civilisation and bear the highest degree of inertia, as compared to other elements of human development. For this reason the adoption of new principles in this field, the adjustment to new social and economic conditions will take time and will, first of all, require huge investments. In this respect it is important that state policies take into account the particular role of infrastructure and human settlements in the new structure of a democratic society aimed at the attainment of sustainable economic, social and ecological development.

In terms of population and area, Moldova is a small country, but it faces a wide range of problems in this field. Differences between rural and urban areas, unequal access to energy consumption, communication and information, inadequate state of the technical systems and networks, pressure on the environment, the danger of natural disasters, and problems with housing and insufficient funds for construction constitute only a part of these problems. Decreased institutional and

managerial efficiency in the field, especially at the local community level, can be added to that list. Possibly the main shortcoming of the decision-making process in this area is that there is no tendency towards a systematic revision of and integrated solution to the multiple problems related to territorial and infrastructure development. Rather, each element is examined separately and policies are developed without co-ordination.

6.1. Regional (Territorial) Development

6.1.1. Local Communities

After the Second World War, regional development and that of infrastructure in the Republic of Moldova, as well as in the rest of the USSR, were under the rigid state control, with land and other natural resources being owned exclusively by the state. Based on its geopolitical objectives, the centre developed the economic profile of different regions and districts, designed the functional relations between them, decided on the forced industrialisation of certain regions, and organised massive migration of the population. The plans for territorial development and urbanisation were considered state secrets and were not accessible to the general public. In fact, they did not reflect the interests of local communities.

As already discussed in Chapter 2, local authorities in Moldova had the role of executors of the instructions from the centre. They did not have their own economic base and could not freely dispose of local resources. The respective ministries and departments controlled the growth rate of the districts and the development of the key elements of the technical and social infrastructure. It was only within certain limits that this control was exercised by the local public administrations.

Under such conditions, comprehensive processes of industrialisation, urbanisation and radical change of the administrative forms in villages were carried out between 1950 and 1985. The consequences, both positive and negative, could be observed at both the national and local level. The proportion of urban to rural population changed rapidly, mainly because of migration (see Figure 6.1). Hundreds of thousands of people from other regions of the USSR or from Moldovan rural areas migrated to the cities of the Republic of Moldova. Under the conditions of the

The unlimited authority of the state in distributing investments, its dominant role in creating social and technical infrastructure, and its exclusive ownership of land have strongly influenced the development of the various regions of the former USSR.

centralised administration and the lack of rights and real possibilities for exercising initiative in the social sphere, part of the newly-migrated population did not integrate into the local community. They did not acknowledge the need to assimilate local traditions and culture nor did they take civil responsibility for the present and the future of the regions where they lived. And although the villages in the Republic of Moldova, unlike those in other republics of the former USSR, did not experience mass depopulation, many of them did suffer from the migration of the most active, most educated and most enterprising parts of the population, which affected substantially the vitality of the rural communities.

Figure 6.1. Proportion of Rural to Urban Population

1959-1998

Source: DSAS

The social integrity of urban and rural communities was nourished mainly by the official ideology and only to a small degree by authentic internal solidaristic processes. As a result, the centralised planning of regional development solved a series of technical problems, but in reality it did not promote social cohesion at the national or the local level. Moreover, the conditions for large differences and actual crises were created during this period.

Together with the declaration of independence and the start of reforms, the old system of central planning was abolished, but institutional and legislative changes in this field have been slow in comparison with socio-economic developments. Under the conditions of a general crisis, the consequences of the old geo-policy were quick to come: economic and social structures artificially created and maintained by the centralised system collapsed, old problems have been aggravated and new ones created. The development of local communities was negatively influenced and the social climate there worsened.

A series of discrepancies and problems inherited from the past continue to affect the living conditions of the population and threaten social cohesion and sustainable development. The main problems of this kind

include the following:

- Expansion of cities due to the immigration from outside the Republic (Figure 6.2.) led to fewer opportunities for the local population to profit from the potential economic and cultural advantages offered by urbanisation. The Russian language was imposed in urban areas, thus creating a disintegrating factor in the city-village relationship on the basis of ethnicity, culture and language spoken.

Figure 6.2. Ethnic Composition of the Urban and Rural Population

1989

Source: DSAS

- The most important part of industry was concentrated on the left bank of the Nistru River, thus creating economic and social disparities between the two regions of Moldova. This, in its turn, facilitated the secessionist attempts of the leaders of the so-called Transnistrian “republic” after the collapse of the USSR.
- A “closed region” regime was imposed on several districts and regions adjacent to the western border of the USSR (along the River Prut). As a result, these districts lack the infrastructure necessary for co-operation with the neighbouring countries to the west of Moldova.
- In small regions, the physical and social infrastructure depended directly on local industrial and agricultural enterprises (they maintained the common engineering systems for enterprises, apartments, nurseries, hospitals, etc.). As a result of the crisis, many of these enterprises have now stopped production or are being restructured, and consequently essential elements of the infrastructure are no longer fully functioning, which affects the whole local community.
- From a social point of view, there exists a striking inequality between urban and rural areas. Although 54% of the population live in rural areas and are employed in agriculture, the priority sector of the

Box 6.1. Environmental Factors Influencing the Development of Human Settlements

In the Republic of Moldova, 18% of the territory is affected by soil erosion. The exact cost of the material values threatened by soil erosion has not yet been assessed, but it is, undoubtedly, huge. The mayor's office has evaluated this cost for Chisinau alone at 2 billion lei (US\$ 425 million). The most affected region is the central part of the country including the districts of Telenesti, Orhei, Calarasi, Straseni, Nisporeni, Hincesti and Ungheni, where the process of erosion speeds up after each storm. For some cities, like Telenesti, Nisporeni and Causeni, soil erosion is a major limitation on their further development.

According to the estimations of the "Acvaproiect" Institute, many localities are affected by flood risks and some 20,000-30,000 houses (or 150,000 people) are threatened by wind destruction. The damage already caused by floods (the destruction of apartment blocks and houses) was estimated at around US\$ 20 million in 1991 and 34 million in 1994. The costs of the necessary protection measures can exceed US\$ 0.5 billion, i.e. around 30% of the national GDP for 1996.

Natural disasters threaten not only the security of some local communities but the normal and sustainable development of the entire country. This fact has to be acknowledged. The present practice of focusing on attending solely the consequences of disasters has no future perspective. Comprehensive preventive measures have to be developed and should be the basis of all city planning and design activities.

national economy, the level of the physical and social infrastructure in rural areas is very low compared to urban areas (reduced access to water mains, sewerage, gas, old local roads, etc). For example, 17% of the total of 1,617 villages have no hospitals and medical centres, 16% of them have no pre-school establishments, 24% of village schools reside in inappropriate buildings that do not meet hygiene and medical requirements. 3.7% of villages do not have any schools at all, while 19% of villages have no libraries, 16% - no cinemas and 31% - no post offices.

