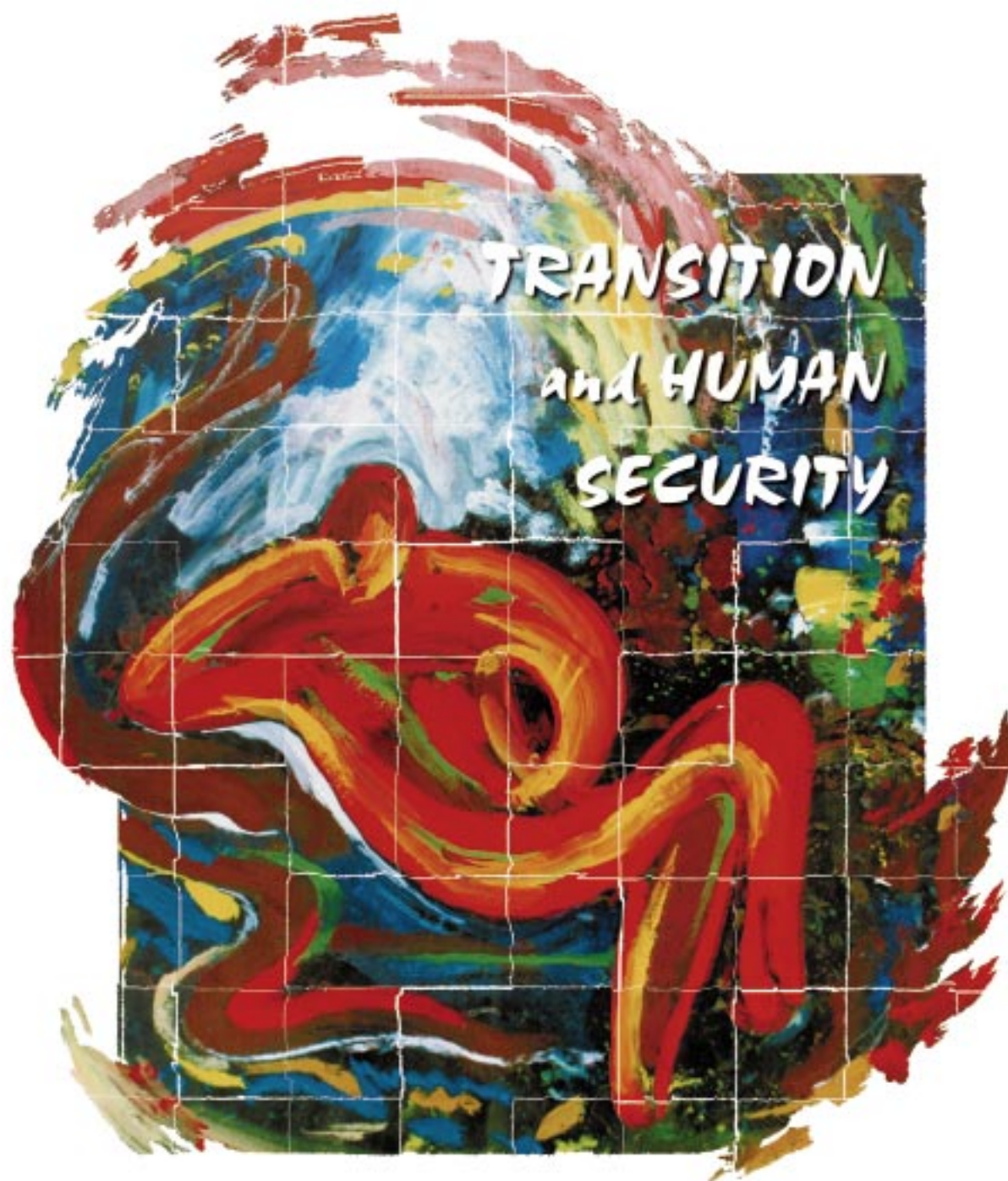


National Human Development Report

Republic of Moldova 1999





**National
Human Development
Report
Republic of Moldova 1999**

***TRANSITION
AND HUMAN SECURITY***



UNITED
NATIONS
DEVELOPMENT
PROGRAMME

Contributors to the Moldovan Human Development Report 1999

UNDP Moldova Office

Søren Tejnø
Irene Stavenski
Svetlana Alexandrova

Researchers and Experts

<i>Andrei Cantemir</i>	- CISR	<i>Pavel Cojocaru</i>	- UNDP
<i>Lilia Carașciuc</i>	- CISR	<i>Sergiu Chirca</i>	- ASEM
<i>Anatol Gudîm</i>	- CISR	<i>Alexandru Dicusar</i>	- ASM
<i>Silvia Caraivanova</i>	- ASEM	<i>Tamara Golenco</i>	- UNDP
<i>Andrei Munteanu</i>	- CISR	<i>Oazu Nantoi</i>	- IF
<i>Ion Pârțachi</i>	- ASEM	<i>Mihai Paiu</i>	- MES
<i>Aurelia Pripa</i>	- TACIS	<i>Mihail Peleah</i>	- MLSPF
<i>Anatol Rojco</i>	- ASM	<i>Gheorghe Russu</i>	- CSP
<i>Octavian Șcerbațchi</i>	- CISR	<i>Gheorghe Singur</i>	- ASM
<i>Baron Subași</i>	- ASM	<i>Sofia Șuleanschi</i>	- MER
<i>Irene Suhomlin</i>	- USAM	<i>Andrei Timuș</i>	- ASM
<i>Dorin Vaculovschi</i>	- ASEM	<i>Elena Vutcariov</i>	- DSAS
<i>Nicolae Vizitei</i>	- USLM		

International Consultants

Maarten Keune, ILO-CEET, Budapest
Constantin Zaman, CASE-Warsaw
Joao Guimaraes, Institute of Social Studies, The Hague

English Language Editor

Ethel Hetherington Perina

Cover page design

Ion Axenti

Cover page

Vasile Movileanu - "The Creator"

The views expressed herein are those of the authors of the report and do not necessarily reflect the views of the United Nations Development Programme or the Government.

UNDP Moldova
Str. 31 August 131, 2012 Chișinău, Republic of Moldova

ISBN 9975-9581-0-9



FOREWORD

“If you do not think about the future, you cannot have one.”

John Galsworthy

And if you do not learn from the past, the past will be the future.

In order not to recreate history, we have to look at our experience. How many generations does it take to generate experience? In principle it takes only one, because the young generation of today will be the leaders of tomorrow.

This year the National Human Development Report argues that human beings are the first priority in the development process — economic growth and the economy itself being no more than a means towards achieving human development. A. Schopenhauer wrote, “man’s inner wealth is more important than the objects he owns.” However, in a post-socialist country where several generations have lived with the expectation of a brighter future, one cannot ignore an examination of economic developments under the current conditions of transition.

The foundations of sustainable human development should be laid down

today, and many of them — such as employment opportunities, household income, and social protection — are factors of an economic nature. As one component of human security, economic security stresses capacity to sustain life and the creativity of the each individual, family or community. Conversely, the multiplication of such problems as poverty, starvation, disease, illiteracy, crime and xenophobia can have serious consequences for human security.

1999 is the UN Year of the Elderly. Therefore, we are paying homage to the elderly citizens of Moldova. There is a wealth of wisdom to be drawn from them, a pool of resources and experiences that should not be forgotten.

Moldova has been going through some rough times, creating a new country, a new economy and a new definition of human development and security. The present report contributes to this process. But without a dialogue between generations, we might repeat mistakes that should not be repeated.

Søren Tejnø

Resident Representative, UNDP, Moldova

CONTENTS

Foreword	3
Introduction	6
EXECUTIVE SUMMARY	9
CHAPTER 1	
HUMAN SECURITY IN THE CONTEXT OF SUSTAINABLE HUMAN DEVELOPMENT	15
1.1. New UNDP Concept of Human Security	15
1.2. Economy in Transition: Threats to Human Security	19
CHAPTER 2	
TRANSITION. PROFILE OF HUMAN SECURITY IN MOLDOVA	24
2.1. Economic Reforms: Expectations and Realities	24
2.2. Human Security in Moldova: Macroeconomic and Social Parameters	29
CHAPTER 3	
RISING SOCIAL INEQUALITY	33
3.1. Economic Insecurity of Different Social Groups	33
3.2. Changes in the Income Distribution Pattern and Increase in Disparities: the “Newly Rich” in Relation to the “Newly Poor”	40
3.3. Differentiated Access to Goods and Social Services.....	45
CHAPTER 4	
INDIVIDUAL RESPONSIBILITY AND THE WIDENING OF HUMAN OPTIONS	49
4.1. Decentralization as a Premise for the Enhancement of Individual Responsibility	49
4.2. Private Initiative, Entrepreneurship: Forms, Dynamics, and Social Implications	51
4.3. Women Under New Social Conditions: First Experience in Entrepreneurship	56
4.4. The Impact of the Shadow Economy	59

CHAPTER 5

PROBLEMS IN MAINTAINING HUMAN SECURITY 65

5.1. Social Protection of the Disabled. Human Security
of the Elderly 65

5.2. Social Protection of the Employed 73

5.3. Public Health Security 81

5.4. Access to Education 87

5.5. Cultural Environment 94

5.6. Food Security 100

5.7. Ecological Security 104

5.8. Increase in Personal Insecurity 110

CHAPTER 6

**ON THE WAY TO SUSTAINABLE
HUMAN DEVELOPMENT 114**

CONCLUSIONS 117

ANNEXES:

**HUMAN DEVELOPMENT INDEX AND ITS BASIC
COMPONENTS 122**

A. A Technical Note on the Statistical Measurement
of the Human Development Index in Moldova 122

B. TABLES. Selected Indicators of Human Development 128

Abbreviations used in this paper 136

Bibliography 137

INTRODUCTION

This is the fifth annual National Human Development Report for the Republic of Moldova, prepared at the initiative of the UNDP-Moldova office. A common idea, which unites all these reports, is that positive human development must be sustainable. The realization of this concept in all countries in transition is marked by certain special characteristics.

Since the beginning of the '90s the Republic of Moldova - a new state in south-eastern Europe - has been struggling with a three-fold task: consolidation of the State, transition to a market economy and the reinforcement of civil society. In order to accomplish this task it has been necessary to thoroughly revise the legal system, to carry out mass privatisation, to develop entrepreneurship, and to launch structural reforms in the real sector of the economy and in social services. The ultimate goal of all these measures is to lead the country out of the transformational decline it has been experiencing and to move towards sustainable development.

Previous reports focused on different aspects of these questions: have the concept of sustainable human development as applied to Moldova, consolidation and integrity of the state, the transition to a democratic society, human rights, and the role of the state in achieving social cohesion. Each year, starting in the mid-1990s, the Human Development Index (HDI) and its components - relating to the level of life of the population, health, education, employment, the environment, etc. — have been assessed for Moldova.

Today, after eight years of independence, the Republic of Moldova has come close to traditional democracies in terms of the organization of the state, public pluralism and individual liber-

ties. However, human beings cannot live on spiritual liberty alone. The economic results of reforms are, unfortunately, very poor.

The human costs of transition proved in many respects to be too high. Following the crisis of 1991-1992 (with the collapse of the centralized economy, hyperinflation, unemployment, loss of the population's savings), the economic depression of 1993-1996 and weak growth in 1997, Moldova, against most expectations, was again hit by crisis in 1998, which put the economy on the edge of default.

A general awareness has been growing in the country of the fact that this latest crisis poses a real threat to human security in all its aspects — economic, social and personal. Hence, a fundamental aspect of the crisis of 1998 is that a real threat has emerged to the economic security of the country. Most indicators, both economic and social, are at a critical level. It is already obvious that in the next few years economic insecurity will be the very factor which may block the human development processes in Moldova.

Given these circumstances, the 1999 Human Development Report is focused on the questions which are at present most crucial for Moldova: transition, human development and human security. The Report has the following structure and logic:

Chapter 1 - deals with the UN concept of human security, with new threats globalisation is creating, and it examines one of the main aspects of this problem in the context of economies in transition.

Chapter 2 - provides an estimation of the reforms' results in Moldova at the macroeconomic level and from

the perspective of the population's social and economic security.

Chapter 3 - deals with the same problem, but at a micro-level, focusing on the broadening of inequality and on the differing situation of social groups. Chapter 4 focuses on individual responsibility and private initiative as a new phenomenon in self-preservation during the transition.

Chapter 5 - indicates the main problems insuring human security: social protection, the security of public health, access to education, the cultural environment, food security, and ecological and personal security.

Chapter 6 - presents some elements of a policy for future and strategies for sustainable human development.

Conclusions and an Annex present and record changes in human development in Moldova in the last five years, using the HDI and various coefficients normally used in UNDP reports.

This year's report was prepared by a team formed by the Centre for Strategic Studies and Reforms (CISR). Care was taken to preserve continuity

with the work of leading authors of the previous reports. Thus it was possible to readily complete the present report by relying on the experience of the authors, of international consultants, as well as on the research capacity of CISR partners: the Academy of Sciences, the Academy of Economic Studies, the UNDP project "Moldova-21", and on the papers and statistical data of various government departments and agencies (the Ministry of Labour, Social Protection and Family, the Ministry of Economy and Reforms, the Ministry of Health, the Ministry of Education and Science, the Ministry of Culture, and the Department of Statistical Analysis and Sociology).

The authors wish to thank Mr. Søren Tejnø, UNDP Resident Representative and UN Resident Coordinator in Moldova, and his colleagues for their commitment and support in the preparation of the Report.

Anatol Gudim,
Project Coordinator



Geography		Republic of Moldova	
<i>Area:</i>	Between 45°28' and 48°28' degrees latitude 33700 km ²	<i>Legislature:</i>	Parliament, 101 deputies elected for 4 years
<i>Population:</i>	4.3 million inhabitants	<i>Last elections:</i>	1998 (legislative) and 1996 (presidential)
<i>Frontier countries:</i>	Romania and Ukraine	<i>Next elections due:</i>	2002 (legislative) and 2000 (presidential)
Basic data		<i>Type of government:</i>	Parliamentary/presidential
<i>Country name:</i>	Moldova	<i>National currency:</i>	Moldovan Leu: 1 US\$ = 8.32 MDL, end-1998
<i>Official name:</i>	Republic of Moldova		
<i>Language:</i>	Romanian		
<i>Data code:</i>	MD		
<i>National capital:</i>	Chișinău		
<i>Independence:</i>	27 August 1991		
<i>Admitted to UN membership:</i>	2 March 1992		
<i>Constitution adopted:</i>	29 July 1994		

EXECUTIVE SUMMARY

The National Human Development Report - Moldova 1999 has been written with regard to human security, which has deteriorated in the country as a result of dramatic trends that became apparent during this period of transition. Most economic and social indicators in Moldova have reached critical levels, considerably affecting human potential and increasing social inequality. The National Human Development Report detects symptoms of rising social stress and points toward the need to increase the responsibility of state structures in the promotion of social policy.

Human Security in the Context of Sustainable Human Development

The concepts of human development and human security are related and interdependent, but not identical. The latter derives from the former, in the sense that without security development is not possible. Human development is a broader notion, defined by the UNDP as “a process of expanding human choices by enabling people to enjoy long, healthy and creative lives;” it requires a decent standard of living and acceptable education and health care.

In conditions of human security, people can make free choices without undue risk, in the certainty that they will not be deprived in the future of the possibilities they currently enjoy. Human security as understood by the UN has the following components: economic security, food security, health security, ecological security, personal security, public security and political security.

The events of the last seven years of reform in Moldova, and particularly those of 1998, have shown that a standard neo-

liberal approach to reform, focused exclusively on macroeconomic stability, needs to be replaced by a new and more balanced policy, oriented towards sustainable human development.

Unfortunately, in Moldova as in most transition countries, the reforms did not meet the expectations of the population. Threats to human security have emerged.

In December 1998, for the first time since the declaration of independence, the Council for the National Security of Moldova discussed problems of economic and social security, as well as threats brought about by globalisation (the regional financial crisis, illegal migration, increasing crime rate, drug-related problems, etc.) and by the impact of domestic factors such as unemployment, uncertain income, uncertainty of health care, cultural and environmental degradation, as well as rising personal insecurity and the social tensions that threaten political stability.

Economic Security Profile of the Republic of Moldova

The purpose of any reform is to realize improvement. The reforms implemented in the transition countries aimed at improving the population's standard of living. Unfortunately, this has not yet taken place. The Human Development Index for the Republic of Moldova shows a negative trend during the transition period.

The first steps of the reforms were encouraging: monetary control, liberalization of prices, trade and enterprise operations, property reform, etc. led to a substantial reduction in inflation and to the stabilization of the national currency. At this stage, in the spirit of the neo-liberal model, the basic focus was on macroeconomic and financial stability.

Yet the expected miracle did not happen. The promises to bring economic reform to a swift conclusion and to create a “popular capitalism” based on tough measures in the financial sector, on “egalitarian” privatization for patrimonial bonds, and on the system of investment funds proved to be illusion.

It soon became clear that establishing a well-functioning market economy is not just an idea, however important, but plays a crucial role in raising the standard of living of the population and in providing a basis for sustainable, equitable and democratic development. In Moldova, as in other transition countries, economic stagnation followed the reforms, and as GDP fell by half, the inequality in the distribution of income (as measured by the Gini coefficient) increased two-fold.

In their response to nationwide opinion polls, people indicated human insecurity as one of their most difficult problems, and made particular reference to aspects such as economic security, threats to health and personal security.

An assessment of human insecurity in the Republic of Moldova has been made with a dual focus: that of macroeconomic indicators (economic security of the state) and that of social parameters (at individual or household level).

The country's human security situation is ultimately reflected in its indicators of social health. In Moldova all such indicators (standard of living, income differentiation, the degree to which cultural needs are met, respect for individual rights and freedoms, crime rate, dynamics of birth rate, death rate and natural growth, life expectancy) reached and went below minimum acceptable levels. A particularly serious problem is that of poverty.

The value of an aggregate index of human (socio-economic) security calculated for Moldova is approximately one-third of what it would have been if economic, social and political life in the

country took place under normal conditions.

Rising Social Inequality

Various social groups experienced the transition period, and the general fall in human security that has accompanied it, in different ways. Moldova, as other transition countries, has seen the emergence of the so-called “new rich”, and a middle class is in the process of formation. However, about half of the population is considered to be poor.

An analysis of economic security at the household level shows that incomes of the population are affected by instability, which ultimately leads to their erosion. Official statistics indicate that in 1998 the real average income *per capita* shrank by 13%; its total value was approximately 1/5 of the income available in 1990. The deepening vulnerability of individual incomes is mainly caused by a substantial reduction in the share of salaries in the structure of income (33.8% in 1998), and by the rising share of irregular sources of income (currency operations, leasing apartments, and others). Even if incomes in the private and informal sector are much higher than those in the public sector, the provisional nature of many jobs exposes the employees in those sectors to a high risk.

In 1998 the average wage in Moldova covered only 52.9% of the minimal consumption budget. The relatively low level of salaries is due to a great extent to the nature of economic activities, particularly the proportion of people employed in the rural sector (39.8% in 1998).

Inflation has had a negative impact on the value of real wages. In 1998 the average real wage was half that of 1990. If the wage is converted into its US\$ equivalent, the Republic of Moldova ranks seventh among the 12 CIS countries.

Incomes in kind are typical for household budgets. In fact, they predominate since they make up 64.1% of total incomes.

Social stratification becomes increasingly more pronounced, which has a negative impact upon living standards and fosters the expansion of poverty. On average, between 1995 and 1998 the Gini coefficient went up by 15.4%, reaching a value of 0.44 at the beginning of 1999. The “new rich” category comprises entrepreneurs in the service sector, specialists in the financial-banking sector, employees of insurance institutions and enterprise managers. “New poor” are mainly public sector employees (education, culture, medicine), workers in the agricultural sector, young families and the unemployed.

This polarization of living standards is taking place against the background of a general worsening of the social situation. Most of the population assess the current economic system as unfair in terms of distribution of social wealth and feel that it favours the rise of incomes only for the “new rich” and for criminals, while it harms the material interests of the overwhelming majority of the population. The situation is also aggravated by the fact that in these conditions of mass poverty, when the bulk of the population cannot maintain even the modest standards of living that they used to have not long ago, the so-called “new rich” engage in conspicuous consumption and flaunt their wealth. This irrational behaviour cannot fail to cause social antagonism, especially if the dubious origin of many incomes is taken into account. A stabilizing factor that might help attenuate social costs would be the creation of a dynamic and flexible social structure, capable of facilitating the development and consolidation of a middle class. The middle class could play a key role in the stabilization of social conditions in the Republic of Moldova.

Individual Responsibility and the Expansion of Human Choices

When the capacity of the state to meet the social needs of the population is limited,

individual self-employment and private entrepreneurship appear as new individual strategies for ensuring economic security, as an instrument of self-preservation in difficult times. The reform of property and of private initiative has modified the employment structure in Moldova: during 1995-1998 the share of employees in public enterprises fell from 34% to 26%, whereas the share of private enterprises grew from 60% to 66% and that of jointly-owned enterprises grew from 6.4% to 8.0%.

The data in the household budget surveys show that in the country as a whole over 40% (and in rural areas over 60%), of incomes come from self-employment, individual activities, etc. In most cases this means the shadow economy. In 1998, formal wages and state payments (pensions, stipends, etc.) made up about 40% of the total income of the population. The rest were incomes from private deals or other activities.

Female employment constitutes another important aspect of this situation. Most women are either unemployed or are employed in the shadow economy. Women are income earners in single-parent families or in families with many children.

Self-employment is the main explanation for the low level of recorded unemployment. In 1998 the total number of unemployed (defined according to ILO standards) was about 167 thousand. Yet, the number of formally recorded unemployed was 28 thousand, as of January 1, 1998 and 32 thousand, or 2% of the economically active population, as of January 1, 1999.

Although individual entrepreneurship continues to increase in significance, it faces a series of economic, financial, and administrative obstacles: a heavy fiscal burden, limited and difficult access to foreign markets, excessively long registration procedures for enterprises, legal uncertainty, bureaucracy, corruption and lack of managerial experience.

Official estimates place the share of the shadow economy in GDP at 16-18%; other estimates indicate no less than 60%. The social impact of the shadow economy manifests itself on the one hand in the creation of jobs and additional incomes; on the other hand, the budget fails to get much needed revenue. Thus it is necessary to develop legal, economic and administrative measures designed to reduce informal employment. Private initiatives must take place within the framework of existing legislation.

Problems of Maintaining Human Security

The Report analyzes the various elements necessary to human security: social security, health care, access to education, cultural milieu, food security, environmental and personal security.

In the context of the social protection of those who are unable to work, particular attention needs to be paid to the security of the old. In 1998 the reform of the system of pensions was launched at last. Currently the pension system in Moldova covers about 758 thousand citizens, or approximately one-fifth of the population. Of these, 560.4 thousand people receive an old-age pension (including 150.9 thousand with privileged pensions), 109.2 thousand receive invalidity pensions, and 40.6 thousand receive pensions for the loss of the main income earner.

In October 1998, the Parliament of the Republic of Moldova approved a new law on state pensions. This law marks the beginning of the shift from the old pension system, based on the principle of the solidarity of generations (which is not only inefficient but, in the current conditions, acts as a disincentive due to excessively high taxes), to a new system, based on the principle of personal contributions to one's own future pension. The new system presupposes to some extent the freedom of individuals to choose their own type of pension, giving them the possi-

bility to join both the state pension system through mandatory insurance, and private pension funds by way of voluntary insurance, and thus to raise their pensions substantially. The size of the pension will depend both on individual contributions and on the allocation of taxes to the pension fund. In this way the new system guarantees social equity and at the same time contributes to enhancing motivation. Thus through its efficiency and fairness the new pension system is consistent with the new principles of the market economy.

It is necessary to increase social support for children and the disabled, because those social groups are most vulnerable to the negative impacts of transition. In 1998 every third family with children was affected by poverty.

The economic insecurity of individuals able to work has given rise to special problems: lack of confidence in the future, part-time employment, salary arrears, reduced possibilities for the young and for individuals with low qualifications to enter the labour market.

As a consequence of increasing unemployment, the costs of the Unemployment Fund grow every year. Yet, over the period 1996-1998, the total volume of the Unemployment Fund corresponds to only 0.13-0.14% of GDP, which is far less than in most countries with market driven economies. Leaving aside the artificial decrease in the number of those eligible to receive unemployment benefits, the average monthly size of calculated indemnities in 1998 amounted to only 79.5 lei per individual, which does not guarantee a minimum level of subsistence.

Some important trends can be noted in the adaptation of the unemployed to the market economy and in the improvement of their material position, with regard to training and professional improvement of the able-bodied population and to participation in public works. About 12% of registered unemployed have received professional training in compliance

with the guidelines of the unemployment offices. Yet, the percentage of those who received such training that later became employed is insignificant: only 31.5% in 1998. The situation in relation to public works is even worse. During 1998, only 1360 unemployed were involved in public works, or 2.2% of the total number of registered unemployed. It is worth mentioning that over 90% of the funds targeted to fund public works are generated by enterprises. The contribution of local budgets accounts for less than 10%, and that of the Unemployment Fund for less than 1%.

Health constitutes a key element of human security. The current health care system in Moldova proved to be inefficient with respect to promoting the quality of medical services. The precarious state of public health requires that the health care system be restructured. A health promotion policy should stress primary medical care rather than care at the tertiary level. In general, the strategy of Moldova in the field of health care should be founded on the following pillars: restructuring of the network of medical service facilities; consolidation of the network of emergency aid; legalization of the provision of services for fees; decision as to the set of health services to be funded from the state budget; and institutional reform and consolidation of the capacities of medical institutions.

An adequate *education* is one of the fundamental dimensions of human development. In a situation of limited possibilities within the public budget, the alternative sphere is expanding in Moldova: 163 private educational institutions of all levels are currently operating. Educational reform has started. Efforts will focus on ensuring the quality of educational standards in compulsory education; diversifying financial sources, updating and modernizing the educational contents: curricula, plans, and textbooks; reform of the assessment and examination system; accreditation of public and private educational institutions; and elimi-

nation of the monopoly over the elaboration and publication of textbooks.

The *cultural environment* is a set of cultural conditions and factors that together form the spiritual environment in which the activities of the human community take place. The modern interpretation of the notion of *culture*, in the broad sense of the word, as “an integral formula for human living”, comprises all aspects of human development. Political and civic culture, consumption and moral culture, ecological culture — these and other aspects characterize the cultural environment of the country. The report provides an assessment of the legal framework of culture, of the current situation of culture-related infrastructure and the possibilities of funding it from the state budget, and of actions and initiatives under the new conditions.

Food security in Moldova is satisfactory at the national level (state reserves, price dynamics of basic foods, etc.). However, the situation is different at the levels of various social groups, families and individuals, as well as for separate groups of foods. According to data based on the Household Budget Survey, in 1998 less than 10% of the population (namely, the wealthier groups) were able to maintain a consumption level similar to that in 1990. At the same time, about 10% of the population consumed less than 1500 calories, which represents, according to FAO, the limit of malnutrition. The average consumption *per capita* in the Republic of Moldova amounted to 1980 calories, whereas the FAO-established threshold is 2500 calories. Although it represents an important index, the energy value of the consumed products does not provide information about the quality of nutrition. According to FAO recommendations, the ratio of proteins, fats and carbohydrates should be 1-1-4. In the Republic of Moldova the ratio is 1-1.2-5.2.

The food problem is particularly severe for poor families. The Household Budget Survey indicates that spending on

food by the poorest 10 percent of the population made up 88.6% of all their spending, whereas food accounts for 46.0% of the spending of the wealthiest 10 percent of the population, the average being 64.4% of total spending.

Ecological imbalances in the Republic of Moldova are related on the one hand to the excessive exploitation of renewable natural resources, and on the other hand to the global degradation of environment quality. Pollution and decreases in the regenerating capacity of the natural environment vitally affect human security. The basic problems in the interaction between man and nature in the Republic of Moldova are: soil erosion, poor quality of drinking water and low level of forestation. A new man-made threat that has been growing relates to wastes. The country has accumulated about 13 thousand tons of toxic waste, or 3.3 kg per inhabitant. Only half of those are buried. It is important to update the role of ecologically-oriented NGOs, in addition to legal, economic and administrative measures.

Most *personal insecurity* in Moldova is caused by the weakness of the state and by lack of economic security — insufficient protection of persons and of property, the threat of unemployment, social problems of the shadow economy, labour migration, racketeering, smuggling, drugs, and disease.

Towards Sustainable Human Development

The main lesson of the decade of transition, learned in Moldova by both the Government and the population at large, is the need to shift from the tactics of surviving towards a strategy of long-term sustainable development that would include not only economic aspects but the whole range of human life. In November 1998 the Government of Moldova, on the basis of a series of discussions and pre-

liminary researches, approved the first strategic program entitled “Strategic Guidelines for the Social-Economic Development of the Republic of Moldova until 2005”.

Under the aegis of the UNDP the Project Moldova-21 “The Strategy of Sustainable Development of the Republic of Moldova” was developed. Its philosophy is based on the UN declaration of Rio de Janeiro (1992), and it aims at increasing the capacity of the current generation to meet its needs without compromising the capacity of future generations to meet their own needs, its main principles being environmental protection, conservation of natural resources and increasing the living standards and quality of life of the population.

In 1998 HDI for the Republic of Moldova, according to the estimation of the National Department of Statistical Analysis and Sociology, was 0.697 (1993 index was 0.718). The main components of HDI for Moldova today are: global domestic product per capita at purchasing power parity — US\$ 2042; life expectancy at birth — 67.0 years; literacy adult population — 94.6%. This means that the Republic of Moldova, in spite of the worsening of the HDI in recent years, still remains within the group of states with a “medium level of human development”. Among 174 countries included in the UN rating list (Human Development Report 1999) Moldova is situated in the 104th place.

The human costs of transition for the population of Moldova have proved to be too high. Hence, this implies the necessity for the state to increase its responsibility and to introduce some corrections to the reform policy in order to move towards a more secure and viable society. The Report outlines a series of policy measures that need to be taken in order to reverse the decline in human development.



CHAPTER 1.

HUMAN SECURITY IN THE CONTEXT OF SUSTAINABLE HUMAN DEVELOPMENT

1.1. New UNDP Concept of Human Security

The UNDP describes human development as the process of widening the range of people's choices among options that they value. This expansion of choices is based on realising people's basic needs, such as being healthy and well nourished, being adequately clothed and sheltered, being mobile, being literate and having access to knowledge.

The concept of human development has four essential components: equity, which relates to equitable access to opportunities; sustainability, which refers to the responsibility toward future generations which should have the same chances for development as does the current generation; productivity, which relates to investment in human resources and in creating a macro-economic environment that will enable individuals to reach their maximum potential; and empowerment, in the sense that people should reach a level of individual development that will allow them to exercise choices based on their own will from among an enlarged number of opportunities facing them.

The focus on human development itself constitutes a fundamental reorientation of principles and aims, which is at the root of many contemporary social reforms. Human beings and their fundamental needs are henceforth considered as the corner stone as well as the highest value of development. Conversely, material assets, cash incomes and increased consumption are no longer seen as self-evident values, but rather as means to ensure sustainable human development.

This re-assessment of the relationship between the means and ends of human development represents a return to fun-

damental principles that characterize much of human culture, and particularly European culture, but which, due to social and historical circumstances, have been eroded or distorted at the end of the 20th century.

Human development cannot be realized without ensuring human security. "Human security usually implies a condition in which people can exercise their choices safely and freely, without fear that the opportunities that they enjoy today will be lost or taken away tomorrow. Security, in this people-centred sense, means that the gains that people have achieved in enlarging their opportunities and enhancing their capabilities are protected by current social, economic and political arrangements. Security relies on the widespread social acceptance — based on stable institutions — of people's entitlements and rights. Ultimately, a person's entitlements are based on having access to productive assets — physical, natural or human capital — either directly if the person possesses the assets, or indirectly, if it is other people, the community or the state that possesses the assets." (*Transition 1999: Human Development Report for Central and Eastern Europe & the CIS*)

The shift in outlook of the UNDP towards a new understanding of human security took place in the early '90s, after the end of the cold war and of the ideological confrontation between the superpowers. The threat of destruction of humanity by nuclear means weakened, and the focus of security shifted from the military to the human domain — to human life and dignity. If previously the notion of security largely referred to the state, nowadays it focuses on people. The emphasis has changed, from security through arms to security through sustainable human development.

*"We are humans.
Thus, our behaviour
should be human."*

Euripides

Methodologically, the introduction of the concept of human security is a positive development, because the new concept provides an integrated framework for bringing together parameters reflecting both objective and subjective aspects of the social life of human beings.

The concepts of “human development” and “human security” are closely inter-related, but they are not identical. Of course, there are close links between human development and human security: progress in each of these areas increases the chances of progress in the other. As happens with other fundamental concepts (for instance, freedom), it is much easier to perceive the absence of human security than its presence.

Human security has always been in the view of the UN, starting with the Universal Declaration of Human Rights (1948): “Everyone has the right to life, liberty and security of person” (Art. 3). “Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality” (Art. 22).

The issue of human security has two aspects: first, it means freedom from such threats as hunger, disease, and repression; second, it means protection against sud-

den and painful changes in everyday life, in the family, in the work place, and in the community.

As is well known, threats to human security can emerge at any level of social development, in rich or in poor countries. However, in a country with weakened state institutions and in a state of spiritual and economic crisis, the threats to the human security of the population naturally grow. In such cases threats can arise not only from certain individuals or groups (criminal behaviour, ethnic conflicts, xenophobia), or from political parties, but also from the state itself. There are many historical examples of states where problems of a political, economic and personal security nature accumulate until they form a “critical mass”, thus putting them at a high risk of national crisis and of either becoming involved in external adventures or resorting to violence against their own people. But neither state voluntarism nor violence can substitute for social and economic reforms. International experience also shows that short-term external assistance (loans, humanitarian assistance) can reduce tensions, but cannot replace the long-term concentration of efforts of the country and its population to ensure sustainable development.

Each country, proceeding from its own traditions and its own situation, thus has to develop its own legal and social

Box 1.1.1.

“Human security is not a concern with weapons — it is a concern with human life and dignity....

Human security is people-centred. It is concerned with how people live and breath in a society, how freely they exercise their many choices, how much access they have to market and social opportunities- and whether they live in conflict or in peace....

The concept of human security stresses that people should be able to take care of themselves: all people should have the opportunity to meet their most essential needs and to earn their own living. This will set them free and help ensure that they can make a full contribution to development- their own development and that of their communities, their countries and the

world. Human security is a critical ingredient of participatory development.

There is, of course, a link between human security and human development: progress in one area enhances the chances of progress in the other. But failure in one area also heightens the risk of failure in the other, and history is replete with examples.”

Source: New Dimensions of Human Security. Human Development Report. 1994, pp.22-24

mechanisms to ensure human security and the development of human potential, enabling individuals to realize vitally important possibilities such as “a long, active and healthy life” and “access to knowledge and resources.”

Human security can be described as a phenomenon having many components: *economic security, food security, health security, environmental security, personal security, community security, and political security.*

The structural elements of human security cited above are especially important for human beings in all social situations in modern society. Keeping in mind that all the components of human security are interrelated, the question may be asked, which of these kinds of security is most important? At a closer examination of these components two main groups can be identified: “freedom from need” and “freedom from fear.”

It is significant, for instance, that in countries with a high level of development the programs for sustainable development elaborated in the 1990s in compliance with the UN Declaration “Agenda - 21” (Rio de Janeiro, 1992) attach high priority to environmental protection.

At the same time, countries facing economic crisis (as in southeast Asia and some of the countries in transition), social violence, violation of civil liberties, or serious problems of mass disease (such as malaria or AIDS in a number of African countries), give greater priority to other policy variables for ensuring human development and human security.

We could ask: what is the relationship between economic security and human development? How does economic security correlate with personal, public, or political security?

The first answer could be that sustainable human development and human welfare are threatened first of all by economic crisis with its attendant roll of social evils: inflation, unemployment, uncertain or risky employment (including

in the shadow economy), poverty, malnutrition, poor health, low levels of education, pollution and destruction of natural environments, crime, suicide, and lack of support for the poor and the needy.

History shows that when people feel a direct threat to their security they become less tolerant of others. This means that political security, which at first sight may seem quite distinct from economic security, is in essence not so different. For, as we know from history, political catastrophes, totalitarian regimes and the like are usually brought about by economic anarchy and social hopelessness when the state itself, the institutions of state power, the state budget, balance of payments, etc., are in crisis.

In such conditions, the state can take various types of preventive measures: political, legal, economic, organizational, repressive, etc. For instance, it is well known that during the great depression in the United States, the Economic Security Committee was set up under the President (in 1934), with the main purpose of solving social problems: unemployment, pensioners’ hardships, etc. As President Franklin D. Roosevelt declared at the time, “true individual freedom cannot exist without economic security.” This was followed, in 1935, by the adoption by the US Congress of the law on social protection. Subsequently, the annual reports of the Economic Security Committee under the President of the U.S. were dedicated to various aspects of human security.

To mention another example, in Russia there is, under the Security Council, an interdepartmental commission on economic security which, with the help of scientific institutions and state agencies, developed the “State Strategy for Economic Security of the Russian Federation”, which was enacted in 1996 by a presidential decree.

National security councils exist in virtually all countries, including the Republic of Moldova. Monitoring economic security indicators and working out and

implementing preventive measures are among their main functions.

Taking into account the critical situation facing the country, the National Security Council of the Republic of Moldova, in December 1998 for the first time since the declaration of independence, dealt with problems of economic and social security, as well as with the growing threats, both external (energy dependence, large foreign debt, danger of insolvency) and internal, generated mainly by the difficulties of stabilizing the state, achieving the transition to a market economy and strengthening civil society.

In this connection it seems relevant to point out that, in the advanced capitalist economies, there is a trend towards replacing the concept of "security of employment" with that of "security of employability". This change reflects a shift of the world economy away from situations where employees could reasonably expect to be employed for life by the same company, often doing the same job. In the dynamic conditions brought about by the double impact of global competition and accelerating technical progress, fewer and fewer people can expect to spend their whole lives doing the same job. Under the new conditions of globalisation, where whole new industrial sectors may appear suddenly to capitalize on certain advantages only to dwindle and disappear almost as quickly once those advantages are exhausted, innovation and flexibility are essential for survival, and this applies to workers as well as to firms. Security of employability implies both a much greater flexibility of the labour force, ready, willing and able to change jobs and to learn new skills throughout its working life, and an economy in which enterprises constantly adjust to new conditions in order to maintain and reinforce their competitive position, even if this adjustment may entail radical changes in the kind of business in which they engage. It also requires considerable public investment in general

education and in the capacity to retrain workers who need to move from one sector to another. Developing countries and the countries in transition need to take note of this trend, which has important implications for them, in terms of long-term policy.

The World Summit for Social Development suggested that the concept of human security should be made a priority issue for the 21st century. As the Programme of Action approved at the Summit states, "Social development is inseparable from the cultural, ecological, economic, political and spiritual environment in which it takes place. Social development is also clearly linked to the development of peace, freedom, stability and security, both nationally and internationally" (*Programme of Action of the World Summit for Social Development. Copenhagen, 1995, p. 39*).

As is mentioned in the *Human Development Report (UNDP, 1999)*, globalisation has created new threats to human security both in rich and poor countries, which are reflected in financial instability (global and regional crises), uncertainty about work places (migration, workers without contracts), and illness (AIDS, rapidly spreading of diseases). Also, globalization has created access to different cultures, though presently the cultural flows are not balanced (Hollywood movies, expansion of global media networks etc.). Threats for personal security are created by criminal elements and are linked with illicit trade (drugs, arms, money laundering). Globalization has given new characteristics to conflicts, as was shown by events in Kosovo which echoed not only in southeastern Europe, but also worldwide.

In spite of these drawbacks, the global era opens new possibilities for millions of people in the entire world. Widening of trade, new technologies, foreign investments, extension of communication networks, global ideas and global solidarity are feeding people's lives on Earth, considerably extending their options.

Box 1.1.2.

The threat to human security

Before the 1990s, countries in Central and Eastern Europe and the CIS were notable for providing their populations with a high degree of basic security. Freedom, democracy and genuine political participation were wanting, and the security based on the protection of basic political and civil rights was also lacking. But with regard to many economic and social rights, people were relatively secure in their entitlements. People's right to full, lifetime employment was guaranteed. Although cash incomes were low, they were stable and secure. Many basic consumption goods and services were subsidized and regularly supplied. People had food security and were adequately clothed and housed. They had free guaranteed access to education and health. They were assured pensions when they retired and regularly benefited from many other forms of social protection.

The transition period has drastically altered this situation. People enjoy much more freedom—in terms of thought, expression and organization—and are beginning to benefit from some of the halting and uneven advances in political democracy. It will be difficult for any regime to overturn the current advances in basic human freedom. However, in a number of countries the gains in political democracy, although significant, remain vulnerable to reversal. Moreover, a secure economic

basis for exercising freedom is being eroded as impoverishment has intensified and income and wealth inequalities have widened. Despite the many advances, the losses in human security have been severe. The gains in freedom have been accompanied by the loss of many of the basic economic and social rights that the population had come to enjoy and expect over the course of decades. Millions of people in the region are unemployed or underemployed.

People continue to receive pensions but all that these seem to ensure now is an old age afflicted by misery and poverty.

The whole previous comprehensive system of social protection has been allowed to crumble. Many basic social services now require the payments of fees or have been partially privatised. Public education and health facilities have been allowed to deteriorate while private facilities have taken their place for those rich enough to pay.

Laying new foundations for human security should be an overriding objective of economic, social and political policies in the countries in transition. The old foundations were clearly not adequate. Undoubtedly, one of the most challenging tasks is to rebuild a system of human security that is consistent with, and supportive of, human freedom.

Source: UNDP Human Development Report for Central and Eastern Europe & the CIS, 1999, pp. 2-4

1.2. Economy in Transition: Threats to Human Security

One decade has passed since the political and economic changes of 1989/90 swept through the countries of Central and Eastern Europe and the Former Soviet Union (FSU). Having chosen to introduce democratic and market reforms, those countries are normally described as countries in transition.

“At the dawn of a new millennium, the region of Eastern Europe and the CIS reflects on the realities of the latest experiment in social engineering. Again, people are the objects instead of participants in shaping policies that affect their daily lives.” (*Transition 1999 Human Development Report for Central and Eastern Europe & the CIS, p. 3*)

At present about 30 countries in Europe and Asia are involved in vast changes of system. The transition to democracy and to a market economy is a lengthy process involving many different spheres of human activity. The main argument in favour of transition is a desire to put these countries on the path to democracy, freedom, and sustainable development.

Indeed, during the transition period these countries obtained a number of attributes of democracy—a free press, emerging institutions of a civil society and much greater respect towards the freedom of the person and human rights. With regard to the transformation of economic systems, the expected efficiency has not been attained. Moreover, it has been in the economic sphere where problems have appeared in ensuring human security.

*“Dies diem docet
/ The next day
learnes from the
past one.”*

Anonymous Latin

Social and economic development in this group of countries in transition moved at very different speeds. Only a few have managed to reach GDP levels above those they had in 1989. In most of these countries, GDP decline varied between 30 and 60%, and the population is experiencing growing social distress.

number was about 147 million, or one person in three. In most of these countries inequality increased very fast, considerable uncertainty has emerged in the fields of education and health care, while problems of energy use and environment have become more acute.

The specific nature of the processes

Box 1.2.1

Countries in Transition: the Arrhythmia of the Economy (GDP annual percent change)

	Avg.										Projections	
	1998-90	1991	1992	1993	1994	1995	1996	1997	1998	1999	2002	
World	3.4	1.8	2.7	2.7	4.0	3.7	4.3	4.2	2.5	2.3	3.4	
● Advanced economies	3.1	1.2	1.9	1.2	3.2	2.6	3.2	3.2	2.2	2.0	2.3	
● Developing countries	4.2	4.9	4.7	6.5	6.8	6.1	6.5	5.7	3.3	3.1	4.5	
● Countries in transition	2.1	-7.4	-11.7	-6.4	-7.5	-1.1	-0.3	2.2	-0.2	-0.9	2.5	
Eastern & Central Europe	...	-9.9	-8.5	-3.7	-2.9	1.6	1.6	3.1	2.4	2.0	3.7	
Russia	...	-5.0	-14.5	-8.7	-12.6	-4.1	-3.5	0.8	-4.8	-7.0	...	
Transcaucasus & Central Asia	...	-7.0	-14.4	-9.6	-10.4	-4.4	1.6	2.4	2.0	1.8	3.1	

Source: World Economic Outlook. International Monetary Fund, April 1999.

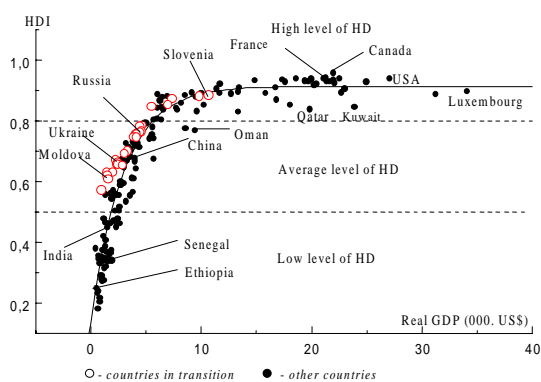
In Central and Eastern Europe and the countries of the CIS, millions of people have seen their living standards deteriorate sharply during the difficult move towards establishing modern market economies. In 1989, about 14 million people in the transition economies of the CIS were living under the poverty line of four dollars a day. By the mid of 90s that

that took place in the countries in transition has been reflected rather well in the UN documents, including the UNDP Human Development Reports. Almost all the countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS), including Moldova, have produced annual Human Development Reports since 1995. UNDP Regional Bureau for Central and Eastern Europe and CIS has, since 1996, issued an annual publication entitled "Human Development Under Transition: Summaries of the National Human Development Reports for Europe and the CIS", which constitutes a summary of trends in human development in the countries of this region.