- The systematic neglect of environmental protection requirements and the principles of sustainable human development have caused the natural environment in many urban and rural areas to deteriorate severely. Soil erosion, floods, increased water levels, and dangerous water quality are real threats (also see Box 6.1).

6.1.2. Transition to Other Principles of Community Organisation

At present, in the period of socio-political transformation, the functions of the state in the field of regional development and urban planning have changed. Society promotes the idea of extending the rights and functions of local public authorities, of diversifying the forms of land and estate ownership, and of the participation of the private sector in development. The Constitution of the Republic of Moldova, the Law on Local

Public Administration, the Land Code, the Law on the Principles of Urbanisation and Territorial Development, and other legislative acts, as well as the ratification of the European Charter on Local Administration, have established the basis for the new legislation. These new laws will allow the undertaking of activities in the field of regional development and habitat based on the new principles:

- division of functions and responsibilities between central and local public authorities;
- expansion of the role of the elected local bodies and the creation of the conditions for their functioning in the interests of the respective community;
- guarantees of land ownership rights to individuals and legal entities;
- solution of development problems on the basis of equal respect of community and individual interests;
- elimination of subjective factors in the process of planning and administration of regional development and habitat issues, and the use of market economy mechanisms;
- assurance of access to information on regional development and urban planning for all participating and interested groups and individuals.

Although the legislative reform seems to be on the right path, the co-ordination of activities concerning, for example, planning, privatisation and the creation of a land market needs to be significantly improved. Much has to be done in clarifying and defining the concept of municipal property, providing

Lack of equal opportunities will lead to the decreased quality of life, because such processes as the resource exhaustion caused by poverty, the excessive consumption resulted from the abundance of goods and the disorganisation caused by inequalities will intensify.

financial support to local public administration, maintaining and developing the housing system and improving the general infrastructure. The absence of institutional mechanisms that would allow the population and the private sector to get involved in these processes has also to be urgently addressed. In this context, it is important to stress that, although local governments have legally-guaranteed rights, they generally lack the necessary economic tools to influence the development processes in their areas.

As a consequence of the economic and social crisis, one can observe a growing disintegration and disparity between the cities and the rural localities. The functional-spatial integration of big cities with adjacent areas is not accompanied by the social integration of these communities. Small villages and towns remain the main suppliers of labour and natural resources for bigger cities, but, in turn, they receive no material support or compensation that would attenuate the resulting disproportionate effects. In addition, due to the increased prices of services in the context of general economic decline, the population in rural areas uses less of the social, cultural and other goods produced in urban areas.

Social stratification of the population is occurring in all areas, but much more obviously in urban ones. A substantial part of the private property and the richest groups in society are concentrated in the big cities. However, the population groups suffering most from the exclusion from productive activities and an inability to find jobs or to create a natural household, like those in the villages, reside in those same cities.

6.1.3. Territorial Planning- an Expression of Social Policy

National and local policies on urbanisation and regional development are a component and an expression of social policies and the disastrous situation experienced by the system of urban planning and regional management is caused by the lack of clear social policy objectives.

In the past few years, the system of urban planning was not reformed, it just stopped functioning. According to the legislation in force, the government no longer finances or controls urbanisation plans and it no longer sets any objectives or tasks for their future development. The local public administration, which lacks the appropriate economic basis and concentrates on the solution of current problems, can not either elaborate any social policies which could be further developed in

urbanisation plans. Local decision-makers administer their districts with *ad hoc* decisions and actions, without the necessary transparent and long-term planning or the participation of key interest groups. Thus, the conditions for disorganisation, irresponsibility and corruption are created.

Absence of responsible urban planning does not permit to reasonably determine and classify the urban areas that could benefit from privatisation and those for which public ownership should remain predominant. Due to the same reason, current management of urban areas is influenced by subjectivism and arbitrary decisions. Information on transactions concerning public land, including on its size and quality, is not accessible to the general public. Many people have problems in purchasing land for construction, with investment projects facing uncertainty. While in the outlying districts, individual construction projects are undertaken, without any involvement from the authorities responsible for infrastructure development, valuable land in central urban areas is distributed free of charge on the basis of confusing selection criteria. This leads to a degradation of the urban environment and social polarisation.

All of the above attests to the lack of clear principles and objectives in land management at the national, municipal and local levels. This problem cannot be solved simply by a change in the prevailing economic principles of the society, as is often assumed. One must not forget that market mechanisms by themselves cannot fully control such factors as ecology, over-population, aesthetic imperfections, architectural policy, etc. Similarly, the market alone cannot assure the proper functioning of necessary and vital elements such as public transportation, housing for vulnerable groups, cultural establishments, communal services, public places (parks, public gardens, entertainment centres).

Human settlements reflect the past and the present, the work of many generations, and the effort of many creative people based on values and principles accepted by the entire community. Presently, there is need for a development strategy that would specify such values and principles. Some of them were identified in the Report of the Republic of Moldova for the UN Conference on Habitat II, which points out that, in order to develop and implement viable government policy based on such principles, it is necessary to create a complex system of planning that assures the harmonisation of all urbanisation plans with other types of planning, especially social planning. Such a complex approach would balance national, regional and local interests and would have a positive impact on sustainable human development and social

“The ultimate goal for every region is to improve the social, economic, and ecological conditions of the living and working environment for all people, especially for the poor individuals from urban and rural areas.”

***Declaration of the
UN Conference,
Agenda 21***

cohesion.

The elaboration of a sound strategy of territorial development and the achievement of the major objectives in the field is a political task. As an inter-disciplinary and cooperative activity between local and central administrations, territorial development and urbanisation should promote the idea of regional, economic, and social integration. This common effort includes matching the regional distribution of the population with economic and natural resources and maintaining appropriate living culture, public facilities, electricity supply, public utility structures, environmental conditions, and historical and cultural property. Also, different private and public bodies should have access to and take an active part in developing and implementing housing policies.

The strategy and policies of the state on territorial development should take into account both economic and ecological realities at the local, regional, national and transnational levels as well as the reasonable utilisation of land. The proposed territorial-administrative reform (see Chapter 2) and the merging of present districts into bigger and economically stronger administrative units could become a basis for such a strategy which would increase the possibilities of local administrative bodies to initiate and implement a wide range of local development programmes.

A new approach to urban planning and land policy in local areas is needed. New urbanisation plans and regulatory and control mechanisms built on market economy principles have to match local community interests. Urbanisation planning should not consist in deciding on the location of sites for construction, it should rather focus on determining the options and restrictions. In this respect, the plans have to be accompanied by detailed regulations regarding the use of land.

The Law on Urbanisation Principles and Territorial Development stipulates the separation of functions and responsibilities between central and local administrative bodies and establishes the importance of transparency and consultation of the population in the process of the development and approval of respective plans. It ensures access to information by, and the participation of, the population (both direct and via NGOs) in the human settlements development.