First of all, it is worth asking the question: what is the place of the countries in transition among the world community, and what are the trends in human development in these countries?

Figure 1.2.1 provides some elements for an answer to this question. We can see the interrelationship between GDP

Fig. 1.2.1. World community and countries in transition: levels of human development.



Source: Based on data of Human Development Report, 1998.

and HDI of all the UN member-countries. In the UNDP Human Development Reports, countries are subdivided into three groups, according to their level of human development: respectively countries with high (HDI > 0.8), medium (0.5 < HDI < 0.8) and low (HDI < 0.5) levels of human development. Most of the transition countries are medium level countries. Only Slovenia, Slovakia, the Czech Republic and Poland, with HDI > 0.8, belong in the category of high human development countries.

It is worth mentioning that, according to this graph, all the countries in transition might be classified as countries that “successfully transform material assets into final indices of human development”, because all of them are placed above the median curve of the graph under analysis. The value of this conclusion is however relative, because these countries’ position above the curve does not so much indicate the efficiency of the “processing” of material assets into the human development indexes as it reflects the high average life expectancy of the population of those countries, figures that are associated with conditions from the past and have declined more slowly than GDP *per capita*.

Should the same principle be used not only for HDI but also for its other components — life expectancy index (LEI), educational index (EI) and living standards index (GDP) — and countries be divided as in the case of HDI in high, average and low levels, one might notice that all the East European and FSU countries have practically the same indices of life expectancy, that would lead them to be classed as medium level countries. With the exception of Albania, they also all have high educational indices (0.89±0.02). With a few exceptions, values of the living standards index are, on the other hand, quite low.

In the majority of the countries in transition, largely due to inertia, the level of education and health care remains relatively high. And it is their unfavourable economic situation that prevents these countries from achieving higher human

Table 1.2.2.

Human Development Indices for the Countries of Europe and FSU

Rating HDI	Country	Life expectancy Index LEI	Educational Index EI	GDP	HDI	RGDP* RHDI
High level of human development						
33	Slovenia	0,82	0,91	0,80	0,845	5
36	Czech Rep.	0,81	0,91	0,78	0,833	3
42	Slovakia	0,80	0,91	0,73	0,813	9
44	Poland	0,79	0,92	0,70	0,802	18
Medium level of human development						
47	Hungary	0,76	0,91	0,71	0,795	8
54	Estonia	0,73	0,93	0,66	0,773	15
55	Croatia	0,79	0,88	0,65	0,773	18
60	Belarus	0,72	0,93	0,65	0,763	15
62	Lithuania	0,75	0,91	0,62	0,761	22
63	Bulgaria	0,77	0,89	0,62	0,758	23
68	Romania	0,75	0,88	0,63	0,752	13
71	Russia	0,69	0,92	0,63	0,747	8
73	Macedonia	0,80	0,86	0,58	0,746	28
74	Latvia	0,72	0,90	0,61	0,744	15
76	Kazakhstan	0,71	0,91	0,60	0,740	15
85	Georgia	0,80	0,90	0,50	0,729	37
87	Armenia	0,76	0,90	0,53	0,728	26
91	Ukraine	0,73	0,92	0,52	0,721	27
92	Uzbekistan	0,71	0,91	0,54	0,720	19
96	Turkmenistan	0,67	0,95	0,51	0,712	24
97	Kirgizstan	0,71	0,88	0,52	0,702	19
100	Albania	0,80	0,79	0,51	0,699	19
103	Azerbaijan	0,75	0,88	0,46	0,695	34
104	Moldova	0,71	0,89	0,45	0,683	35
108	Tadjikistan	0,70	0,89	0,40	0,665	46
119	Mongolia	0,68	0,74	0,43	0,618	26

Source: World Human Development Report, 1999, UNO experts calculation

* GDP *per capita* rank minus HDI rank; a positive figure indicates that the country ranks higher on HDI than on real GDP *per capita*.

development indices. In the long term the values of the indices of life expectancy and of education may be expected to decline if the economic problems remain as severe as they are at present.

Unfortunately, the main tendency of the human development processes in transition countries points towards a decrease

Table 1.2.3

Income distribution for the countries of Europe and FSU (Gini Coefficient)

Country	1989	1990	1991	1992	1993	1994	1995	1996	Change, %
High level of human development									
Slovenia	0,219	0,232	0,273	0,260	0,275	0,275	0,358	0,298	36
Czech	0,204	-	0,212	0,214	0,258	0,260	0,271	-	33
Hungary	0,268	0,293	-	0,305	0,315	0,337	-	-	28
Poland	0,207	-	0,239	0,247	0,256	0,281	0,290	-	40
Middle level of human development									
Belarus	0,234	-	-	0,341	0,399	-	-	-	70
Lithuania	0,260	-	-	0,372	-	0,349	0,341	0,350	34
Bulgaria	-	0,212	0,262	-	0,251	-	-	0,291	37
Romania	0,155	-	0,204	-	0,226	0,276	0,278	0,303	95
Russia	0,271	0,269	0,325	0,371	0,461	0,446	0,471	0,483	78
Macedonia	0,223	0,267	0,235	0,272	0,253	0,270	0,250	-	12
Latvia	0,244	-	0,247	0,333	0,283	0,325	0,346	0,349	43
Georgia	0,301	-	-	0,369	0,400	-	-	-	33
Armenia	0,258	-	0,296	0,355	0,366	0,321	0,381	-	48
Ukraine	0,249	-	-	0,251	0,364	-	-	0,413	66
Kyrgyz	0,260	-	-	0,300	0,445	0,443	0,395	0,428	65
Moldova	0,250	-	-	0,411	0,437	0,379	0,390	-	56

Source: Human Development Reports, UNDP 1991-1999.

in the value of the HDI. It must be stressed that in all countries in transition the income distribution inequality has widened, which is expressed by increasing values of the Gini coefficient.

Most of the problems relating to human security that emerged in the transition period have been due to the weakening of the state. Governments, including those in Moldova, made a number of major mistakes in economic policy. As a result, the liberalization of prices led to huge poverty; mass privatisation had a low social and economic efficiency; "porous" borders stimulated smuggling, etc.

In the transition countries, the problems of human security need to be resolved at both national and individual levels, as well as at the level of social groups. Why is this so important?

"Experience shows that where there are multiple problems of personal, economic, political and environmental security, there is a risk of national breakdown. Identifying potential crisis countries is not an indictment — it is an essential part of preventive diplomacy and an active peace policy. A clear set of indicators and an early warning system

based on them, could help countries avoid reaching the crisis point." (Human Development Report 1994, p. 38)

In order to assess human security in a transition country it is important to use indices that characterize economic security as a whole together with the indices typically used for monitoring human development processes.

The economic security of a country consists of the totality of conditions and factors that guarantee the competitiveness and sustainability of the national economy, as well as its ability to develop and bring about progress through innovation and investment and through enhancing the educational, professional and cultural levels of the population. At the micro-level — at the level of the household, family and individual — the perspective changes since the interests of each citizen of the country have to be taken into account.

The economic security of the country is usually assessed on the basis of such parameters as: living standards, employment, efficiency of the social protection net, state of the financial sector — inflation, budget deficit, state debt, etc.

In most transition countries after the

early 1990s economic security was endangered, with direct consequences for the human development process. A crisis in the manufacturing sector, destruction of the scientific and technical potential and growing external debt led to emerging unemployment and decreasing income of the population. There was also the emergence of the poverty problem.

Most FSU countries have a state debt to public employees (teachers, doctors, civil servants) which has become permanent, and which essentially constitutes a hidden budget deficit which contributes to public debt. The state's capacity for social protection, for subsidizing education, health care and scientific research, and for protecting the environment has decreased.

Before the beginning of the transition period there was, in the FSU, generally guaranteed employment and a relatively egalitarian distribution of incomes. There was a system of subsidies and grants for basic goods and services (housing, transport). The fiscal burden was low — the net income of most of the population was almost equal to the gross income. People had guaranteed access to free education and medical services.

With the beginning of the transition to the market economy, the state and the population at large were faced with new tasks: property reform, privatization of enterprises, land and housing, social reforms, reform of the pension system, elimination of privileges and introduction of egalitarian criteria in the domain of social support.

The liberalization of prices and trade, development of the private sector, privatization of property, and cancellation of subsidies and transfers led to a situation where the deficit of goods and services (the disease of socialism) disappeared. At the same time, however, it led to a fall in the real income and financial resources of households. Simultaneously, an unprecedented differentiation of income took place. The gulf between the income of the "new rich" and the "new poor" continues to widen.

The weakness of state structures, violations of the law and poor financial discipline led to the appearance of a large shadow economy. In some transition

countries the share of the shadow economy reached 30 to 50% of GDP. One consequence of the growth of an informal sector is that, due to tax evasion, the inflow of cash to the state budget declines. On the other hand there are also some positive aspects, mainly related to the creation of new jobs and of additional incomes for the population. As a consequence, a redistribution of income occurs both within the parallel economy and between it and the formal economy.

A particularly important aspect of human security indicators relates to their critical thresholds (for unemployment, the difference between the income of the poorest and the richest groups, inflation, etc.). When indicators in a country approach these thresholds, social and economic stability is threatened. If these critical limits are crossed, the country enters a period of instability and social conflict, which results in a significant undermining of economic security and human development.

In some countries in transition the problems mentioned above have become so serious that material needs have become, for many people, the greatest threat to their security and to their welfare. This, in particular, has been the situation in Moldova. As a result, economic realities are foremost in people's concerns, and the satisfaction of material needs plays a key role in determining human behaviour. Equally importantly, it also determines people's attitudes towards the reforms being implemented in the country, and their readiness to play an active part in the solution of social problems. Other aspects of social life tend to be seen as secondary by people for whom economic circumstances are the main worry.

It may also be concluded that, in the difficult conditions that prevail in the countries in transition, it is in relation to economic security that we find that critical threshold in social development which, if crossed, is bound to cause a sharp contraction of the social basis of support for reform. If this happens, extremely negative consequences are bound to follow for the development of democracy, strengthening of the rule of law and reinforcing of civil society.



CHAPTER 2.

TRANSITION. PROFILE OF HUMAN SECURITY IN MOLDOVA

“Humans are not above the time, it’s time which is above the humans.”

Miron Costin

2.1. Economic Reforms: Expectations and Realities

The aim of any reform is to make a change for the better. The reforms implemented in the transition countries are entirely directed towards improving the living standards of the population. Unfortunately, this has not taken place yet.

The Human Development Index (HDI) for the Republic of Moldova shows a negative trend during the transition period (Table 2.1.1).

to values of the HDI below 0.500. Unfortunately, below that threshold live about 1/3 of the world population. HDI levels above 0.500 are defined as “medium human development”.

Between 1990 and 1995, the ranking of the Republic of Moldova on the HDI has fallen from 64 to 113. This has in large measure been a consequence of the reforms of the state, society and economy that took place in the country, starting at the beginning of the 1990s.

The first steps of the reforms in the economy were: liberalization of prices, commerce and enterprise operations, adoption of the first set of laws oriented towards a market economy (laws regarding ownership, privatization, Land Code, etc.), penetration into new markets. The first legal documents that formed the basis of the changes in the national economy were: the resolution of Parliament “Regarding the concept of transition to market economy” (1990) and the “Program of transition to market economy in Moldova” (1991).

However, the main events took place after 1993, when in collaboration with the IMF and World Bank the first real program of stabilization of the Moldovan economy was worked out. It was targeted towards two objectives. The first related to improving the environment and incentives for business: macroeconomic stability, price and trade liberalization, setting up a credible regulatory environment and progress in transfer of assets from the public to the private sector. The second was the establishment of a dynamic financial sector (banking system, budget system), capable of withstanding the pressures of the transition period.

Thus, the main emphasis was put, in the framework of the neo-liberal model, on macroeconomic, financial stabilization. The first successes — reduction of inflation, stable currency, mass privatisa-

Table 2.1.1.

Trend of HDI in the Republic of Moldova

Years	Indices Life expectancy	Indices Access to education	Indices Welfare	Indicele HDPI
1993	0,708	0,881	0,564	0,718
1994	0,685	0,877	0,566	0,709
1995	0,680	0,880	0,508	0,689
1996	0,695	0,882	0,510	0,696
1997	0,693	0,886	0,517	0,699
1998	0,700	0,887	0,503	0,697

Source: Human Development Reports of the Republic of Moldova, 1995-1998; DSAS.

In the 1990s the trend of the HDI of the Republic of Moldova has been negative, particularly as a result of the worsening of the Life Expectancy Index and of the Welfare Index. Decreasing GDP *per capita* has had a particularly strong negative impact on the overall trend of the HDI. However, taking into account the cumulative effect of poverty, which reached about 50% of the country’s population, one could expect that, in the future, the two other components of HDI will also have a negative influence on its value.

In the framework of the Human Development Reports, the UNDP considers low human development to correspond

tion — induced hope, and it was this hope that was at the basis of “The Economist” magazine’s remark that: “Moldova is a model of correct reform, and the fact that it is a small country, transforms it into a perfect laboratory for running reforms” (March 1995).

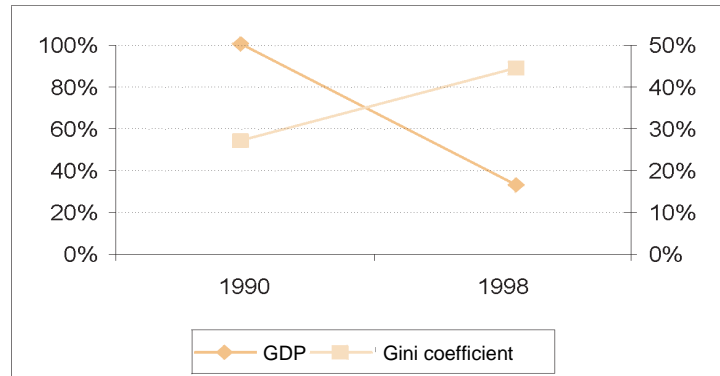
But the miracle did not happen. The promises to carry out quickly economic transformations and to create “people’s capitalism”, based upon tough actions in the financial sector, voucher privatization and the system of investment funds, proved to be illusory.

As is by now well known, a few reforms, no matter how well intentioned, cannot be expected to create a market economy where none existed before: a market economy is a far more complex set of inter-related institutions, both formal and informal, and it takes far longer to develop, than was earlier thought. In addition to this, the economy of Moldova was heavily dependent, at the beginning of the 1990s, on exports to the economies of the FSU, and was correspondingly vulnerable to unfavourable developments in those economies. Soon it became clear that establishing a well-functioning market economy is not just an important notion, but is crucial as a factor of increasing households’ standard of living and to ensure a basis for sustainable and democratic development, in compliance with principles of equity. In Moldova, as in other transition countries, economic stagnation followed the reforms, and as GDP fell by half, the skewed distribution of income (measured by the Gini coefficient) increased twofold.

In social and economic terms, the year 1998 was for the Republic of Moldova a year of disappointment. It became clear both to the Government and to the population that the “big leap” in implementing the reforms did not take place. Gradually during the years of transition there was an accumulation of structural disequilibria, internal and external debts, deepening of the budget crisis and reduction of export earnings. The social situation worsened sharply. After August 1998 the Russian financial crisis became

Fig. 2.1.1.

GDP dynamics in Moldova vs. discrepancy of households’ income during the years of transition



Source: CISR estimations

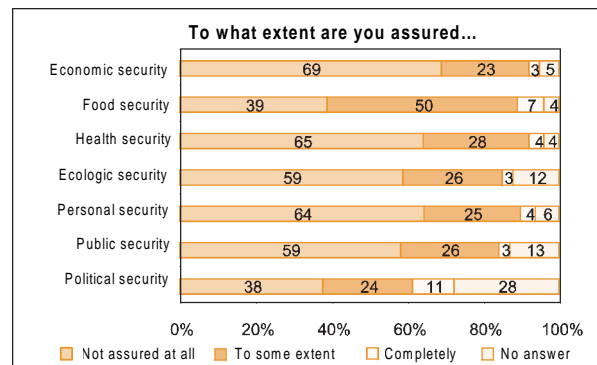
a catalyst for negative internal processes.

The official statistics registered, in 1998, falls of 8.6% in real GDP and 11% in both industrial and agricultural output. Thus, the first round of reform — from the crisis of 1991/92 to the crisis of 1998 — was completed but with depressing results. In accordance with the UNDP evaluations (1998) about 90% of the population of Moldova have incomes of less than US\$ 2 per day, while the ratio of the incomes of the 20% richest over those of the 20% poorest groups of population is 12.6 (against 7.0 in 1993).

CISR investigations show that the country’s population indicated the problem of „human insecurity” as one of the sharpest, particularly outlining such of its components as economic security, threats to health and personal security (box 2.1.1).

Box 2.1.1

Opinion of the population regarding the human security



Source: Opinion poll held by the Centre for Strategic Studies and Reforms (April 1999)

A retrospective analysis of seven years of transition attests to a *deep worsening of all parameters of the quality of life*. The social sector is not able to provide adequate protection against social risks. The situation registered at the end of 1998 confirms that activities in the social sphere are inconsistent and have a low efficiency. The reality of the transition has been quite different from what was envisaged during the 'romantic' stage of the reform period, which overestimated the speed and underestimated the costs of transition. The fall in GDP, accompanied by a tough monetary policy, has entailed significant social costs, which was rising during this period. Their adverse impact has been felt by the whole society, but it was (and will continue to be) especially painful for the elderly, the disabled, families with many dependent children and other vulnerable groups. In this sense the burden of the economic reform is borne by the people with low incomes, who in fact are in greater need of social protection. Consequently vulnerability and dependence are growing. This fact is confirmed also by the opinion poll made recently by INSOC-Market, which indicates that only 5% of the population has benefited from the reforms, while about 70% of the respondents said that their living standards have deteriorated.

The social implications of reform have a spillover effect onto all components of the quality of life, *deepening social polar-*

ization. Massive liberalization of economic activity at the early stages of reform, accompanied by widespread hidden unemployment and salary debts, has considerably decreased people's real income. According to some estimations the magnitude of this fall was of approximately 70 percent. As a result poverty has been growing significantly, which leads to a deeper social inequality. The Gini coefficient, which measures the dispersion of income distribution, increased from 0.34 in 1990 to 0.61 in the first half of 1998 (in comparison, Western countries have Gini coefficients of about 0.35; in Poland, Hungary and the Czech Republic they are about 0.43).

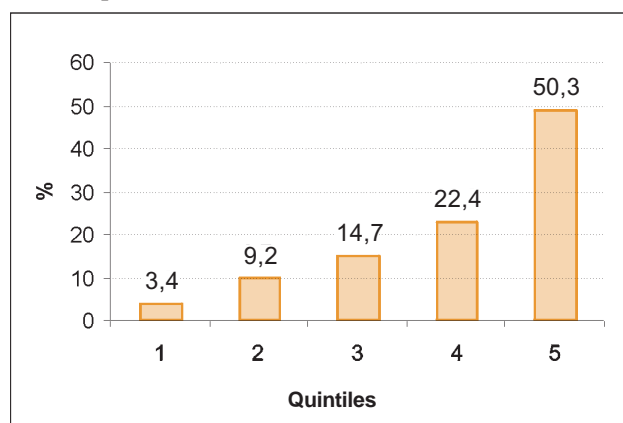
As a consequence of this process, *income inequality* is increasing in Moldova. According to household budget survey data, by the end of 1998 the total income received by the richest 20 percent of the population was 12.6 times the income received by the poorest 20 percent, which compares with a figure of 12.25 three years ago. Today the richest one-fifth of the population receives roughly half of the total disposable income, while the poorest one-fifth has only 3.4%. People with middle income, who form the main share (3/5) of the population, receive about 48% of the total disposable income. This is a clear indication that the middle class in Moldova is still too fragile to offset the social costs of reform.

The reduction in purchasing power led to a substantial shrinkage of individual consumption. From a society with a scarcity of consumption goods on the market Moldova has become a society with low individual consumption. All components of consumption decreased (foodstuffs, durable goods, and services). However, the most significant fall was registered in basic foodstuffs, namely meat, with minus 57%, milk, with minus 49%, and fish with minus 84%. Consumption is now close to critical limits, threatening people's normal development as human beings.

Malnutrition today affects not only people with low incomes, but partially also

Box 2.1.2.

Income Disparities in Moldova , 1998



Source: CISR calculations based on HBS data

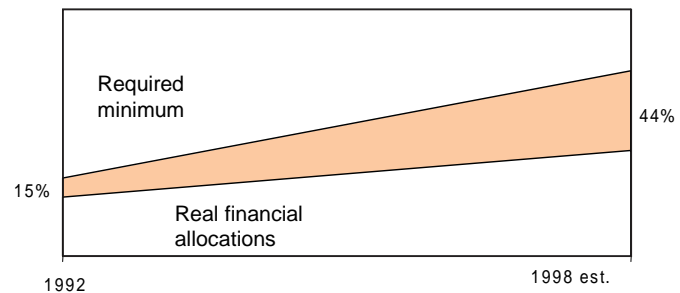
those with middle incomes who are employed in the budget sphere (teachers, public servants, medical workers), due to frequent delays in paying wages. The implicit effect of malnutrition has been felt in demographic aspects and the state of the population's health. By comparison with 1990, the general death rate has increased by 15% while the birth rate has dropped by 38%. In 1998 for the first time in Moldova the death rate has exceeded the birth rate. Consequently the rate of natural increase of the population has become negative (-0.2 per thousand). This could have a long-term impact on depopulation in Moldova. Complementarily, morbidity, which remains high due to widespread chronic diseases, such as black lung, digestion pathologies, tumours, and cardio-vascular diseases, could exert a great impact on further human development in Moldova. As a result the demographic dependency ratio is rising which could become a serious hindrance for economic reforms. Now at 0.77 (or 77 children and elder people to 100 persons able to work), this indicator has far exceeded the critical limit of 0.31.

In the conditions of massive pauperization of the population there is a tendency to maintain implicit subsidies of social services through indemnities and compensations. In 1998 the cost of these social privileges was at about 800 million lei, i.e. around 8% of GDP. The lack of a mechanism to nominally grant of social benefits has led to the fact that about one third of them have been directed towards the average and high-income strata of the population. This is a good reason to argue that income transfers should be better targeted and provided on the basis of means testing. Thus the poor still remain the most vulnerable point in the social assistance system.

Universal coverage and unclear eligibility criteria have been generating an explosive increase of social cost, which constituted a heavy burden for the economy. During the 1990s the share of social expenditures increased by 35%, until it represented, in 1998, 1/5 of the GDP.

Box 2.1.3.

Discrepancies in social finance



Source: CISR calculation based on MoF data

Economic recession accompanied by the fiscal crisis has been eroding resource inflows into the social sector, significantly undermining the sustainability of social finance. Misallocation of resources in concert with low rates of collection has widened the discrepancy between social commitments and financial possibilities. From 15% in 1990, the gap between real allocation of financial resources and the minimal required level reached 44% in 1998. Delays in paying wages, pensions, indemnities and other social benefits became chronic. This is a sign that the viability of social finance is on the edge of a crisis.

Main lessons. The year 1998 has once more proved the rule that when reforms are procrastinated social costs increase and people's belief in the reform process weakens. In the social sphere the *pace of reforms was too slow* and attempts to make some changes were done in a shallow and controversial manner. An exception is the legal framework, where several important laws have been approved. We can mention here the Law on Mandatory Health Care Insurance (27 Feb.); Law on State Pension Insurance (14 Oct.) and Law on Minimum Medical Services provided by State (1999 Feb. 3). Other draft laws have passed the 1st and 2nd readings in the Parliament, waiting for the final stage (Law on Non-State Pension Funds, and Law on Social Insurance). Attempts to pay off pension/salary arrears have failed due to a lack of consistency in promoting social reform.

Government institutions have been concerned mainly with current issues, acting as a fire-fighting brigade. Time, money, and efforts have been spent on taking ad-hoc measures, which had insignificant and temporary results.

The institutional network for implementation of the new laws is not yet settled. In reality a huge gap can be seen between the new legal framework and outdated social security institutions. Consequently, pension, health care and other sector reforms are taking place slowly.

Public social arrangements are too costly and badly targeted. Maintaining the *implicit nature of social expenditures*, as well as the *broad range of social privileges*, could undermine the fate of social reform. Desperate actions undertaken to fit expenditures with the revenues did not have a positive effect. Three times during 1998 the social fund budget was revised with a view to reducing either of its sides, but the result was insignificant. By the end of

the year, pension arrangements were paid at 60% of their initial rate.

Family allowances and compensations for public utilities are too diffuse and provided in a manner close to universal coverage. The *subsidy of electricity and thermal energy tariffs* is the most vulnerable point in the social safety schemes. Such subsidies captured nearly 20% of the public budget revenues, and are convenient only for the companies which produce/deliver energy resources. Phasing out the subsidies could, however, face strong institutional constraints, making this a politically sensitive issue.

The administrative capacity of social institutions is too weak, and this could be a serious impediment to the implementation of reform proposals. Besides, a lack of publicity about the aims and scope of social reform has strengthened opponents' positions and intensified rumours, which have had a negative impact on the success of the reform.

Box 2.1.2.

Initial Stage of Reforms: Imitation or Mistakes?

Eight years of intentions, efforts and actions directing the economy towards market relations have not yet brought perceivable results in the sense of ensuring economic and social stability. Reforms that were started and partially implemented can not yet put in motion the mechanisms and driving force of the new forms of economic organization and development, based upon principles of the market economy. Privatization, which is considered an axis of economic reforms, has not brought the expected result, especially in the real sector of the economy and in the sphere of material goods production. Patrimonial vouchers have not become, as expected, circulating securities.

The stability of the national currency, a considerable reduction in inflation, the establishment of a securities market did not bring an inflow of foreign investments in a volume that could have consolidated the situation in the real economy. The FDI per capita is one of the lowest in Europe. Moreover, efforts of macroeconomic stabilization have in fact generated a continuous decline of production in the real sector of the economy, a widening budget deficit and a considerable worsening of social indicators.

Macroeconomic conditions in Moldova are characterized by a critical contraction (by about 60%) of the GDP from the moment of declaration of independence. As a result of the negative evolution of events, poverty has become the problem number one, and the level of per capita income situates Moldova among the poorest countries in Europe.

Social stratification caused by the different level of households' income looks inevitable in a society that encourages private initiative and the spirit of entrepreneurship. But the access to power of those groups that by illegal means have acquired the initial capital obviously puts in danger the chances of economic prosperity for the majority of our citizens. The social market economy remains a good wish, without being backed by the state's real income. Poverty already accounts for 80% of the country's population, and the standard of living has fallen down to the line of basic vital needs.

At present we still have the choice: to continue further to fall slowly but firmly, or to undergo thorough, deep, complex and radical changes, which could bring the long awaited liberty and prosperity.

The possibility for change is still real.

Source: Acceleration and deepening of the reforms - a unique path towards overcoming the crisis. Government declaration. Newspaper "Nezavisimaya Moldova", July 1999.

2.2. Human Security in Moldova: Macroeconomic and Social Parameters

Each state should have as a priority guaranteeing human security. State authority is based on the extent to which it is able to provide the population of the country with decent living conditions and personal development, socio-economic and political stability, and to oppose both internal and external threats.

Ordinary people, the population of the country, perceive the notions of “human security” and “economic security of the state” somewhat abstractly and out of context. However, such negative occurrences as poverty and unemployment, low quality of education and health care, and criminality spoil people’s everyday life. This is why guaranteeing human security is a key national priority and is the state’s exclusive responsibility.

During the transition period the problem of human security in the concrete conditions of the Republic of Moldova appears both at the macro level (country), and at the micro level (household, family). The crisis put on first place the need to have a stable national economy, which would guarantee decent living conditions for the population, protect private property, promote entrepreneurship and suppress the factors of economic destabilization (such as criminalization of the economy, socially dangerous income distribution inequalities, etc.). The state needs to exercise rigorous control over the external debt and national resources, and to improve national competitiveness at the regional and global level.

Particularly important is the capacity of the society to develop itself on the basis of its scientific, technical and spiritual potential, and the capacity to attract investment, technology and new ideas.

If we assess the current situation of the Republic of Moldova from this point of view, we may conclude that, although the changes leading to a market economy have become irreversible, the society

has not yet overcome the stage of deep social and political crisis so as to be able to develop itself with confidence and security. The middle strata of the population — the one that ensures the social stability of a country — has not been formed yet, while legislative, executive and judiciary bodies have not delimited their responsibilities yet and are not performing their duties coherently, so that their image as guarantors of democratic transformations may be perceived correctly by the entire society.

During the transition the main threats to human security arising from within the economy of Moldova stem from the following processes:

- the state’s reduced financial capacity to choose a strategy of socio-economic development and to implement it effectively. The precarious situation of the financial sector is due not so much to the crisis of the large state enterprises in industry and the agrarian sector as to slow development of the private sector;
- the development of increasing economic instability (dynamics of household incomes, volume of GDP, exports, etc.), related to a fall in the share of the industrial sector and the consequent increase of the share of the agricultural sector, which depends to a great extent on climatic conditions and has limited possibilities to use advanced technologies (fertilizers, chemicals, irrigation techniques, etc.). The variability of climate, especially in the spring and autumn, has a negative impact on agriculture. Different climatic conditions, such as drought, frost, hail, etc. are causing significant losses to the economy as a whole. In the last two years (1997-1998) these losses were estimated at 2.5-3% of GDP;
- the low level of investment both in the social sphere and in creating new jobs. The state is not receiving the considerable resources necessary to resolve social problems.

“You are what you are, what you want, what you do.”

Nicolae Iorga

Although the share of social sphere expenditures in the state budget is about 50% (see box 2.2.1), these funds are obviously insufficient. Thus, the need for a reform of the social sphere is very pressing.

Particular attention must be paid to institutional threats, primarily the weakness of the state in exercising its functions of providing social support to the population and of regulating the activities of economic units through legal protection and administrative regulation.

Guaranteeing human security is a strategic problem, because it is based on supreme national long-term interests. It is not just a problem for the organs of the state administration. It is crucial that this be understood by political parties, public organizations, and by all strata of the population. Understanding the consonance of personal, group and national interests and formulating common actions with a view to avoiding internal and external threats are extremely complex social and psychological processes, which develop as a consequence of historical tradition, political maturity and the con-

fidence of the people in the institutions of government.

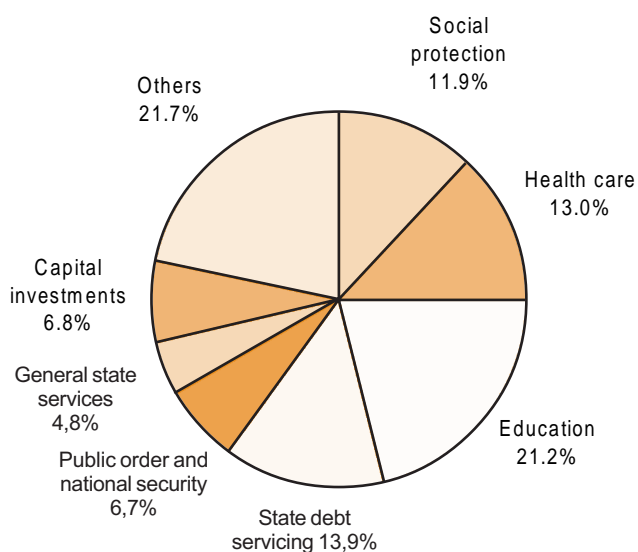
The following two to three years will probably be critical for the Republic of Moldova. There are two possible scenarios: either the crisis in the society and in the economy becomes irreversible and Moldova becomes a third-rate country, peripheral and stagnant, or it succeeds in overcoming the current situation and manages, after the year 2000, to find its own place in the economic and spiritual space of Europe.

Regarding human security requirements in the Republic of Moldova, it is possible to deduce certain criteria that indicate the critical levels of the most important indices of social and economic security. Their assessment takes into account the need for:

- a decent standard of living for the population, and the possibility to improve it;
- an increase in economic productivity; the sustainability of the financial system, which determines the level of the state budget deficit, through the sustainability of the banking system, level of internal and external debt, deficit in the balance of payments, conditions for stimulating investment and a rationalization of the structure of foreign trade;
- the strengthening of the scientific and cultural potential of the country;
- the creation of legal, economic and administrative conditions that would reduce corruption and the size of shadow economy, placing the society out of danger;
- the preservation of the economic-territorial integrity of the country, excluding regional separatism and developing local self-administration so as to use the territorial resources more efficiently while respecting the general interests of the state.

Box 2.2.1

Structure of State Budget Expenditures in the Republic of Moldova, 1998



Source: Ministry of Finance

The Centre for Strategic Studies and Reforms (CISR) assessed the state of human security in the Republic of Moldova from two perspectives: macroeconomic indicators (economic security of the state), and social parameters. Tables 2.2.1 and 2.2.2 present, for these indicators, both their current values and their critical levels.

An attempt has also been made to synthesize a group of key indicators and calculate an aggregate indicator (Prof. C. Zaman, CASE Expert, Romania/Poland). The **aggregate indicator** takes into account ten reference indices from the following domains: demographic — death and birth rates, life expectancy, etc.; social — unemployment, the GDP share of social expenditure (on health care, education, etc.); social welfare of the population — the share of food costs in a household budget, the number of calories consumed by an individual, etc; foreign economic relations — foreign debt, the degree of country dependency, the structure of imports and exports; fiscal domain — the domestic debt, tax evasion, the relative weight of the shadow economy; institu-

Table 2.2.1

Republic of Moldova: Macroeconomic Indicators for Economic Security, 1998

Initial data for calculation of indicators

Foreign debt	USD 1.3 bn
GDP	MDL 9 bn
Foreign debt service	USD 60 m
Public debt service	USD 100 m
Total expenditures of state budget	MDL 2 bn
Exports	USD 0.7 bn
Imports	USD 1.1 bn

Indicators	Current Value	Critical level
1. Foreign debt/GDP	About 80%	65%
2. Foreign debt service/Exports	8.6%	5%
3. Public debt service/Total expenditures of state budget	25%	5-7%
4. Three groups of imported goods / Total imports (mineral products, including energy resources, equipment, chemical products).	57.8%	30-35%
5. Three groups of exported goods / Total exports (food products, drinks, cigarettes)	54.8%	20-25%
6. Exports to one country / total exports	58.2%	25-30%
7. Imports from one country / total imports	28.5%	15-20%
8. Exports/Imports	64%	95-100%
9. Degree of customs control in the country	About 70%	100%
10. Share of shadow economy	50-60%	15-20%

Source: DSAS, CISR estimations

Table 2.2.2

Republic of Moldova: Social Indicators of Human Security

	1990	1998	Acceptable		1990	1998	Acceptable
Life expectancy, years	68.5	67.0		Value of nutrition, kcal/day	2969	1980.3	2100
For women	71.8	70.7		Social polarization	N/A	12.6	5-8
For men	65	63.2		of population, times			
Birth rate, per thousand	17.7	10.9		Gini coefficient	0.27	0.44	0.29-0.31
Total death rate, per thousand	9.7	11.9	7-8	Coefficient of demographic depend.	82	77	22
Natural increase, per thousand	8.0	-0.2		Coefficient of social dependency	0.44	0.71	0.2-0.25
Infant mortality, per thousand	19.0	17.8	10	Share of social expenditures, % of GDP	18.4	17	15
Fertility coefficient, number of births	2.39	1.667	2.1	Expenditure with health care, % of GDP	3.8*	5.9	8-9
Net reproduction ratio, %	112.6	78.1	100	Annual average health care expenditures per person, lei	N/A	114	210
Official rate of unemployment, %	N/A	2.0	4-6	Expenditure with education, % of GDP	7.8*	10	5-6
Hidden unemployment, %	N/A	9.4	4-6	Annual average expenditure per student, lei	N/A	1807	2460
Rate of employment of labour force, %	82.6	52	65-70	Expenditure with pensions, % of GDP	4.5*	7.4	10-1
Share of foodstuff expenditures, %	34.5	67.9	25-30	Rate of salary replacement by pension, %	40.4	33.5	33-35

*1992 N/A - data not available.

Source: DSAS, CISR estimations

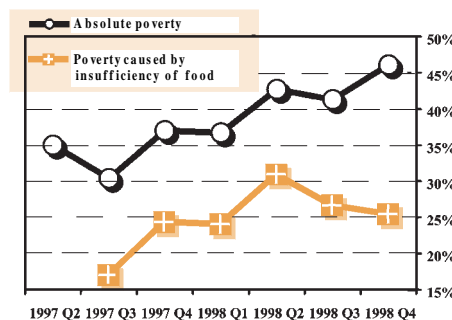
tional field — the degree of bureaucratization of the public administration, the intensity of corruption.

Based on the actual level of each indicator and comparing that with a unit level of reference that would express a normative value of the respective indicator from the point of view of social and economic security, we obtained the following aggregate indicator for the Republic of Moldova (see table 2.2.3).

As has been stated, the human security of the country is ultimately reflected in the indicators of social well-being of the nation. All these indicators (living standards, income inequality, degree to which cultural requirements are met, respect for personal rights and liberties, crime rate, the dynamics of fertility, mortality and population growth, life expectancy) have reached and exceeded maximum acceptable limits. The problem of

Box 2.2.2

Poverty in Moldova
(% of population)



Note: Absolute poverty line: 82.1 lei in May 1997 prices. Line of poverty caused by insufficiency of food: 65.2 lei (at 2100 cal.) prices of May 1997

Source: calculus from Households Budget Survey

poverty has now acquired a particular sharpness (see box 2.2.2).

The aggregate indicator calculated above shows that in the Republic of Moldova an individual has a human (social and economic) security which is far less than he/she should have in conditions of a normal functioning of the economic, social and political systems. It may also be pointed out that the main responsibility for that situation lies with the state, since most of the indices used in the determination of the value of this aggregate indicator belong to the sphere of national economic policy.

The reality is such that it is imperative for the state to implement a number of measures of social policy aimed at decreasing and avoiding internal and external threats to the social security of Moldova. Actions in this field that need to be implemented immediately include monitoring and forecasting the basic factors that threaten economic security, and determining the thresholds for the indicators of the social situation which, if exceeded, will require the implementation of extraordinary measures of a legal, economic and organizational nature.

Table 2.2.3

Calculation of the Aggregate Indicator of Human Security in Moldova

Indicator	Actual	Reference
1. Demographic index	0.15	1
2. Unemployment	0.42	1
3. Social welfare of the population	0.2	1
4. Social expenditures	0.6	1
5. Foreign debt	0.21	1
6. Internal debt	0.25	1
7. Foreign trade	0.35	1
8. Tax evasion and shadow economy	0.56	1
9. Degree of bureaucratisation of state administration	0.5	1
10. Intensity of corruption	0.1	1
Aggregate index of human security (social and economic)	3.34	10

Methodological note:

- The calculation of the actual values of the indices of Moldova used either a linear or a logarithmic scale.
- The reference unit value of each index does not correspond to an ideal situation, but to a level considered desirable, taking into account both the real possibilities of Moldova and a reference situation which would express the normal functioning of a society.
- The aggregate level of the index corresponds to the sum of the values of the ten indices used.



CHAPTER 3.

RISING SOCIAL INEQUALITY**3.1. Economic Insecurity of Different Social Groups**

Economic security constitutes an important factor in human security and sustainable human development. Related to basic human needs such as food, shelter, health, etc., economic security presupposes a favorable environment that would lead to decent living standards. It assumes the possibility for people to make choices in a free and secure way, without exposure to threats or undue constraints, and to achieve a fuller measure of personal development. In such a context economic security creates a sustainable basis for a prosperous daily life and a larger access to social opportunities.

Characteristic of the Republic of Moldova is a rather insufficient level of economic security that has an adverse impact on human development. The deep economic decline, made harsher by the low capability of public bodies, is among those facts that substantially undermine human development. Thus, poverty, morbidity, unemployment, environmental pollution and criminality lead to a pronounced human depression. Forced to face the penury of a turbulent environment, people become more sensitive and vulnerable to social economic threats. Erosion of a person's welfare causes the absolute majority of the population to be preoccupied primarily with earning an existence, making many people self-centered and indifferent to those around them. People in general become more frustrated and make no illusions regarding their future perspectives.

Current phenomena in the Republic have a deleterious influence on human security, in a number of cases bringing it closer to the critical threshold. However, the impact on the population is not a uniform one. The transition's social costs

most of all affect large families, invalids, and single old people making their life very poor. Here social tiers become more evident, and relations between them more tense.

Economic security is associated in the first place with availability of a secure income, usually originating from productive and remunerated labour, adequate to ensure the basic needs of a person. People's income in Moldova, however, doesn't have a stable basis of support, a fact that ultimately lead to its erosion. In 1998 average real disposable personal income showed a 13% decrease, constituting slightly more than one-fifth of the income registered in 1990. Erosion of real individual income turned out to be more pronounced when compared to the decline of basic macroeconomic characteristics. For example, the decline of global industrial and agricultural output in 1998 constituted 11% and 15%, respectively, resulting in a final GDP diminution of 8.6%. Thus, only 1/5 of the population may be conventionally considered to have a sufficient level of secure income.

Judging from the income level and dynamics that obtain, one understands that people's expectations that they would benefit from economic reforms were not realized. On the contrary, there is a worsening of living standards. And this is true in respect to all living standards characteristics, especially such characteristics as availability of a stable, remunerated job; individual, diversified and decent consumption; and free access to basic social services.

Three major changes related to personal income took place recently:

- A substantial decrease in real income following the devaluation of wages and social allowances, both of which constitute major income sources;

“In the modern society money is only earned by money. Bread is earned through work.”

Nicolae Iorga

- An essential change of the income structure — there was a decrease in the weight of traditional income sources (wages, pensions, allowances) compared to an increase of alternative sources;
- An intensified income-based differentiation of the population in response to a decompression of salaries, in turn, has led to a wider discrepancy between social groups.

The deepening personal income insecurity is mostly caused by a substantial decrease in wages and by an increase of occasional, temporary resources (currency operations, lease of apartments, etc). For example, salary in 1993 used to constitute 74.5% of personal income sources compared to a weight as low as 33.8% in 1998. During the first quarter of 1999 salary as a source of income has become even less significant constituting only one-fifth of disposable personal income. Such a phenomenon may cause serious social distortions in the Republic of Moldova, given the fact that more than 72% of people engaged in the economy are paid employees. (In highly developed countries, as a rule, the weight of the remuneration fund is not lower than 60% of the gross revenues of populations.)

Insecurity of income is constantly rising now that the private sector is expanding and a considerable segment of the population is employed in precarious jobs. Even given the fact that revenues in the private and informal sectors are considerably bigger than the ones in the public sector, the temporary and undefined character of such jobs is associated with a higher degree of risk for the employees. The structure of the population's disposable personal income to some extent undergoes changes also due to an increase of income generated by currency operations, the weight of which constitutes 20.9%. At the same time, one should not overestimate this phenomenon and have illusions vis-à-vis their role in the creation of personal income. This factor is indeed significant but only for limited segments of the society, the spread of the activity altogether remaining slow.

Economic security of the population able to work requires first of all the provision of adequate salaries to meet vital social needs. In 1998, however, the average salary of an employee in the Republic provided for only 52.9% of the minimum consumption basket needs. Based on such a situation one can make some judgement about state policy regarding labour remuneration. Thus, remuneration policy is treated as a derivative to other components of the economic policy. Set objectives appear as secondary ones to such goals as the establishment of macroeconomic financial stability, and in a majority of cases they are simplified to application of severe measures such as the “freezing” of salaries.

The provision of relatively low salaries in the country's economy is to a great extent related to the large share of rural sector employment. Practice shows that even in advanced countries remuneration of rural sector employees is lower compared to remuneration of employees of the industrial, or service delivery sectors. Characteristic for Moldova is a predominant employment in the agricultural sector: for example, the share of employees engaged in agriculture, forestry and hunting constituted 39.8% in 1998. The ratio is 2.7 rural sector employees to one industrial sector employee. This explains the predominance of cheap labour force in the overall employment structure and due to this indicator the Republic of Moldova finds itself closer to countries with a low living standard.

Recently, according to the National Accounts statistics, the share of remuneration funds in the GDP shows a decrease. In 1998 it constituted only 42%. This indicator is lower than those registered in industrially developed countries, and it may directly undermine human security.

Arrears, widely spread lately, is another phenomenon leading to further aggravation of the income situation. While in 1993 arrears to salaries constituted 3.4% of the total annual remuneration fund, in 1995 they had already reached an amount of 12.1% and in 1998 even further to

25.8%. Arrears to salaries are actually money withheld from the calculated salaries, a fact that considerably diminishes the labour force value and weakens the reproduction function of the salary. Payment of salaries made with big delays do not entirely compensate the losses supported by an employee during this period of time, for the reason that part of the salary undergoes devaluation even in conditions of moderate inflation.

All these phenomena have a negative impact and maintain wages at extremely low levels in the Republic of Moldova. Estimated in US dollar value, salaries in the Republic of Moldova are in the seventh place among CIS countries. One should notice the recent tendency of a widening discrepancy between the remuneration level in the Republic of Moldova and in the majority of CIS countries.

Inflation processes under way in Moldova have an adverse influence on the *real wage*. Compared to 1990, real average salary per employee has decreased 2 fold in 1998. Current real salary values correspond to the ones in force several decades ago. Thus, in 1998 the real salary adjusted to for inflation turned out to be equivalent to the one registered in 1967 (for health protection sector), to the one characteristic for 1962 (social insurance sphere) and to the one in force in 1959 (education sector). The decline of real income has led to a substantial deterioration of purchasing power. The current level of wages does not allow employees to ensure a balanced consumption adequate to meet vital needs. In 1998 people could purchase a little more than half of the minimum consumption basket goods. This acted as a considerable constraint on human development.