The Draft *Strategy for the Housing and Estate Market*, developed in 1997, in collaboration with the World Bank, proposes new principles for land policy: economic incentives in land exploitation and administration; state intervention through planning and regulatory measures that consider the social, ecological

and cultural interests of all categories of citizens; open auctions; access to information on characteristics of the land market; future plans and commitments; and the responsibility of local public administrative bodies to manage land resources taking into account state and private sector interests.

6.2. Housing System and Physical (Technical) Infrastructure

6.2.1. Housing

The present housing stock of the Republic (excluding Transnistria) comprises around 1.24 million units, 39% of which are situated in urban areas. Most apartments were built and distributed according to the principles accepted throughout the former USSR. In general, all the houses in urban areas were built according to a single standard and were distributed by the centre. The construction of private houses in cities was very much restricted and there were rigid limitations on the size of the apartments. The owners of private houses did not have the right to adjacent land and houses could be expropriated (with compensation) and demolished by the authorities, depriving the owner of the right to appeal. Apartments from the state stock were distributed according to rather confusing rules and were, to a large degree, a means of remunerating privileged groups or stimulating migration between different regions of the USSR. Water, gas, electricity and heating were distributed equally to each apartment for a ridiculous sum ignoring economic principles. Distribution systems did not have meters and could not be used to regulate consumption.

The apartment blocks built at that time were seen as a means of social homogenisation. The method of distributing apartments was intended to make living conditions uniform. State enterprises were responsible for maintaining the apartment blocks and exploiting their physical infrastructure, without the participation of the residents. Local communities had no real possibility of participating in the organisation of the living environment of their apartment block or its respective locality.

From the social point of view, the above described way of “collective living” has and will have negative effects on the level of human development, and causes the following psychological and behavioural prejudices:

- an indifferent attitude of the urban population regarding the general habitat;

“Access to housing is a necessary condition for human development in all countries and regions of the world...”

Global Strategy adopted at the UN Conference on Habitat II

- the perception that the apartment is a distribution asset, and the fastest way to obtain one is to be included in the list of privileged persons;
- total irresponsibility towards common spaces of the apartment blocks and adjacent areas, sometimes accompanied with acts of violence.

Between 1993-1996, a programme of mass privatisation of urban apartments was completed. *At present, 87% of all the apartments are privatised and constitute the only significant property for most people in the country.* However, due to the economic crisis, many apartment blocks can no longer be either maintained or renovated. In the past these functions were performed by the organisations called *Services for the Apartments' Exploitation* (SAEs), which were financed by the municipalities, residents' fees and other funds. At present the limited budget of these SAEs and the privatisation of many apartments have made the responsibility for maintaining and renovating apartment blocks very confusing. Residents have to maintain and renovate their own apartments, as well as the common spaces and physical infrastructure. Although the legislation stipulates the possibility of creating associations of residents of privatised apartments, most people have not yet acknowledged the need to join with their neighbours and solve the above problems together. More so, the rights of the association's members, as they are stipulated in the law, are the rights of residents, rather than those of real owners.

Table 6.1. Comparative Data on the Age of Apartment Blocks

Country	The proportion of apartment blocks built in different periods (as % of total)				
	Before 1961	1961-1970	1971-1980	1981-1990	1991 and later
Austria	46.2	17.3	18.1	14.4	4.0
Bulgaria	53.8	20.0	15.4	9.4	1.4
Estonia	21.2	19.7	21.3	18.9	-
Poland	41.5	16.7	22.8	15.2	3.8
Slovakia	34.4	20.3	25.5	19.8	-
Hungary	43.0	14.7	22.1	17.3	3.0
Moldova	14.6	18.6	21.2	31.4	7.9

Source: For Moldova, the results of the survey organised by PADCO Europe Ltd. was used; the data on the rest of the countries is taken from the Annual Bulletin of Housing and Building Statistics for Europe and North America (UN/ECE).

As shown in Table 6.1, the housing system in the Republic of Moldova is relatively new in international comparison. Still, it is in a parlous state and the situation continues to worsen. A survey organised as part of the

process which led to the elaboration the Draft *Strategy for the Housing and Estate Market* shows clearly the unsatisfactory state of most of the apartments and the reduced number of conveniences. Only 25% of those surveyed stated they were satisfied with the quality of their apartments. Lack of hot water, insufficient heating during winter and difficulties in disposing of domestic waste are frequent problems. Very many people complain about security in their districts, street lighting and sanitary conditions in public places. According to the survey, nearly 75% of families in urban areas spend one-third of their income on apartment and communal expenses. A major part of these costs are communal service fees. Expenditures on building maintenance are reduced to the minimum and do not meet the needs.

Unlike in other countries with a more developed housing market, there is no correlation in Moldova between family income and size of apartment. This is the legacy of the old system of building and distributing standardised apartments. Very often, families with medium income, or above medium income, and families with very small income live in the same apartment block and have the same living space. Although on the one hand, nothing seems wrong with this as there is no segregation of poor families, on the other hand, because these particular families cannot pay for services, there are problems in creating resident associations for the purpose of maintaining the apartment block and the adjacent areas.

Overcrowding of apartments remains one of the most serious problems. There are cases where two or more families live in one apartment (according to a survey, this is the situation in more than 12% of apartments in Chisinau) and the average number of persons per room is 1.6. Meanwhile, the number of apartments (public and private) built each year during 1990-1996 has decreased by 5 times, from 23,600 (the entire Moldova) to 4,018 units (without Transnistria and the municipality of Bender). Specific population groups suffer disproportionate housing problems. For example, the elderly are facing problems related to maintaining their apartments and assuring a minimum level of comfort, which is so needed at such an age, and there are other disadvantaged groups, for example, young families and people with disabilities, that live in very difficult conditions.

6.2.2. The New Role of the State in the Apartment Construction Sector

The construction sector, dominated by the building of apartment blocks, used to have a

Revitalisation of the apartment construction will help solve social problems and will benefit the entire economy.

very important role in the economy of the Republic of Moldova. At present the tremendous increase in construction costs and decreases in investment projects have had many negative consequences. Around 200,000 families that were registered with the local public administration on waiting lists have lost their hope of getting an apartment that would meet their requirements. Thousands of families who invested their savings in construction co-operatives can neither continue the construction works nor receive their money back. A huge number of people that came from villages and were employed by construction firms (then the quickest way to get an apartment in the city) remained without a job and without an apartment. In this respect, the revitalisation of the construction sector is not only an important economic task, it is also an important element of social policy.

The government took a first step towards addressing the housing problems in 1994 by adopting the National Housing Concept that specified the following general principles:

- the right of every family to choose its own solution for its housing needs;
- a clear division of state functions, especially in strategy implementation;
- creation of better conditions for the development of the estate and housing market with the purpose of stimulating the financing of the housing sector, continuing the privatisation of apartments, and using market economy mechanisms in the construction and construction materials industry.