Lately, the management of economic entities sends employees on unpaid leave or transfers large numbers of them to temporary or incomplete work programs. None of these practices are backed up by a well-defined legal framework, by labour legislation or other normative acts. A policy of withheld salaries was formerly implemented via labour report meas-

ures but also through austere budgetary policies (reduction of budgetary expenditures, compression of monetary mass, stringent control over the level and growth of money in circulation).

The level of well being of *elderly persons and invalids*, of families who have lost their breadwinner and of others who are unable to work has reached critical proportions. Most of them are on the brink of their existence, due to the fact that their pensions and social allowances are extremely small and cannot provide even for minimal physiological needs.

The total number of pensioners (including military) at the beginning of 1999 achieved 787.9 thousand people, which makes 22% of the entire population of the Republic of Moldova. The pension average amount was 84 lei in 1998, the minimum one being only 60 lei, including all supplements and additions. At the same time the real value of pensions fell 6.5% as compared to 1997, while related to the purchasing power constitutes only 40% of the pension amount registered in 1990.

The deterioration of pensioners' living standard has directly affected an even larger number of people. There has been a higher rate of increase in prices for goods and services traditionally consumed by pensioners as compared to the average inflation in the economy. The situation of pensioners and material needs has become critical also due to the fact that the pension does not fulfill its function of maintaining beneficiaries' living standards. According to the author's estimates, the relation between the average pension and the minimum consumption basket in 1998 didn't exceed 17.8%, while the minimum labour pension provided for only 27% of minimum existence.

The low income levels of pensioners in the Republic at present doesn't seem to make feasible in the near future the achievement of the desired human development goal, which was to align the well-being of pensioners to the one of employed population. A precondition for this would be an average pension substi-

tution rate of 75% of the average salary amount. In the Republic of Moldova, however, there is a tendency towards a worsening of this ratio, from 60.3% in 1993 down to 33.6% in 1998.

The low-income level is not the only factor leading to a deterioration in the social status of pensioners. The erosion of pensioners' economic security is also caused by the following processes:

- Considerable delays in the payment of pensions that have acquired a mass character lately. A pension is the only resource for many aged people and in view of this they simply are threatened with hunger. As of January 1, 1998 arrears to pensions constituted 192.2 ml lei, an amount which subsequently increased 1.5 fold and reached 296.8 ml lei at the beginning of 1999.
- An increase in tariffs for utilities, electricity and heating forced a majority of pensioners to considerably reduce their personal consumption of these supplies and limit their purchases mainly to food products.
- The increased cost of personal services has led to the exclusion

or limitation of many pensioners from access to such services as repairs of household utensils, haircuts, dry cleaning and laundries.

- Due to the collapse of social insurance, the cancellation of welfare funds and the partial commercialization of medical services, pensioners experience severe financial impediments in the procurement of medical treatment and medications.
- The difficult situation on the labour market provides very few opportunities for pensioners to find work and earn additional income.

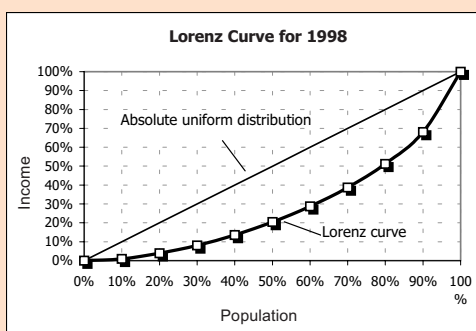
While not long ago the well being of pensioners could have been qualified simply as lower than that of the economically active population, at present they belong to the most vulnerable and excluded layer of society. This group of people is most severely affected by the economic recession and they are the ones that bear the burden of social costs. Elderly persons have chances to survive only when they possess household plots and are able to farm them, or when they benefit from their children's assistance. From the social demographic point of view one may say that present situation reflects a global distribution of social goods to the benefit of the younger generation and to the detriment of the older generation.

Disparities between the well-being of the rural and urban population continue to widen in Moldova. Average income per capita was 117.8 lei per person in 1998. However, in urban areas it used to be 1.23 times higher, compared with only 87.1% in rural areas. Disparities of income between townsmen and villagers becomes more and more significant: in 1994 it constituted 23% while in 1998 it increased up to 34.2%. The insecure income of those living in rural areas is also caused by the inefficient structure of their global income (Annex 3).

A characteristic of rural families' budgets is income in kind, which actually predominates in all cases. Its share in the total income structure makes 64.1%.

Box 3.1.1

One of most frequently used methods in social stratification analysis is the Lorenz curve. It shows the degree of equality/inequality of distribution of incomes. The smaller the curve convexity, the more even is the income distribution, and conversely, the more convex the curve, the more pronounced the inequality. An absolutely even distribution would be a straight line (bisector) of 45 degrees. The area between the straight line and the Lorenz curve in the figure denotes the degree of inequality in the distribution of income. In the case of Moldova, the Lorenz curve displays the lack of uniform distribution of income. Thus, the first decile (the poorest) hold less than 1% of the overall disposable income, whereas the tenth decile (the richest) accounts for 48.7% of income.



Source: CISR calculations based on HBS data.

About 90.9% of revenues originating from agriculture are in kind, this referring firstly to the internal consumption (i.e. of own products). Non-salary incomes predominate in rural areas, and this factor along with small and delayed earnings lead to a substantial reduction of the population's purchasing power.

The main part of a rural household income (64.1%) is in kind. These are agricultural products obtained from plots nearby or received as remuneration for labour. Thus, the majority of agricultural products represent raw products that need additional expenditures for their processing. Besides, the rather poor assortment of products at the disposal of households cannot ensure a well-balanced and varied structure of consumption. These factors ultimately undermine personal security and make human development more difficult.

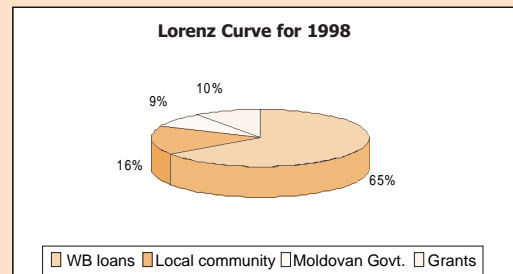
Personal well-being depends on a person's place in the social-economic network of the Republic. Businessmen and non-agricultural employees are in a slightly better situation, their disposable personal income being 56.1% and, respectively, 22.9% higher than the average for the Republic.

Agricultural employees turn out to be the most vulnerable as far as economic security is concerned. Very often they are unqualified (or minimally qualified) workers, whose salaries are much lower than those in other sectors of the economy. Large and continuously growing arrears to salaries are the main reason for these employees' worsening material condition. During 1998 salary arrears for agrarian sector employees showed a 1.2 fold increase, attaining about 1/3 of the total amount of salary arrears in the country. The palliative character of reform-oriented measures along with delayed cardinal transformations in the agrarian sector of the economy have contributed to an intensification of farmers' vulnerability. At present, with an average per capita income 18% lower than the average income in the Republic, farmers represent one of the most sensitive strata in the turbulent economic environment.

Box 3.1.2.

Social Infrastructure Rehabilitation

A significant role in strengthening human security is played by micro-projects aimed at social infrastructure. In this regard particular attention should



be paid to the Social Investment Fund (SIF). The SIF was set up in 1997 to assist in restoring the social sphere in rural areas. Selected to participate in 214 investment projects were 519 villages in disfavored rural zones. The projects were designed for sustainable development in the social sphere. The projects focus on: (i) the roads network; (ii) schools; (iii) hospitals; (iv) houses of culture; (v) shops; (vi) water provisioning systems; (vii) and gas supply. So far 17 projects in 6 Moldovan districts have been implemented. Another 25 projects are being contracted and approved. In the near future some 400 more small projects worth US\$15 mil. are envisaged.

Cost sharing is done as follows: the Government of the Republic of Moldova, rural communities, credits from the World Bank, grants from foreign governments and non-governmental organizations. Thus, 85% of SIF sources are international grants. Rural communities contribute another 15% of projects' costs, out of which one-fifth are cash contributions, and the remaining are construction materials, necessary equipment and machinery.

Source: data from the WB-Moldova office

Income generation by households is closely connected with the *type of activities* practiced by family members. Thus, in the case of farmers, 76.5% of their personal disposable income originates from entrepreneurial agrarian activities; 61.6% of non-agrarian workers' income comes from salaried activities; 65.6% of entrepreneurs' income is generated by independent activities out of which 39.6% are trade-related and 26.0% are non-agrarian. In the case of agricultural sector employees and pensioners there is no correspondence between the type of activity and the main income source; their incomes come predominantly from auxiliary agricultural activities.

Land plots owned by a household have a decisive role in the basic creation of income, whereas for many families is even their main source of existence. The total amount of households in the Republic possessing land plots makes about 76.3%. The distribution is the following: almost all households in the rural area and 42.2% in the urban area own plots. Plots adjacent to or near to houses constitute the most frequently held plots of households; e.g., 91.3% of the total number of plots in rural areas and 53.7% from urban areas. Out of the total number of urban plots, 40.1% household represent plots within fruit growing associations. Households in the rural area account for 8.4% of agricultural land tenure.

Housing provisioning in the Republic is sufficient in general. A household comprises on the average 62.7 square meters of housing, out of which the liv-

ing quarters average 44.1 m² with approximately 2.8 rooms. Inhabitants in the rural areas have larger dwellings compared to those in town, the area being 1.5 times larger. On the other hand availability of utilities in rural areas is extremely insufficient.

One should mention that families with children have less living space compared to other households. For example, while housing space averages 46 m² per person and a married couple has an average of 68.4 m², an incomplete family has 52.7 m². In contrast to the recent past, more than 91.6% of families live in houses or separate apartments, which is a positive factor. About 84.2% of households have become owners of their housing. Most part of households in villages (97.9%) possesses private separate houses (96.7%). In urban area, according the polls, only 62.3% own their housing, with a majority (63.1%) living in separate apartments.

One can judge the economic insecurity of the population based on the purchasing behaviour and the dynamics and structure of *consumption expenditures*. Low level of income per person appears to be a main constraint in a household's expenditures. Food expenditures predominate, accounting for 65.7% of total household consumption expenditures.

The high share of food expenditures in household budgets indicates the existence of poverty in Moldova. Unlike other countries and even from the situation registered at the beginning of the '90s, when food expenditures constituted 34% – 35%, Moldova now falls in the range of countries with food insecurity. Also the quality and nutritional composition of food has considerably deteriorated. Due to a lack of money, a majority of the population finds it difficult to procure essential food products. The caloric value of food has diminished during last three years 1.3 fold, reaching in 1998 a minimum of 1980 calories per capita. This is well be-

	Urban	Rural	Total
Ownership			
Public	18,9%	0,5%	7,8%
Departmental	11,8%	0,1%	4,8%
Cooperative	4,5%	0,1%	1,8%
Personal	62,3%	97,9%	83,7%
Rented by private owners	2,4%	1,3%	1,7%
Other	0,1%	0,1%	0,1%
Total	100,0%	100,0%	100,0%
Housing Characteristics			
Separate apartment	63,1%	0,6%	25,5%
Communal apartment	0,0%	0,0%	0,0%
Hostel	12,2%		4,9%
Individual separate house	20,1%	96,7%	66,1%
Part of an individual house	4,4%	2,6%	3,3%
Other	0,1%	0,1%	0,1%
Total	100,0%	100,0%	100,0%
Average number of rooms	2,2	3,1	2,8
Average housing area (m ²)	47,8	71,5	62,7
<i>Source: HBS, 1998</i>			

low the minimum requirement of 2500 calories set by the World Food Organization. Malnourishment primarily affects the poor layers of society. It has been estimated that 20% of the poorest quintile of population receives only 1775 calories per day or 85% of the average amount per Republic. For another 10% at the bottom of society the caloric intake is lower than the critical level of 1500 calories, which falls into the hunger category as set by the World Food Organization.

Specifics of individual consumption in the Republic of Moldova consist of an essential reduction of food expenditure outside the household. This is due to a considerable rise in prices on meals prepared and served in the catering sector. For this reason the great majority of the population prefers to purchase food products from the market for subsequent preparation of meals at home.

Contrary to Western countries, goods that meet basic needs (clothing, shoes, linen, personal hygiene, indispensable goods) predominate in the structure of non-food individual expenditure, with a modest share of longer use goods included.

At the same time the supply of households with longer-use goods procured in the past, such as TV sets (86 per 100 families); refrigerators (73 per 100 families); washing machines (52 per 1000 families) seem to be adequate. There is, however, a disparity between rural and urban areas as far as distribution of these appliances is concerned. Thus, in villages, per 100 families, the number of TV sets is 15 less (15.5%) than in towns; 25 fewer refrigerators (28.4%); and 23 fewer washing machines (35.7%).

Thus, the economic security of Moldova's people is considerably endangered. The situation is aggravated by the fact that the state does not apply full its full capabilities to regulating these processes. Strengthening of economic security requires that an income policy be incorporated in the general social devel-

opment program of the Republic of Moldova.

In order to consolidate the economic security of different social groups, it is necessary to undertake the following measures:

- An improvement in the labour remuneration system, through an increase in the real composition of salaries and their adjustment to inflation rates;
- The adjustment of public sector salaries to those found in the private sector through a system of collective agreements regarding tariffs (per branches);
- An Increase of incomes in the agricultural sector through the creation of the conditions necessary for the development of efficient activities and a gradual reduction of discrepancies between prices for agricultural products and those for such inputs as equipment, fertilizers, fuel, etc.;
- The development of a number of programs aimed at securing the income of vulnerable layers of the society including aged single people, invalids and large families, and encouragement of targeted social assistance;
- Performance of additional activities by voluntary and charitable organizations that complement the National Poverty Eradication Program with the aim of localizing and reducing poverty zones;

A realignment of the tax system with the aim of redistributing the fiscal burden, at present borne by the poor layers of society, through a considerable expansion of the tax base, covering the "shadow economy" in the fiscal circulation.

“Poverty is a source of physical and moral evil, but it’s also true, however, that moral evil is, in its turn, a cause of economic decline.”

Mihai Eminescu

3.2. Changes in the Income Distribution Pattern and Increase in Disparities: the “Newly Rich” in Relation to the “Newly Poor”

Strata creation seems to be an indispensable phenomenon in everyday life at present. It is seen both in industrially developed countries and in those making their first steps toward a market economy. Social differences within a population to a great extent are explained by the very nature of the human being. People behave differently as far as their contribution to the creation of their own welfare is concerned and also in their consumption of goods and services. Some are inclined towards exaggerated consumption, others, on the contrary, towards ever growing savings. There additionally come differences of people’s physical and intellectual capacity to perform work and their different places in the hierarchy of the social network, which also leads to differences in peoples’ welfare.

Social stratification becomes even more pronounced in an uncertain world undergoing a transition to the market economy. Transformation processes have had an adverse impact on living standards, resulting in a deeper inequality between income and expenditures. Along with economic recession, the erosion of real income causes negative long-term distribution consequences and facilitates the expansion of poverty. The Republic of Moldova, similar to other European countries in transition, shows one of the highest growth rates in the social stratification of its population from the welfare point of view. Between 1993 and 1998 there occurred a 15.4 percentage point increase of the Gini coefficient on the average, reaching 44.1 at the beginning of 1999. Judging from social and economic events so far, there are no premises indicating a change of this trend.

The deepening of inequalities and social stratification is predominantly caused by the following phenomena:

- *Liberalization of the salary structure* following the exclusion of bureaucrat-

ic barriers from the remuneration policy and the increase of non-traditional income sources (currency operations, lease of assets, interest rate on securities, etc.). As a result of the cumulative effect of such phenomena a dispersion of income has occurred notwithstanding the fact that the educational and professional profile of employees underwent no change. At the same time earnings have become more volatile due to the risks assumed by a person at the moment of engagement or to frequent failures in business.

- *Development of private sector and increased flexibility level in the labor market* ensure a wider range of opportunities to choose between the public sector (relatively inefficient) with secure but small (fixed) salaries and the private sector with higher salaries but also with a greater risk level. Empirical examples show that people prefer the private sector. Thus, there occurs a redistribution of labour force from the public sector to the private one. In 1998 the number of employees in public enterprises and organizations constituted 28% of the total number of employees in the national economy, compared to 55% in 1992.

- *Privatization and structural reforms* have acted as an impetus to entrepreneurial activities that are associated with a broader differentiation of remuneration. Causing essential modification of forms of ownership and employment opportunities, privatization ultimately leads to inequalities in the distribution of total income. The fact that public assets are procured during auctions mainly by wealthier layers of society enhances their more advantageous position compared to the poorer social strata and increases their consolidation of their own personal welfare. Income sources become more varied and less dependent on governmental restrictions and barriers. At the same time, a concentration of assets in the hands

of a restrained group of the society deepens further the degree of income inequality, since discrepancies between salaries in the public sector and the private become more and more significant.

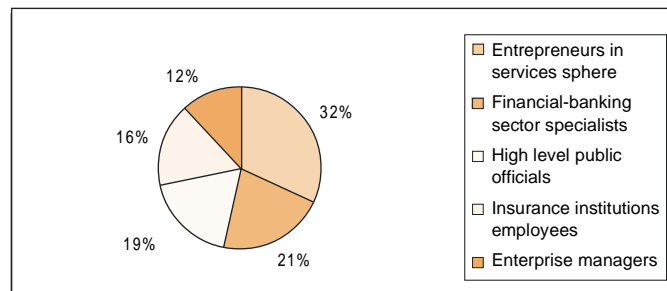
- *Creation of new service markets* within which the private sector may partially substitute for the public sector in rendering of a number of basic services such as education, health protection, telecommunications, etc. Such transformations are not expected to affect the poor layers of population, should they not bring about a reduction of the number of employees in the public institutions. Benefits of the private service sector are predominantly enjoyed by the wealthier layers of society, they being the only ones that can pay extra sums for elite schools, specified medical services, mobile telephones, etc. Thus, new service markets create possibilities for rich actors to have access to luxurious basic services, contributing in such a way to a hypothetical increase of benefits deriving from expenditures for the procurement of such services. As a result, the discrepancy between the well being of the rich and the poor becomes even more pronounced.

The above facts link deepening social stratification and economic reforms, and constitute an objective process during the period of adjustment to new market conditions. The level of social differentiation based on income criteria has, however, exceeded the critical limits and has acquired a negative and destructive character. The inequitable approach to production factors — capital and labour force — when labour is subordinated to capital, has to some extent led to the above situation. Such an approach in reality results in an underestimation of the labour force contribution, in favor of an overestimation of the material factor (capital and technologies).

The collapse of the old system that ensured a decent way of life by securing

Fig.3.2.1.

The “new rich” profile, 1998



Source: HBS, 1998

a modest living standard to the majority of the population brought about a total ruin in the quality of life. Poverty has acquired a mass character. The situation is also aggravated by the fact that against a background of mass pauperization of the population, a relatively small segment has appeared with fabulous incomes originating predominantly from dubious activities.

The household budget survey indicates a significant differentiation of the population based on income criteria: 20% of the least well-provided for (first quintile) has only 3.4% of the total money resources, whereas 20% of the wealthiest (fifth quintile) shares 50.3% of the social wealth. The decile differentiation coefficient (relation between 10% of society’s richest segment and 10% of the poorest one) exceeds the 35-fold amount. The Gini coefficient value, which characterizes the degree of social stratification, constitutes 44.1. At the same time, according international research, it is believed that whenever the Gini coefficient value fluctuates within a 29-31 range that also characterizes an average degree of inequality. Should the Gini coefficient exceed a magnitude of 35, and then the situation would be characterized by a highly inequitable degree of inequality.

Thus, according to international criteria, the distribution of global income may qualify as being one of total penury. In reality, the distribution of income is even less uniform, because the household budget survey hasn’t also covered the revenues of

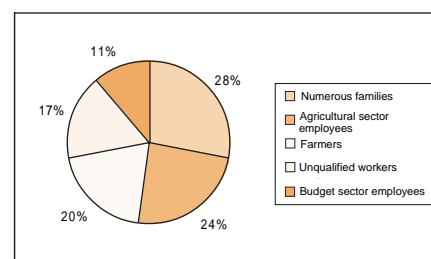
the self-employed, to say nothing of the fact that there is no recording of illegal, semi-legal and informal revenues created within the shadow economy.

A distribution of households per quintiles based on average per capita income makes it possible to establish the factors that influence this phenomenon. The tendencies indicated below show the dispersion of population by different welfare levels:

- *Fluctuations of the monetary income levels* is the first factor that has an influence on the differentiation of global disposable incomes both from the point of view of their character and degree. In-kind income has a less significant impact on the dimensions of welfare distribution. Thus, 20% of the poorest possess 8.2% of the in-kind income, while 20% of the richest possess 30.7%. Distribution of the in-kind income is more uniform compared to the distribution of total income. At the same time there is a more pronounced differentiation based on money income criteria: the poorest layers of society account for less than 1% of total income, while 62% go to the richest segment of society;
- *Heterogeneous distribution* of rural and urban population per quintiles. Every third member of a household is covered by the first quintile (the poorest one) and in case of rural households every fifth member of a family is part of the first quintile. The picture is

Fig. 3.2.2

The “new poor” profile, 1998



Source: HBS, 1998

completely different regarding distribution of population per richest quintiles. Urban inhabitants constitute 27.5% compared to only 10.9% of the inhabitants from rural areas;

- There is a close correlation between *a household’s welfare level and the number of children in it*. The smaller the number of children in a family, the better the welfare levels. And vice versa: the less numerous the family (one without children), the better the welfare level and the greater the probability of avoiding poverty. Out of the total number of households with 4 and more children, the share of the poorest ones constitutes 36.2%; and respectively 28.3%, 24.0% and 17.8% in households with 3, 2 and one child. At the same time the share of one-child families in the richest layers of society stands at only 22.5% and families with 2, 3 and 4 children, respectively, constitute 14.5%; 9.9% and 2.9% (table 3.2.1);

- *There is a direct relationship between a person’s position in a social strata and the character of income differentiation*. Out of total the number of farmers covered by the household budget survey only each tenth belongs to the richest quintile while every fourth or fifth falls into the poorest groupings of society. Characteristic for agrarian sector employees is a more profound differentiation. Thus, 24.0% of their total number are poor farmers and only 10.8% qualify as well off.

Table 3.2.1

Distribution of Households per Quintiles Depending on the Numeric Composition of Families, %

Composition of Families	Total	Per Quintile				
		1	2	3	4	5
One-child family	100,0	17,8	19,1	20,0	20,6	22,5
Two children	100,0	24,0	21,1	22,2	18,2	14,5
Three children	100,0	28,3	27,5	20,3	14,0	9,9
4 and more children	100,0	36,2	32,8	14,4	13,7	2,9
No children	100,0	12,9	15,2	19,1	24,0	28,8

Source: HBS, 1998

In case the of the non-agrarian and entrepreneurial sector the tendency is out to quite the opposite. There 17.5% of families belonging to the non-agrarian sector and 10.9% of entrepreneurial families fall into the first quintile (the poorest one). In the top quintile (number five) respectively fall 29.3% non-agrarians and 41.0% entrepreneurs (table 3.2.2).

The relation of average per capita monetary income indicates the existence of an objective welfare dispersion asymmetry between farmers and workers of the agrarian sector on one-hand and entrepreneurs and non-agrarian workers on the other. Thus, average disposable income per one agrarian sector employee constitutes 77.5% of the average amount for the entire sample of households; respectively, 85.9% per a farmer household; 120.7% for non-agrarian workers and 164.5% for entrepreneurs.

- Peculiarities of population differences per different socio-economic categories determine in turn the peculiarity of the distribution of household members based on *income sources*. Only every tenth person falls into the poorest social group, the income of which is coming from employment remuneration (wages), and, respectively, every sixth person conducting entrepreneurial activities falls in this social group. On the other hand, the richest categories of society include more than one-third of salaried employees and about 40% of people involved in entrepreneurial activities. The relationship between the well being of different socio-economic groups and their distribution per quintile can also be related to income sources (table 3.2.3).

- *Jobs* constitute a decisive factor in determining the degree of material differentiation within the population. Only 10.7% out of the total number of households employed in agriculture, forestry and fishery fall into the most well off quintiles (iv and v). At the same time wealthier layers of society include 29.45% workers from

Table 3.2.2

Distribution of Households per Quintiles Related to Different Socio-Economic Categories, %

Socio-Economic Categories	Total	Per Quintile				
		1	2	3	4	5
Farmers	100,0	19,7	25,0	23,6	17,9	13,8
Employees in the agrarian sector	100,0	24,0	27,3	20,5	17,4	10,8
Workers in the non-agrarian sector	100,0	17,5	15,3	17,4	20,5	29,3
Entrepreneurs	100,0	10,9	9,1	22,8	16,2	41,0
Pensioners	100,0	18,4	18,9	22,8	23,0	16,9
Other categories	100,0	38,3	18,9	15,5	16,8	10,5

Source: HBS, 1998

telecommunications, 34.5% from the processing industry, power supply networks and communal services areas and 47.3% from the trade sphere. The situation appears similar in respect to professions of household members: the higher the qualification of employees, the greater the number of persons falling into the top quintiles (the richest ones). Thus, quintiles 4 and 5 include 51.3% managers and top clerks; 39.9% high-qualified experts and 30.9% qualified industrial workers.

Table 3.2.3

Distribution of Households per Quintiles Related to Income Sources, %

Income Sources	Total	Per Quintile				
		1	2	3	4	5
Income originating from salaried jobs	100,0	7,7	14,3	19,6	24,3	34,1
Income generated by individual agrarian activities	100,0	23,7	25,2	21,5	18,2	11,4
Entrepreneurship	100,0	15,4	7,3	19,3	20,5	37,5
Social allowances	100,0	15,0	16,1	22,4	26,4	20,1
Other incomes	100,0	38,3	18,9	15,5	16,8	10,5

Source: HBS, 1998

Families' well being is strongly dependent on the education level of their members. Out of the total number of families with higher education, only 12.2% fall into the category of the very poor while 40.7% of these families possess rather high income and belong to rich quintiles. The number of persons with incomplete secondary education falling into quintile 1 (the poorest one) is rather significant, at 18.6% whereas their share in quintile 5 (the wealthiest one) is very insignificant and accounts for only 15.2%.

Thus, there is a *dramatic deepening of social stratification* in the Republic of Moldova, and it acquires a threatening magnitude. The result is that at one pole relatively small groups of society possess the bulk of social wealth, while at the other pole the great majority live in poverty and do not have the resources to secure a decent living standard. Their possibilities to contribute to broader human development are extremely limited, a fact that makes them sensitive and vulnerable in respect to transformations that are occurring in society today. Judging by the peculiarities indicated below, the phenomenon of poverty continues to become more and more pronounced:

- The extent of poverty in the Republic of Moldova exceeds that in the Eastern and Central European or CIS countries;
- Socially vulnerable categories (pensioners, large families, invalids and the unemployed) also include a sizeable number of employees from the production sphere, including qualified workers who have fallen into poverty-affected zones;
- Poverty-affected groups of the population currently manage to preserve relatively sufficient standards of education, health protection, and supplies of basic goods (housing, long term-use goods), a fact that considerably alleviates destructive distributive consequences and welfare inequality;
- Characteristic of poverty zones is a low mobility of the labour force, due to which the majority of those affected do not have the possibility of leaving a given home and engaging in dual employment;
- Characteristic of the mass expansion of poverty is the creation of a stagnant, self-reproducing mechanism, one element of which is compression of social and individual consumption.

Box 3.2.1.

Poverty Alleviation

National Strategy for Poverty Alleviation

Active policies

Promoting economic opportunities for poor

Passive policies

Social protection of the poor

- public works for low qualified individuals;
- large access of the poor to land plots, infrastructure and productive means;
- special programs for making loans to the poor;
- easy taxation of activities carried out by poor.

- nominal cash compensations;
- casual social help;
- transfers in kind;
- communal utilities subsidy;
- public transport facilities;
- home care;
- institutionalized social assistance.

National strategy on poverty eradication comprises 2 elements: (i) promoting economic opportunities for the poor to use productively the only good that they have available, *i.e.* their man power; (ii) rendering basic social services through the social protection net.

Source: UNDP. National Strategy on poverty alleviation in the Republic of Moldova for 1998-2000.

3.3. Differentiated Access to Goods and Social Services

Two main groups, of an equal value, may be distinguished among factors which influence the access of the population to goods and influence the structure and quality of personal consumption in the Republic. In the first group of factors is the expansion of the right to ownership, including the right to real estate. In the next group is the appearance of goods and services, traditional for developed countries but new for the Moldovan consumer, and the general growth of the consumer culture. These changes, otherwise favourable in the longer run, at present, however, face the problem of creating a corresponding solvable demand (second group of factors). These phenomena have led to an intensification of population differentiation as far as access to social goods is concerned.

Reduction of the amount of disposable income and its influence on the consumption of different social goods is seen to result in a differentiation of the consumption ratio expenditures within income groups. Access to different social goods varies approximately sixfold among decile groups I through X of income groups.

At the same time, resources ensuring such a variety of consumption possibilities by socio-economic group differ essentially.

In order to satisfy resolvable demand, the less-well provided for groups, in addition to their current income, have to utilize resources originating from the sale of their property and objects already in their use. Monetary income covers from 16.3% to 98.9% of the total consumption expenditures within decile groups I through IX. Only within decile group X does the current monetary income permit resolvable demand without the involvement of previously accumulated resources.

Food products occupy a predominant place in the structure of social consump-

tion goods in all income groups. They account for 65.5% of the total population expenditures in the first decile group and up to 50.6% in decile ten. However, specifically high share of food expenditures does not mean an adequate level of product consumption for low-income families. Insufficient consumption of meat and milk by the population in the first decile group appears to be a serious problem. Compared to the consumption level of decile group X, the deficit is 9.3 for meat; 6.0 for semi-prepared meat products; 5.8 for poultry, 8.5 for pork; 4.5 for sour cream; 4.9 for cheese and 5.0 for butter.

In the case of bread and potato consumption the difference appears smaller. Nevertheless, all decile groups tend to consume products from their own households, which accounts for a consumption of 65.8% potatoes, 77.4% milk, 65.6% eggs, 59.3% vegetables, 59.7% fruits and cereals, and 61.8% cheese. Ownership of a land plot has become a rather important factor as far as access of the low-income population to food products.

Irregular purchasing power (even a tendency toward this) in respect to a number of food products has contributed to their forced exclusion from consumption (particularly in the case of families with a low living standard). Replacement of these products with less valuable ones from the caloric point of view has led to the deterioration of the food ratio structure. Thus, to ensure sufficient caloric composition, calories are obtained from bread and potatoes to a greater extent than before. The increased lack of balance in the food ratio, as far as content of fat, carbon hydrates, vitamins and microelements is concerned, may have long term negative effects on the population's health and vital activities.

Changes in the amount and availability of food products, along with the possibilities of seasonal supplies and the eradication of deficits, have undoubtedly increased the Moldovan capacity to meet the population's food needs. These changes, however, accompanied a reduc-

“In a well governed country poverty is shameful.

In a badly governed country welfare is shameful.”

Confucius

tion in economic access to products for the entire population of the Republic as well as a change in established proportions of consumption. It is obvious that restoration of the food consumption structure and a return to scientifically recommended proportions will require a much longer period of time than has their destruction.

International experience shows that an increase of living standards brings about a change of *consumption expenditure structure* for non-food products. There occurs a constant reduction of expenditures for short-term use goods and an increase of the specific expenditure share for long-term use goods. This is not the case in the Republic of Moldova. The consumption expenditures for non-food goods within decile group ten exceeded by 10 fold similar expenditures in the first decile group.

The expenditure share for short-term use basic goods like clothing and shoes varies from 49.3% of the total expenditures for non-food goods in the first decile group to 71.6% in decile group II; from 80.4% in group IX to 77.6% in group X.

Such a distorted structure of expenditures has been created due to the fact that the individual needs Moldovans for these basic goods are not properly satis-

fied. In conditions of low solvency, members of households have no possibilities to replace their clothes. Even families with high incomes are not fully supplied with the necessary short-term use goods. This tendency is valid also for long-term use goods. Price is that factor which played an essential role in diminishing the population's access to major appliances. Due to prices it was impossible for people to replace obsolete or worn out goods in current use, like refrigerators, TV sets, and washing machines, with new ones. It seems that at the turn of the '80s and '90s there also occurred a halt in the procurement of sophisticated household equipment.

There is not necessarily a distinct relationship between a family's supply of long-term use goods and their average total income. The availability of such goods in low-income families does not differ too much from that in wealthy families. The number of TV sets per 100 is 87 in the first decile group and 92 in group X; refrigerators, respectively, are 70 and 83; and washing machines, 51 and 63 for the respective deciles.

In urban areas the relation between family supply with sophisticated household equipment and the total average income is even smaller. In the case of certain items, their level in small-income households is higher than that in high-income families. Thus, there are 97 TV sets per 100 people in the first decile group compared to 91 TV sets in group X; refrigerators, respectively 87 and 84. One explanation of such a phenomenon is the peculiarity of the family composition in these deciles; they includes a large number of pensioners and so-called "newly poor" who purchased the majority of their valuable goods in previous years. The data below confirm the observation that households of poorly-provided families have a considerable number of obsolete goods in their use (table 3.3.1).

There are also other than numerical differences between the availability of long-term use goods within households. Thus, relatively new, improved models of

Table 3.3.1

Length of Use of Social and Cultural Goods within Families

<i>Social and Cultural Goods</i>	<i>Decila Group in Conformity to Total Disposable Inc.</i>	<i>Length of Use, %</i>		
		<i>Up to 5 years</i>	<i>From 6 to 10 years</i>	<i>More than 10years</i>
Color TV	1	23,1	45,4	31,5
	10	31,6	44,6	23,8
White and black TV set	1	8,9	21,2	69,9
	10	13,4	22,2	64,4
Refrigerator, freezer	1	5,2	22,0	72,8
	10	10,3	24,5	65,2
Washing machine	1	11,1	23,4	65,5
	10	17,9	34,4	47,7

Source: HBS, 1998

long-term use goods began to appear in large quantities on the Moldovan market only at the beginning of the '90s and only families with a higher income can afford to procure them.

The creation of a system supplying social services, equally accessible to the entire population, appears an absolutely needed condition for human development on the brink of the 21st century. Before the '90s, the levels of the population with access to basic social goods was much higher in Moldova compared to that in other countries at similar stages of economic development. At present, because of the systemic crisis, the problem has become rather acute, a fact that has an extremely unfavourable influence on the social situation.

Recently, *differences regarding access to social services* have become more significant from the point of view of human development. This is also true with respect to such priority services in the medical and cultural fields, a fact that generates a strongly adverse reaction among people. The introduction of fees for services, which were formerly free or were privileged, is a very sensitive issue for less well-provided families. Less than one-third of the population has access to central heating and sewage. Even less — one-fourth are provided with hot water and bathtubs. In rural areas the situation is even more critical, because there are no such facilities there.

Household expenditures for health care per one family member in the first decile group constitute 3.75 lei; in group II — 1.61 lei; in group IX — 7.05 lei and in group X 11.75 lei. The inability of less well-provided families to cover expenditures for medical care has led to a considerable aggravation of their members' health. Of the total number of households which have assessed their health condition as "acute" and "very acute," 42% belong to decile groups I and II, and only 35% to groups IX and X. The incidence of chronic diseases, with the exception of diabetes, also presents much more frequently among low-income families. (table 3.3.3).

Table 3.3.2

Availability of Communal Utilities

<i>Sewage</i>	Urban	Rural	Total
Yes	76,1%	2,7%	32,0%
No	23,9%	97,3%	68,0%
Total	100,0%	100,0%	100,0%
<i>Hot water</i>			
Yes	66,3%	0,3%	26,6%
No	33,7%	99,7%	73,4%
Total	100,0%	100,0%	100,0%
<i>Heating</i>			
Centralized	75,4%	3,0%	31,9%
Local	24,6%	97,0%	68,1%
No	0,0%		0,0%
Total	100,0%	100,0%	100,0%
<i>Bath Room</i>			
Yes	69,6%	0,6%	28,1%
No	30,4%	99,4%	71,9%
Total	100,0%	100,0%	100,0%
<i>Source: HBS, 1998</i>			

Free and guaranteed access to basic education is a key element that ensures human developmental stability. This goal was achieved in Moldova during Soviet times and a considerable number of children continue their studies in higher institutions. However, a real danger has arisen that these positive outcomes will be lost.

Household living standards and social status more and more contribute to the intensification of *differentiation within the educational sphere*. These factors increase differences between starting positions of young people. Children from wealthy families, especially in urban settlements, have considerably more opportunities to choose between educational institutions. Also, secondary general education takes place in more privileged conditions in these groups. Thus, the number of pupils in an urban school class, belonging to the first decile, constitutes 27.7 compared to a number of 25.9 pupils in decile group X. Children from these families can afford to study in specialized and higher education institutions on a contract basis. Expenditures per one

member of households belonging to decile group X exceed by 11.3 fold the same expenditures made by a family belonging to the first decile. Thus, this tendency is in contradiction to the principle of social equity and constitutes an obstacle to children from poor families in obtaining higher education.

When income is highly differentiated in a population, it is very important to ensure access to vital social services, such as health care and education. It is equally important that a minimum standard be provided to all Moldovans. Such a commitment would ensure a qualitative labour force, relatively equal starting positions for all young people, a basic level of vitality within the population and social security in extreme situations (loss of health, loss of jobs, etc.). It would also attenuate tension in the society. In view of this, the free provisioning of services by the main social institutions should become an organizing principle, consolidated through law and socially guaranteed, and meant to ensure human development in Moldova at recommended, normative levels. The reform of the social sector, currently underway in the Republic, is expected to contribute to this goal.

Table 3.3.3

Health Condition of Household Members Based on Their Own Assessment, %

Assessment of Health Condition	<i>Total</i>	<i>Decile Groups Based on Disposable Personal Income</i>				
		1	2	...	9	10
(i) Acute	100,0	10,5	9,7	...	10,4	8,3
(ii) Very acute	100,0	12,9	9,0	...	9,0	7,4

Source: HBS, 1998



CHAPTER 4.

INDIVIDUAL RESPONSIBILITY AND THE WIDENING OF HUMAN OPTIONS

4.1. Decentralization as a Premise for the Enhancement of Individual Responsibility

The social costs of reform during the transition period have turned out to be inadmissibly high, and apparently any possibility for their further increase at the expense of the population has been exhausted. At the same time, due to the economic crisis governmental resources for social needs have decreased considerably.

Under these circumstances, private enterprise and self-employment have become for the people in countries in transition a *new factor of economic security*, a means of “self-defence” people can apply in difficult times.

Under the new conditions, the status of humans as subjects of economic activity has changed drastically. Before, under an economic system in which all distribution was ordered centrally, people were “taken care of” by the state (employment, housing, prices, etc.). The transition to a civil society and a market economy is fraught with a widening of the choice range, liberalization of demand and supply, creation of a labour market.

A market economy and the development of a private sector create conditions for establishing a civil society. Along with the emergence of private sector and the development of medium- and small-sized business, the country is acquiring a *middle social class*—a new social basis for stability and further the development of reform.

The decentralization and emancipation of people’s lives have a number of sides to them: legal side, social one, economic, and political. In order to realize all of them, in the countries in transition, including Moldova, a legal basis is being created, an ownership reform is being conducted, variously structured enterprises are being established.

The social-psychological side also has an important role: personal freedom, human dignity, the feeling of being one’s own lord and housekeeper. It is of symbolic importance that J.M.Keynes, in his main work *General Theory of Employment, Interest and Money* called social psychology the main market mechanism.

Beginning in the early 1990s, work relationships in Moldova have changed dramatically. Thousands of people who used to work for state enterprises (150 thousand in 1998) lost their jobs and changed their occupations; a private sector appeared, people started moving from urban to rural areas, employment started to grow in other countries.

A new phenomenon settled in—*self-employment*. Very quickly, in the course of 5 to 7 years a new social layer of people sprang up in Moldova, comprising those who created their own work environment and new work places. Representative examples are: small production and service

“Economic activities, through which individuals express their initiative and creativity, and which enhance the wealth of communities, are a fundamental basis for social progress.”

Program of Action of
the World Summit for
Social Development
Copenhagen, 1995

“Necessity is the mother of invention.”

Anonymous Latin

Table 4.1.1.

Structure of the Population’s Income, by Geographic Area

	1997			1998		
	Total	Urban	Rural	Total	Urban	Rural
Disposable income	100,0	100,0	100,0	100,0	100,0	100,0
From employment	36,4	57,8	19,8	34,7	56,9	16,8
From non-salaried activity	39,8	12,6	60,8	42,6	12,2	67,3
• agriculture production	35,3	5,6	58,2	39,1	6,5	65,4
• non-agriculture production	1,5	2,6	0,6	1,0	1,6	0,5
• trade	2,5	3,8	1,5	2,0	3,3	1,0
From property	0,4	0,6	0,3	0,4	0,9	0,2
Benefits from social-security system	10,4	11,1	9,9	10,1	11,2	8,8
• of which pensions	10,0	10,6	9,5	9,6	10,7	8,8
• of which unemployment benefits	0,0	0,0	0,0	0,1	0,1	0,0
Other current benefits	0,4	0,8	0,1	0,4	0,6	0,3
Other current transfers	12,6	17,1	9,1	11,8	18,2	6,6

Source: HBS, 1998

businesses, self-employment in the social sphere (medicine, education), security services, etc.; however, the most massively developed domain is private trade.

Results from opinion polls and surveys of household budgets have shown (see Box 4.1.1) that over 40%, as a whole in the country, and over 60%, for rural areas separately, of people's incomes come from self-employment, secondary employment, etc. In many cases these are unofficial, shadow-economy incomes. In 1998 wages received from employers, or indemnities received from the government (pensions, student stipends, etc.) constituted as a whole for Moldova about 40% of the population's income. The other part was made up of income from people's own businesses, occupation or profession.

Self-employment is the main reason for low indicators in registered unemployment. In 1998 the total number in the unemployed workforce (defined according to ILO criteria) was about 167 thousand people, while the number of officially registered unemployed was 28 thousand as of January 1, 1998, and 32 thousand people as of January 1, 1999, which is 2% of the economically active population.

Society in Moldova is become increasingly differentiated. There is a relentless

increase in the number of people who have access to a variety of occupations, in the economic sphere as well, which grants people a considerably wider free choice. The market orientation triggers in the economy two types of driving forces: (i) a personal interest on the part of the subject of the activity in the results of his work, and (ii) his desire to achieve a high mark on the income scale in circumstances in which people become increasingly differentiated by the level of their income.

"Newly rich" and "newly poor" appeared in the country. Moreover, while the rich social group is relatively homogeneous, the poor are divided into "weak" and "strong."

"The weak" are the people with few skills and who are unable to work (disabled, ill, elderly people; physically and psychologically unstable ones, as well as those in the active work force who are overloaded with work). In order to solve or alleviate poverty within this layer of society, the government would have to grant primarily direct help, make additional currency disbursements or distribute in-kind benefits.

The poverty of "the strong" obtained under the extreme circumstances of the crisis, when fully capable, and sometimes even outstanding workers, who would usually be able to earn an income sufficient for a decent living, found themselves trapped in a situation in which they failed to do so. The pauperization affected the engineering departments in enterprises; employees of research and engineering institutions; educational, healthcare and cultural institutions.

From a creative and intellectual point of view, this is the strongest layer of the Moldovan society. In a developed country this layer constitutes the core of the middle class. In the transitional circumstances of Moldova, it is this layer that spurs on self-employment and adaptation to the new conditions.

Nevertheless, this part of society also needs the attention of the government. A transition economy suddenly sets the risks that people face at a very high level, and

Table 4.1.2

Changes in Distribution of Employed Population by Forms Ownership

Indices	1995		1998	
	Thou pers.	in % of the total	Thou pers.	in % of the total
Employed in economy-total	1673	100	1625	100
Out of them:				
Public ownership	567	33,6	424	26
Private ownership	997	60	1069	66
Mixed ownership without foreign participation	102	6	114	7
Joint ownership with foreign participation	7	0,4	18	1

Source: Republic of Moldova in figures, DSAS, Chişinău, 1999, p.47.

they are linked to both the difficulty of taking rational decisions by virtue of the unique character of many problems, as well as to the fact that the economic productivity of society during transition decreases sharply, while the chaotic and destructive processes develop extremely actively. The continuing political instability and ethnic tensions deepen the feeling of uncertainty people have for the future.

The danger lies in the fact that the prevailing tendency of this layer of society, which is the most skilled one, is to solve short-term problems (“survival complex”), while governmental bodies, both at the central and local levels, have the “temporariness complex” (short-term behaviour), which is of course not suitable if one wants to achieve sustainable human development in this country.

However, decentralization—which is the most important instrument in the democratization of society and the economy—should not, by virtue of this fact alone, conflict with the regulatory function of the government at the national level.

Managing the labor market in an unstable economy is one of the most important functions of governments in countries in transition. It is necessary to set up programs for retraining the unemployed, training young people, professional counselling, and social work. It is such programs that will permit the preservation of human capital.

At the same time, it is necessary to support from a legal and organizational point of view the development of a small-business infrastructure—credit and financing, service, information, consulting and other bodies comprising professionals from various areas. All this activity carried out by the government will encourage private enterprise, widen the range of occupations, and cushion the negative consequences of the transition period.

4.2. Private Initiative, Entrepreneurship: Forms, Dynamics, and Social Implications

In countries in the process of transition entrepreneurship is a new driving force both for the national economy and for the population. It is small business enterprise that accounts for the major portion of new jobs, household income, state and local budgets.

Enterprise activity is an independent activity, undertaken at one’s own risk and aimed at making sustainable profit on the use and sale of goods, works performed or services rendered. Under the legislation of Moldova, the enterprise activity can take different forms: individual proprietorship, patent-based entrepreneurship activity, collective enterprises, joint stock companies, joint ventures.