The transition to market relations in the construction sector is accompanied by structural changes based on private property rights, de-monopolisation and privatisation of state enterprises. In 1992-1994, all the important enterprises in the construction sector were privatised and re-organised as joint stock companies. In its efforts to promote economic reforms in the construction sector, the Government left the state administrative bodies with the following tasks: to develop legislative, normative acts and technical standards that would regulate construction activity; and to supervise health and safety conditions on construction sites. A new system of quality control was introduced with the Law on Quality in Construction, which demands licenses for all construction activities, certificates for construction products and materials, and the examination of the construction workers competence. Also, according to the Programme of Creation of a Normative Basis for the Construction Sector, a process of aligning national technical requirements with European standards has begun. Normative documents will be prepared

according to the requirements established by the European Commission, decision CEE 89/106.

Auctions (by tender) on planning and conducting public investment will help to assure equal conditions for all participants in the investment process and to create a competitive environment in the field. The experience of the first auctions with the participation of foreign firms has shown that domestic firms cannot cope with international competition due to obsolete techniques, old equipment and lack of experience of participation in auctions. Nevertheless, more and more firms are starting to improve their quality level.

Although the crisis in the apartment construction sector is not yet over, some positive changes could be observed in the last 2-3 years. They can be interpreted as encouraging signals of the reform process. Investment is starting to stabilise and, in 1997, for the first time in many years, the total surface area of habitable apartments increased by 8% compared to 1996, giving hope for the future.

6.2.3. Public Utilities and Physical (Technical) Infrastructure

The physical infrastructure and public utilities of the country were created under the conditions of the centralised planning. In two decades of rapid urban areas growth (1970-1990), the heating network increased six times and heat consumption four times, the capacity of the water mains doubled and that of the centralised drains system increased ten times in 25 years.

At present, the public utilities and the whole infrastructure system faces severe problems. *The most difficult problem in the sphere of communal services is the provision of heat to consumers.* The efficiency of heating stations is very low and the degree of loss exceeds 50%. The optimal economic life of a heating network is only 10-15 years and approximately 40% of them have exceeded this limit, which leads to tremendous losses during exploitation. If appropriate measures are not taken to overcome this difficult situation, the heating network in the cities will soon be completely obsolete.

At present, some activities have been initiated aimed at implementing new anti-corrosion technologies for the heating network. It is believed that this will decrease heat loss and increase the network exploitation period. With the support of the European Bank for Reconstruction and Development, a project on increasing the efficiency of the heating system of Chisinau is being implemented.

The importance of public utilities and physical (technical) infrastructure for a human community can be compared to the importance of the circulation for a living body.

Transportation has an important social function in facilitating economic activities, communication and travel. It should become fully accessible to all communities and social groups.

Similar projects are to be started in Balti, Ungheni, Cahul, and Soroca. In these cities, nearly 50% of heating stations and all distribution networks will be rebuilt and furnished with new equipment.

Water provision systems also have a high degree of wastage. In Chisinau, for example, 40% of pipes need to be urgently repaired or replaced. Centralised provision of drinking water is complicated due to the random location of the respective sources on the territory of the Republic and the non-correspondence of water quality to sanitary standards.

From a social point of view, the most severe problems are the differences between water supply in cities and villages. In 1996, the average water supply per day via the central systems was 325 litres of water per person in cities and only 28 litres per person in rural areas. A major part of the population in small cities and villages does not have access to centralised water systems and uses wells or springs whose water does not always meet the required standards (see Figure 6.3). In rural areas, less than 1% of apartments or houses have drainage systems, which has strong negative effects on sanitary conditions in villages.

Figure 6.3. Access to Water Mains and Sewerage by the Population

Source: Ministry of Territorial Development, Construction and Public Utilities

The (re)construction of water systems that would assure water supply for all consumers, combined with the development of new water sources and a cleaning system, is clearly needed. In order to decrease consumption and, to the extent possible, exclude wastage, water meters should be installed. These problems will be attended through the implementation of the state programme *Drinking Water*, approved by the Government and supported by the European Bank for Reconstruction and Development.

6.3. Transportation System

6.3.1. General situation

The transport sector counts for 4% of GDP in Moldova. The transportation network of the entire Moldova includes 10,515 km of public roads (with the exception of municipal, agricultural and forestry roads), 1,159 km of railways, and four airports, from which one is used for international traffic.

The present situation in the transport sector is a clear reflection of the economic situation as the decline in transport activity matches the decline in the economy. Between 1991-1996, total transport services declined by 61%. Goods transport by road declined by 88.4%, goods transport by railway by 77.5%, the passenger transport by 65% and goods transport by river decreased by a factor of 32. The quality of transportation services for passengers and goods remains low, although there are some trends towards improvement, driven by privatisation and increased competition.

The most important transportation means is the road transport. The Ministry of Transport and Communications administers only a small part (10%) of the car pool while the rest is under the ownership of individuals or organisations. The network of public roads is owned by the state. The density of the highway network is 0.31 km per square km, which is far behind that of western European countries, both in terms of the number of kilometres per square kilometre as well as per 1,000 residents. Only 62% of the total length of public roads are modernised, the rest are built from unprocessed stone or soil. In the last few years the technical condition of public roads has worsened significantly, with two-thirds of all roads having exceeded their economic life, whereas the traffic, after a substantial decrease, has started to grow and is expected to continue increasing in the future. The traffic intensity on national roads varies from 300 cars a day in the south to 12,000 cars a day in the centre. Road construction is financed from the so-called road fund, as is stipulated by law. The accrued resources (approximately US\$ 22 million) are far from being sufficient for meeting the maintenance needs.

The railway transport system is owned by the state and, according to the existing legislation, cannot be privatised, with some minor exceptions. There are 19,000 employees in this industry. The total railway network comprises 2,670 km, of which 2,220 km are high speed. Most of the network is single track, with only 178 km being double track. Moldovan railroads (MRR) are not electrified, with both the trains and the railway network

itself being in a quite deplorable state. In order to improve the overall situation in the railway transport system, investments, including state support and external credits, are needed, more so given that even if the financial standing of the MRR system gets better when the economic crisis in the country is overcome, railway transport of goods will still remain vulnerable due to the competition of road transport. Railway transportation of passengers is less likely to experience major fluctuations, but an improvement in the quality of services provided to the population is still needed.

6.3.2. Vehicles and traffic security *

As of January 1, 1997, the total number of vehicles in the Republic of Moldova is 254,200, including 57,100 trucks (of which 7,200 are private), 9,800 buses (of which 2,100 are private), 173,600 passenger cars (of which 165,700 are private), and 13,700 special vehicles. Every fourteenth individual owns a vehicle and every twenty-second a private passenger car, which is far behind the west European index. In the state sector, only 15% of the transportation means are actually used, while private companies use their available means at their full capacity. An essential problem in this respect is the poor technical condition of the vehicles. Most of them were produced in Russia based on old technologies, are not very efficient in fuel consumption and do not meet European environmental standards. In the last few years, a huge number of second-hand cars have been imported from the west, but many of them are also in a poor technical condition.