In the social and economic development of Moldova, the new phenomenon of enterprise activity has existed for 10 years. It has become firmly established after setting up a large number of small businesses, both at one’s own initiative, and based on the reorganization of large enterprises. The layer of private owners represented by small entrepreneurs is the greatest in number and forms the core of the average class of private owners providing a basis for social and political stability of the country.

As of January 1, 1999, there were 193.9 thousand economic entities registered, including 145.4 thousand enterprises with the status of physical person (75%), of which 90 thousand (46.5%) were farming enterprises and 55 thousand (28.4%) were companies owned by a sole proprietor.

“The one who’s not applying new remedies, should expect new problems.”

Francis Bacon

Box 4.1.1.

“Social progress will not be realized simply through the free interaction of market forces. Public policies are necessary to correct market failures, to complement

market mechanisms, to maintain social stability and to create a national and international economic environment that promotes sustainable growth.”

Source: Program of Action of the World Summit for Social Development, Copenhagen, 1995

The record of enterprise incorporation gives an indication of the entrepreneurship potential in Moldova. In 1998, the total number of incorporated businesses increased by 20.4 thousand, or by 12%. This growth was mainly accounted for by small and micro- sole proprietorships, including farming enterprises. Small enterprises, which file the information with the Statistical and Economic Analysis Department, make up 83% of all enterprises. They account for about 30% of the country sale turnover, and employ 12% of the labour force.

While relying somewhat on centralized sources of funding, small business (SB) is *the sector of survival* which involves in the process of reforms people who lost their jobs, retired militaries, young and old families, being a sector of self establishment and the single one which helps social lay-

ers (marginal, under transformation) become more wealthy.

Small and medium entrepreneurs are increasingly less reliant on the state and extending the scope of their activity reduces to some extent the problem of unemployment.

It is widely accepted that in the process of implementing economic reform in Moldova, the development of a strong and dynamic private sector of small and micro- enterprises is a priority, which derives from the flexibility and adjustability of this segment of enterprises to a rapidly changing economic and social environment.

During the economic transition, the most important function of the small business is to help the largest layers of the population survive, through self-employment, under circumstances of acute economic crisis, offering a chance to earn additional living money.

Rapid growth in the number of small enterprises occurred simultaneously with the beginning of mass privatization in 1993, being an indication of a rapid development of trade and mediation business. Liberalization of foreign trade and legalization of private trade within the country have favoured the development of commercial activity. The recent years have marked the start of a qualitatively new stage in the dynamics and structure of entrepreneurship, coupled with a reduction in the number of enterprises. The disruption of the excessive growth in the number of small enterprises was mainly caused by the sharp reduction of highly profitable areas, by their failure in competition, the lack of management, marketing and accounting expertise.

In setting up a new business as well as in carrying out business activities, the entrepreneurs encounter various problems. These are mainly of structural, technical, administrative and financial nature. The extent of financial support and lending to entrepreneurs is extremely low. The

Table 4.2.1.

Economic Entities Incorporated in the Republic of Moldova, by Legal and Organizational Structure, 1998

Legal and Organisational Structure	As of 1.01.1998, Units	As of 1.01.1999 Units	% 1998 in Relation to 1997
Total	173020	193882	112,7
Din care:			
I. Having status of physical person	128511	145435	113
Out of which:			
Individual enterprises	48878	55081	113
Farming households	79443	90148	113
II. Having status of legal entity	34997	38167	109
Out of which:			
Joint stock companies	6510	6569	101
Ltd.	22943	25790	112
State enterprises	1615	1590	98
Municipal enterprises	112	145	129
III. Non-commercial enterprises and organisations	9512	10280	108

Source: DSAS

main reasons for the lack of access to the sources of funding are: high interest rate, the banks' reluctance to extend long-term loans, inadequate security, imperfection of the mortgage mechanism, insufficient number of qualified staff, the low quality of business plans, the lack of market conditions analysis, low project efficiency, etc.

A problem of highest importance in encouraging entrepreneurial activity is the strengthening and intensifying of the competition within the banking sector as a main source of funding. The development of such new funding instruments as the system of credit guarantees and credit lines requires a well-developed banking sector.

There is an increasing need to commit all the efforts to funding entrepreneurship at the local level. The lack of funding makes itself felt even more in rural areas, since most of bank branches cover cash needs at a local level rather than being empowered to make loans. To make access to credits easier, there is a need for local finance projects, for example, by securing loans. These, as well, may help local banks change their perception of entrepreneurs and adjust the potential so as to meet appropriate needs. The policy in this area must be consistent with the local factors and reflect the circumstances of entrepreneurial activity.

The difficulties in accessing external sources of funding caused most of the entrepreneurs to conduct their activity in areas that require low capital investments, trade and provision of services prevailing. Normally, the entrepreneurship activity is mainly concentrated in trade and the provision of services, and it is, to a lesser degree, in production and implementation of advanced technologies.

In Moldova an attempt was made to provide financial support to entrepreneurs in rural areas (mainly farmers) on the basis of self-finance. There is a Law on Savings and Credit Associations, no.1505-XIII adopted on 18.02.1998, whereby as-

Table 4.2.2.

Number of Small Business Enterprises

Years	Small Business Enterprises of Which			Other Enterprises
	Total	Inclusiv Small	Micro-enterprises	
1994	8534	7549	985	6054
1995	14834	12729	2105	2256
1996	16205	14254	1951	3124
1997	15621	13595	2026	2050

Source: DSAS

sociations are being set up to operate, the members of which provide each other with financial support. The World Bank has encouraged the setting up and consolidation of such associations by opening special credit lines through the Rural Finance Corporation.

In 1998 there were 54 savings and credit associations of citizens operating to ensure access of the new entrepreneurs, mainly, farmers, to funding sources. A considerable assistance in creating lending sources for these associations has been provided by the World Bank, which allocated for this purpose 5 mil USD. Local commercial banks such as Moldova-

Tabelul 4.2.3.

Lending to Farmers through Savings and Credit Associations, 1998

Name of financial and credit institution	Number of savings and credit associations	Credits Extended		% of the Total
		Thousand lei	Thousand USD	
Total	54	5449,81	1159,53	100,0
Of which:				
Rural Finance Corporation	29	2764,46	588,18	50,7
Moldova-Agroindbank	7	1820,90	387,43	33,4
Fincombank	18	864,45	183,93	15,9

Source: MER

Agroindbank and Fincombank have become involved in lending to these associations. In 1998, savings and credit associations of citizens extended concessionaire loans to farmers totalling 5449.5 thousand lei. It has been estimated that already in the first half of 1999 the number of such association will reach 150, hence, the amounts lent will increase accordingly.

The Rural Finance Corporation extends credits to associations funded by the World Bank, which opened a credit line of 3.7 million SDRs, while commercial banks — Moldova-Agroindbank and Fincombank — lend to associations on their own account.

Savings and credit associations, in their turn, extend credits to their members. In 1998 about 3200 farmers received credits from associations. Even though currently credits are extended by savings and credit associations mainly out of borrowed funds, they are much cheaper than those extended by commercial banks.

An important event in the development of entrepreneurial activity was the adoption of Law on Entrepreneurship Patent, no.93-XIV dated 15.07.1998. This Law provides for entrepreneurial activity carried out by individual entrepreneurs without being registered by the state, and also subject to simplified taxation.

By the end of 1999 there will have been 1288 patents issued, 1376 applications for a patent being under consideration. About 98% of all patents obtained and applied for are accounted for by the retail trading and public catering.

Although the existing environment does not favour the development of entrepreneurship, the small business is gradually extending the scope of its activity and exhibits an advanced economic efficiency in relation to large enterprises. The number of employees engaged in the small business area and paid relatively high salaries is increasing, so does the amount of goods sold, works performed and servic-

Table 4.2.4.

The Issuance of Entrepreneur Patents as of the Beginning of 1999

Types of Activity	Patents Issued, total	Budget Cash Receipts, thousand lei	Applications Filed for Consideration
Total patents issued	1288	256,4	1376
Including for such types of activity as			
Retail trading and public catering	1250	233,5	1335
Services	20	17,3	23
Other types	18	6,6	18

Source: MER

Table 4.2.5.

The Performance of Small Business Entities and Other Enterprises Estimated per 1 Employee

Years	Labour remuneration costs, lei		Total amount, thousand lei		Net profit booked (+), losses (-), lei	
	SB entities	Others	SB entities	Others	SB entities	Others
1995	1393	1309	27,8	10,1	x	x
1996	1948	1451	42,9	11,9	+1040	+31
1997	2422	1323	61,0	11,4	+1125	-95

Source: MER

es rendered. Small business enterprises as a whole are profitable, while the operating enterprises are characterized by a low labour productivity and inadequate performance.

Unfortunately, the above data were estimated based on annual statistical reports on the evolution of small enterprises in the Republic of Moldova covering only enterprises with a status of legal entity which keep accounting books, prepare balance sheets for submission to statistical authorities. For the time being, statistical agencies do not monitor, collect and submit the performance figures for the entire multitude of enterprising individuals (about 170 thousand of economic agents), as well as for the patent holders. Allowing for the entrepreneurial activity not covered in statistical reports, the share of the small business in the national economy is, in fact, much higher, compared to what this analysis shows.

Yet, the analysis of available information helps conclude that, still in the country, the evolution of small business shows a positive trend.

During the recent years the nature of services offered for doing business significantly changed. The existing and potential entrepreneurs, heads of small enterprises are offered a wide range of service in order to facilitate the setting up, extension or improvement of activity.

It should be mentioned, however, that entrepreneurs do not have an adequate access to important sources of information and production (primarily, to sources of funding and technologies). It is due to the small size of business entities, their relative isolation and limited manufacturing experience. The system of services offered to entrepreneurs is inadequately developed. An investigation of the status of entrepreneurship in the Republic of Moldova supports the need to encourage the offering of various services to train entrepreneurs. As a whole, 78% of the entrepreneurs questioned stated that there is a need to train entrepreneurs; over 50%

Box 4.2.1

The Major Problems Currently Encountered by Entrepreneurs Are:

- High taxation level
- Difficult access to an external market, export, the state does not encourage export at all, particularly, by small entrepreneurs;
- Reduction of domestic market, in particular, a considerable decrease of the market for local products, resulting from a tough competition among foreign producers and inadequate protection of domestic market;
- High rent, difficulty in getting premises for operation; as well in accessing existing brand-new equipment
- Effects of a recurrent increase in prices
- Major difficulties in own funds management due to frequent changes in the regulations on taxes, duties, credits, foreign currency and in their application;
- Lack of guarantee funds for small entrepreneurs which makes it difficult for them to obtain credits from commercial banks;
- Inadequate transparency in terms of the use of financial resources provided by the state through the Enterprise Support and Small Business Development Fund;
- Excessive and expensive bureaucracy, associated corruption
- Lack of managerial experience and economic standards inherent in a market economy.

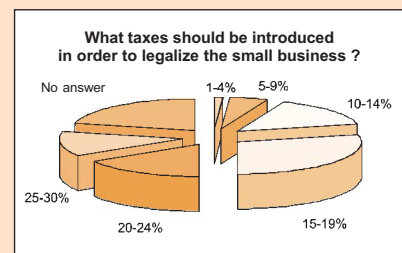
Source: CISR

Box 4.2.2

What Taxes Should Small Business Be Subjected To?

According to an opinion pool report carried out as part of the TACIS project, the heads of small enterprises were asked what were the main weaknesses in the taxation system of small business. The priorities were spread as follows:

- The instability of the tax system - 73% of the respondents
- High taxes - 70%; Too complex a taxation system - 50%
- Limited access to legislative documents -36%



It is important to note the fact that legislative instability is viewed as a factor that is even more important than high taxes.

To the question, “What is the maximum tax burden which should be imposed for an enterprise to be able to fully legalize its activity and pay all taxes?” respondents chose a tax burden of less than 30% in 79% of the answers.

Source: CSP

“Industrial society was men’s creation while the new informational and humanitarian will be mainly women’s.”

**J. Waibit,
P. Aburdene**

of them stressed the need to have new ideas and knowledge about the access to new technologies and their practical use; 46% of entrepreneurs showed their willingness to study marketing. There is a great deficit of qualified entrepreneurs and business managers; as well as of institutions which would ensure their access to production and information sources.

On the verge of the 21st century a jump in the development of entrepreneurial activity will inevitably occur. It will not only have such micro-effects as expansion, modernization and increase in productivity and in the consumption of goods and services, but also raise people’s wealth, increase the number of jobs offered, and create enterprise standards.

4.3. Women Under New Social Conditions: First Experience in Entrepreneurship

In the early ’90s the level of women’s activity in Moldova was nearly at the level of labour activity of men, and was high-

er when compared with the developed countries of the world. In the transitional economy women have fully suffered all the negative aspects of the crisis. Women occupy a considerable numerical share of the employed, 52%, as well as in the number of officially registered unemployed, 68%. It seems paradoxical, but since the advent of democracy there has been a reduction in women’s participation in governmental bodies, including the Parliament: down from 35% in 1995 to 9% in 1998.

Not long ago business activity belonged to men. During the last decade, however, women, distinct personalities with energy and a spirit of initiative, have more and more become active as business people. Despite low levels of participation in business and among managers of enterprises — 5%, the number is steadily increasing. Approximately 2% of women managers run big enterprises, 10% are in mid-sized enterprises, 40% in small enterprises and the other 48% are in micro-enterprises.

The rise of women’s participation in business represents a specific alternative to unpaid family work and unemployment, and is at the same time an efficient utilization of labour resources.

In Moldova the category of women-managers consists largely of women from the old system of administration. However, at the same time there is a new generation of women in business activity and some are successful in their own businesses. Some skills and characteristics often associated with women, socially interactive skills and attentiveness to the interests and needs of others, combined with skills of judgment and styles of decision making, may be used to good advantage by business women.

Despite the difference in areas of business activity among men and women, both face the same difficulties in operating businesses: insufficient financial resources, high taxes and a great number of them, difficulty in obtaining credit, and

Box 4.2.3

In an effort to provide support to small business in the Republic of Moldova there has been set up a series of centers such as Small Business Centre of Moldova, Small Business Support and ProBizNet Environment Centre, Moldovan-American Centre for Private Initiative with a wide network of branches throughout the Republic of Moldova,. These centers offer advisory, training and informational services in order to meet the market demands in the process of transition.

Advisory services include: business-plan development, feasibility study of investment projects, the restructuring of enterprises, preparation of documents in applying for a credit, market research.

Training services include: seminars for managers, entrepreneurs, work with computer, setting up of database on small business and creation of a video library.

Informational assistance: locating addresses, companies, potential investors, Internet services (marketing, promotion, e-mail), know-how, information of the legal framework in Moldova and trade partners, mediation activities, commercial transactions.

Other services — the development of contracts, agreements, legal documents, and the legal backing of investment projects.

Source: CISR

problems of both personal security and property protection.

There are some psychological obstacles faced by women in business. As 20 years ago there were prejudices toward female drivers, today women in business are exposed to similar prejudice and required to prove that they are as capable as men.

Women were more disadvantaged in the small business sector from the beginning of opportunities there. Men gained more as a result of the program of privatization by bonds due to the length of service factor. Women have fewer savings. The number of bank accounts held by women is 2 times less than of men. Women make up only 20% of entrepreneurs who have received a credit. Even at present the number of women in the total number of entrepreneurs is less than 10%.

With the same level of training as men, women compose three-quarters of the unpaid labour force and, when paid, are paid at 70-80% of men's salary levels. Among negative aspects of hiring is the unequal position accorded men and women from a professional and qualifications point of view: an average evaluation of women is 1.5 to 2 categories lower than that of men; the number of women found among workers in categories 1 and 2 is 60-70% of those workers, but among those in categories 5 and 6 women register 10-15% of those workers.

Approximately three-quarters of workers who don't have a professional category are women. In agriculture, the percentage of women with a category is 3 times lower than that of men. As a result, women's salaries are an average 70-80% of men's salaries.

An additional obstacle faced by women is that of the "double occupation": the performance of maternal obligations and involvement in children's education while coping with the unfixed working hours required to manage one's own business, and deal with business risk as well. Thus, professional difficulties tend to

Box 4.3.1

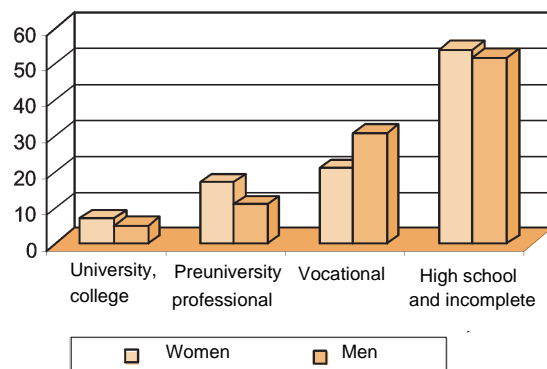
According to data provided at the conference "Small Business — A Way to Progress" (May, 1999) organized by the Parliament of the Republic of Moldova, one in five firms run by men survives, but three of five run by women continue to operate after establishment. It is very interesting as well that firms in which the second person involved is a woman are also more likely to survive, in comparison with others. This phenomenon was explained by an inborn intuitive capability, knowledge of the domestic market, risk aversiveness, productive managerial styles, and a higher level of education (38% of women at the age of 20-40 years have higher education or special studies as opposed to 30% of men of the same age). On the average, Moldovan women invest approximately 4 times more time perfecting a level of proficiency.

Source: DSAS

overload women at work and at home and complicate women's involvement in professional and business activity. The

Fig. 4.3.1

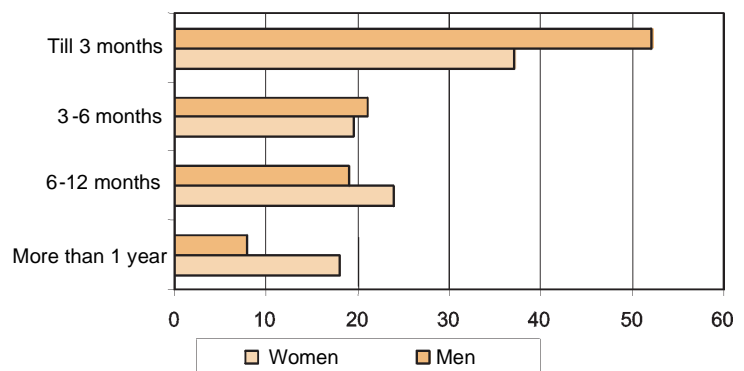
Education level of unemployed (% of total)



Source: DSAS of the Republic of Moldova

Fig. 4.3.2

Structure of unemployment by duration (%)



Source: DSAS of the Republic of Moldova

Table 4.3.1.

Monthly Incomes of Women and Men Related To Educational Level (lei)

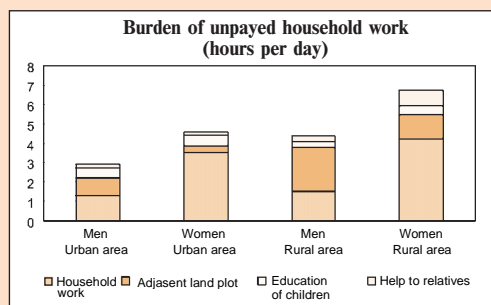
	Women	Men
Higher Education	327,43	374,59
Uncompleted Higher Education	276,23	287,9
Secondary Specialty	221,62	291,64
Secondary	171,67	232,89

Source: HBS, 1998

Caseta 4.3.2

Unpaid Work

A survey on time usage conducted by the Department of Statistics and Sociological Analysis shows that the burden of unpaid labor in housekeeping chores falls considerably differently between men and women.



Women spend daily 12 minutes less on paid work, while for unpaid work the home women spend 1.64 times more time than men in urban areas (4 hours 26 minutes) and 1.44 times in rural areas (5 hours 55 minutes). The members of rural households have less free time as compared with those of urban households. The men have at their disposal 170 minutes per day; women have 111 minutes. Women engaged in rural housekeeping have at their disposal 28% less time than engaged in urban housekeeping and 34.8% less time than men involved in rural housekeeping.

Source: DSAS

Box 4.3.3

Who is the Head of the Family?

Why do women work? As a matter of fact, a man is traditionally recognized as head of the family. The causes are different: men contribute more monetary income to the family, they are more relied in case of stress, including a rapid reduction in family income. There are also national prejudices, a fear of recognizing a wife as head of the family. The situation is different in the case of incomplete families. The burden of social, alimentary, financial, and educational support falls on one parent.

	Head of the family by gender	
	Men (%)	Women (%)
Single	21.3	78.7
Families without children	89.6	10.4
Families having children 18 years old or less	88.1	11.9
Single parent having children	6.4	93.6
Other members of families with children	66.5	33.5
Other families without children	56.9	43.1

The 1998 survey shows that for one single man who brings up children alone, there are nearly 15 women in the same situation.

Source: HBS

family situation and the necessity of combining roles has a considerable influence upon the professional status of women, and limits choices of activities, complicates promotion, and can create difficulties in work.

Approximately one-third of women respondents complained of great nervous efforts, 14% of women-workers and 19% of women-employees mentioned the tiredness caused by housekeeping and the care of sick children.

In the transitional economy, a woman is in many cases the support and the head of the family (see box 4.3.3). It's important to recognize the necessity women face in combining diverse social roles, not only as a participant in the process of work and social life, but also as a housekeeper and mother. Women choose diverse variants of combinations of these roles, although the majority considers these roles equally important. The concrete choice depends on personal traits, preferences, tastes, and life circumstances, but the possibility of such a choice on the whole depends upon the economic and moral encouragement which provided by the state and society.

To help address some of the foregoing problems, in 1998 the Republican Social Movement "Women in Business", an NGO was founded. Among the principal goals of the Movement are the realization and protection of civil, economic, the social rights and legal freedoms of women, and assistance in realizing entrepreneurial activities by women.

The platform of actions adopted in Beijing in 1995 assumes the necessity of concrete measures and the development and adoption of measures at the national level, to help radically change the situation and effect the observance of women's rights not only in word but in fact. Not only a tolerant attitude to opposite sex, but also mutual aid is necessary to reconfigure roles that sustain self-respect. Thus male managers should support their female collaborators as they try to revise

situations, which are themselves discriminating to both.

In January 1998 The Government of the Republic of Moldova an action plan concerned with the improvement of women's situation and increasing women's role in society. The plan proposes a number of concrete measures for the current situation. However, without the investment of the necessary resources for the realization of this program remains only a good intention.

A strategy of the social and economic development can't be realized without the creation of a viable system of social protection for women. To accomplish this, it is necessary to:

- improve the statistical base so that it reflects paid and unpaid labour; health and education by gender and by age; women's participation in administrative bodies at all levels;
- modify the organisation of work, taking into consideration diverse functions performed by women, the realization of programs of education and training, the assurance of women's participation in reforming the social system;
- undertake a complex investigation of gender issues by field of endeavor (sociologists, economists, lawyers, demographic specialists, doctors in medicine).

The problems of the human development which characterize the period of transition can be resolved in a more constructive manner with women's participation as active partners, ensuring social fairness to persons of both genders. Taking into consideration the fact that if women's working capability is regulated by market laws (supply, demand, competition), then the family activity (motherhood and children's education) is the function of both the family and society. This assumes the support and improvement of the state system for maternity and childhood protection.

4.4. The Impact of the Shadow Economy

Human security is a wide concept, which also involves the economic, public, political and ecological security of individuals and of the society as a whole. At the end of the second millennium, phenomena inherent both in countries under transition and in developed ones — an informal economy, the emergence of a large-scale underground economy and corruption — undermine human security and hamper human development.

There are many factors which serve as an indication of *the existence of such phenomena* in the Republic of Moldova and of their social consequences:

- A reduction in the purchasing power of the average salary and a manifold increase in the number of luxury goods and motor cars purchased, an increase in the amount of individual construction;
- A higher pace of GDP reduction than that of electricity consumption. An increase in the proportion of electricity losses in the total consumption from 10% in 1999 to over 30% in 1997 and a rapid rise in prices for energy resources did not cause a diminution in the energy intensity of GDP (on the contrary, over the last three years alone this index increased by 21%) may serve as an indication of an extensive occurrence of embezzlement and informal production;
- A decrease in the proportion of salary in the total household income from 71.6% in 1992 to 34.7% in 1998;
- Significant differences with regard to the information on export and import operations with major partners. An analysis conducted by matching Moldovan and Ukrainian information on Moldova's exports to Ukraine showed that the Ukrainian statistical reports indicate almost a double figure, which cannot be only accounted for by the portion of Transnistria's

“Nothing is more dangerous for the conscience of the community than the sight of corruption, rewarded nullity, and lack of merit being put in value.”

Mihai Eminescu

exports. The case for the information on export-import operations with Russia is similar.

- The interest rate on credits (30%-40%) significantly exceeds the average profitability in the official economy (less than 10%); this partially indicates that the actual income in some industries is higher;
- An increase in the level of unemployment and a decreased chance of obtaining a job in the official economy without significant protest by the population (an officially recorded unemployed person's chances of getting a job decreased from 0.7 in 1992 to 0.18 in 1998);
- A distinctly low percentage of legal trade activities in relation to the total. Actually, the trade in the organized market makes up only 5-10% of the total. This can be arrived at by calculating the goods sold per capita. It is difficult to conceive that, according to statistical records, 2.5 kg of

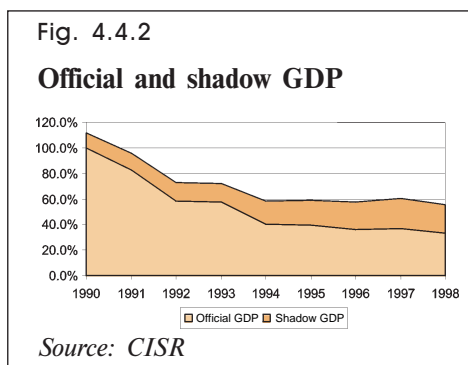
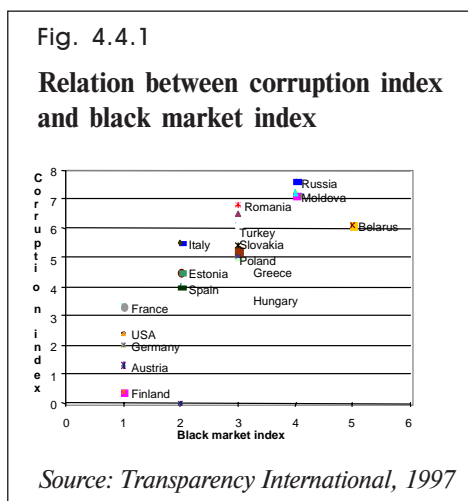
meat, 600g of fish, 200 g of butter per capita is sold within one year;

- A low level of fiscal discipline, the amplification of tax avoidance and a decrease of budget receipts. The actual tax burden in the real sector of economy between 1992 and 1997 has been calculated based on financial reports filed with the DSSA by the enterprises. The calculations show that within this period of time the official tax burden increased from 34.5% in 1992 to 44.9% in 1997 (in industry 50%, agriculture 40%, construction 38%). In the Republic of Moldova the extent of tax avoidance grew from 4% of consolidated budget income in 1994 to 32% in 1998.

The findings of a number of comparative investigations of shadow economy and economic performance indicators in various countries (by the Heritage Foundation, Transparency International, Freedom House Rankings) demonstrate a quantitative relation between the degree of corruption in the country, the amount of shadow transactions, and level of wealth.

A high degree of corruption in countries under transition favours black market development. The index of the black market in Moldova, as well as in Bulgaria, Ukraine, Lithuania and Russia has reached 4, the maximum being 5. The calculations also show a close indirect relation between the degree of corruption and the GDP level per capita. There is a distinct correlation persisting between the index of corruption and that of reforms' performance in the countries under transition, the basic elements of which being the progress made in politics, the degree of mass media independence, legal system viability, the level of public administration and private sector development. The chart clearly shows a close relationship between the corruption and black market indicators.

An assessment of shadow economy proportions in the Republic of Moldova



was made by the Strategic Studies and Reforms Centre by using six methods: *transactions method, currency-ratio, analysis of working capital, power consumption, structural and Italian methods (by analysing labour market)*. The application of these methods showed that the proportion of shadow economy to the official one varies with each method from 60% to 65%.

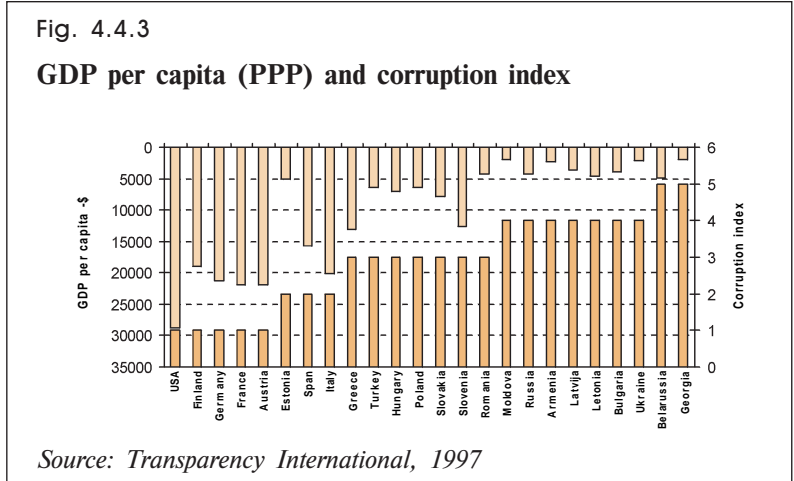
Such a rapid expansion of shadow sector is due to two reasons: increase in the amount of shadow transactions and the recession of formal economy (in 1998 the real GDP was only 33% of the 1990's record). Some investigations of this occurrence argue that the evolution of the shadow economy is of a non-cyclical nature and occurs as the official economy falls into decline, just as an automatic stabilizer.

The shadow economy as well as corruption may have a severe impact on human development by impairing the economic, political and ecological security of the society.

Social implications

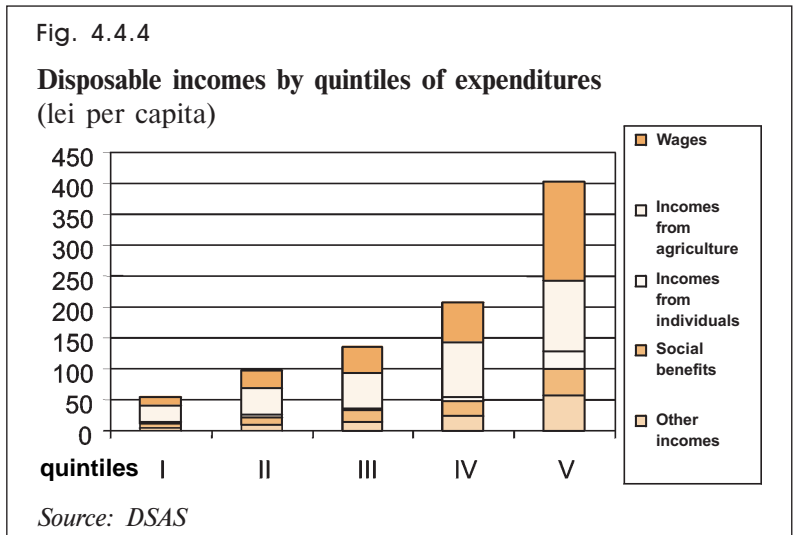
The shadow economy *creates work places, which reduce the unemployment level*. The significant gap between the official record of unemployment rate (about 2% according to Statistical and Psychological Analysis Department, and 9.4% based on the criteria established by International Labour Bureau) and the fact that more than one third of the able population is officially treated as inactive, without clearly stating any source of their living, suggest that a considerable portion of population is involved in informal economic activities. The calculations performed by the Strategic Studies and Reforms Center show that about 47% of the labour force is involved in such economic activities.

The shadow economy *generates additional income* for the participants and members of their families, and sometimes



it is the only source of their living. A sector's existence in parallel with the formal economy, in fact, generates 60% of additional income. This income is, however, *unequally distributed* among the population and the gap between the rich and poor is actually greater than that stated in the official record. Hence, the consumption of meat in families officially stated as having the same level of income is on average 60% higher for those employed with the private agricultural sector than it is for those engaged in the public sector.

The vulnerable layers of society are the most severely affected by *social inequality*, resulting from protectionism. With no political influence, the vulnerable layers of the population are often subject to an increased social pressure. Thus, according to the reports on a Household Budgets Survey carried out by the De-



partment of Statistical and Sociological Analysis with the financial assistance of the World Bank, in 1997 the amount of social benefits received by each member of the families having a highest level of income (level V by the available income) is about five times higher than those received by families with a minimal level of income (level I). An inequitable social system makes its appearance where layers of population earning a higher income enjoy most of the social benefits.

The population involved in the underground sector of the economy is not entitled to social assistance and protection from the state: the requirements with regard to working conditions, working time and minimal labour remuneration are not met. There is an abuse of the work performed by minors and women, the system of sick leaves on a temporal work inability is not in operation, the system of professional vacations is ignored, so is the pension system, etc. A special case is the illegal employment of Moldovan citizens in other countries. There are not any agreements between the Republic of Moldova and other countries on the export of labour force. Therefore, there are many cases where upon the completion of work, the individuals illegally employed abroad are paid less than initially agreed, or are not paid at all and expelled from the country, or they become slaves of some local criminal organizations.

The presence of a large underground sector gives *rise to an excessive tax burden*. The state budget is reliant for its income on official economic activity. However, most of budget expenses also serve the interests of those people who are not paying taxes (enjoy benefits in paying energy bills, public services, etc.). Therefore, while the average tax burden for the economy is about 30%, the actual tax burden on some economic entities operating within the formal economy is obviously higher (40-60%).

The shadow economy and corruption *impedes human development of the nation:*

an increased level of tax avoidance reduces budget receipts, which in turn, causes the failure of social, pension, education, health, environment policies. A weak legal framework erodes moral principles of the society. According to an opinion poll conducted as part of the “Development Strategy” project, about 52% of the respondents believe that it is impossible to conduct a business activity in the country without breaking the law. There occurs the situation where breaking the law has become a standard behaviour.

Another effect of shadow economy lies in its *adverse impact on consumers by providing them with low quality goods and services*. The findings of a production quality inspection on a network of trade outlets conducted by the National Standards, Measurement and Certification Centre, show that contraventions range from about 40% of the total food products to 70% of goods for children. In imported goods, contraventions make up 79%.

In many cases a parallel economy functions in direct connection with the criminal world thereby *threatening the personal security of the population*.

Economic implications

The economic impact of shadow economy and corruption shows up in a number of ways. First of all, the *transaction costs are increasing*, particularly in carrying out small business activities and decreasing the competitiveness of the products and services. According to estimates, the amount of additional payments to be made for licenses, for so-called “protection”, and for an expeditious settlement of formalities by state officials reaches 40% of the profit.

The economic instability triggered by the expansion of the underground sector, by rackets, corruption and bureaucracy in preparing business documents, and the Government’s inability to ensure producers’ security *discourage investors and innovative ideas*.

The phenomenon of corruption, actions taken in favour of some individual persons, evasion of tender and competitive procedures causes an increase in the cost and a *drop in the quality of public projects*.

The economy is continuously sliding into an underground sector. Corruption and the shadow economy are self-generating phenomena. Thus, if the officers employed with inspection agencies of the Republic of Moldova were not paid for 4 or 5 months, then for them a bribe would become the only and permanent source of income. It is rising in vicious spirals: corruption — economic decline — shortage of budget resources — wage arrears to state officers — expansion of corruption.

Inequity, unfair competition by using state institutions in exercising pressure, falsifying the information on competitors, technological and industrial spying, racketeering, entering into monopolistic agreements, etc.

Diverting of funds has a greater occurrence, which reduces economic efficiency.

Macro-economic instability and the country's vulnerability to financial crisis. The annual macro-business turnover in Moldova is estimated at 200-250 million USD, which is 3.5 —4 times higher than the amount of foreign direct investments in Moldova made within one year, and of the amount of foreign currency reserves with the National Bank of Moldova. The drug traffic is an area controlled by several persons. Therefore, any capital outflow or inflow triggered by this sector alone could, in fact, impair the stability of the financial system.

The impact on the political security of the state

Corruption *favours the emergence of an economic and political clan*, which imposes its wishes on the society without taking into consideration the demands of society, causing an enormous growth in state debts. Moldova, while having high debts

Box 4.4.1

There are four drug traffic routes within Moldova. The monthly traffic of heroine alone is estimated at 150-200 kg (for information: the wholesale price for one kg of heroine is \$1500 in Pakistan, \$10 thousand in Turkey, \$40 thousand in England, the retail price reaching \$120 thousand per kilo). Over the last five years, the estimated number of individuals consuming drugs increased from 3 thousand to 60 thousand. In 1998, their number increased 5 times as compared to 1997. The “performance” of this industry is obviously quite “high”. The chances to corrupt a state officer are quite high. Therefore the criminal files on drug traffic do not get to the appropriate authority (their total number decreased from 15 in 1996, to 10 in 1997 and, accordingly, 9 in 1998).

Source: Conference “Criminal and shadow economy in the Republic of Moldova, Chisinau, feb. 1999 ”

on energy resources, imports gas at a much higher price than the world price, charging no payment for the gas transit (for information: the transit charges for gas on the territory of the neighbouring countries exceed Moldova's GDP). On top of that: the installation of incoming and outgoing gas meters on its territory is delayed.

The increase in the level of tax avoidance and a decline in the budget receipts have determined the failure of policies with regard to enterprise and small business and social support, education, health, environment, remuneration of budget employees. This, in turn, impoverishes the population, and *undermines the confidence in promoted reforms*.

Government's inability to ensure that its officers are paid decently paralyzes state institutions, *prejudices citizens' rights and guarantees which are ensured by the constitution*, discredits the state system, and causes the state to lose public respect.

The impact on environment: Due to the fact that certain groups of people impose their interests on the society in order to obtain immediate profits without “amortization” of environmental resources, the condition of the environment is deteriorating.

The *purposes of fighting corruption* can be different: achieve short-term efficiency within the private market, dynamic long-term efficiency, economic growth, social equity.

Sustainable strategic directions of fighting corruption and reducing the occurrence of shadow economy in the Republic of Moldova shall include the liberalization of a legal framework, insurance of transparency, institutional reforms, the revision and improvement of the law enforcement system, the reduction of monopolies in all areas, ensuring the transparency of decision-making factors.

Implementing a policy in this area requires a legal reform, institutional reform, improvement of regulatory framework and financial control procedures, and a reduction of public tolerance.

Legal reform would include the following steps: applying to international institutions for help in for fighting corruption and economic crime, the use of an external monitoring system; applying for projects funded by the external technical assistance to conduct a legal assessment of laws and amendments proposed for adoption, improving the legal system by eliminating contradictions and ambiguities, etc; improving crime prevention actions; defining clearly the system of penalties in case of a violation of law.

The improvement of the regulatory system and financial control procedures includes: simplifying the regulations issued by the state and inspection authorities;

systematizing and standardizing activities performed by control authorities; publishing clear information on control agencies, rights and obligations of control agencies; setting up a unit which would keep a record of and control the number of inspections carried out at the same enterprise; reforming the tax and accounting systems with the view toward their simplification and ensuring transparency; improving the quality of training for financial control staff; publishing tax information and providing transparency in preparing and implementing the state budget; establishing a compulsory system of tenders to sign the contracts for the acquisition of public goods and services.

Institutional reform calls for: reduction in the number of state institutions and their staff; substitution of personal visits for solving the problems with mailing procedures, including electronic mail; government depoliticization, establishment of a compulsory system of professional promotion on a merit and competitive basis; implementation of a well-defined system of ethical standards for state officials; setting up independent institutions to authorize investigations of accusations of corruption.

Reduction of public tolerance requires: co-ordination of efforts taken by education, religious and mass-media institutions as part of anti-corruption campaign; ensuring transparency of funding provided to political parties; ensuring journalists' involvement in promoting an equitable reporting and introducing a code of conduct for journalists; increasing the public confidence in the state institutions by establishing an agency for lodging complaints about inappropriate behaviour of policemen and control authorities.

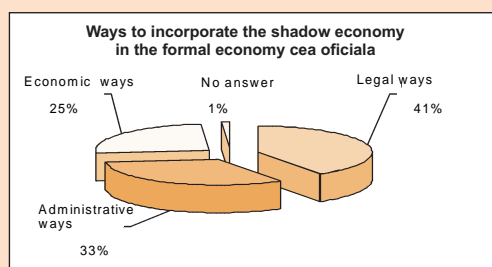
These measures, when implemented, will assist in the merger of the shadow economy with the formal economy, will assist in fighting corruption and eliminating impediments to human development in Moldova and will promote the economic, political, public, personal and ecological security of the society.

Box 4.4.2

According to an opinion poll conducted as part of the Project "Strategy for Development" (CISR), the underground economy seriously threatens the state system, collection of income

due to the budget, economic security and state's prestige. In the opinion of the respondents the proportion of underground economy might be reduced by taking legal measures (tax reduction, increasing access to credits), economic actions (extending the possibility of leasing of premises, technical equipment, transportation facilities), and by administrative methods (improve the performance of economic police, financial guard, law enforcement authorities).

Source: CISR





CHAPTER 5.

PROBLEMS IN MAINTAINING HUMAN SECURITY

5.1. Social Protection of the Disabled. Human Security of the Elderly

Social protection systems play an important role in the provision of human economic security. Correlated with the levels of well being, social safety systems are meant to impede the erosion of income resulting from the adverse impact of different eventualities. In the case of a turbulent economic environment such as Moldova's, safety nets are expected to attenuate the social costs of economic reform and to help withstand deterioration in living standards among the socially vulnerable. A broader definition presents social security and social assistance as instruments intended to reduce the degree of a person's dependence on the environment around him.

In the economic transition under way in the Republic of Moldova, considered a radical change in terms of changes in the social, cultural and economic behaviour of people, living standards and the degree of human security for a major part of population have been undermined. Thus, economic imbalances, accompanied by a large-scale economic decline, have led to mass pauperization, to a degradation of the health care system, and to destruction in the education system.

The entire society feels the painful effects of transformation processes. However, especially hard hit are those who cannot work, whose welfare depends on the social allowances allocated by the state, by non-governmental organizations or by private persons and organizations. Due to the penury of budgetary resources and the economic decline the social protection benefits of the past have been largely degraded. At the same time no mechanism to attract alternative financial resources for social protection needs

has been created. As the state is unable to provide adequate assistance and the tertiary sector is still in a very early stage of development, the situation of people from this category continues to deteriorate. The state, and also non-state institutions, must undertake an enormous managerial effort to reform the social protection system, so that the latter corresponds to the philosophy of the new society and to principles on which the new economic system is meant to function.

Elderly people, invalids and children are the most vulnerable groups within a population and their human development fundamentally depends on fluctuations of the social and economic environment. Each of them constitutes a distinctive social group and subsequently needs special measures of social protection. Thus, a reform of the social protection system assumes a set of measures for each separate group.

Social protection of the elderly within the context of pension reform. The year 1999 was declared "The Year of the Elderly" by the UN. The actual attention given this problem in Moldova is determined on one hand by the fact that people older than 60 represent 16.6% of the country's population, and on the other hand by the difficult situation in which older people now find themselves during the transition period.

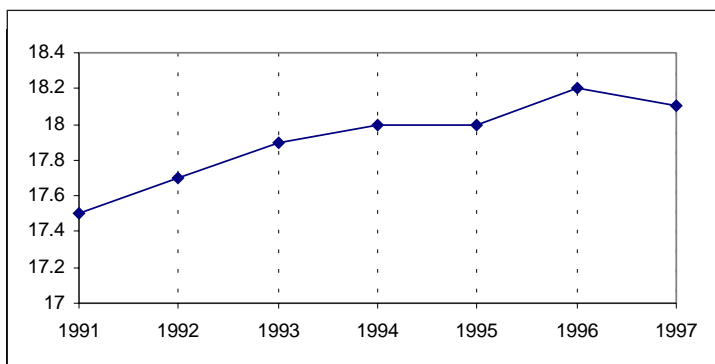
Older people constitute the most numerous and controversial category in this society both from the welfare point of view and due to their social preferences. Their representation in the social network continues to grow, reaching almost one fifth of the entire population in 1998. The lack of homogeneity among this group requires the application of a diverse range of instruments in order to strengthen their social security. The main instruments are the following:

"Disaster is the best time for virtues."

Seneca

Fig. 5.1.1.

Share of population being 55 years old and over, %



Source: Public Health in Moldova 1998, CSP

- Pensions;
- Allowances and compensations;
- Institutionalised social assistance (homes for elderly, asylum, health resorts);
- Social assistance in home conditions;
- Privileges in consumption of a number of public goods and utilities;
- Occasional material aids.

The central element in social security for the elderly is provision of a pension. That system in place in the Republic of Moldova at present covers approximately 758,000 citizens or approximately one-fifth of the population of the Republic. Of these, some 560.4 thousand people benefit from old age-pension (of these 150.9 thousand are privileged pen-

sions); 109.2 thousand are invalid pensions; 40.6 thousand are pensions for breadwinner loss (or a descendent pension); 39.3 thousand are social pensions and 8.5 thousand are military pensions. Lately in the Republic of Moldova there has been a tendency to allocate privileged pensions, which are slightly smaller compared to general equity criteria.

Thus, every fifth pension belongs in the category of a special benefit. Subsequently, the pension structure is substantially distorted: only one-third of it constitutes the basic pension, which is directly correlated to the contribution made by the recipient. The other two-thirds constitute different supplements or additions. This phenomenon is connected with the low viability of the public pension system and is actually meant to complement the income of the elderly.

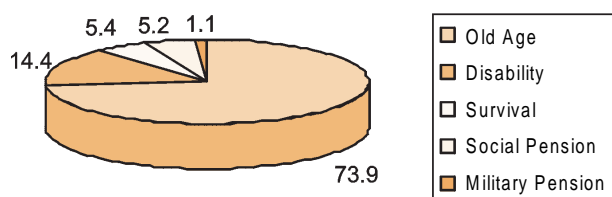
Nevertheless, the real value of pensions has significantly diminished lately. Relative to the minimum consumption basket, the average monthly pension provides only 17% (one of the smallest indices among countries in transition). This has been partially caused by inflation, partially by the decreasing salary coefficient in respect to pensions. In 1998, compared to 1992, the relation between the average pension and the average salary decreased from 60.3% to 33.9%. (The ILO considers that the substituting coefficient should be 75% in order that the degree is ensured in redistributing social income). Certainly, such a pension could go far to ensure the elderly a decent living standard.

Although during the last three years there was a 1.2 fold increase in total expenditures, achieving almost 10% of GDP in 1998, the actual public pension system, nevertheless, is not able to ensure beneficiaries a decent and secure human security. The reasons that have led to such a situation are the following:

- Fragile and unstable financial support for the public pension system
- Exaggerated arrangements of the state in respect to its financial possibilities

Fig. 5.1.2.

The number of pensioners in 1998, %



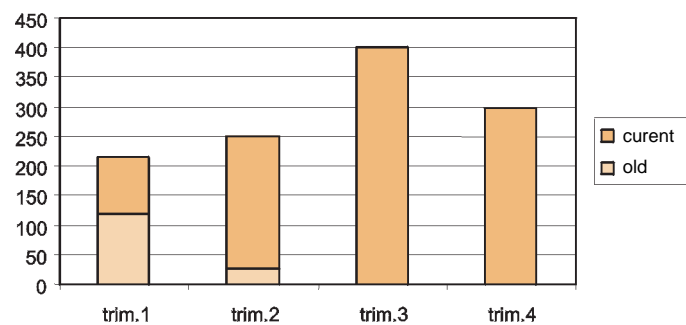
Source: data of MLPSF

- Weak link between contributions and benefits
- High degree of discretion of the respective institutions in establishing the amount of pensions
- Transformation of pension arrears into a chronic phenomenon
- Imperfect legal framework.

Poverty becomes more and more frequent among elderly people. This is not in line with earlier research, according to which pensioners do not appear to be the group most affected by poverty. The explanation would be the fact that a large number of them have jobs or are supported by their children. However, as a rule, single, or old-aged pensioners, have an extremely poor way of life. Thus, according to data obtained from the survey of household income and expenditures, more than 76.7% pensioners, according to their consumption expenditures, do not reach the minimum for a decent life (233.3 lei), whereas 16.2% of the total number of pensioners are under the 70 lei poverty line. In addition, the consumption structure of those 16% of pensioners classified below the poverty line shows that more than 72.6% of their expenditures are for food. This is an exaggerated level for this population group, which needs higher quality nutrition and, additionally, adequate medical care and more decent living conditions.

The elderly constitute the most vulnerable category from the point of view of health. In the present conditions of insufficient medical care they need additional expenditures, which by far exceed the individual or family financial possibilities. Research has also indicated that 43.8% of pensioners assess their living standards as bad and 21.5% as very bad. All these things inevitably lead to an increase of morbidity and mortality among old people. Subsequently, this has an impact on the life expectancy of the population — one of the main indicators, which determines the degree of sustainable human development in a society, and,

Fig. 5.1.3.

Pension arrears in 1998, million lei

Source: Social Fund data

in the end, drastically affects the social and economic security of this group.

Pension arrears have a substantial impact on the social security of old people. Chronic delays in the payment of pensions and allowances lead to a direct erosion of the elderly's well being and increase their vulnerability. Financial deadlock of economic entities and an imperfect taxation system are the main causes, of pension arrears. Although the Government treats the solution of arrears as a priority, payment in the near future seems very difficult to achieve. Payment of historic debts (accumulated in the past) is exceeded by an accumulation of new current debt. Thus, the total amount of arrears to pensions grows. At the end of 1998 total debts to the pension system reached the amount of 30 million lei or 3.4% of GDP. On average, the arrears extend for 5 to 5.5 months, although in certain rural areas the delay in payment reaches 8 to 9 months.

The problem becomes even more severe when treated in the context of the unfavourable demographic situation. The dramatic decrease in the natural growth of the population, accompanied by the by the increase of real unemployment and labour migration, will considerably increase the burden of social security systems for the economy. Compared to the situation at the beginning of the economic reform in 1991, the demographic task coefficient rose 1.46 fold. At present there is a conventional ratio of 1 pensioner to

1.3 employees in the national economy, compared with the 1:2 ratio several years ago. The inevitable *demographic aging*, a topic frequently discussed by specialists and in decision-making forums, gives birth to multiple and numerous difficulties connected with the rapid increase in the number of beneficiaries, and subsequently in the financial need for pensions and social security. One may not expect that macroeconomic stability, or economic growth, or even an improvement of the situation on the labour market will be able to overcome the effects of the demographic aging. On the other hand, neglect of this issue may lead to a sustained deterioration in the well being of the elderly.

In order to ensure a way out of this situation, it is necessary to undertake decisive, untraditional measures and to reform the existing social security system for old people, and subsequently the pension system. One of solutions may be the large-scale implementation of social security principles. The market economy presupposes each person's personal responsibility for his or her situation, including the social and economic situation. An individual should ensure his protection against different social risks such as unemployment, unfitness for labour due to disease, poverty, etc. through social security. Old age is also a social risk. In this context, according to concepts of the market economy, the pension system represents a security system for old age. Due to the fact that old age is an inevitable risk for each person, social insurance for old age is compulsory.

In October 1998 the Parliament of the Republic of Moldova passed a new law regarding public pension insurance. This law foresees the replacement of the old pension system with a new one. The old system, based on the principle of generational solidarity, has proven inefficient and in current conditions has a built in non-incentive due to exaggeratedly large taxes. The new system is based on the principle of personal contributions to one's future pension. New pension proposals to some extent assume an individual's free choice in determining the size of his pension. A person has the possibility of participating through contributions both to public pension funds via compulsory insurance and to private pension funds via voluntary insurance, which makes possible a considerable increase in one's potential pension. Thus, the size of a pension will depend on the contributions of a person and on the duration of payments to pension funds. This is meant to ensure adequate social equity in the new pension system and encourage contributions through increased incentives. In this way the new system is planned to correspond to market principles ensuring efficiency and equity.

The new pension system should foster a real improvement in the situation of

Box 5.1.1.

New Pension System vs. Old Pension System

<i>Old System</i>	<i>New System</i>
<ul style="list-style-type: none"> ● Integral public ● Uniform universal coverage ● High degree of discretion in pension establishment ● Obscure and controversial pension conditions ● Lack of incentives to make contributions ● Inter-generation redistribution function only ● Multiple privileged pension types ● Relatively low retirement age compared with international standards ● Labour experience almost has no influence on pension ● Integral reliance on financing with public resources ● Contributions are used to pay pensions 	<ul style="list-style-type: none"> ● Mixed public-private ● Differentiated benefits ● Close connection between pensions and contributions ● Eligibility criterion clearly defined and quantified ● Strong incentives to make contributions ● Partial redistribution with the focus on accumulation ● All types of privileged pensions are annulled ● Retirement age is adjusted to international standards ● All labour experience is taken into consideration ● Focus on individual contribution and the one made by the employers ● Possibility to invest the accumulations

Source: Strategy of the pension reform in the Republic of Moldova, MER, 1998.

the elderly. However, in order for this system to function, it will be necessary for a certain period of time to elapse, during which pension funds will accumulate enough resources to be able to honour the payment of pensions. Thus elderly people cannot now benefit from the new pension system, because, there is no money on their personal accounts. In view of this, the new pension law foresees a transition period, during which both pension systems would function, covering present pensioners and future pensioners. The share of the new pension system is envisaged to gradually increase.

An increase in the pension age constitutes one of the basic components of the new pension system, foreseeing a retirement age of 65 years for men and 60 years for women. This measure is necessary in order to attenuate the aging effects of the population and to diminish the demographic pressure on the active population. It is also expected that such a measure will reduce the payments to pension funds for compulsory insurance. In order to avoid tensions in the society in connection with social equity, the law foresees that the increase in pension age will take place gradually, 6 months annually, during 10 years period of time.

Implementation of the new pension system does not solve the problems of well being of actual pensioners. To improve the current conditions of the elderly, the Government with the assistance of UNDP has worked out a complex program "Insurance of Old Age". This program, along with the implementation of the new pension system, foresees a number of measures aimed at contributing to poverty alleviation among the elderly and ensuring a decent old age. Among the most important measures included in this program are the following:

- Liquidation of all arrears to pensioners and putting in place a mechanism aimed to exclude any delays of pension payment in future;
- Improvement of targeted (nominal) allocation of social security serv-

ices and social assistance, so that the limited available resources go to the most vulnerable parts of old population;

- A complex survey intended to find more efficient solutions to problems faced by the elderly and to enlarge the range of social assistance services rendered to them;
- Mobilization of all political and economic forces of the society which, via non-governmental organizations, can in a realistic way contribute to the improvement of social security for the current elderly population.

Social protection of invalids. There is a greater probability that families with one or more invalids fall into the category of the poor. Invalids represent a social group, which, unlike other social vulnerable groups, depends entirely on state social assistance institutions. Any worsening of the economic situation in the state has a direct influence on the social and economic security of invalids.

The number of invalids in the Republic of Moldova is approximately 152.4 thousand people. Compared to 1996, their number went up 1.18 fold, especially in case of labour invalids and invalid children. Persons who lost their capacity to work as a result of trauma during production processes have the form the largest share in the total number of invalids — 76.8%. The tendency of child invalidism to stabilize at a high level is an alarming signal for overall human security. Constituting 18% from the total number of invalids, this indicator is higher than that in most other countries in transitions.

Although, similar to pensioners, the number of invalids in the entire structure of population is relatively small, in view of the peculiarity of this group, a special nutrition regimen is required as is more intensive social and medical assistance. This, of course, entails higher consumption expenditures compared to other categories of population.

As a result of deep economic crisis, the social security institutions in the Re-

public of Moldova are not able to ensure invalids adequate social support.

Financial difficulties of the state have led to a deepening of poverty among invalids and their families. Thus, the household income and expenditure survey shows that, from the point of view of consumption expenditures, 19.9% of the total number of families with invalids fall under the poverty line and 74.1% of invalids respectively are in the category below minimum existence. The degree of invalidism has an essential influence on the risk of poverty. Thus, 30.6% of group I invalids fall below the poverty line compared to only 7.4% of group III invalids. This is explained by the fact that a large part of group III invalids have jobs and subsequently have additional revenues compared to social allowances allocated by the state.

The actual social security system in the Republic of Moldova offers a number of services to invalids, among which are:

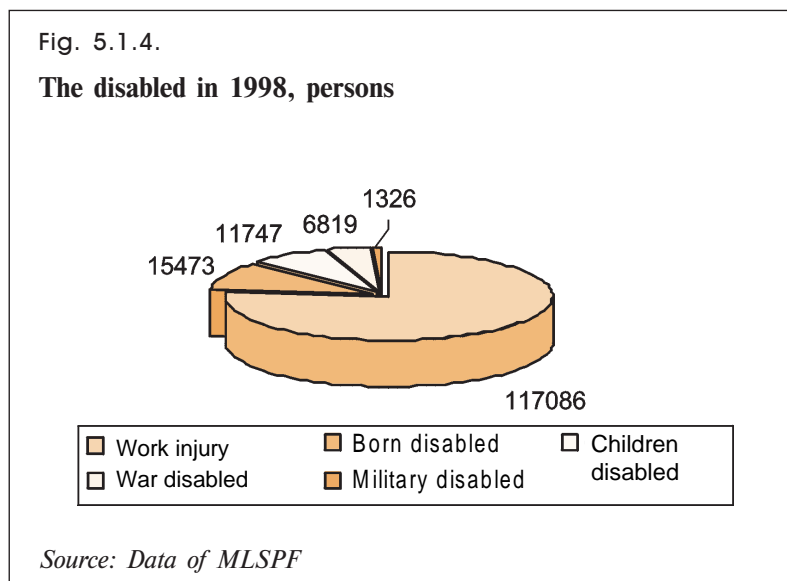
- Provision of pensions;
- Provision of additional allowances from the Social Security Fund;
- Provision of a number of privileges and subsidies for the procurement of drugs, the use of public transportation and the payment of utilities, etc;
- Free treatment vouchers in resort houses and balneological institutions;

- Provision of invalids with prostheses and other means that facilitate their movement;
- Delivery of social assistance services in home conditions;
- Support of invalids in boarding houses, etc.

The acute deficit of financial resources does not make possible real and systematic delivery of these services. Only a small number of invalids benefit from these services and, as a rule, not the very ones who indeed require a real social support. In these conditions, in order to improve the social economic situation of invalids and to reform their social support system, a number of measures need to be undertaken. This is expected to bring the system in line with the new economic conditions and to meet the respective efficiency and equity requirements. The following actions would be necessary for this:

- i. Improvement in the targeting mechanism in support and subsidies delivery to invalids, so that beneficiaries are in the first place the most vulnerable categories of invalids;
- ii. Involvement of non-governmental organizations in the process of attracting new financial resources to the social protection system;
- iii. Decentralization of the social support system of invalids via provisioning of a relative autonomy to local social support sections. Encouragement of local decision-making processes regarding the delivery of social support services to this social group, based on availability of local financial possibilities.

Social protection of children. Children represent the most vulnerable social group suffering the negative effects of transition, their fundamental needs of development being especially affected in this case. The acute insufficiency, as far as material and moral spiritual needs are concerned, brings about, especially in case of children, noxious effects, with a strong im-



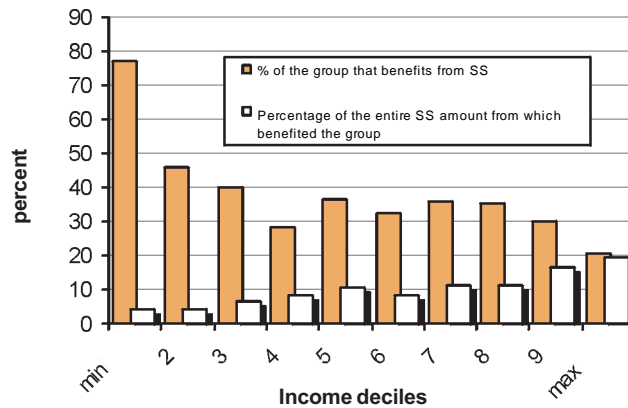
impact on their physical, psychological and social development. It is difficult to expect to revitalize the economy of a country with a generation of underdeveloped children from the physical and intellectual point of view and subject to social psychological trauma during their most fragile periods of development. In this society a stable and prosperous economy is possible only through the optimal use of human resources, they being the main factor of production here. Thus, it is very important that due attention is paid to processes of creation and consolidation of a solid capital of human resources. This will be of ultimate importance for revitalization of the future economy.

It is well known that the family is the most important and adequate environment for growth and development of a child. The family is traditionally meant to provide for the well being of a child, offering material but also the psychological-affective and social conditions necessary for the development and preparation of a child for adult life. A family's ability to fulfill its function of bringing up and educating children depends not only on the educational competence and responsibility of parents, but also and especially on available resources and possibilities. In the case of dysfunctional families (alcohol consuming, with delinquent children, etc.), but also in the case of those with a low level of income and precarious conditions of life, the educational potential is especially low.

The impact of the country's economic decline on families with children is disastrous. Thus, the household budget survey data indicate that the families with many children are the social groups mostly affected by the poverty risk and that the number of children in the families constitutes the decisive factor that leads to the increase in the degree of poverty. Whereas in families with only one child 17.8% are below the poverty line, in families with four and more children 36.4% are below the poverty line.

Box 5.1.2.

Social security in Moldova does not seem to have a well-defined scope



Source: "Moldova: Poverty Assessment" WB Study, 1999

At the same time, the survey "Situation of Children in Disadvantaged Families" (UNICEF-ASEM, September, 1997) indicated that the group of children in difficult situations reaches significant proportions at the national level. The survey took as a basis the size of *disadvantaged families* and the greater number of children as compared to other families.

The essential predominance of disadvantages among families with a lower educational level among parents indicates their inability to adapt to current social and economic conditions. In fact, a considerable part of the population found itself in the new social-economic context without a minimum required "qualification".

According to conclusions drawn in this survey, the *social deprivation of children* in a family occurs most often due to the following circumstances: (i) the family has a low economic potential; (ii) the parents are not able to ensure the minimal material and educational conditions required for a child's care and development; (iii) parental incompetence in meeting the child's supportive and educational needs; (iv) the parents' irresponsibility in respect to the existential needs of a child; (v) an unfavourable psychological and moral environment in a family accompanied by a high degree of vio-

lence; (vi) the psychological and emotional imbalance of parents resulting in irrational and sometimes extremely rough response to unacceptable behaviour by children; (vii) the physical, emotional and educational neglect of children by adults.

The rather frequent involvement of children (36% in disadvantaged families and 16.5% in other families) in income-generating activity disrupts the educational process, leading to gaps in the psychological and intellectual development of a child;

The effort to provide a child with food, clothing, books and other school requisites (in rural areas) represents the main and most wide-spread difficulty faced by families. It is necessary that priorities, orientation and the content of social support and protection programs for children and families are established, taking into consideration the intensity and nature of difficulties met by parents in bringing up and educating children.

Not only is the health of children affected by disadvantageous conditions but also their psychological and intellectual development. The fact that very low educational results and negative behaviour of

children take place most frequently in disadvantaged families is a main argument for the conclusion drawn above. In this context it is obvious that children's education is strongly influenced by a family's well being.

A comparative analysis of schooling and education in disadvantaged and in better-off families indicates the following: A child has a negative attitude towards education in 13.3% of disadvantaged families and in 4.8% of better-off families. Respectively, 32.9% children from poor families and 10.7% from other families are looked down on in school. Punitive behaviour by teachers happens towards 4.6% children from disadvantageous families and 2.9% other families. Lack of textbooks and necessary literature is observed in 38.5% of disadvantaged families and 24.1% other families. 68.9% disadvantaged families and 29.0% of other families, respectively, can not afford to buy necessary supplies. Teachers apply physical punishment, respectively, in 11.8% of cases involving children from disadvantaged families and in 6.5% of those from other families. There is nobody in the family to work additionally with the child in, respectively, 24.0% of disadvantaged families and 11.5% of other families.

The fact that one-third (32.5%) of families with minor children are experiencing acute need reflects the real dimensions of poverty in the Republic of Moldova and reveals the desperate situation of disadvantaged families.

Of course improvement in living conditions and the attenuation of harmful conditions to children's development depends primarily on a comprehensive resolution of the economic crisis. It is also necessary to work out a special program of social protection focused on children and families during this difficult transition period. Such a program needs to set as a central goal the halt or maximum minimization of processes with a degenerative character for the society. This would, however, presuppose a good knowledge of phenomena, processes, and

Box 5.1.3.

Children and Transition

Although reforms are undertaken for the benefit of people, especially for the generation to come, unfortunately, the children are the ones who suffer more from their adverse effects. Every third family with minor children is affected by poverty. Due to this reason approximately 40% of minor children (up to 14 years) have to practice different income generation actions to the detriment of the education process. About 70% of families declared that they do not have money to pay the education fees and to purchase school supplies. Subsequently, every 10th child quit school for different periods of time. Malnutrition is frequently met among children: about 1/5 of them have no breakfast and 1/10 have no dinner. The situation becomes even more deplorable due to poor quality nutrition: it covers only 62% of the energy daily value necessary for children and only 40% of protein requirement. Additionally, more than half of the total number of children suffer from low immunity. This problem is especially acute in rural settlements where the degree of medical care is insufficient.

Source: Survey carried by UNICEF-Moldova and Ministry of Health

prominent or hidden realities characteristic for social life, and the implied risks. Taking all this into consideration, it is necessary to make decisions with an efficient cooperation with research centres so that a coherent plan of action match realities in the field.

Another fundamental need in the area of child and family area is the creation of a social protection system based on professionalism. This implies the necessity of training highly-qualified personnel specialized in the social support of families. Bearing in mind the acute insufficiency of resources and means for this purpose, it would be necessary to achieve an efficient management of the available resources and assets. This goal presupposes the involvement of all interested and available forces in the resolution of child-related issues. It also requires unifying efforts in form, content and intensity into one single well-targeted effort.

Along with these priorities, the following are important:

- Creation of a methodology assisting in the identification of families facing difficulties and of a matrix specifying the degree and nature of disadvantages;
- Establishment of support and social aids based on family needs and on the nature of difficulties and risks families face in respect to children;
- Creation of a number of local social support structures, institutionalized from the administrative and legal points of view, that are active under local mayoralties;
- Establishment of a monitoring system for disadvantaged groups' situations but also to monitor concrete local or global activities undertaken to solve these cases, problems, etc.
- Facilitation of a more thorough control over activities displaced by social protection institutions.

5.2. Social Protection of the Employed

Acute problems have appeared related to workers at displaced enterprises subject to reorganization and liquidation. The social policy promoted by the state at present possesses one important facet: the provision of social insurance for persons who have lost jobs against their will. This possibility represents the basis of economic protection of citizens fit for labour.

The solution of this problem depends on a number of factors, the predominant ones being increased production and efficiency, liquidation or attenuation of imbalances in the labour market and facilitation of a complete utilization of production forces.

State policy, in the long-term perspective regarding the labour market, sets a priority on measures that ensure the utilization of fit and willing workers. However, there is a high rate of officially registered and of hidden unemployment (forced leaves and incomplete use of labour forces), and also there is a large number of citizens with no hope of finding employment through the support of the State Service for the Utilization of the Labour Force. These facts lead to a dramatic reduction in possibilities of financing programs aimed at developing the labour force and to a considerable increase in expenditures for the social protection of the population fit for labour.

The population fit for labour is considered a *subject of social protection* whenever the right to productive labour and incomes are infringed due to a lack of jobs, a change in the structure of employment or a decrease in the number of jobs. Taking into consideration the multiple aspects of unemployment, causes and factors, the social protection of persons fit for labour is divided into four groups and constitutes an integrated index of the economic security:

- Payment of unemployment benefits and social aid;
- Allowances to unemployed workers whose entitlement to unemployment benefits has expired and also to unemployed parents with many children, etc.;

“By helping others, you help yourself.”

Moldovan proverb

- Contributions to the evolution of the labour force utilization process, which includes training and retraining of the unemployed, development of public works, subsidies to the unemployed for setting up their own business firms, credit allocation and subsidies to job-generating employers;
- Material aid allocation to certain employees in enterprises subject to restructuring, bankruptcy or reduction of jobs as temporal support and also to workers on forced leaves or a reduced labour regimen not covered by respective payments.

Measures for the social protection of the population fit for labour are financed with resources from the social insurance

budget and, respectively, with resources from the Unemployment Fund.

The share of expenditures designated for payment of benefits and other allowances predominates in expenditures of the Unemployment Fund. During the first stage of labour market formation (1993-1994), it didn't exceed 47%, reaching its peak of 56% in 1996, after which it started to decrease again. Expenditures for training, skill improvement and for new jobs equalled 23.4% and their share is growing with every year.

The special expenditures of the Unemployment Fund show a rising tendency in the Republic of Moldova. Real services for labour force utilization are being established.

Compared to 1996 expenditures for social protection increased with 14.9%, out of total amount of which 11.5% stand for benefits and social allowances, 30.6% for training and retraining of unemployed and 9.0% for the operation and maintenance of labour force offices.

The increase of expenditures for social insurance of unemployed persons is determined by the rise of benefits, growth of average salary in the Republic and is accompanied by a reduction in the share of persons receiving benefits in respect to the total number of registered unemployed.

Although an insignificant rise in benefit payments to graduates of different higher education institutions took place, the established amounts do not provide for the minimum physiological needs of citizens in the Republic. It would have been more adequate to provide for citizens without labour experience, women who interrupted their employment in order to care for children and group III invalids' entitlements to unemployment benefits adjusted to the subsistence minimum.

Problems of *persons with reduced labour capacities* (citizens with certain physical and mental deficiencies, including invalids) have become more acute as have those of young people along entering the market economy. The local administrative bodies are tasked with solving these problems. Special laws regarding the employment of persons with reduced labour

Table 5.2.1
Dynamics of Resources Spent by the Unemployment Fund
resources spent by the Unemployment Fund

Years	Unemployment Fund Resources (%) in Respect to:				
	GDP	FRM	Social share	Average per Employee, Lei	Average Monthly Amount of Unemployment Benefits, per person, Lei
1992	0,03	0,06	0,17	23	-
1993	0,04	0,11	0,32	374	-
1994	0,09	0,22	0,42	2529	29,6
1995	0,15	0,42	1,32	6160	47,9
1996	0,14	0,44	1,33	8610	72,9
1997	0,13			10636	81,0
1998	0,14			12122	79,5

Source: Data provided by MLSPF

Table 5.2.2
Share of Unemployed Receiving Benefits in Respect to the Total Number of Officially Registered Unemployed, %

Years	Total	Women	Men
1995	28,4	36,5	19,6
1996	26,5	36,2	15,9
1997	23,8	31,3	14,7
1998	20,0	28,1	11,4

Source: Data provided by the MLSPF

capacities exist in certain countries (Poland). In other countries (the Czech and Slovak Republics) special chapters in the general Law are dedicated to unemployment. Support for persons with reduced labour capacities assumes measures to increase their social and professional chances in all spheres of social and economic life. Measures that might ensure jobs for such persons would be taxation privileges for employers offering these jobs and the allocation of privileged credits for the creation and maintenance of such employment.

Drastic measures undertaken to register unemployed persons, and to establish benefits have an unfavourable impact on legalization of the labour force and on the economic prospects for the working age population. Frequently, for different reasons, following a reduction in payments to unemployed persons, these payments are suspended altogether. Thus in 1997 payments were halted to more than 3.7 thousand unemployed people, out of which only 20.2% had a reasonable ground. Such measures are linked with concrete social economic realities and the character of unemployment itself.

In the case of structural unemployment “motivational” measures may also be built in. In most countries in the world, the establishment of benefit payment deadlines is linked either to work experience or the availability of employment. Amounts and terms of unemployment benefit payments are larger than in the Republic of Moldova. A considerable support may come from the social support systems at the disposal of unemployed persons when their unemployment benefits expire and they still haven’t new employment. However, in Moldova such a social support institution hasn’t been created yet. Expenditures for payment of nominal monthly compensations and allowances to the unemployment benefits for support of children under 14 years in 1997 accounted for 7.2% of the total expenditures designated for this purpose. Only 46 unemployed received material aid in the amount of 2.2 thousand lei from the resources allocated by the local administration power bodies.

Education and professional training are important aspects in the creation of economic and psychological conditions that sustain the working age population. A significant help would be training aimed at increasing the degree of utilization both of the unemployed and the partially employed labour force. At present the Ministry of Labour and Family Protection and the Ministry of Education and Science largely promote common education programs oriented toward training the unemployed to prepare for work. The share of the 1997 Unemployment Fund resources set aside for professional training of unemployed equalled 23.4%. During 1997 the number of trained unemployed constituted 6749 people or 4.1% of total number of registered unemployed. Out of them only 9.6% were trained on the job, at enterprises and in organizations. The share of persons who benefited from professional training within enterprises shows a rising trend compared to previous years (table 5.2.3.).

Training was offered for 60 professions. Of those professions accountants (27.7%), dressmakers (18.1%), operators (15.4%) and hairdressers (10.8%) predominated. The average duration of training per one unemployed person was 5.5 months and cost per trainee averaged 415 lei.

Public works projects may be undertaken with the goal of social protection. During 1997 labour offices started to combine the temporary use of labour force with retraining. Along with the positive impact on the actual situation on the current labour market, this measure also cre-

Table 5.2.3

Dynamics of the Unemployed Training Structure

	1994	1995	1996	1997	1998
Share of Registered unemployed who Benefited from Training	8,1	11,4	11,7	13,6	11,5
Women	5,2	7,3	7,6	9,4	15,1
Trained at job within enterprises	7,0	9,0	7,3	9,6	11,0

Source: Data provided by MLSPF

ates grounds for future improved labour force usage and makes possible progressive structural changes. With the same purpose, it would be necessary to revisit the definition of public works, presently considered to be activities that don't require special qualification and presuppose hard physical labour. Other countries' experience shows that public works may be used in all branches of the economy, including spheres of intellectual, social and ecological works.

In spite of financial and organization obstacles in their development process, public works have achieved a certain evolution (Table 5.2.4).

Delivery of economic, organizational and legal aid to people dismissed because of the organization of private business operations might be one possibility to regroup employed persons during the economic restructuring of enterprises. The creation of a considerable number of supplementary jobs and the development of non-traditional forms and types of labour force use is also envisaged. Thus, in 1998 the creation of 5000 jobs to employ persons in the poorer levels of society was planned and, respectively, 5800 and 6500

for 1999 and 2000. The organization of potential lines of credit of credit to unemployed persons who want to start businesses and to economic entities trying to create jobs constituted another planned activity. However, these plans, as well as other important actions from the social point of view, were not supported with the necessary organizational and financial support.

Contributing to the social protection of the working age population are the social guaranties by enterprises to employees in case of dismissal, forced dismissal or reduction of labour hours (days). Mass dismissal and restructuring of the state sector have become a usual phenomenon during radical economic reforms. The foreseen measures are temporary and don't correspond to the general economic situation.

Social insurance in Moldova has a special importance for the reorganization process of dismissed employees in rural areas. Many of them have enjoyed ownership of a land plot, value share and other assets. Some rural dwellers created peasant farms; others leased their assets. At the same time there are people who did not use their assets for production pur-

Tabelul 5.2.4

Development of Public Works

	Years					1998 in respect to
	1994	1995	1996	1997	1998	1994
Number of economic entities, which have created jobs (units)	98	189	165	241	278	2,8 times
Number of unemployed engaged in remunerated public works, (persons), out of them (%)	510	595	737	971	1360	2,7 times
• One month	33,1	41,2	25,2	26,7	32,8	-0,3 p.p.
• From one to three months	21,8	30,4	30,3	45,3	41,6	16,8 p.p.
• Three and more months	45,1	28,4	44,5	28,0	25,6	-19,5 p.p.
Costs for organization of public works, (one person), lei	31	78	177	165	227	7,3 times
Structure of financing resources for public works (%):						
- local budget	2,6	14,9	1,0	12,9	7,9	5,3%
- resources of the enterprise	36,0	80,9	98,8	86,4	90,3	54,3 p.p.
- Unemployment Fund	56,4	3,6	0,2	0,7	0,8	55,6 p.p.
- other resources	5,0	0,6	-	-	1,0	4,0 p.p.

Sources: Data provided by the MLSPF

poses and, respectively, for income generation. In view of this situation it would be irrational to deprive this category of employees of social support. They should be entitled to social support at least until they organize their production of goods or receive an income from the lease of their assets not less than the minimum subsistence per one family member. A second measure that might help resolve labour force usage would be “labour division”. This could occur without the interference of state administrative bodies. It is frequently used in countries with developed industries. The essence of this method is the slogan “Work less, there is enough work for everybody.” It implies that for the sake of employing a larger number of people, the division and shortening of the working week is shared by a number of employees.

A practice in which extra employees are not dismissed and the working day (week, month) is reduced or one in which management sends people on long-term leave without payment leads to the following situations:

a) Dismissal of employees under the so-called “at one’s self-initiative” provision of the law (without payment of dismissal allowances and without entitlement to unemployment benefits upon immediate registration at labour force offices). In 1998 due to the lack of jobs, 74.1% of dismissals were based on applications using the “at one’s self-initiative” formula. By sector, the formula was used by 80% of the agrarian sector dismissals, by 8.1% in the trade and repair services; by 85.2% in the education sector and by 88% in the service delivery sector.

b) Maintenance of employees who don’t work for long periods of time in the staff of enterprises means both the maintenance of their entitlement to material goods and the extension of their longevity as a basis for pension allocation.

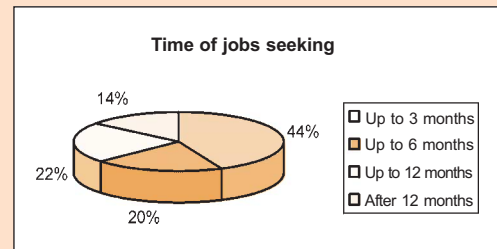
c) Less active search for new jobs on the part of employees, especially those foreseeing training or retraining.

d) Incomplete use of labour forces in conditions when payment for labour is a miserable one (in Moldova this leads to a decrease in the living standard).

Box 5.2.1

Looking for a Job

It is becoming more and more difficult to find a job now that reform processes have started to go deeper. New sectors of the economy based on private initiative



are still fragile and do not possess enough capacity to absorb the available labour force. Only every tenth dismissed person from the public sector could find a remunerated job in the private sector. In general the aggregate demand shows a declining tendency on the labour market: during the last four years it has shrunk 1.25 fold. At present the active population measures 44.3% compared to a magnitude of 80% in 1990 at the beginning of the economic reform.

As a result, access of the population to the labour market is continuously dropping and opportunities to be employed are insignificant. There exist a proportion of ten officially registered unemployed persons to one vacant job. Situation is even more drastic in case of locksmiths, drivers, mechanical engineers, librarians and agronomists, where the proportion is 1:12 in average. The cumulative effect of the disequilibrium signifies an aggravation of job insecurity. Thus, a person in the republic spends in the average 7 months in search of a job. For people in urban areas the length of time spent in search of employment is slightly more, 7.5 months. Although people in the rural area spend in the average less time in search of employment (6.7 months), the seasonable fluctuations are very large, a fact that increases the degree of uncertainty.

During one year the duration of employment ranges from 8 to 9 months to 4 or 5 months in summer. Consequently, the unemployment period increases and this has adverse economic and financial implications both for the state and the person. At present every fifth person registered at a labour office is experiencing unemployment for more than 6 months. This inevitably leads to the extension of long term unemployment, a phenomenon considered by the World Labour Organization as the worst form of unemployment. Compared to 1995, there is a 1.25 fold increase in this phenomenon, and it covers at present 14.4% of the total number of unemployed.

Source: Data provided by the MLSPF and HBS, 1998

e) Enforcement of labour division and incomplete use of labour force (could be used by certain enterprises to reduce their costs).

Such an approach might lead in the future to the concentration of labour in a small number of better-remunerated and highly efficient jobs and to an increase in the number of those without employment and income sources.

Different methods of reducing working hours has acquired a certain evolution in a number of countries in the world. It fosters an amelioration of labour conditions for women with many children, for young people who also study, for older persons, invalids and other citizens who need free time or a flexible labour timetable. Such a form of labour organization is connected with personal initiative and material provisioning. In 1998, 85.7% of people used this form of labour organization at the initiative of the administration, very often to the considerable detriment of their salaries. This indicator constituted more than 90% in 12 districts of the Republic. One should mention the fact that, compared to 1997, in 1998 the number of those not fully employed has risen by 18.0%. In 33.6% of the cases this happened at the initiative of the administration.

The third method, according to widespread statistics in Moldova, is the practice of sending different workers on leave without preserving the payment of compensations.

Such leaves may be theoretically assessed as a certain privilege granted by the enterprise, and especially by the state, due to the fact that they presuppose maintenance

of labour experience, the possibility to adjust to the new market economy and the maintenance of psychological equilibrium. During 1998, 146.4 thousand citizens were on administrative leaves of this type. Each person stands for 87.4 labour days, the differences between territories being from 14 labour days per person, as for example, in Camenca district up to 270 labour days per person in Dubasari district. Thus, during four months, approximately 150 people didn't work and, respectively, did not receive a salary. At the same time they were not registered as unemployed and did not receive the unemployment benefit.

Among branches of the economy, the most critical situation has been registered in construction, where 55% of the employed people were on leave more than 127 labour days. In the processing industry the respective indices are 51.5% and 108 labour days.

Along with the deepening production crisis and the promotion of the privatization process, the system of work reduction, which in the future would assume a democratic solution due to relations between employer and employees, at present appears to contribute to decreased empathy and increased friction in the employer-employee relationship. Long term, non-paid administrative leave requires workers to adjust to new conditions and to accept a job, either in their own locality or abroad. Often these jobs don't correspond to a worker's profession or qualification. A person's loss cannot be compensated by the maintenance of a formal link with the enterprise, cannot be compensated by extending the employment relationship only on the enterprises's formal roll (workers used to keep their labour certificates at the enterprise) or by certain social goods, all of which feed the volatile hope of regaining the old job.

Such a process brings about a reduction in the percentage of qualified workers. Some employees who have no possibility of obtaining a job at other enterprises lose their professional qualification and continue living miserably. Others part find part-time employment or engage in a small business, thus quitting their basic profession and maintaining only a legal, formal link with their enterprise. With the aim of revitalizing labour utilization, it

Box 5.2.2

Unemployment profile

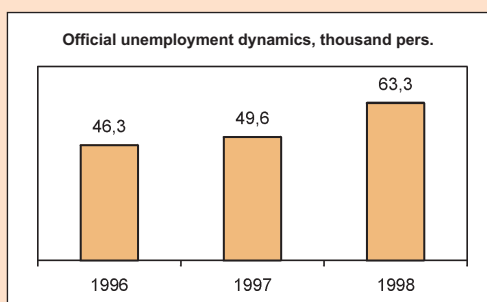
Although the rate of official unemployment is low (about 2% of the labour force) its growth rate is very significant: in 1998 the number of persons registered as unemployed at labour force offices has gone up 1.3 times.

Those who face the greatest risk of finding themselves unemployed share the following profile: women (59%), especially mothers after maternity leave; young people up to 30 years (45%), especially young people without a specialty and those released from the Army; unskilled workers (57%), especially from mechanical industries; seasonal workers (47%), especially those linked to the agrarian sector.

The principal arguments made for dismissing employees are: financial blockage of economic entities (34%); restructuring of enterprises (25%); merging of enterprises (17%); bankruptcy (15%).

From the point of view of professions, the most vulnerable to unemployment are locksmiths, drivers, construction workers, librarians, engineers and agronomists.

Source: Data provided by MLSPF



would be rational to legalize its forms (reduced labour week, day, etc.) including the normative time and compensation of income arrears (salaries). This would also impede an abrupt transformation of hidden unemployment into an officially registered one. In France, for example, the program that compensates income in the case of partial unemployment, namely in situations when the labour force is utilized less than 40 hours per week, foresees compensation in the amount of 50% of the total compensation per hour.

For the purpose of maintaining labour potential, especially of qualified workers, it would be rational in Moldova's current circumstances to introduce subsidies for the use of labour at prosperous enterprises. This would require application of a structurally rationalized policy both at the national and territorial levels along with a selective support of competitive enterprises for investments. It would ensure maintenance of hidden unemployment, which may not be handled at present. It can also ensure a more efficient utilization of the transition period for adjustment of labour to new conditions.

To ensure the material and psychological security of dismissed employees, a payment of allowances and privileges is envisaged. These include compensations to average salary, privileges offered by enterprises regarding access to social economic services taking into consideration the contribution of employees to the development of production and material assistance of dismissed employees. The possibility exists to benefit of nominally designated money allowances and scholarships in cases of an income decrease caused by studies and retraining. There exist privileges in payment of fees for departmental lodgings and other allowances to members of families unfit for labour.

However, certain enterprises that have found themselves in a difficult financial situation are violating the Bankruptcy Law. The administration requires some employees to sign annual labour contracts, in cases in which otherwise the enterprise needs to be declared bankrupt. Workers receive no salaries during this period of time. One year later they are dismissed without receiving dismissal allowances.

Box 5.2.3 Real Unemployment vs. Official Unemployment	
Real Unemployment	Official Unemployment
<ul style="list-style-type: none"> ● Includes all people of working age in search of an employment ● Is related to employed people ● Covers all types of unemployment: open, hidden and frictional ● Gives an assessment of real dimension of the labour force reserve in all sectors of economy ● The rate is 9.4% 	<ul style="list-style-type: none"> ● Includes only dismissed employees at the initiative of administration ● Is related to population active from the economic point of view ● Covers only a segment of unemployment, namely the open one and which is officially registered ● Gives a partial assessment or the labour reserve, mainly with regard to the public system ● The rate is 2.0%
<i>Source: CISR estimations</i>	

In order to achieve this it will be necessary to make amendments and additions to the Labour Code of the Republic of Moldova in respect to the following issues:

- Temporary transfer to a new job when there appears such a necessity for the production process;
- Annulment of a labour contract at the initiative of the administration;
- Grounds and procedure for dismissal of employees;
- Privileges and compensations to dismissed employees in case of replacement of the proprietor;
- Monitoring of the rights of employees who are sacked due to staff reduction, with regard to assets in possession of the enterprise whenever the enterprise is subject to liquidation, privatization or commercialization.
- Terms of payment in case of dismissal of an employee;
- Differentiation of mass dismissal criteria for enterprises of different types and sizes.

At present the Law in force foresees social guarantees for citizens out of jobs who apply for support at unemployment offices. It would have been equally bene-

ficial for citizens, proprietors and unemployment offices, should amendments and completions be made to this Law. This would ensure the regulation of a mutually advantageous cooperation during the period prior to employees' dismissal as a result of reorganization of enterprises, downsizing, bankruptcy and management from outside. The concrete situation on the labour market imposes the introduction of amendments to the social protection mechanism of sacked employees. That is why the adoption of the law "On Protection of Employees in Connection with Insolvency of Proprietors" is necessary. It needs to foresee payment guaranties in case of the most important arrears in conformity to the labour agreement, irrespective of the state of affairs of the debtor's property and the liquidation process.

A high level of unemployment requires an increase, by all available means, of the financial resources required to implement state programs on labour use and to partially provide social insurance for the unemployed. It is due to this very fact that financial possibilities for developing programs are considerably limited.

Conclusions. The constant rise in unemployment in the Republic of Moldova leads to the diminution of the state's possibilities of financing programs to help develop the labour market and to provide social insurance for the working-age population. This is true with respect to both the creation of new jobs, the social insurance of the currently-registered unemployed, and the assistance possible for programs dealing with partial use of the labour force as well as employees dismissed due to restructuring and the insolvency of enterprises.

Due to the decrease in employment there is an annual increase of financial resources in the Unemployment Fund designated for personnel. However, the amount of the Unemployment Fund for the last three years (1996 — 1998) constitutes only 0.13 — 0.14% of the global domestic product, which is much less than in most countries with a market economy. Although there is an artificial diminution in the number of people entitled to unemployment benefits, the estimated average monthly amount of benefits constituted in 1998 only 79.5 lei per person, which

does not ensure the minimum physiological subsistence for the unemployed. During training and retraining of the population of working age and also with regard to public works, important tendencies have been noticed, indicating a rise in the degree of adjustment of unemployed people to labour market conditions and to their material conditions. About 12% of all registered unemployed benefited from professional training, according to unemployment offices' data. However, the share of employed people from among those who completed training is insignificant and in 1998 constituted only 31.5%. The situation is much more deplorable in the sphere of public works. During 1998, only 1360 unemployed were involved in these works, or 2.2% of the total number of registered unemployed. In fact more than 90% of resources designated for financing public works are being used by enterprises. The local budgets share accounts for less than 10% and resources from the Unemployment Fund for less than 1%.

Although foreseen in the State Program for Labour Forces Use, no allocation of resources has been made for job creation, nor designated for programs for groups less engaged in the labour market. This leads to a worsening situation in the labour market and affects the socially vulnerable layers of society. Taking the above into consideration, the following points should be included in planning remedies:

1. When drafting the State Programs for Use of Labour Forces, the measures specified should be accompanied by indications of the resources for their financing;
2. In establishing the Republican Unemployment Fund, its relationship to the total domestic product of the Republic of Moldova should be established with consideration given to the prognosis of the social economic situation and experiences of countries with developed market relations;
3. In order to increase the efficient use of Unemployment Fund financial resources, it is necessary, in conformity to the request of proprietors, that training and retraining of unemployed at enterprises be held for a longer period, e.g., up to 9 months;
4. The drafting of national and regional programs aimed at job creation for vulnerable levels of society is imperative.

5.3. Public Health Security

Health constitutes one of the key issues of human security. There is a direct dependence between health security and individual welfare and the degree of human development in the country. Having a direct influence on labour capacities, health amplifies or limits people's options to benefit of the social opportunities. People with good health are less exposed to risk factors. And on the contrary, those with poor health are more painfully affected by a turbulent economic environment. Diseases exert a constraint on people's autonomy, reduce their participation in the labour market and enlarge their dependence on medical care. That is why poor health has a negative impact on labour force mobility, productivity and public expenditures. The cumulative effect of public health is reflected in the human development index and has both economic and social consequences. From this point of view the public health is considered, from a larger point of view, as a complete physical, mental and social welfare, and does not refer only to an absence of disease or a handicap.

The quality and efficiency of services delivered by medical institutions also condition public health. In this context one may say that present health protection system in Moldova is characterized by a *mixture of weak and strong parts*, originating from the peculiarity of the sector itself and the transition period. Main advantages, as indicated below, are the significant positive aspects inherited from the old, Soviet health protection system:

- Universal free access to all medical services;
- Entire population is entitled to health care;
- Primary medical sector well equipped with equipment and highly qualified personnel;
- A well structured and integrated network of hospitals, clinics and out patient clinics;
- Flexible network of hygienic and medical facilities for prevention of mass diseases;

- Priority integrated financing from the public budget.

At the same time the system was inefficient as far as qualitative promotion of medical services is concerned. The main explanation should be found in the *old medical philosophy*: the approach to citizens used to be rather as to passive recipients of medical services delivered by the state, than active participants to the improvement process of their of life. In view of this, there was an exclusive reliance on the state monopoly in health protection. As a consequence, internal sector management was inefficient, causing imbalance and a lack of coordination. The degree of response to local needs (especially the rural ones) used to be insignificant, priority being given to medical institutions from urban areas. The economic efficiency principle was neglected as far as the utilization of financial resources was concerned.

The situation in the medical sector has become significantly worse during the transition period. Actually, all parameters of the health protection system have worsen and their classification in sets could be the following:

- Deterioration in living standards of the population;
- Growing incidence in the degree of risk factors that undermine the public health security;
- Extension of nutrition, infectious, social and degenerative diseases;
- Tough financial constraints;
- Insufficient remuneration of medical personnel does not favour an incentive attitude towards a qualitative performance of professional tasks.