In 1996-1997, due to the fact that many private companies have entered the passenger transportation market and many vans and buses have been imported from the west, the negative trends in the state passenger transportation system resulting from the economic collapse were, to a certain extent, cancelled out. In Chisinau, Balti and some medium-sized cities, the quality of services has improved to a certain degree. Still, passenger transportation services in rural areas and in smaller cities remain of a very poor quality. At the same time, the increased number of cars and small-capacity passenger vehicles has already led to overcrowded streets, shortage of parking spaces, and increased pollution and noise. Unfortunately, no attention is given to the promotion of non-pollutant transportation means (e.g. bicycles) or to the development of pedestrian areas.

As shown in Table 6.2, at the beginning of nineties the number of traffic accidents has

* Without the left bank of the Nistru River and the municipality of Bender

declined more or less in accordance with the decline of activity in the transport sector. Meanwhile, the death rate of accidents has remained relatively stable. Besides human suffering, road accidents have economic consequences as well. It is estimated that road accidents have an annual cost of US\$ 10 million. Since 1996, the number of accidents has been growing again following the increase in traffic. The main factor in the cause of traffic accidents is the bad technical condition of the majority of roads which is, in turn, caused by the continuing lack of resources for modernisation and maintenance, the insufficient supply of tools and installations, and the lack of competition in road works.

Table 6.2. Traffic Accidents

Year	Number of accidents	Wounded	Deaths	Death rate
1989	6,434	7,220	1,147	0.178
1990	6,049	6,687	1,127	0.186
1991	5,052	5,554	968	0.192
1992*	3,740	4,200	756	0.175
1993*	2,436	2,704	422	0.173
1994*	2,647	2,976	540	0.204
1995*	2,695	3,069	544	0.202
1996*	3,208	3,717	554	0.173
1997*	3,412	3,986	569	0.167

*the entire country

Source: DSAS

6.4. The Energy Sector

The situation in the energy sector has been worsening during the entire period of the transition to a market economy, which is the result of the following three major factors:

- *Fuel prices are increasing rapidly as they approach the world market level and are far too high for Moldovan consumers;*
- *The involvement of the state in the contractual relationship between suppliers and consumers. Suppliers were obliged to continue supplying energy to consumers who did not pay for its consumption. Owing to unpaid bills, supplier companies had to apply for credits to continue their activity. Interest on these credits again had to be included on consumer bills, thus creating an upwards spiral in prices;*
- *The practice of barter transaction as a method of payment for energy has put additional pressure on the consumer and the economy as a whole, because it conceals exaggerated prices for energy*

The continuing increase in transport without the effective control of the state and local public administrations will have a negative impact on the environment and the population's security and will affect the entire society.

services provided.

All of the above has led to enormous debts from consumers to the energy companies, which in turn have huge debts to the suppliers of energy resources. For example, the Republic of Moldova owes Russia US\$ 308 million for the consumption of natural gas on the right bank of the Nistru River. Its debt to Ukraine for electricity amounts to US\$ 85 million.

Due to the lack of funds, the quality of services provided by the energy companies has continuously deteriorated. Energy and gas losses during transportation and distribution to consumers registered a three times increase, as compared to 1990, having reached, respectively, 30% and 8.5% in 1997. Electricity supply is frequently interrupted and the distributor does not bear any economic or administrative responsibility for doing so. Electricity supply to villages usually stops during peak hours (i.e. at the end of the day, when light and electrical devices are most needed), which affects education, communication and economic activity rural areas.

The lack of an efficient policy of energy conservation has also contributed to the aggravation of the situation in the energy sector. Due to the inefficient consumption of energy resources the Republic of Moldova has to spend around 30% of its GDP on fuel and energy purchases. This ratio is much higher than in many other countries. Thus it stands at 18% in Romania, 9.8% in Bulgaria, 4.2% in Germany and 4.1% in the USA.

The government, acknowledging the seriousness of the situation, accepted in 1996 the Memorandum on SAL II of the WB and the IMF on the restructuring of the economy, including the energy sector. According to the restructuring plan for the national energy sector, the vertically-integrated energy monopolies will be abolished, and the production and distribution of electricity, heating energy and natural gas will be separated and subject to privatisation during the following stage of reform. This will exclude the state from the contractual supplier-consumer relationship, considered to be the main cause of the present financial. It should also ensure healthy competition in the production and import of energy resources and should lead to the provision of these services at minimal prices.

The implementation of this plan presupposes the elimination of debts by introducing new charges or rescheduling those for consumers with debts. Cross-subsidies for the consumption of energy resources will be totally excluded in 1998, which will lead to a substantial increase in the charges that people will have to pay. *Despite the increase, these*

charges will still not cover the real price of the energy consumed and will continue to increase, ultimately to reach those established in western countries (see Figure 6.4). It is questionable, however, how viable new charges will be and whether they will be comparable with the average salary in the country. If a disproportion between these charges and the average salary persists, the level of human development and social cohesion in Moldova will deteriorate. The state will be required to provide substantial assistance to disadvantaged families and would have to find the necessary resources to do so. Taking into account the peculiarities of the present budget, it is doubtful that it will be capable of absorbing the costs, which are far beyond the revenues of the population.

Figure 6.4. Charges on Electricity Consumption in Some Countries of the World*

* Source: *Energy Prices and Taxes*, IEA, OECD, Paris, 1993.

As of to-date, a series of measures aimed at restructuring the energy sector has already been implemented. The energy system was demonopolised, as a result of which a couple of new, separate enterprises were created. Other important privatisations are planned for 1998. Also, the National Agency on Energy Regulation (ANRE) has been created to regulate the energy system. One of its main goals is to protect the interests of the consumers in the electric energy market.

The restructuring of the energy sector is expected to build the necessary credibility for obtaining credits and attracting foreign investors which would contribute to the solution of the strategic problems, one of the most important ones being the diversification of both the suppliers of energy resources as well the types of energy and fuel consumed in the country.

Under the new conditions, the role of the state changes substantially. It is no longer responsible for calculating and establishing charges and will no longer be involved in economic relations in the energy and fuel markets. Its task will be to formulate and monitor the implementation by various economic agents of the rules established by law; to promote, though different economic

tools, the strategy of the sector's development; to develop efficient energy policies and protect the disadvantaged groups of society.

With regard to energy savings, the implementation of a Programme on Energy Conservation, which has already been elaborated, will allow the saving of up to 30% of the total energy resources annually consumed in the country until 2005. Thus, the debts on imported energy will diminish substantially, which, in turn, will reduce the cost of goods produced in the Republic thus making them more competitive both in the national as well as the world markets. Increased energy efficiency is also expected to have positive effects on energy and fuel charges for consumers.