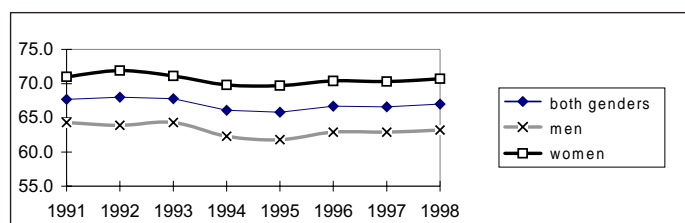
Life expectancy that represents an exponent of population's health status continues to substantially deteriorate. Compared to 1992, life expectancy has decreased 1.4 times, in 1998 being 70.7 years for a female and 63.2 years for a male, the average constituting 67 years. This drop is even more significant in the case

“Extremis malis, extrema remedia / Serious diseases require extreme treatment.”

Anonymous Latin

Fig. 5.3.1

Average life expectancy



Source: Survey of Ministry of Health

of women, it being a 1.6 fold decrease. Thus, life expectancy in Moldova is one of the lowest in Europe.

One of the most worrying trends of the unfavourable demographic development in the Republic is the rising mortality. In 1998, 47.7 thousand people died, the mortality rate being 11.1 per thousand. The number of deceased exceeded the number of newly born by 0.9 thousand. The structure of mortality causes reveals a preponderance of cardiovascular diseases (52.7%), followed by malignant growths (11.9%), accidents, poisonings, traumas (9.0%), digestive diseases (8.9%), and respiratory diseases (6.0%). At the same time the incidence of fatal cases among men appears to be more frequent than among women. That is why the mortality rate differs among the two genders, it being 114.8% in case of men. The fact that the mortality rate shows a growing tendency among economically active population appears rather alarming. Its level has gone up 1.1 times compared to 1993 and constitutes at present 41.6% of the general mortality structure.

A precarious situation is also characteristic for the *child health care* sector. Tough financial constraints, made more severe by the explosive rise of prices in medical services, have led to a substantial deterioration of children's health status. Malnutrition has become a usual phenomenon, which affects the large majority of the population, especially young people. Thus, the daily energy value of children's nutrition covers only 62% of the necessary minimum and even fewer proteins, they constituting only 40%. Consequently, the infant mortality rate is 17.8 to 1000 alive newborns, which is 3 times higher than the average European indices.

The situation in connection with infectious diseases remains alarming (recent different epidemics of cholera, measles and small pox). The incidence of syphilis, from 1990 through 1997, has gone up 10.6 fold, reaching 165.9 cases per 100,000 people. The real beginning of an AIDS epidemic is occurring, judging from the fact that in 1997, for example, there were 408 HIV-infected persons compared with 19 infected people during the 9 previous years (1986 through 1995) and 47 people in 1996. New tuberculosis cases appear every year, thus increasing the number of affected people. One can not assess the population's immunity as an efficient one, due to lack of vaccines and adequate equipment.

The incidence of gastrointestinal diseases is the highest in Europe. The growth in the number of cardiovascular diseases, stroke, rheumatism and diabetes and other chronic diseases presents a threat especially among young people.

Such parameters as a rise in the number of drug and alcohol addicts as well as the increase of smokers (especially among women and teenagers) indicate a social crisis. According to an official survey, more than 8% of the country's population is suffering from health problems caused by excessive alcohol consumption. Starting with 1990, the number of registered drug addicts shows an average annual growth of 30%. Problems caused by trauma, very often violent, continue to remain very severe.

A great number of problems persist connected with environmental factors. Issues like drinking water supply, tobacco processing, disposal of toxic waste, and lately air pollution in towns deserve special attention (especially in the rural areas).

Health protection structures are going through a deep crisis in connection with financial deficiency and the irrational use of available resources, and also a lack of medicine and adequate equipment. Due to this situation an essential discrepancy has appeared between the excessive demand for medical services and extremely reduced offer. Lacking financial resources to cover the cost of medical treatment, the large majority of the population has renounced costly services offered by specialized medical institutions and undertakes self-treatment in home conditions.

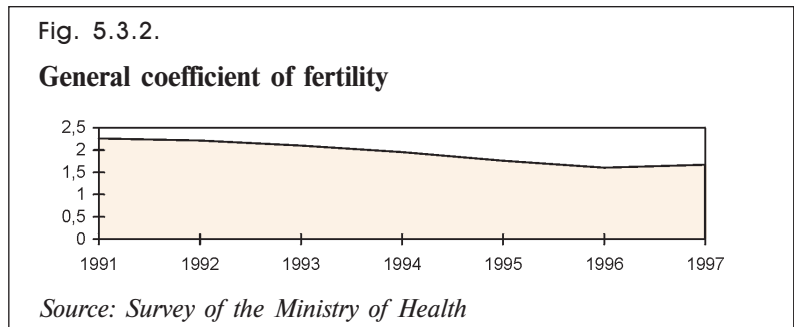
As a consequence, about 60% of deceased people and 30% of deceased children are deaths occurring in home conditions. Employed medical personnel is paid very low salaries, a fact that leads to a decrease in their moral standing, gives birth to bribery and brings about a negative attitude of the population towards them.

Causes for the precarious health status in Moldova are generated by the prevalence of risk factors in the way of life and in the surrounding environment, as well as by the absence of effective preventive actions and the low level of medical services. Programs worked up so far, along with the Government and Ministry of Health Protection action plans, are not able to solve these problems due to insufficient financial resources.

The precarious situation in the medical care sphere has had an impact on the demographic parameters of the Republic of Moldova. Along with high mortality and morbidity rates, the dramatic decrease of birth rate shows a deepening tendency.

Compared to 1989 the birth rate has decreased 1.62 fold and in 1998 reached 10.9 per 1000 inhabitants. There have been 46.8 thousand newborn babies, 35 thousand less than in 1989. A possible explanation lies in the deterioration of the structure of women's age. It is well known that young women account for three-fourths of the total number of births, while their number decreased by about 80 thousand compared to early 1986, when a record number of newborns were registered. The drop in the number of newborns is due to the fall in the number of marriages: in 1998 there were 15 thousand (1.6 fold) fewer marriages registered than in 1990. The rate of childbirths outside marriages constantly grew from 10.4% in 1989 to 17.5% in 1998.

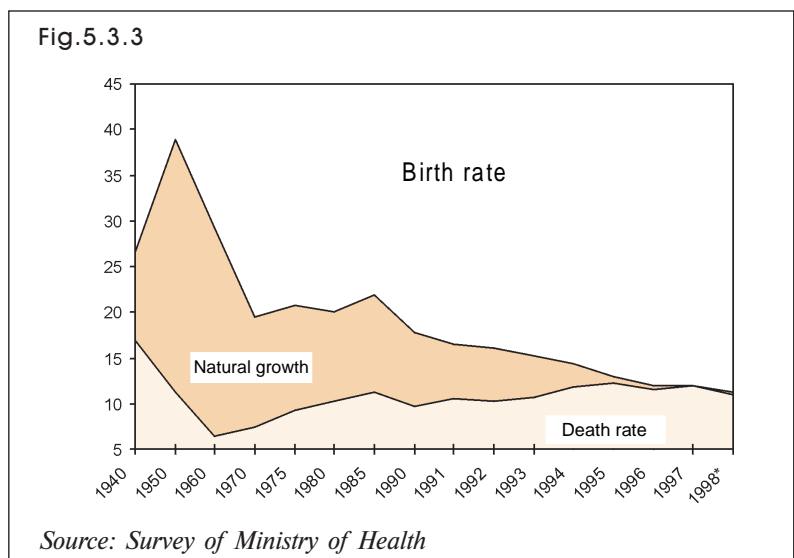
Consequently, the natural population growth rate has registered the smallest value in the post war period of 0.2 per thousand. This situation will persist in the future, given the fact that there exist no grounds that might generate a change of events. The main cause is connected with the general fertility coefficient, which has dropped to 1.67, a situation that will not even ensure the simple reproduction of population (2.14-2.15). All these facts will lead in the future to a depopulation



phenomenon in the Republic that in turn will generate a negative long-term impact on the genetic human fund. Starting in 1992 the population of the Republic has experienced a continuous decrease. At the end of 1998 the population of Moldova constituted 4293 thousand people. The annual rate of population growth was 0.3% and most likely will stay the same in the immediate future.

Another major factor that determines the formation of the structure of the population, besides birth rate and mortality, is migration. Beginning in 1990 emigration exceeded immigration, migration balance having a negative sign and deepening over the decade: minus 2934 people in 1996, minus 3879 people in 1997, minus 4351 people in 1998.

After the analysis of those 21 tasks foreseen in the "Global Strategy of Health for Everybody before the Year 2000", worked out by the regional WHO Bureau, it is clear that in Moldova none of these objectives can be fulfilled in the established terms. Even worse, possibilities for further worsening of public health will persist during the next several years.



Evidently, the continuing decline of public health requires restructuring the health care sector. The health of people is the most important factor for a sustainable human development. One should admit, that without urgent and efficient health-ensuring measures, reforms underway at present would not seem to achieve the established goals. There persists a mistaken perception in the country at present, inherited from Soviet times, in conformity to which the health protection sphere (Ministry of Health, medical preventive institutions, medical personnel) bear total responsibility for people's health. However, these problems have become extremely severe and are influenced by different factors, especially by social and economic ones and it would be impossible to ameliorate things exclusively with efforts of Health Protection System. Studies performed so far indicate that the population's health status is determined by efforts on the part of the medical establishment and its direct intervention only in 10% of the cases. In the rest health is determined by the lifestyle (40%), biological and hereditary factors (30%) and by the environment (20%).

The national policy regarding health protection includes a set of priorities, strategies and practical actions and is coordinated and approved at national, regional and local levels. Its main goal is the maintenance

and strengthening of people's health and health of the entire nation. The backbone of transformations lies with the redefinition of the state role in health protection and encouragement of self-responsibility for an individual's health status. This presupposes:

- (i) efficient allocation of resources based on a more active use of market mechanisms;
- (ii) a greater diversity of options for medical services, and
- (iii) strengthening the institutional capacity of the medical care system by decentralizing responsibilities and particularly managerial responsibilities.

Moldova's strategy regarding health protection was developed by the Ministry of Health in 1997 and has been adopted as a Government document under the name "*Concept and Development Strategy of the Health System in the Republic of Moldova in new economic conditions during 1997-2003*". The main goal of the strategy foresees facilitation of free access for the entire population to health care services. The implementation of this goal depends on the observance of the following principles:

- *Priority approach to health issues.* It is necessary to admit that health is not only one of the important rights of a human being, but also a resource of the state, a necessary condition for the state's progress.
- *Equity and solidarity.* In the present crisis, when there is an evident disparity in society, first of all as far as the supply of material resources is concerned, it is necessary that all kind of efforts are undertaken ensuring access of all citizens to improved health and preventive medical care. Solidarity (between rich and poor, healthy and sick, young and old) plays a primary role in this aspect.
- *Effective structures for processing, implementing and monitoring a National Health Policy (NHP).* Once priority status and the necessity of a similar approach is accepted, it's implementation would require the establishment of a network of effective institutions. Adequate support on behalf of administrative bodies, including financial support, is required.

Box 5.3.1.

Pillars of the health care reform in Moldova:

- ◆ Restructuring the network of medical services, redistributing the overcapacity of resources from the tertiary medical care and to allocate them to primary medical care.
- ◆ Strengthening the first aid network by granting funds for financing a set up of an efficient network of general doctors.
- ◆ Legalization of illegal payments, avoidance of payments for random or excessive medical services, especially those burdensome to the poor population.
- ◆ Setting up a new package of medical services which would correspond to the budgetary resources, allocating most funds to first aid.
- ◆ Centralization of medical care financing in order to improve the distribution of funds between sectors.

Source: *Moldova: Poverty Assessment, WB-Moldova Study, 1999.*

- *Inter-sector relations, joint programs, responsibility and recording.* Integral planning would be necessary in order to ensure the fulfilment of the results envisaged. It would also be necessary to undertake measures and actions and a critical joint evaluation of outcomes obtained by the involved administrative bodies at the central level, but also at regional and local levels. Based on such cooperation, it might be possible to more successfully attract outside resources (donations) and obtain their rational use for the social sector and health protection.

- *Consulting with and obtaining the broad participation of the community.* National Health Policy cannot be considered a program belonging to a certain department, not even to the Government. Its successful promotion presupposes the active participation of non-governmental organizations, professional unions, associations of common interests, the dissemination of information and the participation of all citizens as well as an assumption of responsibility by each member of the society. Involvement of mass media is very important for the establishment of such relations.

The promotion and implementation of NHP is a long and difficult process. It includes several stages, namely: achievement of consent and the establishment of priorities, definition of tasks and actions for implementation, broad consultation of the population, backing up the NHP with legal power (in a majority of countries documents of this kind are adopted by the Parliament and have the status of law). However, the importance and gravity of health problems makes this a vital necessity. The main objectives may be grouped into three big categories:

- Improvement of health conditions through amelioration of population's living standards, promotion of a healthy way of life, protection of the environment and efficient strengthening of treatment and disease prevention services.
- Increase of efficiency of health care services through greater support for the use of market levers and diversification of financial sources for medical institutions.

- Strengthening of the institutional capacity of the public health sector through decentralization of the medical care network, improvement of legal framework and restructuring of health management.

Reform of the medical care sector is different from that in other sectors of the economy due to the fact that medical services never cease, not even when the economic system is in deep decline. From this point of view the reforms of the medical sector imply simultaneous opportunities and risks. The major opportunities are:

- (i) tendency of a liberalization of economic activity and a considerable restraint in the role of the state;

- (ii) extended free access and options for people to a more diversified range of services and products;

- (iii) decentralization of medical management and a wider-scale use of efficient allocations.

The risk factors that may undermine to some extent the outcome of reforms are linked first of all with the environment of economic and political instability. They also are generated by the fact that the community shows insignificant support for radical reforms in the health care system.

Working with a viable strategy aimed at launching, promoting and administering the renovation of the health sector in a turbulent environment (similar to the one in Moldova) proved to be a discouraging challenge for health policy makers in Moldova. It is also a difficult process from the technical and political points of view. This was obvious when actions were undertaken to solve three issues, namely:

- (i) the establishment of free and guaranteed minimum medical support;

- (ii) the implementation of compulsory medical care insurance, and

- (iii) territorial administrative reform.

These are extremely difficult issues and require an inter-sector approach. There is a very direct connection with the taxation system for the Social Fund and the Budget.

In the implementation of health care reform in given conditions, the basic principles of reform indicated below need to be taken into consideration:

- Renouncement of centrally-planned management and supervision system and introduction of different decentralized forms (de-concentration, devolution, delegation of functions, etc.) in the decision making process, in the allocation of resources, service development, coordination, control and evaluation.
- Global health policies and strategies need to be maintained at a national level, while planning activities and development of health system should be implemented at the regional level. The Ministry of Health will support the reform process of health care through its network. At the same time there should take place a gradual displacement of hierarchical structures on a horizontal line. This should ensure a diminution of the administrative, formal relations in favour of functional, cooperative relations, collaboration, association, coordination or integration. The main tasks of the Ministry should be:
 - identification and prioritization of major health problems in the country;

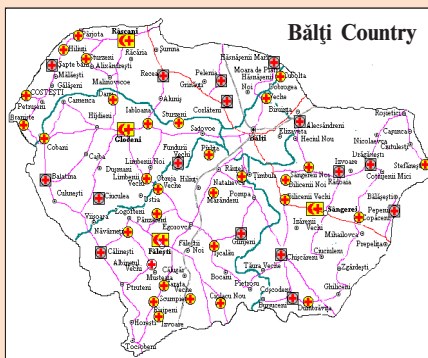
- development of state long and middle-term programs of public sanitation;
- monitoring of planning processes in the sphere of health protection (a human resource);
- development of annual reports regarding both the health status of the population and medical services at central and regional levels.
- At the regional level it is advised that the Public Health Service be set up as an institution to ensure management of health protection at this level and subordination of public authorities. This institution would be entitled to stimulate and oversee the implementation of the legal framework in the health protection area; to monitor and evaluate health status and its determining factors; to supervise the sanitary-epidemiological situation and to apply and adjust national health programs; to evaluate medical services; to carry out, within the Regulation, management of the of health care system at the regional level.

Box 5.3.2.

Architecture at the Level of Local Health Care

The strategy of health reform in Moldova foresees a deeper decentralization of public health management. The primary role in decision making, development of medical institutions and medical care delivery shall be at the regional level. Only global policies and strategies regarding the development of public health will be at the national level of responsibility. The burden of planning, organizing and implementing will fall on the respective local services. The new architecture of health care at the regional level includes three elements: (i) regional hospitals with complex care, which will correspond to the number of former districts merged in a county; (ii)

district hospitals and outpatient clinics and (iii) rural preventive outpatient clinics. In the case of Balti county there are four complex regional centers; 15 district hospitals and 31 rural outpatient clinics. Such a network is more flexible and facilitates access of the population to institutional medical services.



Source: Studies of Ministry of Health

The creation of from three to four health aid districts in each county is proposed. (That was the number of previous districts now covered by a county.) The aim would be to support the continuity of the management process and to ensure access to medical services during the territorial administrative reform. The health districts created would coincide with the territories of former districts: now within the jurisdiction of the county. Thus, there could be from 3 to 5 sectors delivering complex care medical services per county, which may continue to integrally function and provide services to a population of 60-100 thousand.

In conformity to the concept of health protection reform, two independently financed sectors are being put in place: that is the outpatient sector delivering primary medical services and the hospital sector delivering specialized consulting services. *The primary sector* includes the majority of institutions, which used to belong to the previous outpatient sector with the exception of specialized services. The

secondary *sector* includes all hospitals that used to belong to districts.

Local health institutions will be financed with resources from three sources: by the local and republican budgets for the delivery of minimum state guaranteed services; by compulsory insurance targeted to cover the basic package of medical services and through resources generated by paid services.

Thus, the strengthening of public health becomes a priority for human security. Health status depends not on an individual's welfare alone, but also on the economic achievement in general. That is why restructuring of medical sector will be included in the context of economic reforms with the purpose of synchronizing its activities and effects. At the same time, the role of all actors on the market of medical services, which are the Government and patients, will change substantially. The government authorities will assume responsibility for the promotion of a free access of all citizens to medical services, and ensure the equity and quality of delivered services. Individual persons, in their turn, will become active participants in ensuring their health status. Health protection will be treated as an economic good, which inevitably will request an efficient allocation of financial resources and a rational approach in respect to consumption of medical services. Other measures are expected to transfer public health from a wholly irrational approach to the rational economic sphere.

Strengthening the security of public health constitutes a complex and long-term process. Its success depends in the first place on the economic environment in the country but also on the political and social support of the community. That is why promotion of transformations in the medical support sphere are envisaged to take place in the following sequence:

- Short-term activities, which will be focused on ensuring delivery of basic medical services and avoidance of the total collapse of the medical sector;
- Medium-term activities, which will be oriented predominantly to deepen the restructuring of the medical services sector.

5.4. Access to Education

The option of a good education is a fundamental part of human development. Access to education is an important component of social and economic security. A society must guarantee equal access to education and must favour the constant development of human capabilities. The importance of knowledge and continuing education in the social process and especially in the formation of human capital is scientifically proven and accepted worldwide. On a global scale, social demand for education has a continuous increase; therefore education becomes a cultural issue in the hierarchy of social priorities worldwide.

The State's role in education is confirmed by law, and has fundamental policy objectives: that of ensuring equal chances for education to all population groups, of training in citizenship to respect human rights and fundamental liberties, of differentiating qualifications adjusted to both current and future labour market needs and one of fostering individual openness in pupil development.

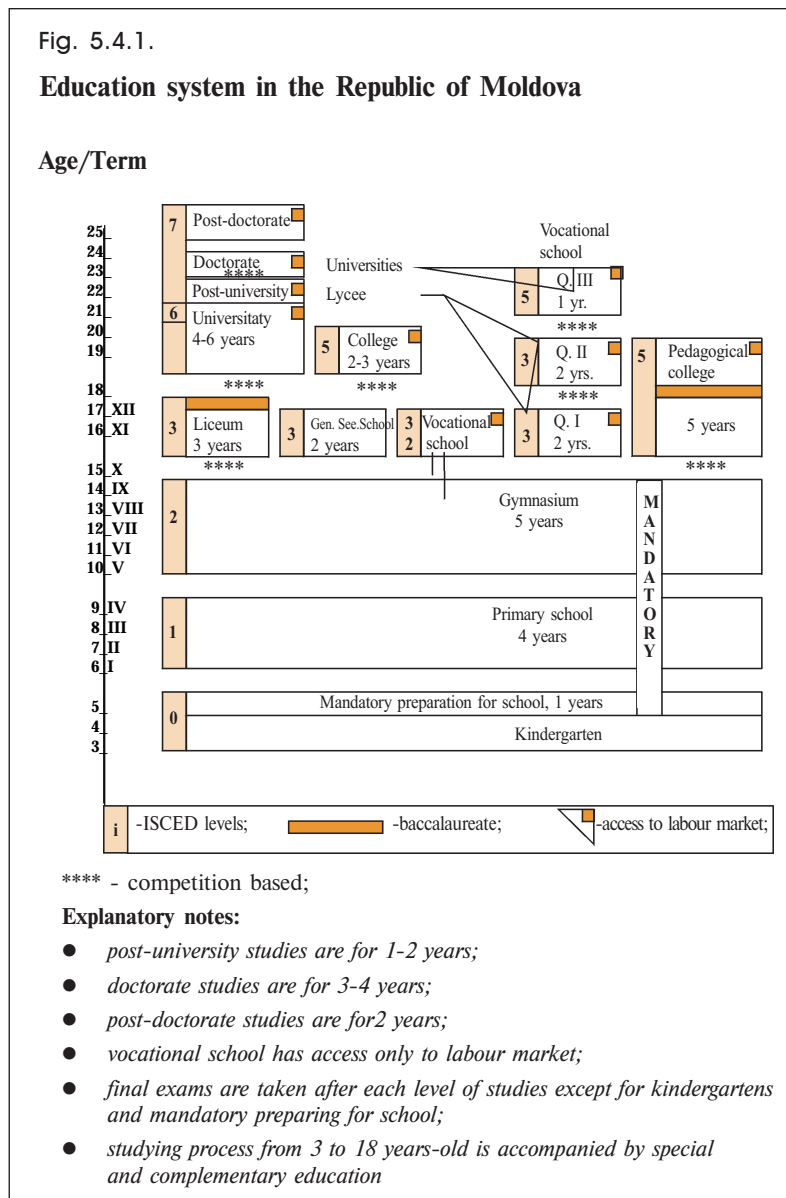
Statistically Moldovan literacy and training are considered satisfactory. According to the last census (1989) the literacy level of the adult population stands at 96.4%. The training level of the population and the enrolment rate at educational institutions per corresponding age group is close to that in the neighbouring countries. The reserve of the secondary and higher education is estimated at 70% of the adult population. About four-fifths of the population aged between 25-40 years has completed secondary or higher education.

The main problem the educational system encounters is the quality of education. Experience shows that the level of preparedness and the capacity of the population to react promptly to new challenges imposed by the transition to other models of organisation and social behaviours are reduced.

In the Moldovan educational system 789.4 thousand pupils and students are trained (1997-1998), which accounts for 73.4% school age population and one-

“Only those educated are free.”

Epictetus



tered a slight increase, although the total number of pupils and students decreased by 120 thousand.

Basic mandatory education comprises 9 years, including: 1 year preparatory classes, 4 classes of primary school, 5 classes of gymnasium. The enrolment ratio in the basic obligatory education in 1998-1999 was 92%; and in the post-obligatory education it was 45.5% out of the population aged between 16 and 22. As of September 1st, 1998 of children of eligible age (7-16 years) 4.7 thousand were not enrolled in the educational process (compared to 4.5 thousand in 1997), out of which 80% were from rural areas. Actually, compulsory school enrolment is slipping out of control.

Secondary and higher education is conducted in Romanian and the native languages of national minorities. Foreign languages are taught from the 2nd grade. In secondary education foreign languages are studied in all the classes. At lyciums the learning of two foreign languages is mandatory. Beginning with the 5th grade, Russian is obligatory in all schools.

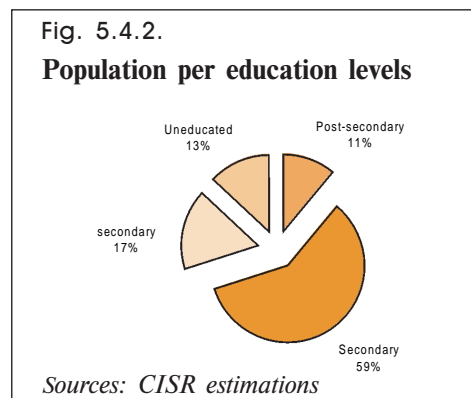
The *pre-school educational system* comprises 40% of the overall contingent of respective school-age children. The last year of the pre-school education includes *mandatory preparation for school*.

In the transition period pre-school education has been affected most of all as compared to other stages of education. The number of pre-school institutions has been declining, as well as the number of educators and children enrolled therein (fig. 5.4.1).

During 1992-1998, 29% of kindergartens were liquidated; the number of children involved in the educational process fell by 41% and the number of teaching staff decreased by about 43%.

The liquidation process of the kindergartens affected mostly the rural area (64% of children). It will aggravate the discrepancy between rural and urban areas in terms of chances for children. In the preparatory groups only 64% of the respective age children are enrolled. The other children cannot benefit from mandatory pre-school education, which is stip-

fifth of the overall population of the country. The institutional structure of the educational system is in a process of reformation, diversification and adjustment to western standards. Compared to previous years, the gross enrolment rate regis-



ulated by law, compulsoriness in this case being just declarative.

In the conditions of economic crisis, the proper functioning of pre-school education becomes almost impossible. The specifics of the organizational and functional regime of the pre-school educational system requires increasing contributions from parents in order to cover kindergarten maintenance expenses, while pauperization of the population limits equal access of children to an adequate education.

Mandatory primary education comprises 320.5 thousand pupils, with an enrolment rate of 96%. The pupil-teacher ratio is on average 22. During 1992-1998 the number of pupils and that of teachers rose by only 1%.

Secondary education includes:

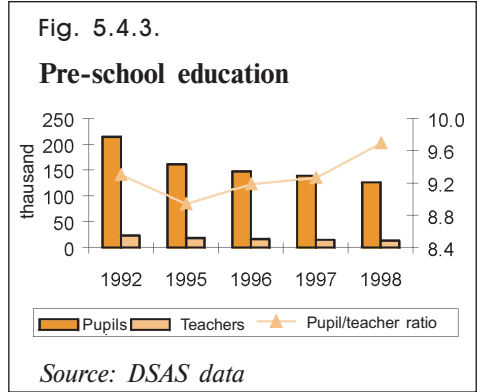
- general secondary education (gymnasium, lyceum, general secondary school);
 - vocational secondary education.
- In 1998-1999 in this country there were 1549 schools, including:
- 107 separate primary schools,
 - 631 gymnasiums,
 - 625 general secondary schools,
 - 143 lycee,
 - 43 schools for children with hand-icaps.

Secondary education comprises 420.2 thousand pupils, of whom 92% are in mandatory secondary education.

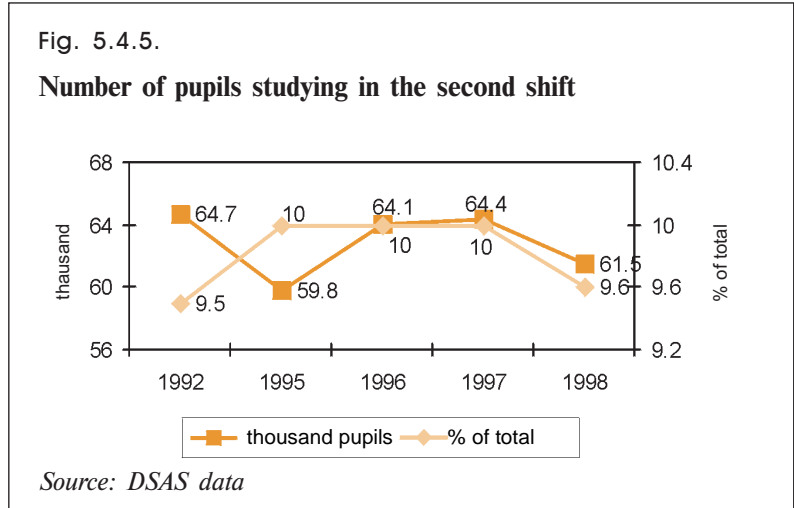
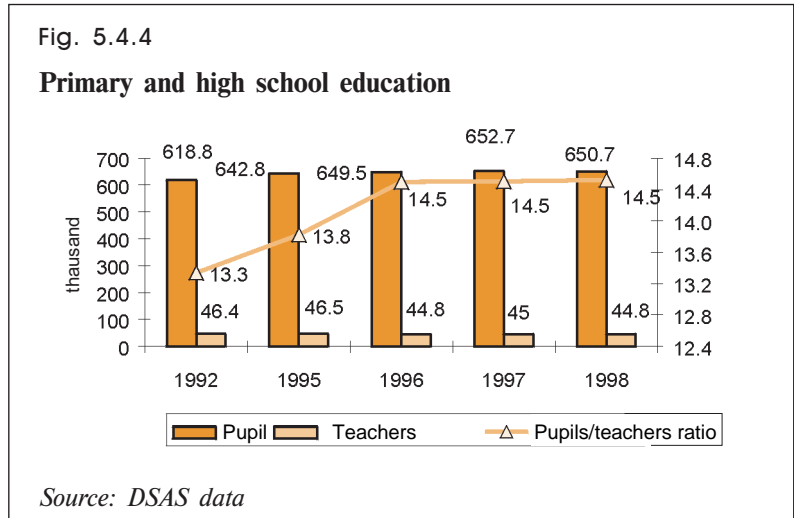
The degree of student coverage of the respective ages in the general mandatory education accounts for 89.4%, a declining indicating school-quitting.

At the general and gymnasium education levels the pupil-teacher ratio is 17.

The *lyceum education* comprises 106.6 thousand pupils (1998/1999) or about 19% of the gymnasium graduates. Most of lycee (70%) are placed in municipalities and towns. Due to economic reasons, the access to lyceum education for the general school leavers from the rural area is very limited. This phenomenon represents an obvious form of social inequality, which aggravates year by year.



There are two parallel functioning networks — the lyceum (10-12th grades) and the general secondary school (10-11th grades), which negatively impacts the entire educational system. Concrete measures are being undertaken in order to modernize the educational system, lycee having been given priority. Thus, in 1998 there were opened 66 lycee and 200 lyceum classes. Compared to 1997 the share of pupils



attending lycee to the total number of pupils doubled, amounting to 16%.

Secondary vocational education is conducted in vocational and professional schools. In the 52 schools of that category, in 1998-1999 there were enrolled 26.3 thousand pupils, or 18% of those enrolled in the vocational education.

The proper organization of professional secondary education will continue to be a problem for years to come. The concept of professional secondary education, developed during 1993-1995, envisioned transforming the former technical-professional schools into polyvalent vocational schools. These schools, structured by 3 stages, need to provide for professional preparedness and simultaneous lyceum general education. The experience demonstrates that most pupils cannot master both programs simultaneously. Therefore the concept is now being revised and secondary and vocational education systems are being adapted to actual and prospective requirements of the labour market.

Higher education (both public and private) comprises 102.4 thousand students (1998-1999) enrolled at 56 colleges and 38 universities. There are 2806 students per 100.000 inhabitants, of them 2332 students in public education. In university education, the student-teacher ratio is 14:1. Higher education enrollment in 1998 accounted for 42.2% of the population aged between 19-22 and for

26.4% of the respective year secondary education graduates. (By comparison, in 1998 this indicator was 69% for the USA, 51% for Japan; in France it increased from 36% to 50% between 1988-92). The level of access to higher education in the Republic of Moldova compared to previous years grew, especially in the private institutions. In 1998 the number of students was 23% higher than in 1992.

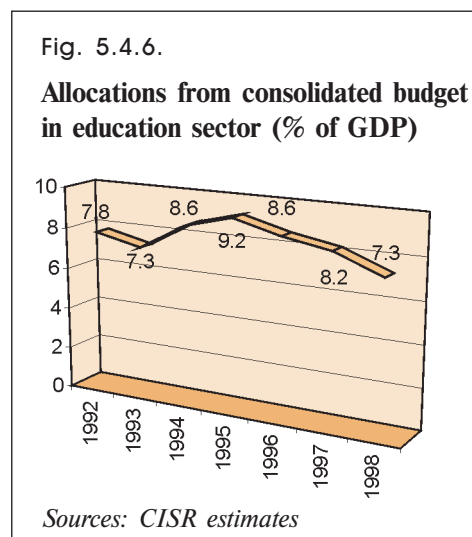
Problems in education financing

In various countries, depending on their historical, economic and social background, there are various mechanisms of financing the education. All countries require a certain level of mandatory education, despite that being available through a large variety of sources, mechanisms and forms of financing. The Republic of Moldova, as a country in transition, encounters very many difficulties as regards proper financing of education. It also takes into account the imperative of making the investments more efficient.

Public allocations are far less than needed, and the degree of the population's pauperization does not allow for any official set of instruments for parents' cost sharing in covering the deficit, although unofficial attempts are made. In consequence, schools are deteriorating and new buildings are not built. Suffice it to say that at present the budget covers only 40% of the current costs of the education sector. The share of capital investments in the overall amount of public costs during the last 5 years (1994-1999) did not exceed 4%.

The amount of public spending on education in 1998 was less than in 1996 and 1997 by respectively 17% and 27%. The share of spending in 1998 accounted for 7.5% of the GDP and 21.7% of the state budget, which is more than in other countries. Yet, calculated by volume of spending per student it amounts to only 752 lei per annum (about 70 US\$ or 300 US\$ according to PPC), this volume being much less than the real requirements of the educational sector.

The material base of most schools continues to deteriorate. In 1998-1999



half of the schools required capital repairing (in 1997-1998 one third); 7% of schools were in a state of emergency. A lack of allocations resulted in the liquidation of extra-curricular institutions — technical creativity houses, institutions for young technicians, naturalists, tourists, and so on. In the past 6 years, one-third of libraries for children closed.

A compensating alternative of the financial deficit in the education system is to set up a legally based private sector. In order to insure the functioning and development of this sector, a series of normative acts and regulations on the criteria and mechanisms for certifying educational institutions have been elaborated.

Currently there are 163 private educational institutions that are active at all educational levels in this republic:

- 27 universities, of them 10 under the state universities,
- 9 colleges,
- 2 gymnasiums,
- 11 lyceums,
- 2 general secondary schools,
- 3 primary schools,
- 5 vocational schools,
- 101 training courses for adults and pupils.

One of the main problems is supplying schools with textbooks. At present, budgetary assistance for teaching purposes is sufficient only for grades one and two. In grades 3-9, budgetary assistance is at the level of 30-40%. Funds for school libraries have long since been withdrawn from their authorization. The shortage of funds has necessitated exchanging texts through specialized stores that are controlled by the Ministry of Education and Science. A system of book leasing is being implemented.

In 1997-1998 the pre-university educational institutions, as well as some colleges and universities were provided with up-to-date computers (885 classrooms — about 10000 study places), which creates favourable conditions for implementing the new informational and didactic tech-

nologies. Unfortunately, at present this equipment is used only at 25-35% of its possibility.

Because of a lack of classrooms, every tenth pupil attends school in the second shift. Due to funds, the problem of teaching staff improvement is still unsettled, particularly in the rural area. And because of small salaries and arrears the staff is required to find other sources of subsistence (farming, services, etc.). Additionally, a new mechanism for in-service training of the teaching staff is needed.

Due to small salaries (average 200 lei) and accruing salary arrears, there are 2200 teaching vacancies in secondary education at present (March 1999). Of those, vacancies among foreign language teachers account for 40%. There are 4800 teachers carrying 1.5 teaching loads and more, and some teaching positions are filled by pensioners. In the schools “staff aging” is taking place, which has a negative impact on the quality of education. Young specialists, university graduates, do not reach schools in compliance with their assignment. For example, in 1998 of the 2.7 thousand university graduates with pedagogical training, only two thousand were assigned to schools, and of those only 31% reached the destination.

The private education system (primary schools, general secondary schools, gymnasiums, lycee) enrolls only 0.4% of schoolchildren, the tuition being between 1-4 thousand lei per annum.

Higher education (third level), which was particularly affected by privatization, includes 17% of students and continues to expand. The share of students paying tuition on a contractual basis increases yearly in vocational education and in state institutions of higher education. In the academic year 1998-1999 students learning on a contractual basis were as follows: 4% of vocational students (annual tuition 0.25-2.3 thousand lei), 33% college students (annual tuition 0.9-2.5 thousand lei), and over 50% university students (annual tuition 1.3-4 thousand lei.). Budgetary stipends were received by 65% of state vocational schools students (41.5

lei on average), 41% of state college day students, (44 lei on average), 43% university students (56 lei on average.)

From the above it is obvious that in the current conditions of mass poverty, a drastic reduction of state financing of education, and privatization accompanied by increasing tuition, equality of access to education and chances for a sustainable development are seriously affected.

In view of its importance, a real guarantee of equal access to education is as important as the right decision regarding consolidation of social security and sustainable human development. In this regard, the institutionalization of new mechanisms for financing the educational system is quite opportune. It would ensure:

- diversification of financing sources;
- separation of expenses for educational purposes from those of social protection of students;
- differentiation of beneficiaries contributions by their income levels;
- establishment of a medium and long term credit fund for university studies.

Education System Reform

Stages of the reform undertaken in the educational system of the Republic of Moldova were imposed by the necessity to adapt it to the imminent requirements of the society: elimination of political doctrines, of excessive centralism, of paramilitary training. The curriculum, didactic technologies and textbooks are under permanent modernization; new institutional structures have been created; professional training and educational management are continuously being developed. The deepening of social and economic reforms in the Republic and that synchronization with European tendencies facilitates a coherent, overall reform of the educational system, with a change in the paradigm and logic of its organization.

Key issues of the education system reform are:

- the role of the state within the educational system;
- the relationship between education and the labour market;
- establishment of the financing system;
- monitoring the efficiency of the educational system overall.

The state gradually gives up its monopoly on the organization, financing and evaluation of education, but at the same time defines the priority zones of education, and establishes in the context of territorial-administrative reform the responsibilities and competencies for each level of educational management, both vertically and horizontally.

The promotion of non-public education, the establishment of conditions for tripartite collaboration in defining occupational standards, private sector participation in the financing and operation of vocational education, and the attraction of new sources of financing become imperative.

The concept of education development in the Republic of Moldova and the Law of Education, as well as other normative acts and programs of reform designed by the Ministry of Education and Science and which define educational policy, determine a range of priorities of education system reform, oriented towards the strategic objectives of sustainable human development:

- assurance of quality of educational standards in obligatory education;
- actualization and modernization of the content of education: plans, programs, textbooks, materials, accessories for all the profiles and disciplines of education;
- reform of the system of examination and evaluation;
- restructuring of the system of training and development of faculty;
- elimination of a monopoly in the elaboration and editing of school text-

books and establishment of a new market for them;

- restructuring of the secondary vocational education, gradual elimination of narrow specializations, implementation of key abilities/skills, assurance of a common base for general education grounded on the “operational family”;
- establishment and maintenance of a system of evaluation and accreditation of public and private educational institutions;
- development and diversification of sources of financing of education;
- reform of higher education, with ensured quality standards for initial training, research, status of faculty and auxiliary staff, of autonomy relationships (public and private education), of administrative and management mechanisms, of evaluation and accreditation of institutions, etc.
- progressive decentralization of managerial, administrative, financial mechanisms of educational institutions through the delegation of competences to local authorities.

In order to ensure the educational objectives in the managerial and financial context, and taking into account the adjustment of general and vocational education to international standards, to strategies and requirements of national and local economies, the state should make an adequate redistribution in the composition and responsibilities of public authorities at all levels (national, judets, local).

In devising a strategy of development and reform for the educational system, the Republic of Moldova benefited from a financial support from the World Bank, European Foundation for Professional Training, UNICEF and Soros Foundation.

The most important ongoing projects are:

PETI (*Program of Temporary Individualized Training*), implemented through UNICEF — Republic of Moldova Coop-

eration Program. It is designed for the pre-school education and is halfway realized.

“*General Education Reform in Moldova*”, co-financed by the World Bank and designed for the first stage of general obligatory education reform (1st-10th grades). The major objective of that project is the improvement of education, its adaptation to the requirements of the new social, political, economical environment, through the modernization of the curricula, elaboration of new textbooks, school supplies, training, elaboration and implementation of new academic technologies and creation of a modern system of evaluation of results of the process of studying.

“*Assistance in the reform of the system of instruction and professional training*”, supported by TACIS for the development of a modern general and vocational education system, adequate to the transition period. Technical assistance is ensured by TACIS, and the major objective is the promotion of actions and capabilities for the reforming of vocational instruction and training. The project will contribute to the establishment of a human capital base and, hence, to the dynamism of the labor market. The specific objectives of the project are: elaboration and partial implementation of a strategic program for professional training and educational policy; active involvement of the most important institutional, economic and social players in the process of evaluation of functional requirements, work and training places, revision and efficiency increase of the process of elaboration of curriculum.

TEMPUS, launched in the Republic of Moldova in 1994, is designed for the high education reform. Both state and private institutions benefited from this program: Moldova State University, State University “Alec Russo” — Balti, Technical University of Moldova, Pedagogical University “Ion Creanga”, Free International University of Moldova, University of Humanitarian Studies. In 1998 there were running six projects.

In 1999 10 new projects will be launched. Priorities are: university man-

agement, European studies, European and international law, diplomacy, applied economics (agriculture, processing industry, tourism, etc.)

A series of projects supported by diverse international organizations are dealing with education-specific problems as: social protection of children, education of gifted pupils, education of children with handicaps, and so on. This refers to a contingent of 3-4% of children of relevant age. Other projects are concerned with some particular or local aspects of educational management.

All these projects are useful and contribute to the authentic democratization of the educational system, which should be transformed into an environment for personality development of children, youth and adults.

Conclusions

In the context of the existing situation and of tendencies in the development of the national economy, and with the need to synchronize with developing European standards, the educational system of the Republic of Moldova has to make efforts in order to meet the requirements it faces. The national priority in education, confirmed by law, is to implement solutions to problems at all levels of competence and with a sense of social responsibility. The educational establishment as well bears responsibility to integrate with actual stage in the society in general and in the economy in particular. This could be achieved through the creation of efficient mechanisms of participatory education, in which everyone is accountable for his area of endeavor.

Special attention is needed to resolve the diversification of financial sources; to separate expenses intended for academic and social protection of the students; to differentiate beneficiaries of funds according to income levels; to establish a medium and long-term credit fund for higher education scholarships; and others.

5.5. Cultural Environment

The cultural environment represents an ensemble of cultural conditions and

facts that constitute a spiritual milieu within which human activity develops. The broad sense accorded a modern definition of culture, such as “integrating formula of people’s life,” encompasses all aspects of human development. Political and civil culture, consumption and moral culture, ecological culture — these and other categories characterize different aspects of the cultural ensemble of a given community.

In a traditional way, the cultural environment in the Republic of Moldova has been built up in the context of a number of factors:

- The ethnic heterogeneity of the society;
- The impact of foreign influence (Turkish, Greek, and Slavic) over several centuries;
- A high degree of ideological inculcation in the twentieth century;
- The high percentage of rural population, a fact that determined a certain mentality of people.

Changes that took place during the transition period from a centrally planned economy to the market economy have brought about modifications in the structure of the society. On the one hand, access to cultural goods has diminished; on the other, modifications in the consumption of cultural values have occurred due to differing social placement of groups within the population.

One should take into consideration three aspects when assessing the cultural environment in the Republic of Moldova:

- 1) The education level, which determines cultural needs;
- 2) Economic conditions which determine accessibility to cultural goods;
- 3) Leisure time.

The legal framework of the Republic of Moldova is in the process of development. In 1997 the Ministry of Culture worked out the draft of the Law on Culture, which sets up basic principles of the state cultural policy. After having been

considered and approved by the Government, in 1998 the draft was submitted to Parliament for debates. With the approval of this fundamental law legal activity in the cultural sphere may become more dynamic. The Law on Culture may serve as a support for further development of a set of legal norms for this sector. In 1997 through 1998 drafts of other laws were worked out with the involvement of the Ministry of Culture. These are the “Law on Folk Crafts” and the “Law on Publishing” which are currently under consideration. Establishing priority objectives in this area, the State program “Development and Protection of Culture in 1997 - 1998” established a range of actions to help secure Moldova’s cultural inheritance. It also indicated tentative directions for future development.

For an analysis of the *economic situation in the cultural domain*, it would be necessary to consider the following elements and their link to financing: investments in culture; the degree of accessibility to cultural goods; the cultural supply of material goods; and indices regarding the operation of cultural institutions.

In the current conditions of economic crisis, allocations from the state budget designated for culture are diminishing with every other year. In 1998, 20.3m lei were allocated for the system headed by the Ministry of Culture, which constitutes 77% of the envisaged amount (26.4m lei) and 35-38 % of the necessary amount (58.2m lei). Thus the cultural sphere faces permanent penury of financial resources.

Budget deficiencies require that cultural institutions look for alternative financial sources (fees for service delivery, teaching courses delivered to artistic institutions based on contract arrangements, lease of available office space). In 1998 a certain progress regarding diversification of financial resources of cultural institutions was achieved. These institutions were successfully transferred from financing exclusively through the budget to a mixed type of financing. Lei 1.5 thousand was required from extra-budgetary resources (157.5 thousand lei more than in 1997) and that

was augmented by lei 3.8 thousand contributed by local sponsors.