6.5. Telecommunications, Information and New Information Technologies

The telecommunications sector in the Republic of Moldova is one of the very few fields of activity that has experienced almost no decline during the transition period. There are direct telephone connections with Romania, Bulgaria, Greece, Canada, Denmark, the CIS and the Baltic countries, and indirect connections with the rest of the world via international stations in Copenhagen and Montreal. At the same time, there is an enormous difference between the urban and rural areas, as the density of telephone posts in rural areas is 2.4 times less than the average level in the republic (see Table 6.3). This difference has already existed for a long time and actually continues to intensify – the capacity of urban telephone stations per 100 inhabitants increased in 1997 by 32,000 lines, compared to only 4,000 in rural areas – the fact that further increases the disparities between urban and rural regions discussed earlier.

Table 6.3. Capacity of Automatic Telephone Stations and Density*

	1994	1995	1996	1997
Capacity – total	630	663	677	713
<i>Including:</i>				
Urban	476	506	514	546
Rural	154	157	163	167
Density of the main telephone posts per 100 persons, total	13.3	13.7	14.4	15.3
In urban areas	22.0	23.0	24.1	25.6
In rural areas	5.6	5.9	6.1	6.5

*The entire Republic of Moldova

Source: DSAS

One of the main problems in the telecommunications sector is the existing monopoly of the state enterprise *Moldtelecom* which maintains artificially high charges, especially for international calls. It also serves as a barrier to the development of new services, like the introduction of a mobile telephone system. Efforts have been made to privatise *Moldtelecom* with the intention of attracting direct (foreign) investment, but the first tender failed as no investor was ready to pay the minimum demanded price. Another problem is that the overall quality of telecommunications services is low, especially in rural areas. Again the lack of competition, combined with the fact that supply is usually lower than demand, forces the majority of the consumers to accept this situation.

The National TV and radio is covering most of the territory of the Republic of Moldova (Table 6.4), although again important differences exist between rural and urban areas. Also, the number of air and cable local level stations is steadily growing. In 1996, the number of such stations increased to 61, the majority of them being privately owned. The cable TV has 60,000 subscribers.

Table 6.4. Population's Access to TV Programmes

	National TV	2 programmes	3 programmes	%
1995-total	98.9	87.8	82.9	
rural	97.7	67.7	67.2	
1996-total	98.9	87.8	82.9	
rural	97.7	67.7	67.2	
1997-total	99.0	95.9	89.2	
rural	98.1	92.4	82.2	

Source: DSAS

Unfortunately, the quality and the social message of the programmes delivered by the new radio and TV stations is often low and, with few exceptions, their programmes are in need of improvement from the professional, informational and artistic points of view. Often they do not contribute towards the promotion of the values of a democratic society or of the national and universal culture, with the current political or economic interests of the persons financing the stations clearly dominating.

Regarding the written press in the Republic of Moldova, in the last couple of years it has lost much of its importance as the main source of information for the population of the country, the reasons being a decrease in living standards and the general lack of confidence in the press. At present, there are registered 248 periodicals with an official, independent or party orientation. Most of them have a low circulation. Although the number of periodicals is steadily growing, there is no specialisation according to the interests of specific social groups. Almost all periodicals,

The need of the society for information is comparable to that for food...

Box 6.2. Situation in the Information Sector

The situation in the information sector of the Republic of Moldova is characterised by:

- *Low degree of penetration (information science did not enter many spheres of activity);*
- *Use of obsolete information technologies;*
- *Lack of interconnections with broad public networks;*
- *High fees for the information systems services.*

To diminish the huge handicap, tremendous efforts are needed, with the following conditions being essential for the achievement of the technological objectives of the information infrastructure:

- *The population has to become aware of the importance and implications of the information revolution;*
- *The users of hardware have to be trained appropriately in order to ensure their efficient use;*
- *Universal access to electronic services has to be assured;*
- *The flow of information should be free and open;*
- *The respective responsibilities and functions at the various administrative levels should be specified.*

with the exception of party newspapers, target the general public and there are only a couple of distinct publications, for example the weekly newspaper *Economiceskoie Obozrenie* ("Economic Review") which specialises in economic issues.

As is the case with TV and radio stations, most periodicals are supported by certain financial groups that impose their points of view through these publications. The low purchasing power of the population means that the periodicals need extra support to survive. This has led to a situation where the independent press is, in reality, absent. As a result, the quality of information is very low. Sociological researches conducted in January-February 1998 evaluated only 21% of those interviewed as well informed. According to another survey, around 48% of the population are not aware of the main developments in the social and political life of the country.

In general, the process of the development of the well-informed society and the large-scale use of information technologies is more of a spontaneous nature and depends more on the efforts of interested companies or citizens. The government has undertaken some measures to organise this process in some respect, by adopting in 1993 the Convention on the Dissemination of/Access to Information in the Society, but the lack of financial resources does not allow the state to get actively involved in the creation of information systems in educational establishments or public administration agencies. At present, the information sector comprises 170 economic units and sub-units that utilise 14,000 computers and more than 200 local and regional networks, including 4

public ones.

Due to the lack of competition, the development of the Internet network is rather slow. Around 17 providers were offering Internet services in 1997, with 800 subscribers having used their services. The Soros Foundation in Moldova offers free Internet services to higher education establishments, scientific research institutes, some independent publications and non-governmental organisations. Around 1,000 subscribers benefit from this kind of services. Most of the companies active in the field offer quality services at prices similar to those in neighbouring countries. Nevertheless, access to these services is limited due to the inability of the wider population, economic and scientific organisations, and the mass media to afford them. The Internet is accessible only in Chisinau and subscribers are practically absent in the rest of the country.

The key indices characterising the dissemination of and access to information in Moldova are far below those in developed countries. For example, in the USA, every 2-3 people have a personal computer, while in Moldova there is one computer per every 200-300 citizens. The large differences in incomes cause substantial differences in access to information and universal cultural values, and hamper the country's integration into the global society.

In order to strengthen the positive trends and improve the overall situation in the information sector an active policy and radical measures are required on the part of the state. For now, the only initiative with comprehensive results has been a programme implemented by the Ministry of Education and

Science together with Hewlett Packard, whose objective is to equip around 800 pre-university institutions with computers. Many similar initiatives ought to follow. Economic crisis cannot justify the neglect of the development of a well-informed society, an aspect crucially important for the attainment of the high-level human development. With the political will, interest on the part of public and private institutions, and the concern of all the citizens, it will be possible to eventually build such a society.

6.6. Conclusions

A brief revision of the different aspects of Moldova's infrastructure and of the tendencies that appeared with the implementation of the reforms shows that this sector does not receive the required attention. This can produce severe social consequences and can have a disintegrative effect on the entire society. Due to the economic decline, a decrease in real incomes and increases in prices, many families have remained without access to services they used in the previous years. The social polarisation, which is becoming more evident, has serious psychological consequences and intensifies nostalgia for the past.

During the transition period, the quality of many components making part of the infrastructure system has decreased rapidly. The housing sector, for example, confronts problems caused by the shortage of funds for construction, overcrowding of existing apartments and houses, the absence of a system of apartments' maintenance and unclear responsibilities for common spaces of apartment buildings, etc. *Thermal, water, drainage installations and networks are worn out, which negatively affects the environment and causes tremendous losses.* There exists, however, a vicious circle – on the one hand, the huge costs resulting from these losses can no longer be supported and lead to price increases while, on the other, communities do not have the resources to modernise their networks and prevent losses. The poor quality of services creates dissatisfaction, and the continuous increases in charges make it impossible for the majority of people to pay for the services. In the end, those who can pay have to cover the wastage within the network and the consumption of those who do not pay. In general, the housing sector is adjusting to the new economic reality with great difficulties and the persistence of monopolies in the energy sector makes it even more difficult to solve those many problems that it faces.

Although the transportation, together with the entire economy, has been declining enormously in the past few years, transportation services are adjusting more quickly to the new economic rules. The

vacuum that was created due to the inactivity of the respective state enterprises has been filled by the private sector. This, however, has led to price increases and a good part of the population can no longer afford using these services, especially as regards inter-city transportation. In this context, it is important to stress that public roads are undergoing rapid degradation and a number of communities do not have a regular link to the country's transportation network. Funds for the renovation or new road construction are not sufficient.

A striking feature of the infrastructure development is the vast disparities between urban and rural areas. Both the quality and quantity of housing, public utilities, transport means and energy supply, as well as access to information technologies and telecommunications, etc, is much better in urban areas, especially in the capital. This fact obviously affects social cohesion and creates tendencies towards disaggregation. Unequal opportunities between communities lead to their inequality in terms of human development.

A general problem of all infrastructure services is the lack of formal responsibility of the service provider towards the consumers, who have little or no protection. This is the case not only with private companies, such as the cable TV providers and passenger transportation companies, but also with the state-owned telephone companies and energy suppliers. Competition is not always possible (e.g. because of monopolies) or simply does not exist. The few state organisations that are set up to protect consumers' rights are not able to perform their functions for different reasons and non-governmental organisations that could operate in this field are practically absent.

The state has given up its role as the main supplier of apartments and other infrastructure services. But it has not taken up what should be its new role – that of the controller, regulator, standard setter and facilitator. The transition does not imply a reduction in the responsibilities of the government and public local administrations. On the contrary, the authorities should protect the interests of the population and create conditions favourable for new initiatives.

Part of the new role of the state would be to effectuate a clearer separation of functions and responsibilities between the central and local authorities. The central authorities should be involved in developing a global strategy, framing legislation and in creating the necessary capacities and institutions at the national level. Local authorities should be responsible for the current planning process, the management and regulation of land and property transactions, assurance of regular

information flows and of public participation in examining and approving local development strategies and programmes aimed at the protection of community interests. A growth of economic opportunities for the local administrations as well as the national authorities should constitute a basis

for this redistribution of tasks. As argued throughout this chapter, a good quality infrastructure has a vital role for the country's progress and is a precondition for the achievement of sustainable human development.



Human Development Index

Average life expectancy at birth (years) 1996	Adult literacy rate (%) 1989	Combined first, second and third-level gross enrollment ratio (%), 1996	Real GDP per capita (PPP\$) 1996	Adjusted real GDP per capita (US\$) 1996	Life expectancy index 1996	Education index	GDP Index 1996	Human Development Index 1996
66.7	96.4	65	2,122	2,122	0.695	0.964	0.334	0.629

Human Development Profile

Life expectancy at birth (years) 1996	Population with access to:			Daily calories supply per capita 1996	Adult literacy rate 1989	Combined first, second and third-level gross enrollment ratio (%), 1997	Daily periodicals (copies per 100 people) 1997	TV-sets (pieces per 100 people) 1997	Real GDP per capita (PPP) 1996
	Health care (%) 1995	Safe water (%) 1997	Sanitation* (%) 1997						
66.7	100	...	...	2,127	96.4	66	122	20	2,122

* Access to piped water and/or flush toilets

Profile of Human Deprivation

Refugees by country of asylum (thousands)	Population without access to:			Illiterate adults (age 15 and above; millions) 1989	Illiterate females (age 15 and above; millions) 1989	Children not in primary school (thousands) 1997	Malnourished children under five (thousands) 1995	Child mortality rate (per 1,000 live births) 1996
	Health care (millions)	Safe water (millions)	Sanitation (millions)					
...	0.1	...	17	...	...

Trends in Human Development

Average life expectancy at birth (years)		Infant mortality rate (per 1,000 live births)		Population with access to safe water (%)		Underweight children under age five (%)		Adult literacy rate (%)		Enrollment ratio for all levels (%; age 6-23)
1959	1996	1960	1997	1975-80	1988-96	1975	1996	1970	1989	1997
68.1	66.7	48.2	19.9	...	...	...	...	...	96.4	64*

* between 7-24 years old

Rural-Urban Gaps

Rural population (as % of total 1997)	Population with access to (%):						Rural-ur (100
	Health care		Safe water		Sanitation		Health care
	1997 average		1997 average		1997 average		1997
	rural	urban	rural	urban	rural	urban	1997
54	100	100	...	...	...	...	100

* 79.7% of the living quarters with piped water were in the urban areas

Child Survival and Development

Pregnant women aged 15-49 with anemia (%) 1997	Births attended by trained health personnel (%) 1997	Low birth- weight infants (%) 1997	Maternal mortality rate (per 100,000 live births) 1996	Infant mortality rate (per 1,000 live births) 1997	Under-five mortality rate (per 1,000 live births) 1996	Mothers breast feeding before 6 months (%) 1997
45	99	6	40.2	19.9	26.5	62

Health Profile

One-year-olds fully immunized against		Cases of AIDS (per 100,000 people) 1997	Malaria cases (per 100,000 people) 1997	Population per doctor 1997	Population per nurse 1997	Public expenditure or % of GNP 1960
Tuberculosis (%) 1997	Measles (%) 1997					
99.8	96	0.2	0.05	249	102	-

Food Security

Food production per capita index (1985=100)	Agricultural production (as % of GDP)	Food consumption (as % of total personal consumption)	Daily calories	Food imports (as % of merchandise imports)		Cereal imports (thous: of metrical tons)
			per capita	1970	1997	1997
31	27.3	67.95	2,127	...	2.5	45.5