Diminution of the state’s role in subsidizing culture is expected to bring about a more substantial contribution of sponsors and public and private foundations, including international ones. It is important that private institutions, whenever they have accumulated the necessary capital, be ready to assume a share of responsibility for the social and cultural sphere. (At this time the private initiative in culture is present only in book printing and show business activities).

Promotion of the development of cultural activities through sponsoring institutions is only in its beginning phase. Public foundations have been created and have decided to ensure support primarily to young talents. Thus, they extend scholarships, grants for studies abroad, for participation at festivals, contests, exhibitions and the organization of concerts and performances.

However, the precarious financial situation in the country does not permit an

“Spirit is the impetus that starts the movement of material.”

Vergil, “The Aeneid”,
VI, 727

Box 5.5.1

Globalization and culture

Culture, community and human security are intertwined — but are too often undermined by the invasions of globalization. The World Commission on Culture and Development recognized the broad principle of protecting cultural diversity while encouraging cultural exchange. Balancing the two is difficult and controversial — but countries wishing to protect their cultural heritage need to be permitted to do so....

Globalization opens people’s lives to culture and all its creativity — and to the flow of ideas and knowledge. But the new culture carried by expanding global markets is disquieting. As Mahatma Gandhi expressed so eloquently earlier in the century, “I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.” Today’s flow of culture is unbalanced, heavily weighed in one direction, from rich countries to poor.

Such onslaughts of foreign culture can put cultural diversity at risk, and make people fear losing their cultural identity. What is needed is support to indigenous and national cultures — to let them flourish alongside foreign cultures.

Source: Human Development Report 1999, pp. 4, 103

optimistic forecast regarding continuity of financial support from sponsoring and tutoring activities.

A substantial reduction of budgetary allocations for culture results in a reduction of the number of cultural institutions and personnel in them and, ultimately, lead to a drop of the general culture level in the society.

Insufficient budgetary resources impede the proper operation of state cultural institutions. In view of such circumstances, operation of such institutions is often re-oriented to produce a commercial profit. This affects the cultural potential of the country. The sacking of personnel, especially of active, creative experts whose training is extremely costly is sure to lead to disqualification. The result of a situation in which there is reduced access to cultural goods and in which there is a degradation of cultural objects is the decrease of the role of culture in the life of society. The extremely low monthly salary of 178 lei in cultural activities, compared to 252 lei average salary for the country (\$38 before august 1998 and \$20.5 as per the end of the year), is not enough to even cover the subsistence minimum. People are forced to look for additional earnings and, thus, the most potential consumers of cultural goods are in a situation in which it is impossible

for them to benefit from leisure time, this being one indispensable condition for the consumption of cultural goods.

At the beginning of the 'nineties the Republic of Moldova had a developed *cultural infrastructure*, which included the following:

- A network of general and special institutions for arts education;
- An education network of specialists with a wide range of cultural professions;
- A network of performance institutions;
- A network of museums, museum groups and exhibition halls;
- A developed library network;
- A publication industry for books and for the dissemination of printed material;
- A network of local cultural institutions (houses of culture);
- A trade union system of cultural institutions;
- A film-making industry and system of film promotion.

Arts education in the Republic of Moldova was always accessible to numerous levels of society, offering a great number of types and forms of artistic education. There were: seven-year schools of the arts, studios, centres for children's creative development, circles for extra-curricular artistic studies, five-year schools for adults and special schools like boarding schools, colleges, higher education institutions for artistic studies. According to statistical data, the size of state budget allocations targeted to artistic education continues to decrease, the segment occupied by culture is shrinking and is experiencing an obvious degradation.

Data indicate a 63.2% decrease in the total number of pupils in the country's applied arts schools in 1998 compared to 1990. Only in Chisinau is the situation better. In 1998, 3% of the total number of 650.7 thousand pupils attended applied

	1990	1998
Musical schools, applied arts schools, general artistic schools: total units	138	118
Out of which located in Chisinau	7	10
Total number of pupils	31,519	19,905
Out of which in Chisinau	4,133	4,186
Teachers in musical schools and applied arts schools: total persons	2,713	2,131
Out of which in Chisinau	406	502
Musical and applied arts boarding lycees: total units	3	3
Pupils, total	692	900
Teachers, total persons	230	290

Source: Ministry of Culture data

arts schools, compared to 4.2% out of the total number of 743.5 thousand pupils in 1990. The number of pupils in the only boarding-lyceum for choreography is 170.

The network of regional cultural institutions under the Ministry of Culture in 1998 included 1258 institutions. Traditionally, the cultural centres in villages were attractive institutions; they included libraries, theatre and concert centres, amateur artistic groups, extracurricular creative development circles, and associations for makers of folkcrafts. They contributed to the formation of the cultural milieu in rural society and to the maintenance of a certain level of culture. The operation of all these institutions was, however, affected by the economic crisis. In 1998 only 44% of the assets of cultural institutions were considered to be in satisfactory condition. Unable to procure musical instruments and costumes, to replace the obsolete audio and movie equipment, the cultural institutions in villages experience a difficult situation which affects the quality of services in the rural area. In 1998 the retreat of specialists from the cultural sphere continued. Thus, 233 specialists quit their jobs during that year.

New forms of cultural financing in the regions are still insufficiently developed. While the share of the rural population is 54%, the amount of revenue generated by the delivery of cultural services for fees and through the lease of available spaces represented in 1998 only 864.0 thousand lei or, in average, 686.7 lei per each institution. Local sponsors preferred to support the participation of artistic amateur groups to different international festivals (61 participants) and to invest less in activities aimed at the development of material cultural resources. Although there are a number of positive tendencies in the cultural life in villages, nevertheless the number of musical groups, of choreographic and theatrical groups has decreased. Thus, out of 4508 artistic groups registered in 1997, by the end of 1998 their number had dropped to 4048 (89.8%). With the aim of revitalizing the centres of culture and main-

taining cultural activities in the regions, the State program "Development and Protection of Culture and Arts in the Republic of Moldova" foresees a decentralization of functions and a delimitation of functions between central and local public authorities.

Local cultural programs were put in place in accordance with ethno-cultural and social-economic specifics of the area.

The network of public libraries has 1528 branches (excepting school libraries and scientific libraries in universities, other profile institutions, and others), with 20.5 million books. In spite of some unfavourable conditions (deplorable state of buildings, cuts of electricity, heating, and telephone, lack of funds for completing the archive, salary arrears), 1998 for the first time showed an improvement in the performance indicators of these institutions.

The number of libraries continues to decrease (by 7 units in 1998), as do the specialists in this field (during the year personnel of libraries was reduced by 55 units. At the same time 25% out of the total number of 2707 jobs in this area work in a temporary capacity. However, there was a 11.1 thousand increase in the number of book users in 1998 and an increase in indicators regarding reading performance and the circulation of book stocks (429.5 thousand copies more). This fact indicates not only a certain revitalization in interest in books but also points to a restructuring of library activities, which have managed to become attractive to readers. The primary future objective of libraries will be their orientation to information. The 1998-2000 program for library development adopted by the Government, as well as the program regarding the conservation and restructuring of the country's printed heritage "Moldova's Memory" and the Government's resolution on their legal storage are measures undertaken for the resolution of library problems and the improvement of their operation nationally.

The network of performing institutions includes 13 professional theatres (including three municipal theatres) and 6 con-

cert halls (including the National Philharmonic Society, the Organ Hall and the State Circus) which have been preserved intact. Allocations from the state budget for performing institutions constitute 40.3% of expenditures and are used for payment of utilities and salaries. New productions of theatrical shows are managed through sponsorship and private resources. As a rule, all show halls are non-profit institutions. Ticket prices, in the main, remain unacceptably high for the general population. An eventual reduction of expenditures for utility payments through technical renovations to buildings requires additional resources. The possibility of developing a commercially profitable activity still remains low due to an unfavourable fiscal system. Thus, in conditions in which theaters have permanent arrears, they rely on sponsors in order to maintain their activities and give performances for the theatre-going public.

In 1997-1998 a short-term program was implemented to support and promote national dramatic art. It included organizing the Dramatic Workshop and the National Dramatic Contest, as well as producing and printing of winning plays and finally producing of the National Theatrical Festival. Unfortunately, theatres in the Republic of Moldova represent, exclusively, a part of urban cultural life. Touring in the country has been practically stopped due to the fact that both artistic groups and local administrative bodies have no available resources to meet the cultural needs of the rural population.

Moldova has always been well known for its rich musical traditions, both those linked to popular music, and also those linked to professional music traditions. Although they enjoy remarkable international recognition, the National Opera and Ballet Theatre, musical groups, in-

cluding two symphonic orchestra and one chamber orchestra, two cappella choirs, and numerous popular music artistic groups (e.g., 'Lăutarii', 'Fluieraș', the popular dance group 'Joc') all face considerable financial problems. The only possibility for them to cope is by touring in other countries.

Museums and architectural and historical places located over the entire territory of the Republic of Moldova represent the cultural memory of the community, and, dating to the Neolithic period, reflect a large part of its history and civilization. Due to a lack of budgetary allocations, restoration monuments was halted as early as 1994. Thus not much has been done for the protection of the cultural heritage of the country's monuments and historical sites. Works have been suspended on the State program "Orhei, Medieval Town" (estimated budget 15 thousand lei), and "Monastery Căpriană" (20 thousand lei). Such historic and architectural museums as National Museum of Applied Arts (estimated budget 15 thousand lei) and Mother of Christ Church from Căușeni (2 thousand lei) are in grave situations. In conditions in which museums do not have enough resources to procurement new exhibits, attempts have been made and are still made to extract unique archaeological and artistic pieces from the country.

Cultural shows (festivals and exhibitions) at national and international levels have become an important component of the artistic milieu of the country, animated in 1998 by multiple cultural events. Museums inaugurated 315 exhibitions dedicated to different Moldovan and other countries' historical and cultural events. In spite of precarious social and economic conditions, such cultural events like "Mărțișor International Musical Festival" (the 31st), International Opera and Ballet Festival with the name "Maria Bieșu invites" (the 9th), "Days of New Music" festival (the 8th) have been resumed. They confirm the high level of professional music in the Republic of Moldova. Also traditional folk festivals like "Home of Hora Dances", "At the Sheepfold", "Alunelul Dance", "White Water Lily",

Table 5.5.2

	1997	1998
Number of first night shows	33	27
Number of spectators	1548	1442

Source: Ministry of Culture data

Meşterul Manole”, Rapsozii”, “Big Hora Dance”, etc. were held, a fact that shows the effectiveness of involving regional cultural institutions in the maintenance and revival of traditional forms of artistic culture. The exhibition-contests “Spring Salon” and “Autumn Salon” with the participation of plastic artists from Moldova and Romania have also become a regular element in the artistic scenery of the country.

Development of the **cultural industry** in the Republic of Moldova is considerably delayed compared with that in other European countries. This is also true of the **music industry** which, so far, does not parallel the dynamic process of cultural services in the European market.

Book printing has become a preferred area of private business. In 1998, state publishing houses published only 4% of the books (44 out of 1096). Privatization of the book dissemination system has led to a change in profile of the majority of libraries, especially the ones located in the rural areas. Trade, however, is still rather critical and very often takes an elementary street trade form.

The stagnation of film making and the film promotion industry, which started to decline as early as the beginning of the ‘nineties, has occurred due to the lack of any allocation from the state and also to a lack of investments by businessmen. The latter are not inclined to place their money in an area, which, similar to the entire cultural industry, has not become part of the market economy. The first victims of privatization have been the cinema houses. Their profile has changed and they have become institutions with a completely different purpose than film projection. It is difficult to find a way out of the bottleneck due to the general economic crisis and also due to the absence of an encouraging legal framework and a favourable fiscal policy.

Folk arts and crafts represent a cultural expression of the fundamental ethnic values of the Moldovan nation and they contribute to the maintenance and confirmation of its national identity. Thus

in a period of cultural crisis as a consequence of social and economic transformation, their revitalization and development acquires a special importance. Although valued, products made by craftsmen like knitting with vegetal fibres, embroidery, artistic weaving and ceramics have no market inside the country because of the low purchasing power of the population. At the same time one can say that the cultural level of material life, both urban and rural, is maintained at a decent level. This level of culture, which needs protection and supportive action by the state, rather than budgetary injections, can become an important part of small business.

Conclusions. The sphere of culture, severely affected by the transition period, still depends on public financing. Due to state subsidies before this decade, it survived and maintained its structure and quality. All losses were mainly to the material basis of culture. At present, cultural institutions have found themselves in conditions that require them to restructure their activities while they remain operating. The reforms, to some extent delayed in the country’s cultural life, forced by the drastic decrease of allocations from the state and now being undertaken in precarious economic conditions, have caused a reorientation of cultural institutions to extra-budgetary financing. In parallel, the legal framework of the cultural sector has also been subject to reforms.

The short-term, primary objective of the cultural establishment would be the creation of optimal conditions for the maintenance of the cultural milieu. At that point of stabilization, the cultural sphere would continue to contribute to both the development of cultural life and also to the general economic progress of the country. The Republic of Moldova has the necessary potential to achieve this objective: a traditionally high level of culture, preserved in general at required levels, and also a rather high level of education, cultural appreciation and inventiveness within the society.

*“Talking won’t
strive the hunger.”*

Moldovan proverb

5.6. Food Security

The problem of food security is affected by all sorts of social and economic problems, by the situation in the agricultural sector and food market, and also by external economic factors. Thus the solution to the problem of food security affects the economic, political, and social spheres of the state. In fact, there is here a convergence of many directions of economic reforms, economic security and human development.

At the Rome 1996 world summit for food problems, the main criteria for possible remedies were outlined with application at the world, regional and national levels. The basic assumption which underlay discussion was that global food security is determined by the balance between world production and world consumption of food, i.e., by the balance between supply and demand, realized in functioning national, regional and world food markets.

National food security is related, as a rule, to the concept of self-sufficiency regarding main foodstuffs, and is seen as an important element in a country’s economic security. Naturally, it may concern only those countries that have a satisfactory agricultural potential and are able to maintain supplies through the establishment of suitable economic conditions. National food security takes into consideration the following integral elements:

- A determination of the country’s level of self-sufficiency in supplies of foods and of indispensable imports;
- The institution of some economic policy measures in support of domestic agriculture, including against competition. These measures may be systematic or emergency in na-

ture if conditions of large foreign trade imbalances exist. The support of domestic agriculture occurs for several reasons: to ensure food security and independence as important elements of state sovereignty, to support the foreign trade balance and the balance of payments, and to maintain agricultural employment;

- The establishment of a system of temporary and permanent stocks of products, especially of grain. These reserves are used for price regulation, supply intervention inside the country and mitigation of production fluctuations as well as for stabilization of foreign trade.

Food security at the level of social groups, families and individuals. The point of establishing a secure supply of foodstuffs is to ensure access of social groups, families and individuals to foodstuffs. At this level, the notion of food security moves from the sphere of politics and economy towards the sphere of social and moral criteria because it is concerned with human existence and the liquidation and prevention of hunger and malnutrition.

Since the early ‘nineties there has been an essential decline in the agricultural potential of the countries in Central and Eastern Europe, including Moldova, where the level of production of agricultural products has dropped by more than 40%. In fact, the world foodstuffs situation is undermined by this region which has a considerable import market. These countries remind at a certain degree the model of development of the countries of the third world.

Food provision has worsened considerably in a majority of these countries. The decline of living standards has led to an increased expenditure for food

Table 5.6.1.

Production of the Main Agricultural Foodstuffs on Average per Capita in the Republic of Moldova, kg

	1990	1994	1995	1996	1997	1998
Cereals and vegetable grains	581	438	663	506	870	684
Sugar-beet (industrial)	544	390	532	502	479	398
Sunflower	58	37	56	77	48	55
Potatoes	68	117	106	95	107	102
Vegetables	270	127	135	89	97	137
Fruits	206	169	147	145	259	101
Grapes	215	175	236	213	82	94
Meat	84	36	33	32	31	28
Milk	346	226	211	189	169	167
Eggs (pieces)	259	116	132	146	140	148

Source: DSAS (1990 — entire republic, 1994-1998 — without Transnistria)

in the family budget. However, the average consumption of calories per capita has dropped. Thus, even with the mobilization of family budgets for acquiring foodstuffs, food consumption levels are dropping (see tables 5.6.1 and 5.6.2).

In crisis conditions and while restructuring the agricultural sector in Moldova, the production and deliveries of food have fallen in the domestic market.

According to the FAO, food sufficiency in countries with transitional

economies is aggravated by the fact that it is not compensated by social maintenance. This situation is considered relatively temporary by the FAO: a recovery is expected after passing through the lowest level of production and consumption. According to predictions, the region of Central and Eastern Europe will reach the previous level of food sufficiency by 2010.

The reduction of per capita agricultural production in Moldova has considerably limited foodstuffs sufficiency. It emphasizes the difficulty the

Tabelul 5.6.2

Food Consumption per Capita in Moldova

Products	1990	1994	1995	1996	1997	1998
Meat and meat products (kg)	58	30	23	25	25	23
Milk and dairy products (kg)	303	163	165	161	154	148
Eggs (pcs.)	203	100	107	116	121	114
Fish and products of fish (kg)	12,0	1,4	2	3,5	3	2,2
Sugar (kg)	48,9	22,3	21	22,5	18	15,6
Oil (l)	14,1	8,0	8	8,2	6,5	6,2
Potatoes (kg)	69	84	68	71	69	64
Vegetables (kg)	112	78	86	65	70	74
Fruits, berries and grapes (kg)	79	68	60	59	80	54
Grains (bread, macaroni, flour, cereals) (kg)	171	139	135	127	127	129

Source: Statistical Yearbook of the Republic of Moldova, 1997. Data for 1998 from CISR calculations

majority of population has obtaining enough food. In 1997-1998 this tendency became considerably more acute.

The structure and quality of nutrition has changed. The consumption of products of animal origin has largely decreased (meat, milk, eggs). This aggravates the quality of nutrition. The FAO has worked out several criteria for determining the low level of consumption. If consumption per capita falls lower than this level, the country as a whole, or this social group is considered to be unfortunate from the point of view of foodstuffs consumption. According to the FAO, such a situation appears when the level of nutrition is less than the level that provides for basic metabolism. For countries with hot climates this level is 2100 calories. The FAO recommends an increase in this level to 2700 calories a day. The minimal level of food consumption should satisfy the necessary in albumen, vitamins and microelements. It requires the corresponding level of consumption of main foodstuffs by their total volume and by structure of nutrition as well.

Naturally, satisfaction of needs in foodstuffs depends first of all on levels of income and its distribution between different social groups. In Moldova before 1990 the traditional correlation of monetary incomes between the high and low 10% income groups was equal to 4:1. Currently this correlation is equal to 37:1. The process of market transformation led to a considerable polarization of distribution in monetary income. Besides, total reduction of the average money income took place. As a result there is a decline of food consumption by a large part of the population. According to CISR estimates, based on a household budgets survey, in 1998, less than 10% of the population (the most well-to-do categories) could maintain the level of nutrition of

1990. However, at the same time, nearly 10% of population consumed less than 1500 calories. This level is recognized by the FAO as extreme malnutrition. The average consumption per capita in the Republic of Moldova is at 1980 calories, while the FAO threshold is at 2500 calories.

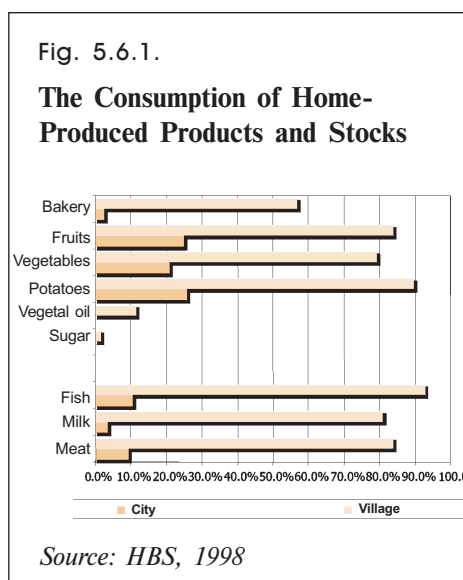
Although the energy value (calorie content) of products is an important characteristic, it doesn't provide information on the quality of nutrition. According to FAO recommendations, the correlation of consumed albumen, fat, and carbonhydrates should be (1:1:4). In Moldova it currently registers 1:1.2:5.2.

The main problem of nutrition lies with poor families. According to some investigations, the share of expenditures for food in family budgets of the poorest ten per cent was 88.6%, while that for the richest ten per cent was 46.0%, the average being 64.4%. This structure of family budgets of the poor family is clearly seen, the main part of their consumer spending being bread and vegetables. The contrasts are considerable: the consumption (in natural terms) of meat per capita in the first and tenth decile (in terms of disposable incomes) differs by 6.6 times, of fish by 5.3 times, of fruits by 4.4 times, of sugar by 3.9 times, of milk and dairy products by 3.4 times, of bread and bakery products by 2.0 times. The worsening nutrition is, evidently, the most painful result of the social and economic crisis which in Moldova has led to a decline in per capita income to the level of developing countries. Food shortages causes an aggravation of public health problems, increasing the rate of illness and death, the spread of "social" illnesses (such as tuberculosis) and, as a result, the weakening of human potential.

The decline of incomes, unfortunately, takes place in conditions of an

ineffective system of social protection. Self-salvation, private initiative regarding food security, is a new reality of the transitional period. The individually held plot appears to be a factor of social security for many families.

Average area of the plots used for agricultural product, is 684 m² in a city, but in a village 4612 m². The bigger part of household expenditures is formed by the expenditures for food - 64.4% (in urban zone-56.4%, in rural zone —71.1%). Such a high rate of this index testifies to the poverty of population and their use of the larger part of their income to satisfy primary needs. The use of stocks and household products represents a considerable part of consumption in a city and the main part in a village. (Figure 5.6.1 provides data on consumption of household products and stocks). . The home production of foodstuffs compensates for the low purchasing power of the population.



It's worth mentioning that not all the population of Moldova has access to the main foodstuffs at any time, economically or physically. The problem is a considerable decrease of purchasing power. It is confirmed by the decline of purchasing of foodstuffs in retail trade.

Table 5.6.3

The Average Purchase of Foodstuffs per Capita per Year in Retail Trade, kg

	1995	1996	1997	1998	1998 in % over 1997
Meat and meat prod.	1,7	2,9	2,6	2,4	92,3
Fish and fish prod.	0,47	0,84	0,62	0,57	91,9
Butter	0,33	0,34	0,2	0,19	95
Oil	0,63	0,93	0,81	0,79	97,5
Milk and dairy prod.	6,2	5,3	4	3,6	90
Eggs, pieces	10,3	44,4	41,1	40,4	98,2
Sugar	1,9	3,7	6	5,4	90
Bread and bakeries	42,1	39,7	36,5	36,7	100,5
Cereals and legumes	2,4	2,5	1,9	1,7	89,5
Potatoes	2,2	2,8	2	1,9	95
Vegetables	3,4	3,4	3,5	3,4	97,1
Fruits and grapes	1,9	5,7	7,7	6,7	87

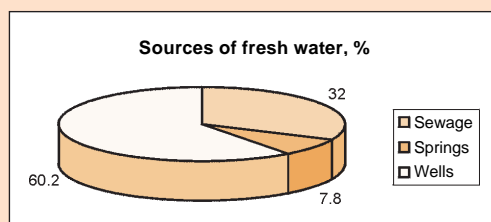
Source: DSAS data

Food security of the country, apart from increasing the productivity of the agricultural sector and the purchasing power of the population, includes also protection of domestic consumers from poor, falsified or outdated imported products. The quality of many imports is lower than the quality of domestic ones. Thus it is necessary to control and to protect the

Box 5.6.1

Fresh Water Supply

A fresh water supply for the population is an important element of economic security. Being a part of vital human needs, access to safe water has a crucial impact on human development. Fresh water resources are very limited in Moldova and account for about 3.8 cubic meters. Their annual regeneration level is at 11%, which is not enough for a sustainable maintenance of an aquatic resources cycle. Taking into account the fact that Moldova has frequent droughts, the debit of aquatic resources is considerably reduced, this having a negative impact on water consumption in general. The degree of fresh water provisioning is not uniform but depends on the territory: average debit is significantly decreases from North to South, presently making up a 1:3 proportion.



Average daily consumption of fresh water per individual in Moldova is 163 liters, which is less than in the majority of Central and South European countries (255 l/person), and it is far behind the level in Western countries (300 l/person). It should be noted that in many settlements in the south of Moldova this indicator does not exceed 20 l/person.

Well water is the main source of safe water supplies for the population in Moldova. An average figure for Moldova shows that almost two-thirds of the population uses this source of water. Although in urban areas the share of wells in water supply is smaller (14.4%), still they hold second place in providing fresh water daily. At the same time, 35% of population has access to fresh water only from wells.

The well phenomenon in Moldova exposes the water quality easily to the danger of pollution. Only 30% of aquatic resources correspond to national standards. For this reason about 42% of population considers that the bad quality of fresh water directly affects their health and causes different diseases. Therefore, a tri-dimensional problem must be solved regarding the fresh water supply for the population: (i) rational usage of water resources; (ii) efficient management of water regeneration and maintenance; (iii) improvement of fresh water quality.

Source: HBS, 1998

Moldavan market from low-quality imported products. However, some countries have decided to apply measures to protect their domestic agriculture. Taking in consideration the leading position of the agro-industrial complex in the national economy of Moldova, and also the important role of agriculture in food security of the population, evidently, it's reasonable to stipulate such actions also for the Republic of Moldova.

5.7. Ecological Security

The distinguishing features of environmental problems persist in the Republic of Moldova — natural resources and ecological balance are determined by a high degree of land development, a high population density and an excessive burden on the natural environment.

Natural resources. Natural resources represent an important component of the national property. Their usage largely determines environmental conditions: the depletion rates and extent (depreciation and deterioration), the condition of resources, as well as qualitative environmental factors. In the context of economic security, the Republic of Moldova has adequate land and climatic resources which represent a valuable recoverable potential ensuring sustainable development of a highly efficient agriculture. In terms of non-recoverable natural resources, such as construction materials or raw materials for their manufacturing, they are, with few exceptions, of local importance. The lack of energy resources, also inherent in other southeastern European countries, constrains the diversification of economic and consumption activities, which require an adequate economic policy.

Water resources of the Republic of Moldova comprise the internal water supplies, such as border rivers — Nistru and Prut — and underground water reserves. The average multi-annual water stock is estimated at 13.2 billion cm, being unevenly spread in time and territory. This is an average theoretical resource under the natural surface waters environment. The Nistru covers 77-80% of these resources.

The underground water stock is estimated at about 2.8 billion cubic meters. The theoretical water potential is about 16 billion cubic meters, meaning 3700 cubic meters /inhabitant.

The usable capacity is about 1100 cubic meters /inhabitant, and this puts Moldova in line with countries with relatively poor water resources, after Romania (1800 cubic meters/inhabitant per year), after such countries as France, Italy (3000-5000 cubic meters/inhabitant per year), Austria, Switzerland (5000-10000 cubic meters/inhabitant per year), Finland, Norway (over 20000 cubic meters/inhabitant per year). The usable water potential (in natural mode), ensured for drought years, is declining to 10.5-7.5 bn cubic meters.

Water management in the Republic of Moldova is still deficient and not balanced. It therefore fails to address the new problem of resource allocation and the efficiency of water ecosystems protection facilities. Great losses occur in distribution networks within urban localities and irrigation systems.

Water was considered as an unlimited resource having no economic value. Significant efforts have been taken to find and use the sources of water, but not for ensuring their quantitative and qualitative regeneration. However, maintenance of a sustainable regeneration capacity of water reserves needs a different approach towards their management. Thus, the main treaty of the EU stipulates inte-

gral management of water resources (surface and underground) in hydrographic basins. In the Republic of Moldova these principles are not enforced yet. The local legislation has not been harmonised with international norms. Legal relationships with neighbouring countries are not settled. Economic mechanisms are obsolete and inefficient for motivational reshaping of consumers' behaviour.

Land and soil resources are as important as are the water resources. The land fund of the Republic of Moldova, as of the end of 1998, was 33.8 thousand square km, being distributed by use as follows: agricultural land — 75.5%, forests and other woodlands — 12.5%, other categories of land. In the structure of agricultural land, the proportion of arable land is 70.5% or 53.5% of the total land. Perennials, mainly orchards and vineyards which are regularly exposed to mechanized operations and chemical treatment, make up 4.5% of agricultural land. The land areas which are intensively worked make up about two-thirds of the total country's area and 85.3% of the agricultural land. The pastures account for 14.7% of agricultural land.

Over the period of transition to a market economy, the reforms have caused a significant change in the distribution of land to landowners, as follows:

It is well known that the reduction of agricultural land, especially, that of arable land, poses a global threat. Yet, an excessive expansion of arable land at the

“When you drink water, think about the well.”

Moldovan proverb

Table 5.7.1.

Surface Water Resources in the Republic of Moldova

Rivers' hydrographic basin	Annual debit km ³			
	Average stock	Total		Including tributaries of interior rivers
		Drought years	Average stock	Drought years
		75%	95%	
Nistru	10,2	8,08	5,7	0,63
Prut	2,9	2,38	1,83	0,28
Cahul	0,11	0,05	0,01	0,11
Total for Moldova	13,21	10,51	7,54	1,02
				0,59
				0,26

Source: data from Ministry of Environment of the Republic of Moldova

expense of other categories of land (like forests), combined with the application of intensive technologies, causes soil erosion. According to some estimates, in order to maintain a minimum level of food

The experience of some developed countries shows that it is possible to recover the regenerative ability of the soil. A new approach in the agriculture focused on the development of technologies appropriate for the natural environment may provide sustainable efficiency and even reduce production costs.

Forests of the country cannot be viewed as forest resources of direct economic importance, nor as sources of wooden raw material. The size, quality and geographic placement of forests are also not consistent with the ecological infrastructure requirements. They are the remainders of Codru from the past centuries. The current areas are either significantly affected by former selective deforestation, or they entirely have a recent anthropological origin. Over the last 40-50 years, about one third of the forest land was normally planted with species belonging to eco-systems of other countries and continents (acacia, birch tree, pine, fir trees, etc.), what makes these forests less efficient from the ecological standpoint, less suitable habitation for living, more vulnerable and non-viable species. The costs for the upkeep and regeneration of such forests, estimated on a long-term basis, are normally higher.

The breakdown of forests by species is the following: 47.6% oak, 31.8% beech, and 20.6% - all other species.

According to Land Cadaster data the forest fund area takes up 394.7 thousand hectares (including 325.4 thousand hectares of forest, the degree of the country's forestation is estimated at 9.6%), covering 800 forest tracts, with an area ranging from 5 to 1500 hectares, being unevenly spread across the country. According to the law, forests are the state's property. About 89% of this area is controlled by the state specialized institution "Moldsilva". The rest of the forest land (in small sectors) is controlled by the local public administrative institutions, and agricultural, industrial, transportation, and business entities, etc.

Biodiversity and protected areas. Situated in the marginal zone of three re-

Table 5.7.2

Land Allocation by Owners (at Year's End), Thousand ha

Owners:	Years			
	1991	1995	1997	1998
Total land	3376,0	3385,3	3384,4	3384,4
Agricultural land	2537,7	2032,6	1994,4	1980,9
Settlements	400,8	441,7	441,7	449,0
Reserve Fund*	466,6	462,5	487,0	498,4
Industrial enterprises and other sectors	77,6	58,4	58,3	58,4
Forest land, and environment protection	325,0	344,1	350,6	350,4
Waters	26,0	46,0	47,0	47,3

* Fields designed for social development of settlements and for general use (pastures etc.)

Source: DSAS

per person on the globe, on average, 0.6 ha of arable land is required. Under the conditions obtaining in the European Union, it has been estimated that in order to ensure food security, a minimum 0.15 ha of arable land per inhabitant is required. In the Republic of Moldova for each inhabitant there is 0.41 ha of arable land.

The reproductive capacity of soil fertility and its ecological quality are gravely affected by extensive agricultural operations based on intensive technologies and excessive use of chemical fertilizers, pesticides and herbicides.

The economic and energy crisis, the status of agricultural reforms combined with the emergence of many owners who lack necessary equipment and special knowledge, the persistence of old technological schemes along with a considerable reduction of fertilizers (organic and mineral), the disorder persisting in irrigation systems were conducive not only to a dramatic decline in the output, but also to a higher degree of soil depreciation.

gions of flora (East-European forest, East-European stepp, Mediterranean forest stepp) and the region of fauna stretching from the Asian continental stepp through the European forest stepp, the Republic of Moldova has a very vulnerable biological diversity. Estimates show that natural ecosystems take up no more than 20% of the territory, and are very fragmented and degraded. The vital potential of forest ecosystems is weak, including 172 species of terrestrial vertebrates and 859 species of flora, out of which 40% have been brought from other regions. From stepp ecosystems only small fragments remain, including 55 flora species and 109 species of vertebrate animals. Natural meadow ecosystems take up 1.5% of territory, but have a relatively rich diversity.

The Red Book of the Republic of Moldova includes 241 species of flora and fauna. Specialists consider that the number of rare and endangered species, which should be included in the Red Book, reaches 600. The extent of protected areas constitutes 1.7% of the country's territory, being one of the smallest among European countries (Ukraine 3%, France 7%, Germany 13%, Austria 25%, etc.). The national network has 12 categories of protected areas: 5 scientific reservations (19.4 thousand ha), 130 monuments of nature, 63 natural reservations, 41 landscape reservations, many geological, paleontological, and hydrological monuments among others.

The Overall Quality of Environment in the Republic of Moldova.

Viable human development is inconceivable unless there is a healthy environment. The environmental condition in the Republic of Moldova, as well as in other countries, is adversely affected by economic activities, by inadequate use of natural resources, outdated natural and technical infrastructure and by cross-border pollution.

Air quality. Overall, on the territory of the Republic of Moldova, the amount of pollutants released into the atmosphere

was estimated at 273 thousand tons. Its ratio to the number inhabitants is lower than that in neighbouring countries, currently being 64 kg/inhabitant /year (1998). The sharp decline in industrial output during the period of transition along with the increase in the number of motor cars changed the nature of released pollutants as compared to the '80s. In 1998, the proportion of mobile sources of pollution exceeded the average percentage on the globe (60%), reaching 83% (226.4 thousand tons). The proportion held by transportation in the city pollution reaches 92% for Chişinău, 95% - Bălţi, 96% - Cahul, etc.

Permanent sources make up 17% (47.6 thousand tons) of total releases. Of this quantity, 79% are released by heat and electricity companies and boiling installations. The largest share in the total pollutants released is accounted for by: hydrocarbons (15 %) released by road transportation, oxide and nitrogen dioxide (14%), sulfur dioxide released by road transportation and heat and electricity stations, and carbon monoxide (8%) by road transportation, and a small portion released by industrial enterprises.

The cross border pollution consists primarily of sulfur oxides and nitrogen oxides. The degree of pollution caused by precipitation coming from west North-west (Romania, Poland, the Czech Republic, Slovakia, Germany) and from east Northeast (Ukraine) is 4 times higher than internal pollution by sulfur oxides and 1.5 times higher than local nitrogen oxides pollution.

Water quality. Based on laboratory research (1998), the quality of water in the Nistru and Prut rivers is qualified as moderately polluted, and therefore, drinkable, while that of water in internal rivers is polluted and degraded. Over the last decade, there have been noted a decline in the river flows of degraded water and an increase in those of drinkable water. This development indicates a decline in emissions due to the reduction in the extent of industrial and agricultural activities, and to some more comprehensive

measures of water quality protection than those previously taken. The unsatisfactory quality of underground waters still persists, in some cases due to pollution, while in other cases due to the geological environment. In some areas underground waters are characterized by high concentrations of fluorine. In other areas these waters show high concentrations of hydrogen sulfide, methane or are completely mineralized. Over recent years, a sharp growth was evidenced in nitrogen and ammonia components in ground waters, especially, in Telenesti, Floresti, Orhei, Ungeni, Comrat areas. In most of the wells an excessive concentration of nitrates and sulfates has been found.

The problem of the quality of water consumed by the population has been discussed over a long period of time, but apart from general statements, nothing substantial has been done so far, although there have been some projects and programs. Until now, information on the share of the population with access to clean water has not been determined. There is neither registration nor monitoring of small sources of water or proper information provided to the population.

Soil quality. In terms of natural properties, the soils in the Republic of Moldova are classified with the most valuable soils in the temperate zone. The soil is exposed to the effects of different injurious natural and anthropogenic processes and phenomena.

The depreciation of the soils' inherent ability to regenerate, as in other countries, is caused by irrational use, inappropriate irrigation, and intensive technologies applied over the last 50 years. Today, the soil's erosion and degradation directly threaten the economic and social security of the country.

The total area of eroded soil is increasing at an annual rate of 1.5% (10 thousand ha) and currently constitutes 32.2% of agricultural land. Thousands of hectares are destroyed through landslide and in ravines.

Agricultural land has been exposed to various harmful occurrences: water ero-

sion, phosphorus and nitrogen deficiency, excessive acidity, texture compression, pesticide pollution, salts and other degrading factors. Although procedures to preserve soils' natural fertility are known, there is inertia and numerous barriers of political, economic, institutional and social nature in the country. These barriers ultimately block the implementation of energetic and adequate steps in this field.

Forest quality is affected by some inappropriate management policies from previous periods, when the quantities of wood harvested exceeded the usable potential of forests confined within the forest tracts. The forests often are exposed to pests and diseases. The forest quality is seriously harmed by illegal cuts and livestock pasture. Most forests in Moldova originate not from seeds but from copse (3-5-8th generations of cuts), which is why their structure and functions are degraded. Trees are aging quickly, and their resistance to negative factors of the environment is reduced. The forest ecosystem is deteriorated and fragile.

Waste problems. While not heavily industrialized, the Republic of Moldova encounters, as do other countries, all the problems of waste accumulation. Storage, preservation and use of wastes are still matters of discussion, analysis and intentions, or even projects without any adequate practical solution. The Republic does not have a ground available for toxic waste disposal. Part of these wastes is stored outside the allowed and appropriately equipped areas. Another part is evacuated, without the authorization of appropriate authorities, to household waste dumps. According to State Ecological Inspectorate evidence, about 13 thousand tons of toxic wastes have accumulated in the country, which is 3.3 kg/inhabitant. Only half of this (49%) is buried.

Inconsistent agricultural privatization resulted in the loss of control over the chemical waste management within former collective farms. Warehouses were left without owners (have not been privatized), some of which have been ruined,

others demolished. The existing ones require capital repairs and an appropriate outfit which is impossible due to the lack of funds. A special government resolution in 1997 on collecting and storing unusable and prohibited pesticides can be enforced with practically no financial support from international institutions.

An equally delicate situation is also anticipated with regard to household wastes. Most of the grounds are used up, and the extent of their use equals or exceeds the acceptable limits. Not only does the lack of funds make the construction of new dumps impossible, but the land deficiency as well. There are 1348 household dumps in the country taking up 1144.3 ha or 31 square meters/inhabitant, where 29,4 million cubic meters of garbage is deposited, or 6.8 cubic meters/inhabitant. It does not include the refuse which is deposited into unauthorized places — pits, former blocks, on the bank of rivers and lakes, etc. Since the mayoralties do not have transportation and fuel available to ensure waste evacuation, in many villages unauthorized dumps appear spontaneously. Separate collection of scrap metal, glass, scrap paper, etc, and their recycling is at the stage of testing.

Natural Environment Management

The transition to the market economy, the process of social restructuring and reform in the Republic of Moldova has triggered some new approaches in the development strategies of the country. Resources conservation and environmental protection have become imminent objectives in the economic, social and moral development of the human community. New concepts also involve the use of new environmental management techniques: the ownership of the resources and state's role; the legal framework (legislation); economic, technical and regulatory mechanisms, education tools, etc.

The most significant achievements are noted in the establishment of a legal framework required for environmental conser-

vation and protection. Overall, the effective laws are aimed at specifying the protective environmental actions and measures to preserve conditions favourable to human's health, preventive measures to avoid resources' pollution and depletion and preserve biodiversity, as well as ensuring consistency with relevant international conventions and projects. A new generation of relevant legal statements is in the process of development, most of them cover, in particular, the use of resources in such sectors as agriculture, industry, transportation, human localities, and etc. The economic tools designed to influence environmental interests and behaviour of economic entities (resource conservation, environment protection, waste recovery, use of adequate technologies) are limited to charging taxes on the use (consumption) of resources.

Pollution fees and penalties for various violations are charged to the ecological fund, whereas taxes on the use of resources are charged to the budget. While the amount of these taxes is not fundamental in terms of economic criteria and has no financial, economic or ecological implications, their application is an experience, a starting point towards the improvement of these mechanisms. The environmental protection administration now falls under the authority of the Ministry of Environment, the State Ecological Inspectorate being under its subordination. The role of the ministry as a central authority in government policy has increased as compared to previous years.

The attention and support environmental issues have received over the last years, and the way international institutions address environmental problem in the Republic of Moldova has notably helped achieve awareness and trigger political action.

The main problem which paralyzes the institutional framework for environmental protection is the lack of adequate feedback at the micro-level of local public administration, economic entities, civil

society, citizens and regular people. The legislation itself, no matter how good it may be, cannot replace the traditions and people's standard behaviour. It is not the mere awareness of the problem that is required in order to effect change, but a different perception of values and a different moral as well. A national program of ecological education is more than opportune. Obviously, it cannot be treated separately from the objectives and actions aimed at increasing public welfare: economic, food, the physical security of people.

Ecological NGOs may have an important role to play here. Although the number of such organizations increased (the current official record shows ecological organizations), they still do not exercise sufficient influence on the formation of the relevant public opinion.

“When the trouble is around, you never know where it'll come from.”

Moldovan proverb

5.8. Increase in Personal Insecurity

Personal security is an important criterion against which to judge a state's regard for individual citizen's security. No other human security aspect, however, is more important than the prohibition

against physical aggression. Threat to an individual life in a climate of political, economic and social crisis may be generated by a number of factors:

- By the State and public clerks (physical violence, moral aggression, tortures within the penal system, war);
- By other social groups (ethnic conflicts);
- By particular persons or criminal groups, and by street violence;
- Through threats within the family focused on women and children;
- Through behavioural threats to the self (suicide, drug addiction, etc.).

Changes occurring in the society have caused a substantial decrease in the protection of citizens. The transition period has generated the emergence of unemployment and stark social contrasts. Rackets, violent conflicts between criminal groups, corruption of legal institutions and the consumption of drugs have become commonplace in Moldova.

The main problems connected with personal security in all regions of Moldova relate to criminality, labour or traffic accidents, violence within the family and drug consumption.

Criminality poses the greatest threat to individual security. The root causes of increased criminality in the Republic of Moldova during the last decade are the following: the creation of a new state with an imperfect, sometimes even contradictory, legal framework; the territorial partition of the country as a result of the military conflict in 1992 in Transnistria and events flowing from it. The conflict provided many people with access to considerable quantities of arms. In addition, new groups have appeared in society, seemingly rich over night, and they can protect their interests only by illegal measures. Arrears to salaries for employees of institutions involved in law enforcement and an insufficient supply of necessary equipment have rendered legal institutions open to manipulation.

Box 5.8.1

Major international human rights acts ratified by the Republic of Moldova

- The International Covenant on Economic, Social and Cultural Rights
- The International Covenant on Civil and Political Rights
- The International Convention on the Rights of the Child
- The Convention on Political Rights of Women
- The International Convention on Elimination of All Forms of Racial Discrimination
- The Convention on Inapplicability of the Statute of Limitations for War Crimes and Crimes against Humanity
- The Convention on Genocide Prevention and Punishment
- The Convention on Abolition of Forced Labour
- The Convention on Elimination of All Forms of Discrimination Against Women
- The European Convention for the Protection of Human Rights and Fundamental Freedoms
- The Framework Convention on the Protection of National Minorities

Sursă: Center for Human Rights - Moldova, 1999

Statistical data for 1998 indicate that 8210 serious crimes were committed within the territory controlled by the central authority of the state (with the exception of Transnistria). Of them approximately 300 crimes involved guns, grenades and explosives. At the same time criminality in Chisinau is two to three times higher compared with other zones in Moldova and is characterized by a ratio of 178.1 crimes to 10 000 inhabitants, compared to the average in the country of 95.7. In 1998, 375 people died as a result of premeditated crimes and 420 people suffered from severe injuries. There is an increase of 14.4% in the number of people with no particular occupations, confirming the impact of social problems on the level of criminality.

Homicide and suicide statistics appear somewhat peculiar. For example, in 1998 the number of suicides in Moldova exceeded by 1.38 times the number of murders (15.7 cases of suicide to 100 thousand inhabitants, and 11.3 homicides to 100 000 inhabitants). This would appear doubtful. However, given the economic situation in which more than 300 thousand people have lost their jobs and 80% of the population is under the poverty line, suicides exceed homicides only between 10-20%. On the one hand, such a picture may present an "improved" statistical picture of crime control. On the other hand, it might indicate violence within the penal system.

Corruption has expanded considerably. In February, 1999 a Republican conference named "Organized Crime and the Shadow Economy in the Republic of Moldova" was jointly sponsored by the Ministry of the Interior of the Republic of Moldova, the Police Academy, the Independent Association of Criminology and the Soros Foundation. According to data cited during this Conference, corruption has attained the highest level in the history of the Republic of Moldova. More than 79% of entrepreneurs and 85% of other respondents declared it is impossible to solve a problem without bribing state employees.