Education Imbalances

Pupil-teacher ratio		Enrollment in secondary technical education (as % of the total enrollment in secondary education) 1997*	Enrollment in the natural and technical science education, level III (as % of the total enrollment in education, level III) 1997	Students abroad (as % of those at home) 1998	Public expenditure:		
Primary 1997	Secondary 1997				Education (as % of GDP) 1996	Education (as % of total government expenditure) 1996	Primary education
22	17	50	6	8	10.4	28.2	

* the number of pupils

Employment

Labour force*(as % of total population)	Women's share of adult labour force (age 15 and above) %	Percentage of labour force in					
		Agriculture and forestry		Industry		Services	
1995	1996	1965	1996	1965	1996	1965	1996
46	53	57.1	43	12.8	11.2	30.1	45

* population employed

Welfare, Poverty and Social Investment

Real GDP per capita (PPP\$) 1996	GDP per capita (US\$) 1996	Income share 1997		People in poverty		Social security benefits expenditure (as % of GDP) 1996*	Education
		Lowest 40% of households (%)	Ratio of highest 20% to lowest 20%	Urban areas	Rural areas		
2,122	463	14.1	11.5	...	...	2	

* of budgetary and extra-budgetary resources

Resource Flow Imbalances

Total external debt		Debt service ratio (debt service as % of exports of goods and services)		Total net official development assistance received 1997 (net disbursements)			Export-import ratio (exports as % of imports) 1997	Terms (1981)
US\$ millions 1996*	% of GDP 1996	1980	1996	US\$ millions	% of GNP	Per capita (US\$)		
1,103	66.3	...	15	...	...	...	72.7	

* Source: Balance of Payments

Disproportion between the military expenditures and resources usage*

Defense expenditure						Military expenditure (as % of total health and education expenditure)		Imports of conventional weapons (1990 prices)		
US\$ millions (1995 prices)		% of GDP/GNP		Per capita (US\$, 1985 prices)				US\$ millions	% (1989=100%)	Thous
1985	1997	1985	1997	1985	1997	1960	1997	1997	1997	
...

* data is not accessible

Urbanization

Urban population (as % of total)			Urban population annual growth rate (%)		Population of cities of more than 750,000		The big	
1960	1997	2000	1960-1997	1997-2000	% of total population	% of urban population	City	Population (as % of urb
					1997	1997		1997
23	46	46	2.95	-0.35	...	...	Chisinau	33

Demographic Profile

Estimated population (millions)			Annual population growth rate (%)		Population doubling date (at current growth rate)		General birth rate	General death rate	Ger
1960	1997	2000	1960-1997	1997-2000	1997		1997	1997	1997
3.0	4.3	4.3	0.95	-0.3	-		11.9	11.9	1.9

* includes women under observation who are using intrauterine devices and oral contraceptives as % of women between ages 15-49.

Natural Resources Balance Sheet

Land area (thousands sq.km)	Forest and woodland (as % of land area)	Arable land (as % of land area)	Irrigated land (as % of arable land area)	Deforestation (1,000 ha per year)	Annual rate of deforestation (%)	Reforestation (1,000 ha per year)	Production of fuel wood and charcoal (1,000 m ³ per year)	Internal renewable water resources per capita (1,000 m ³ per year)	
1997	1997	1997	1997	1996	1980-1989	1996	1992	1997	1995
33.8	12.5	53.1	17.1	14	...	3	194	237	1.7

* estimates

Energy Consumption

Production as % of national energy reserves			Average annual growth rate of the industrial energy production (%)		Average annual growth rate of the commercial energy consumption (%)		Commercial energy use (kg of oil equivalent per capita)		Commercial energy efficiency consumption in kg. of oil eq per \$ 100 of GDP)	
Coal	Natural gas	Petroleum	1971-1980	1980-1992	1971-1980	1980-1992	1971	1992	1965	1992
1991	1991	1991	1971-1980	1980-1992	1971-1980	1980-1992	1971	1992	1965	1992
...	...	...	...	...	...	...	...	1,600	...	...

National Accounts

GDP (US\$ billion)	Agriculture (as % of GDP)	Industry (as % of GDP)	Services (as % of GDP)	Consumption (as % of GDP) 1996		Gross domestic investments (as % of GDP)	Gross internal savings (as % of GDP)	Net taxes on production and import (as % of GDP)	Public administration expenditure (as % of GDP)
				Private	Government				
1996	1996	1996	1996	1996	1996	1996	1996	1996	1996
1.7	27.3	25.4*	47.3	57.8	22.5	13.0	8.4	10.7	5.8

*Share of value added in GDP

Trends in Economic Performance

GDP (US\$ billion)	GDP annual growth rate (%)	GNP per capita annual growth rate (%)		Average monthly rate inflation (%)		Exports as % of GDP (annual growth rate, %)	Tax revenue as % of GDP (annual growth rate, %)
		1965-80	1980-97	1991	1997		
1996	1993-1996	1965-80	1980-97	1991	1997	1980-95	1980-92
1.7	-14.35	...	...	7.9	0.9	...	...

ABBREVIATIONS



RM	-	Republic of Moldova
UNDP	-	United Nations Development Programme
WB	-	World Bank
IMF	-	International Monetary Fund
ILO	-	International Labour Organization
CE	-	Council of Europe
EBRD	-	European Bank for Reconstruction and Development
ECHR	-	European Commission for Human Rights and Fundamental Freedoms
OSCE	-	Organization for Security and Cooperation in Europe
TACIS	-	Technical Assistance for CIS Programme
UDHR	-	Universal Declaration of Human Rights

* * *

AES	-	Academy of Economic Studies of the Republic of Moldova
ARIA	-	Agency for Restructuring and Enterprises Assistance
AS	-	Academy of Sciences of the Republic of Moldova
CHR	-	Center for Human Rights of the Republic of Moldova
CRMP	-	Center for Research on Market Problems
CSSR	-	Center for Strategic Studies and Reforms
DSAS	-	Department of Statistical Analysis and Sociology
HCRM	-	Helsinki Committee of the Republic of Moldova
IEAS	-	Institute of Economics of the Academy of Sciences
IEnAS	-	Institute of Energy of the Academy of Sciences
IHAS	-	Institute of History of the Academy of Sciences
INMAS	-	Institute of National Minorities of the Academy of Sciences
IRD	-	Institute of Roads Development
ISDP	-	Institute of the Society Development Problems
JSCT	-	Joint Stock Company "Tutun"
MER	-	Ministry of Economy and Reforms
MES	-	Ministry of Education and Science
MTC	-	Ministry of Transport and Communications
MTDCPU	-	Ministry of Territorial Development, Construction and Public Utilities
MUM	-	Medical University of the Republic of Moldova
NGO	-	Non-Governmental Organization
PM	-	Parliament of the Republic of Moldova
SCJ	-	Supreme Court of Justice
SUM	-	State University of the Republic of Moldova
TSCAU	-	Technical-Scientific Center for Architecture and Urbanism
TUM	-	Technical University of the Republic of Moldova
ULIM	-	Independent University of the Republic of Moldova

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