Box 5.8.2

Official data supplied by the Ministry of Interior regarding the control of criminality in the Republic of Moldova are rather optimistic ones. Thus in 1998 a 9.3% decrease in criminality was registered, including a 20.6% decrease in serious crimes investigated by the criminal police (robberies — 251.9%, fraud — 48.1%, severe injuries — 20%, theft of state property — 20.4%, apartment robberies — 8.5%). These positive tendencies remained through the beginning of 1999. Mobilization of reserves in crime control and prevention has contributed to an increased efficiency of the police. Arrests have increased by 59.9% to 64%, especially in the case of serious crimes (homicides — up 82.4%, severe injuries — 82.9%, rape — 91.7%, robberies — 56.2%, plunders — 47.5%, theft of state property — 4.6%, theft of transportation vehicles — 27.7%). Last year the police were successful in neutralizing 146 criminal groups, of which 67 were organized groups and 411 criminals were detained.

However, in conformity with some reports in the free press, the real situation seems to be much worse. There are numerous cases in which the penal files are shelved without enough grounds for doing so. Also, evidence is not always disclosed.

The reduction in registered criminal violations may also be explained by the fact that citizens turn less frequently to police for assistance and protection of their interests. The distressed population would rather use the criminal power structure to ensure its protection.

Source: Ministry of Internal Affairs of the Republic of Moldova

According to public opinion, more than 92% of the respondents are afraid of criminals and their cruelty. They mentioned their fear that criminals may not be found. People are concerned by the rapid growth of many types of violations. More than 86% of those polled consider such a democracy a false one.

The continuous growth of criminality generated by the spread and use of drugs constitutes a real threat to personal security in Moldova. In 1998, 870 crimes of this category were officially registered. The situation in connection with minors seems especially grave. Distribution of drugs has focused on schools and other educational institutions. The increase in drug addiction has led to an explosion in the number of AIDS cases in the country. State institutions appear ignorant and unable to undertake measures in this area. In order to diminish the danger of AIDS contamination, the Soros Foundation in Moldova has financed a project to supply drug addicts with free disposable syringes.

The personal security of women and children has deteriorated. In Moldova, more and more children are deprived of the right to attend school because of poverty. All these factors, along with malnourishment, have a negative impact on the health of an entire generation. Children have begun to be exploited by criminal groups that use them as beggars. Prostitution among minors has acquired greater proportions. According to data from the Ministry of the Interior, 12% of crimes were committed by school children, 54% by children out of school and 6% by pupils from vocational schools. Among reasons leading to the growth of criminal behaviour among children are the consumption of alcoholic drinks and

an increased susceptibility of the juvenile nervous system to alcohol. Every seventh minor out of those who committed crimes was alcohol intoxicated. Records indicate that 594 minors participated in group crimes.

In 1998, 229 rape cases were registered. Due to unemployment, women become involved in improper and risky activities in order to ensure the subsistence of their families. Very often they are deceived by false promises to get jobs abroad, and once there they are forced to practice prostitution. While selling goods in street trade, women very easily become targets of robberies.

The probability of involvement in a traffic accident hasn't changed markedly in Moldova although roads are in poor condition and there is an almost three fold increase in the number of cars on the road, most of which are older cars imported from abroad. In 1998, about three thousand traffic accidents were registered, in which more than 3600 people were injured and 492 lost their lives.

The situation in the eastern part of the Republic of Moldova presents a particular problem. Subsequent to armed conflict during the summer of 1992, the Moldovan state lost control of this territory. The regime installed in Transnistria persecutes any political opposition and uses methods that have nothing in common with the mechanisms of a state under the rule of law. The situation is especially difficult for those who have acquired citizenship in the Republic of Moldova. Dismissal from employment on political grounds and intimidation have become commonplace in the zone controlled by the separatist regime. Personal security is affected also by the fact that on the left bank of the Nistru River there still exist paramilitary cossack troops and the population is highly armed. An abrupt rise in criminality has taken place in this region over the last several years.

The administration in Tiraspol offers no information regarding the real degree of criminality or number of attacks on persons. Considering the general situa-

Box 5.8.3

Human Rights violations

The separatist regime in Tiraspol gives priority attention to coercive institutions, including the armed forces. In a situation in which "general military service" is compulsory, often the personal security of those who do not accept the regime is under a real threat. There are numerous cases in which, upon refusing to enroll in the army of the self-proclaimed regime, persons were subjected to physical torture and became invalids for the rest of their lives.

Kidnapping of citizens is frequently used by the Tiraspol regime. On December 14, 1998, a citizen of the Republic of Moldova, Mr. Vitalie Corobco was kidnapped in Chisinau and taken to Tiraspol by employees of the Transnistrian "ministry of state security". Later, Vitalie Corobco was transported to Moscow.

The case of the political prisoner Ilie Ilascu, a deputy in the Parliament of the Republic of Moldova, presents a special situation. For 7 years now he has been subjected to psychological abuse, physical torture and a death sentence by the regime. Numerous appeals to international bodies undertaken by the authorities of the Republic of Moldova have so far had no success because Tiraspol authorities do not recognize international organizations. At present the European Court for Human Rights is considering Ilie Ilascu's file as an exceptional case.

Source: compilation from mass-media articles

tion, however, one can conclude that fundamental human rights are frequently being violated in Transnistria, and that the situation concerning personal security is much more grave compared than that on the entire territory of the Republic of Moldova. The Moldovan Parliament, in view of the situation created in Transnistria, and also in conformity with provisions under paragraph 11 e) of Clause 188 (1995) of the Council of Europe Parliamentary Assembly, considered it necessary to make a declaration during ratification of the European Convention of Human Rights. According to the declaration, the Republic of Moldova assumes no responsibility for acts committed on the territory of the self-proclaimed Transnistrian republic.

The Moldovan society has overcome the tension interethnic relations created at the beginning of the 'nineties around interethnic relations. Although interethnic relations may not be fully stabilized, nevertheless there is no danger of eventual interethnic conflicts at the present time.

In summary, personal security in the Republic of Moldova is not sufficiently secured. Conditions for an increased degree of personal security for Moldovan citizens may appear only after the most acute stage of the economic crisis is over. At the same time, an efficient system ensuring the personal security of citizens may function only in a state with the rule of law.

A change in the circumstances cited below should improve the personal security and crime control in the Republic of Moldova:

- A reduction in unemployment — the main grounds for the growth in criminality;
- An increase in family stability and the family's increased role in education of children;

- Improvement in the struggle against alcohol and drug addiction, also sources of criminality;
- A decrease in the size of the shadow economy, and stronger efforts combatting corruption;
- An increase of authority and responsibility of legal institutions in the struggle against criminality; liquidation of arrears to salary payment in this sphere;
- More efficient investigations of criminal groups and delinquents, along with development of an efficient control mechanism; creation of more incentives within the legal justice system and bodies charges with law enforcement;
- Improved training of police employees;
- Expanded cooperation via Interpol;
- Creation of an Internet database for legal and fiscal institutions;
- Improvement of the legal framework in force. Urgent approval of a procedural penal code, of the contravention code and the law on money laundering.
- Adoption of laws on income declaration, the seizure of illegal income, drug and arms smuggling, and adoption of a civil service ethics code.

The personal security of people is the most important task of a state. People should be free of fear and able to have confidence in the future. Without these things it is impossible to achieve real progress in social and economic development.



CHAPTER 6.

ON THE WAY TO SUSTAINABLE HUMAN DEVELOPMENT

“Ștefan cel Mare* : Moldova did not belong to my ancestors, it wasn't mine and it is not yours, it belongs to your descendants and to your descendants' descendants for good.”

Barbu Delavrancea, the drama “The Sunset”

The first decade of the transition period has already passed for Moldova. Many things have changed, but the road towards a genuine democracy and prosperity remains paved mainly with good intentions. The transition, which was conceived and accepted in theory, but never consistently realized in practice, has not yet brought prosperity and stability, thus discrediting some fundamental ideas of democratization.

The general outcome of human development in the Republic of Moldova after a decade of transition is discouraging. The country is struggling in the trap of crisis: the quality of life and the living standards of the population have worsened, poverty has reached alarming proportions; the economy is in stagnation; debts bring the state close to solvency limits, thus becoming an unbearable burden for the present and future generations; instability, uncertainty, corruption, disregard for legislation and state institutions undermine all.

The process of reshaping the social and economic systems encounters huge difficulties, similar to those faced by the majority of countries in transition. The main problem of Moldova is the inability to create favourable conditions for human development at a pace necessary for productivity growth, fair access to opportunities, and real democratization of the society.

The 1998 UNDP Human Development Report for Europe and the CIS countries, mentions that “the new nations” pursuing reforms have diminished the direct role of the state in resolving social problems, without creating another system in place of the old one. The report considers that countries in transition should implement reforms gradually, without striving to penetrate the world markets right away.

The practice of Central, East European and CIS countries in transition show

the incorrectness of the presumption that the nations and governments of this regions would be able to assimilate and apply easily the new democratic ideas, including the mechanisms of a market economy. Relative exceptions are the countries with successful implementation of reforms - such as Slovenia or Poland.

On the other side, countries in transition are moving towards new social and economic systems, lagging behind advanced countries that also have a further development, and this fact cannot be ignored.

At present the governments of each country in the world talk about the need for reforms and changes in vital fields. As soon as some objectives are met, there appears a need for more radical reforms. Competition dictates rapid changes.

Under these conditions, the slowing down of reforms is risky. In all countries the theoretical and political spheres focus on improving the mechanisms that ensure the growth of the population's well-being (health, education, living conditions). In the early '90s many former communist countries, including the Republic of Moldova, expressed their wish to follow the economic models of Sweden, Germany, Japan, or southeastern Asia which, however, have already become obsolete. For those who are behind in the run for progress, the study of these models could help in avoiding mistakes and false solutions.

It is known that there are no perfect and totally applicable models. They cannot be mechanically reproduced in other countries due to differences in the social areas, labour market or in the education system. At the same time, the experience of other countries is, of course, useful. It can and should be applied, provided that the elements of the selected model are adjusted to the maximum to the national particularities and conditions, which was not sufficiently observed in our country.

* Ștefan cel Mare (Ștefan the Great), ruler of Moldova during 1457-1504.

The difficulties encountered by the Republic of Moldova are related basically to chances of human development — at present, as well as in the near and distant future. It is worth mentioning the problems pertaining to the functioning of the state institutions and the capacity of the community to react to new challenges among those that undermine the installation of democracy, the evolution of a market economy and the well-being of the population.

The Republic of Moldova is situated in an instable geopolitical zone, sometimes associated with the image of a problematic region, loaded with latent tendencies. One of the destabilizing factors is the self-declared “Transnistrian republic”. The settlement of the Transnistrian conflict is blocked by strategic interests of Russia, which has no intention of giving up this territory. The 14th Russian Army continues to be dislocated on this territory, though the Russian Federation made a commitment to the European Council to withdraw its troops.

Lack of integrity of the country not only affects the authority of the state as an institution, but also brings along social, economic and moral damages, makes the policing of frontiers extremely difficult and costly, favours blackmail, all forms of the shadow economy (smuggling, drug traffic, illicit transactions), organized crime, corruption and others. Some entities from Transnistria try to interject separatist actions in other zones of the country. The harmful effects are contagious.

The functional crisis of the market economy: decrease in the volume of production, blockage of improvement in the effectiveness of the economic activities, financial blockages, lack of competition and real dynamism of the market.

The continuation of the crisis can turn into a catastrophe. The economic collapse was caused by many factors: inappropriate political management of the transition process; the principles and practice of privatization, models and mechanism selected for the initial phase of the transition to a market economy inspired by the idea of social justice, which was

much discussed in the NHDR in the last years; chaotic institutionalisation of the mechanism of a market economy, reluctant and inconsequent promotion of the reforms; procrastination of the application of principles of a market economy in the economic management of the state — delayed cash-based privatization, avoidance of bankruptcy of non-profitable enterprises; inappropriate restructuring of enterprises, etc.

The moral crisis of the society — the corollary of the economic crisis — can discredit the entire process of democratization and reform. Many experts consider that the moral crisis and the mental dead-weight make the transition very difficult. The crisis is conspicuous in all social segments, starting with the family and ending with the political class. The elements of the crisis are typical for a suffering society: shadow economy, corruption, criminality, traffic of influence, juvenile delinquency, prostitution, diseases of the poor (tuberculosis, anemia etc.), fading of interest in education, depravation, alcoholism, psychological pathologies.

There are also specific factors that effect the moral climate in the Moldovan society: lack of an ethics code of accountability of the state towards its own rules, transparency, correctness of decisions and actions; violation of the legislation and established norms, even in the relations between various branches of power; very weak law enforcement; perpetuation of the old administrative methods and subjective criteria for the promotion of state and other officials; poverty, which undermines human dignity and subdues the spirits; communication and information blockage, etc.

The lack of a coherent strategy for the entire transition period, which would take into account the implementation of the reforms with the estimation of the inevitable social costs and the sources covering them. Such formulations of strategy were not made during the brief transition period, though logically they were needed.

The most comprehensive planning document in this field was “The Program of Transition to a Market Economy”

(1990). It was elaborated on the basis of concepts proposed by local experts, taking into account the experience of the Common Market, as well as the government programs of transition to a market economy in Poland, Romania, and the Baltic countries. This program drew on the experience of all reforms which were realized at that time both in full and partially, and the intentions underlying them at that time: privatization of state property, structural reforms, attraction of foreign capital and technologies, organization of a new health system based on medical insurance and many others. It is important to mention the hope that “in the complicated transition period” it will be possible “to assure social protection of the population by distributing the state property.” It was believed that shareholders would create the broad segment of free economic agents that “would contribute to the reduction, to some degree, of the power of the ‘phantom economy’”, called nowadays the shadow economy. It was also believed that by changing the ownership “there will be created equal starting conditions for all the citizens”. The program envisioned generous social protection for the citizens laid off from enterprises as a result of the reforms, though the sources that might cover these costs were not specified.

Afterwards, each of the seven governments has operated according to programs approved by the Parliament, which not always ensured the continuity necessary for the achievement of long term goals. An overwhelming factor has become the propensity to win the trust of international financial organizations for extending new loans. The international institutions assisted in drawing up medium-term programs on restructuring the social sphere and poverty alleviation (WB, UNDP), restructuring of industry (UNIDO), agriculture (USAID, TACIS), infrastructure of the energy sector, telecommunication, transport and roads rehabilitation, as well as environmental issues. In order to fill the gap created in the field of social-economic strategies, the Government and UNDP have founded a project “Strategy for Development” (mac-

roeconomic and sectoral analyses and forecasting), realised by the Centre of Strategic Studies and Reforms (CISR).

Finally, based upon all these plans, a new middle-term program was drawn up by the Government — the “Strategic Guidelines of the Social-Economic Development of the Republic of Moldova until 2005” which was approved in November 1998. The document was elaborated by the Ministry of Economy and Reforms with the use of data provided by all ministries and departments, the NBM, CISR, the Centre for Study of Market Problems, the Agency for Enterprises Restructuring and Assistance, the Agency for Restructuring of Agriculture and the Academy of Economic Studies of Moldova.

“Strategic Guidelines” proved to be useful from the practical point of view — for ensuring the continuity in the activities of changing governments, and coordination of departments’ work, as well as in making use of technical assistance.

Meanwhile, the need to elaborate *the Human Development Strategy for Moldova* still remains actual. The strategy should put *the people in the centre of all aspects of the development process*. Such a strategy is based on the needs of the people, is realized by people, and ultimately focused upon enriching human lives.

A country is, first of all, a human community in development. Therefore, this strategy should not be accessible only for the present generation but also for future generations. Such a global approach is intended to be followed in the new UNDP project “*Moldova-21/Sustainable Development Strategy of the Republic of Moldova*”, based upon principles of the UN Agenda-21 (Rio de Janeiro, 1992). These principles outline the following current problems for the Republic of Moldova:

- Every citizen has the right to a healthy life, free access to productive activity, harmonious life with nature. Human rights and freedoms represent one of the fundamental criteria for the assessment of the degree of democratisation of the society;

- The development of the society has to be of an integral nature, which would aggregate optimally the social equity, economic development, and ecological security. Standards of living in parallel with economic productivity should be mandatory and based on rational use of natural resources and a healthy environment;
- Transparency of the state's economic activities, to remove barriers to enter the market and to take measures for promoting competition, to re-evaluate state budget priorities in favour of sectors which are important in a long-term perspective (health care, education, science, culture);
- Elaboration and use of mechanisms that would build an open and democratic civil society, instill security and free development of the personality, including of women and youth;
- The strategy must have a regional, even local focus, touching upon local problems and needs.

The success of Human Development Strategy is likely to be contingent upon the political stability and rooted democratic institutions in the country. Political conflicts diminish a substantial part of human capital that could be used more efficiently in favour of enforcing conditions for human development.

The implementation of the Human Development Strategy calls for the establishment of external conditions — creation of an efficient framework for Moldova's cooperation with European and regional structures, and for the establishment of good relations with international financial institutions. It also demands favourable internal conditions — a base for ensuring partnership between the government, trade unions, public organizations and political parties, based on public support and long term national interests.

The final goal of the Human Development Strategy is to strengthen the capacity of Moldova to develop its own way to the 21st century, to allow the resolution of social problems, and to ensure a successful economic performance and a healthy environment.

CONCLUSIONS

Ten years have passed since countries in Central and Eastern Europe, including the Republic of Moldova, began their transition to democracy, a market economy and civil society.

The Republic of Moldova, as a new state in Europe, is at the initial phase of national consolidation. The 'nineties will remain in the history of Moldova as the transition decade, when the basis for real freedom — both spiritual and economic — was established. But for the people this was a time of austerity and survival.

The transition has brought disappointments. Unlike in countries such as Poland or Slovenia, the weakness of the state and the low level of political consent in Moldovan society did not allow permit the required regulatory role of the state in implementing reforms. In particular, state systems, undergoing a deep crisis, proved to incapable of initiating timely structural reforms, of collecting taxes as needed and of ensuring budgetary support of the poor strata of population.

Since crises usually aggravate inequality, the Government should have stimulated private sector development to function as a shock absorber for unemployment, should have reorganized the system of social assistance and should have undertaken measures in order to protect the poorest from economic shocks. Thus far this has not happened.

Disappointment was generated also by the property reform, based on rapid mass-privatization by vouchers, oriented towards granting everybody "equal starting opportunities." In reality, it did little more than turn poor-quality assets over to a large number of poor owners and channel high-quality assets to the "agile and connected." The populist privatization method and slow pace of reforms in the agro-industrial sector (a key sector of the national economy!) did not facili-

tate the turnover to efficiently working owners or good corporate governance of enterprises, which in its turn had an extremely negative influence on the real sector dynamics, its exporting possibilities and the level of employment.

On the macroeconomic front, the efforts to reduce inflation and the state budget deficit were not so successful. Non-compliance with the laws and decisions of courts has also led to the state's inability to rein in the underground economy, which has greatly expanded, leading to a vicious circle of corruption, hidden firm activity, reduced public revenues, and a dramatic widening of the population's income inequality.

Corruption not only causes severe stress in the everyday lives of the country's people but also stifles private economic initiative and the development of entrepreneurship as a driving force in a market economy and a means of "self rescue" during periods of hardship.

The low social efficiency of the reforms, the sharp income discrepancy and drawbacks in distributing the fruits of economic development ("newly rich" against "newly poor") have led to deepening and to a critical shortage of state funds for the support of public services, particularly for primary health care and basic education.

As a result, there has been a considerable worsening of all indicators of living conditions. In 1998 the Human Development Index for the Republic of Moldova, according to the estimations of the DSAS, was equal to 0.697 (in 1993 it was 0.718). The main components of HDI for Moldova today are: global domestic product per capita at purchasing power parity — US\$ 2042; life expectancy at birth — 67.0 years; literacy adult population — 94.6%. The Republic of Moldova, in spite of the worsening of HDI in the last years, still remains within the group of states with a "medium level of human development." Among 174 countries included in the UN rating list (Human Development Report 1999) Moldova is situated at the 104th place, having as neighbours Albania, Tunisia, Indonesia,

El Salvador and other developing countries.

Lessons of 1998. The 1998 Report is focused on key human development issues through the prism of human security. It is this year that the contrast between the declaration on the need to make development people-centred and realities of human insecurity were manifest. According to events, indicators and tendencies which constitute the basis for the current Report, the cardinal point is that in this year in Moldova the "first round of reforms" (from the crisis in 1991/92 to the crisis in 1998) was finalized. As a result, along with certain positive changes (human freedom, liberalization of enterprises, privatization of land in rural areas and of flats in urban areas, etc.), have emerged real threats to existing human security, and to the quality of human life in the future.

It was in this year that the totality of internal causes (protracted depression of output, the growth of unemployment and poverty, the collapse in the social sphere, violence generated by the shadow economy and corruption), along with the financial crisis originating from Russia — the main economic partner of Moldova — combined to put the country on the verge of default. Official statistics registered a reduction in GDP by 8.6% and a decrease in both industrial and agriculture output by 11%. According to the HBS, 46% of the population were poor. Social inequality has deepened: the income difference between the richest 20% and the poorest 20% is a factor of 12.6 times (against 7.0 in 1993). Ten percent of the "new rich" accumulated 47% of the total consumption of the population, while ten percent of the poor — 6%, respectively. Problems appeared in health care and education; nutrition has worsened.

Reforms' halting in 1996-1998 showed quite obviously that even with apparent success in macro stabilization, the lack of real measures in restructuring the economy will lead to excessive borrowing on the external and internal markets and to

increasing state indebtedness. Servicing of a big external debt (\$1.3bn or 80% of GDP) is distracting resources from solving the social problems and in these conditions the main task is not so much human development but rather maintaining human potential. The state's internal debt constituted 1.57bn lei (almost \$200m) at the beginning of 1999, and expenditures for public debt service are at about 25% of the total budget expenditures, while the maximum admissible level is 7%.

The social results of inconsistent and uncoordinated reforms proved to be quite depressing. It should be stated that during all these years social aspects of the reforms have constantly been left as a secondary priority. According to the chosen methodology of reform, the priority was given to macroeconomic stabilization and privatization. Efforts in the social sphere had a fragmentary nature. Even after a decade of transition, there is no common strategy for social reform.

In the end attention was drawn to this aspect not only the Government, but also by international institutions which granted financial and technical assistance to Moldova. The following confession is characteristic: "Too often we have focused too much on the economics, without a sufficient understanding of the social, the political, the environmental, and the cultural aspects of society." (James Wolfensohn. A Proposal for a Comprehensive Development Framework. World Bank, January 1999)

The lessons of 1998 have freed the country from illusions. Both for the Government and for the population it has become clear that the path towards a socially oriented market economy and positive results — both for the population and for the state — will not be short. The question has emerged about the need for a new policy that would better fit the needs of human security now and sustainable human development in the near future.

From the tactics of survival to a strategy of development. The next two to three

years may be decisive for the Republic of Moldova and its population. Many threshold indicators of threats to human security have been already passed and any further destruction of human potential is extremely dangerous for the future of the country.

The question is, which corrections should be made to economic policy; how is it possible to improve the difficult social situation in Moldova, and what actions have the Parliament and Government taken in this connection, or what are they planning to do?

The year 1998 was the new Parliament's first year in power along with the newly appointed Government. They declared their priorities as follows:

- Enhancing the responsibility of the state for social results of reforms, restructuring the social sphere, targeting social assistance;
- Budget rehabilitation, fiscal system improvement and collection of budget revenues as well as contribution to the Social Fund;
- Rehabilitation of the structural reforms in the real sector of the national economy; completion of agrarian and land reforms; stimulation of entrepreneurship;
- Fundamental reform of local administration, with a view to more efficiently using regional resources — human, natural and productive;
- Consolidation of state power institutes, guaranteeing the democratic development of the society, rule of law, rights and liberties of the citizens;
- Approachment with Europe; development of Moldovan society in accord with European standards, equity norms and human security.

It is already obvious that in the Republic of Moldova state institutions are not robust enough to sustain the forces of

transition. The expectations of the population vis-à-vis the role of the state are still unmet, for it is the state that was the initiator of the reforms and it must therefore take responsibility for their results. Solutions must be found in a strong legal system and transparent public institutions that work together with the private sector and civil society to produce sustainable development.

Such an approach should be based on the increased responsibility of citizens for the real state of public relationships and of democratic institutions, for development of local public administrations, a network of NGOs, and involvement of the population in settling the problems of the society.

The active participation of the population is extremely important, on the one hand, in fighting corruption and, on the other hand, for overcoming poverty. It is precisely these two misfortunes that are interrelated for the financial resources that are laundered via corrupt channels represent the means that should be received mainly by the poorest levels of the population. Taking into consideration this fact, for Moldova fighting corruption is an absolute necessity by both legal and administrative methods, by way of uniting the efforts of the Government, business, international community and groups within civil society.

Anti-poverty policies should be part of a new strategy for transition which builds on a concept of human development. Particular attention, in this case, should be paid to targeted social assistance by the state in order to increase the capacities of the population to settle the problems they face by themselves. For this purpose it is necessary to provide legal, fiscal and political support to small and medium businesses, including rural ones, to contribute to retraining manpower and to enhancing labour mobility.

Moreover, it is important to establish conditions that facilitate the inflow of funds to branches providing for human development. Efforts are required to enhance

human capital (education, health, freedom of choice), which will have a positive influence in the future and can replace some forms of exhaustible resources.

Human development cannot be expected to advance on a badly weakened foundation of human security — social, economic, political, and personal. Resources of state are limited and therefore must be focused on resolving the following tasks: (i) poverty eradication, (ii) enlarging employment, and (iii) protecting socially vulnerable groups (children, disabled, and solitary elderly).

Poverty alleviation should become the main concern of decision makers. Policies in this field might combine two elements: active measures and passive ones as envisaged in the National Program of Poverty Eradication. In the first case the accent would be placed on promoting economic opportunities for poor people, notably:

- creating new jobs;
- facilitating the access of poor to the productive usage of assets;
- diversifying social service infrastructure in rural arrears;
- expanding opportunities for the more productive use of labour force which poor people possess.

With regard to passive measures of poverty alleviation, these measures would be tailored to the programs of social assistance and would consist of:

- monthly targeted cash benefits to children, disabled, and numerous families based on means testing;
- occasional social assistance (in cash or in-kind) to socially disadvantaged people.

In the field of employment, planned activities should be aimed at improving job and wages security through a package of measures envisaged in the National Program of Employment for 1999-2000.

Among them are the following:

- stimulating job creation and production capacity improvement;
- enhancing professional mobility of the labour force and strengthening the efficiency of labour market institutions;
- removing small business and entrepreneurship barriers;
- improving protective measures for lay-offs;
- simplifying procedures for initiating and registering entrepreneurial activity;
- (re) training dismissed employees.

Social protection efforts would be channelled to streamlining the social security network: firstly, pension plans, health care and social assistance. The main goal is to ensure each person the basic forms of human and welfare security. For this purpose the new system will offer the opportunity of choice, while benefits will be targeted primarily to socially disadvantaged groups.

Moldova is granted a considerable support from abroad for human develop-

ment. However, its existing usage is not entirely effective. It is first necessary to improve the coordination and control of grants. Secondly, particular attention should be paid to projects directed at concrete targets for human development, both at national and regional (municipalities and commune) levels.

Moldova is a European country and the process of the country's integration strategy has been launched. Of importance are the foreign policy initiatives, the harmonization of legislation and administrative practice with the European Union, and the strengthening of democratic institutions. This fact engenders incentives for civic consensus and transformation of the Republic of Moldova into a civilized country, politically stable, neutral and open to international cooperation.

Today Moldova is facing a new stage of social and economic transformation. The human costs of the transitional process over the past decade have been enormous, and the time has come for alternative social policies, to a great extent oriented towards improving the living standards of the population and sustaining human development.

ANNEXES:

HUMAN DEVELOPMENT INDEX AND ITS BASIC COMPONENTS

A. A Technical Note on the Statistical Measurement of the Human Development Index in Moldova

Human development and its individual elements can be described by various statistical instruments pointing to the present level of development and to the direction of social and economic changes. Such instruments can be microindicators (health, education, economic activity, demographic situation of families, income levels of family members and the standard of living), or macroindicators (GDP per capita and governmental subsidies to services such as healthcare, education, culture, social welfare, environmental protection, etc.).

In order to render comparisons at the international level, the Human Development Index (HDI) was created to describe the level of human development in an individual country as compared to other countries. This Index is used mainly as a classification criterion for countries, since it is too broad to describe the absolute level of human development in a country. It cannot be used as an exclusive basis for suggesting specific actions regarding social, educational, demographic, or healthcare policies.

1. Calculation of Human Development Index (HDI)

The Human Development Index includes three main elements: life span, education level and living standard. The life span is measured by a person's life expectancy at birth. The education level is the weighted arithmetic mean of the population's literacy degree (with a share of two-thirds) and the coverage degree in all levels of education (one-third). As a yardstick for the living standard one uses

the per-capita gross domestic product (GDP), computed by taking into account the parity purchasing power in US dollars.

Life expectancy in 1998 in Moldova was 70.7 years for women, 63.2 years for men, and 67.0 years average.

The gross coverage rate in education is the number of students enrolled at an educational level—regardless of whether they are part or not of the corresponding age group—as a percentage of the total population in that age group. To mention is that in this HDI the coverage rate for educational institutions at all levels (I, II and III) has been recomputed for all previous years, to meet UNESCO recommendations (Statistical Yearbook, '97), and take into account the current legislation. Thus, education level I corresponds to the age group between 7-10 years (according to the Law on Education, schooling in Moldova becomes mandatory upon a child's seventh birthday); level II to 11-17 years of age, and level III to 18-22 years of age (for level III the standard length of 5 years, recommended by UNESCO, was used). As a whole, all three levels are comprised in the age group 7-22. In previous reports the gross coverage rate was calculated for the age group 7-24. In 1998 the coverage rate in education was 73.4%, which was higher than in 1997 (72.1% for men and 74.8% for women).

The degree of a population's literacy is the share in the total population of persons aged 15 and above who attended or graduated from a school, or who learned to read and write by other means. The literacy rate in Moldova has been for years 96.4%, and it is somewhat higher for men than for women — 98.6% and 94.5%, respectively.

GDP per capita, computed by the parity of purchasing power, uses official exchange rates to convert the national currency into US dollars, but it cannot measure the relative internal purchasing power of currencies. Therefore, the UN's International Comparison Project has suggested that the GDP be computed in real terms on an internationally comparable scale, by using the parity of the purchasing power as a conversion factor. Moldova participated in multilateral comparison projects for 1993 and 1996, which were part of the European Comparison Program (a program implemented jointly by DASS, Eurostat, the Romanian National Statistics Commission, and the Austrian Central Statistics Office). The results of these projects were used to compute the GDP per capita at purchasing power parity (PPP) for the period between 1993 and 1998. It should be noted that PPP for 1993-1995 has been recomputed to include the changes made in the 1996 methodology.

For Moldova, in 1998 the HDI components were as follows:

<i>Life expectancy</i>	<i>67.0 years</i>
<i>Literacy</i>	<i>96.4</i>
<i>Education coverage</i>	<i>73.4</i>
<i>Per capita GDP at PPP</i>	<i>2,042 US\$</i>

Each component is being compared

to the following fixed minimal and maximal values set by UNDP: 25 and 85 respectively for life expectancy, 0 and 100% for literacy, 0 and 100% for education coverage, 100 and 4,000 US dollars for GDP per capita. For the first three components, the difference between the real and minimal value divided by the difference between the maximal and minimal value gives as a result an index, that is:

Life expectancy index:

$$(67.0 - 25) / (85 - 25) = 0.700$$

Literacy index:

$$(96.4 - 0.0) / (100.0 - 0.0) = 0.964$$

Education coverage index:

$$(73.4 - 0.0) / (100.0 - 0.0) = 0.734$$

Education level index, computed from the two previous indices:

$$(2 \times 0.964 + 0.734) / 3 = 0.887$$

The GDP per capita index is being computed according to a new method set by UNDP this year—the difference between the real value logarithm and the minimal value logarithm is divided by the difference between the maximal value logarithm and the minimal value logarithm:

GDP per capita index:

$$(\log 2042 - \log 100) / (\log 4000 - \log 100) = 0.503$$

Table A.1.

Human Development Index (HDI)

	1993	1994	1995	1996	1997	1998
GDP per capita in:						
- lei, current prices	505	1313	1798	2167	2441	2411
- dollars at purchasing power parity	2935	2975	2105	2128	2207	2042
Literacy among adults (%)	96,4	96,4	96,4	96,4	96,4	96,4
Gross education coverage at all education levels (%)	71,7	70,2	71,1	71,8	72,9	73,4
Life expectancy at birth (years)	67,5	66,1	65,8	66,7	66,6	67,0
Indices						
- gross domestic product	0,564	0,566	0,508	0,510	0,517	0,503
- education	0,881	0,877	0,880	0,882	0,886	0,887
- life expectancy	0,708	0,685	0,680	0,695	0,693	0,700
Human Development Index (HDI)	0,718	0,709	0,689	0,696	0,699	0,697

The human development index, computed as the average of the three main elements with equal weight, is as follows:

$$(0.700 + 0.887 + 0.503) / 3 = 0.697$$

For the national human development reports for 1995-1998 the GDP per capita index was computed by a different method: GDP per capita, if it exceeded the world average (computed every year for the world report) was adjusted on the basis of a downward scale, and the maximal adjusted value was computed by UNDP for each year separately.

After recomputing HDI for 1996 by using for all indices the values appropriate for 1996, and by applying the new computation methodology, the obtained value for the HDI was 0.696 rather than 0.629 from the last National Report.

The same principles were used to recompute HDI for Moldova for 1993, 1994, 1995, 1996, and 1997.

2. HDI in Moldova versus other countries.

For the purpose of international comparison countries fall into the following groups:

high human development countries:
HDI > 0.800;

moderate human development countries: $0.501 < \text{HDI} < 0.799$;

low human development countries:
HDI < 0.500.

The 1998 World Human Development Report comprises the most recent data for international comparison (UNDP, Human Development..., 1998). The data in this report refer to 1995, and in most of the cases they are lower than the official data released by the Moldovan government. Such underestimation has been influenced by two main factors: gross coverage rate in education and GDP per capita. The authors of the computations in the human development reports are UNDP experts, while the data used were obtained from UN agencies, World Bank agencies, and from other international organizations.

According to human development index, Moldova ranked among the 174 surveyed countries as follows: 75 in 1994, 81 in 1995, 98 in 1996, 110 in 1997, 113 in 1998, and 104 in 1999.

The gap between Moldova and the first 20 countries is large: over 0.3 HDI points. To mention is, that the 20 countries include all of Western Europe (except for Portugal and Spain), the Scandinavian countries and five other non-European countries: Canada, United States, Japan, New Zealand, and Australia. The first four places are taken by Canada, Norway, the United States and Japan. The Canadian Human Development Index is 0.932, which is 1.4 times the Moldovan HDI. Thus, in order to clear all the flaws in human development Canada needs to improve by 6.8%, while Moldova needs to improve by 31.7% (World Human Development Report, 1999, p.134).

From a human development viewpoint, Moldova can be compared to Kyrgyzstan (97), Azerbaijan (103), Tajikistan (108). Like all CIS countries, Moldova ranks among the countries which have a moderate level of human development (HDI between 0.500 and 0.799).

Table A.2.

CIS countries ranking by HDI and per capita GDP (PPP)

	Country ranking by:	
	HDI	Per capita GDP by PPP
Armenia	99	123
Azerbaijan	110	138
Belarus	68	79
Georgia	108	141
Kazakhstan	93	104
Kyrgyzstan	109	127
Moldova	113	136
Russia	72	77
Tajikistan	118	161
Turkmenistan	103	120
Ukraine	102	118
Uzbekistan	104	117
<i>Informatively:</i>		
Romania	74	78

It is interesting to compare the CIS countries by their HDI and GDP per capita values (PPP).

The GDP per capita in Moldova is much lower than in other CIS countries. However, although by HDI Moldova ranks the last but one among the Commonwealth countries, by per capita GDP it ranks the 9th.

Education

The changes that took place in Moldova have affected education, too. Privatization did not leave the education system untouched, and especially higher education (level III). Last year 32 private colleges and universities were part of a total body of 94 higher education institutions. One in every six university students studies in a private institution. In line with that, schools (both primary, gymnasiums*, and lyceums**) and secondary-level vocational education have been practically by-passed by the tendencies to private education. (Private institutions made up respectively 1.2% and 6.9% of schools, and comprised 0.4% of students at each of the two levels.)

At the beginning of school year 1998-1999, there were 789.4 thousand school and university students — which was 73.4% of the school-age population (aged between 7 and 22) — enrolled in a form of professional training. Thus, one in every five people living in the country is enrolled in organized education. As compared to previous years, the gross coverage rate in education increased somewhat, although the total number of school and university students decreased by more than 120 thousand.

In the basic (mandatory) education system — both primary and secondary — the coverage rate in 1998-1999 was 92%: in primary education 96% (grades 1 through 4) and 89.4% in partial secondary education (grades 5 through 9).

The coverage rate in optional education is less than half (45.5%) of the people aged between 16 and 22, of which 33.4% are in universities (age 18-22).

Last year in Moldova there were 1,549 schools, gymnasiums and lyceums holding a total number of 650.7 thousand students. The share of gymnasium students—as compared to the previous year—in the total of students has remained at 21%, while the share of lyceum students increased more than twice to 16%. Colleges also have lyceum students, and under pedagogy colleges there are enrolled primary-school students.

Of the total number of educational institutions 18 are private (3 primary schools, 2 general secondary schools, 2 gymnasiums and 11 lyceums). They teach 2.7 thousand students, which is 0.4% of the total number of students (in 1997 this figure was 0.3%). The fee for a year of study in a private school varies between 1000 and 4000 lei.

Some negative trends in education have continued. At the beginning of the 1998-1999 school year every second school needed profound renovation (every third in 1997-1998), and 110 schools (7%) were unusable.

Only half of the general secondary schools, gymnasiums and lyceums have computer rooms. There are 10.5 thousand work places equipped with computers, which means a distribution of 60 students per one computer-equipped work place. More than a quarter of schools have no gyms, and only 14 (0.9%) have swimming pools. Only one-third of the total number of students has access to warm meals.

Financial problems conditioned the dissolution of extracurricular institutions in the country (technical skills development houses; stations for young technicians, hikers, naturalists and other). The number of children's libraries diminished by a third (from 304 to 206) in the last 6 years.

* In Moldova gymnasiums are specialized schools from the 5th to the 9th grade (t.n.).

** In Moldova lyceums can be compared to lyceums in the US and comprise grades 9 through 12 (t.n.).

At the beginning of 1999 there were 87 secondary vocational schools in the country, which trained 32.5 thousand people; 4% of the students were paying for their studies. The fee in such institutions varies between 250 and 2,300 lei per year, and the average per student is 1,148 lei.

The reform in the vocational education system created multi-profiled institutions that provide wide professional training and general lyceum education. Currently there are 52 institutions of this kind, which teach 26.3 thousand people (81% of the total).

Budgetary stipends are granted to 65% of the students in state-owned vocational schools. An average stipend is 41.5 lei per month.

At the beginning of the 1998-1999 school year in Moldova there were 56 colleges, which taught 29.7 thousand students—i.e. 81 students per 10,000 of population. One in every three students is paying for his education (last year this ratio was one in every four). In the 37 state-owned colleges there are 5,000 students (19% of the total) who are paying for their studies. Budgetary stipends are awarded to 41% of the total number of college students (full time), and the average amount of a stipend is 44 lei per month.

At the beginning of the 1998-1999 school year in Moldova there were 38 higher-education institutions, which taught 72.7 thousand students, or 199 students per 10,000 of population (in Romania this ratio is 157/10,000). As compared to the previous year there are 10 more higher-education institutions in the country (8 private, 1 foreign and 1 funded by joint ventures), and there are 11% more higher-education students.

Every second student is paying for his studies. In the 13 state-owned higher-education institutions 20.3 thousand people (34%) are paying for education. The fee for a year of higher-education varies on average between 1,300 to 4,000 lei; in private institutions the fee varies between 1,900 and 4,800 lei. Of the total number

of students in state-owned higher-education institutions 43% are granted budgetary stipends; an average stipend is 56 lei. Through the Ministry of Education and Sciences, 10,700 Moldovan citizens study abroad, the majority (88%) studying in higher-education institutions in Romania.

The transition period also changed the way young people choose their education. Education patterns vary depending on the education level. Thus, of the total vocational school students, 80% have gone through gymnasium education, 19% have graduated from general secondary schools, and 1% have graduated from lyceums. Among college students, 80% have graduated from lyceums and general secondary schools and 20% from gymnasiums. In undergraduate institutions, 74% of students are graduates of lyceums and general secondary schools, while one in every five is a graduate of a college and only 2% have graduated from vocational schools.

The most popular are schools that train lawyers and economists (19%), then come medical training (14%), psycho-pedagogy (10%). The following are the fields which have been most popular with applicants to higher-education institutions: law (24%), economics (22%), philology (10%), and psycho-pedagogy (7%).

Now one has to tackle the problem of employment for young graduates, since oftentimes they join the ranks of the unemployed. Of the total number of unemployed registered with employment offices last year, 7.9% were graduates of gymnasiums, general secondary schools and lyceums; 3.2% and 3% were respectively graduates of vocational schools and higher-education institutions. Unemployment among young people (aged 15-24) was 18.3% in 1998, which was much higher if compared to other age groups and twice as high if compared to the country average (9.4%).

Gross Domestic Product

The gross domestic product was estimated in 1998—in comparable circum-

stances—to be 8.6% smaller than in 1997 (in 1997 it was 1.6% higher than in 1996). The total gross added value was by 10.3% lower than in the previous year; by 4.2% in agriculture, 10.6% in industry, 17% in construction.

By analyzing the contribution of various branches of the national economy to the total GDP one can see a higher share taken up by net taxes on output and imports (by 1.6% more than in 1997) to the detriment of services, which has shown a decrease from 39.8% in 1997 to 37.6% in 1998. The total contribution of goods has remained relatively stable (46.2% in 1997 and 46.8% in 1998).

There has been a 5% increase in the structure of total final consumption over the two years. The highest share of GDP accounts for the final household consumption, which has grown by 16.5%, while the final consumption share of public and private administration has decreased from 29.8% in 1997 to 18.3% in 1998. Gross build-up of fixed capital has increased its contribution by 2%.

As a consequence of ongoing privatization in the economy and the operation in the private sector of facilities of some importance from the viewpoint of their production potential, the share of this sector in the GDP in 1998 reached 56%, while public ownership accounted for 30%, of which the state's share was 20%.

The per-capita gross domestic product has been 2,411 lei at current prices (2,441 in 1997), which is 91.4% of its value in the previous year.

Table A.3.

GDP components

	million lei at current prices		changes if compared to the previous year, %*	
	1997	1998	1997	1998
Total gross added value	7665	7435	1,5	-10,3
Agriculture, hunting and forestry	2312	2148	12,0	-4,2
Industry	1803	1970	-10,8	-10,6
Construction	422	382	-15,9	-17,0
Other	3128	2935	-0,3	-13,6
Net taxes on production and imports	1252	1369	1,9	1,2
Gross Domestic Product	8917	8804	1,6	-8,6

**Annual rates have been computed based on comparable prices (previous year prices).*

Table A.4.

Structure of GDP by resource category and utilization, (%)

	1997	1998
Goods production—total	46,2	46,8
of which:		
agriculture, hunting and forestry	26,0	24,4
industry	20,2	22,4
Services	39,8	37,6
Net taxes on production and imports	14,0	15,6
Gross Domestic Product	100	100
Total final consumption	97,3	102,3
household final consumption	67,5	84,0
final consumption by public and private administration	29,8	18,3
Gross build-up of fixed capital	19,9	21,9
Variation of stocks	3,9	4,0
Net exports	-21,1	-28,2

B. TABLES. Selected Indicators of Human Development

B.1. Main demographic indicators					
	1990	1995	1996	1997	1998
Total population (thou. people)	4366,3	4334,4	4320,0	4304,7	4293,0
Males (thou. people)	2082,0	2071,0	2064,5	2057,5	2052,0
% of the total	47,7	47,8	47,8	47,8	47,8
Urban population (thou. people)	2073,6	2004,1	1995,3	1987,3	1976,0
% of the total	47,5	46,2	46,2	46,2	46,0
Population structure by age:					
Below working age (%)	29,7	28,6	28,2	27,6	27,4
Working age (%)	54,9	55,6	56,0	56,4	56,5
Pension age (55 for females, 60 for males), (%)	15,4	15,8	15,8	16,0	16,1
Ratio of dependents unable to work (due to age) per 100 working people	82,0	79,8	78,4	77,2	77,0
Annual growth (thou. people)	4,7	-13,5	-14,4	-15,3	-11,7
Annual growth rate (%)	0,1	-0,3	-0,3	-0,4	-0,3
Natural growth (thou. people)	34,7	3,4	2,1	0,2	-0,9
Live births (thou. people)	77,1	56,4	51,8	51,3	46,8
Total fertility rate	2,39	1,76	1,60	1,67	...
Marriages (thou. people)	40,8	32,8	26,1	26,3	25,7
Divorces (thou. people)	13,1	14,6	13,4	13,4	13,0
Deaths (thou. people)	42,4	53,0	49,7	51,1	47,7
Total number of deaths by cause (%):					
Circulatory disorders (of the blood system)	43,1	46,6	50,2	52,1	52,7
Malignant tumours	13,5	10,7	11,5	11,0	11,9
Accidents, injuries, poisonings	10,5	9,4	9,4	9,0	9,0
Births (thou. people)	1,5	1,2	1,1	1,0	0,8
Life expectancy at birth (years)	68,5	65,8	66,7	66,6	67,0
Males	65,0	61,8	62,9	62,9	63,2
Females	71,8	69,7	70,4	70,3	70,7
		Per 1000 people			
Natural growth	8,0	0,8	0,5	0,0	-0,2
Birth rate	17,7	13,0	12,0	11,9	10,9
Mortality rate	9,7	12,2	11,5	11,9	11,1
Marriage rate	9,4	7,5	6,0	6,1	6,0
Divorce rate	3,0	3,4	3,1	3,1	3,0
Infant mortality rate (per 1000 live births)	19,0	21,2	20,2	19,9	17,8

B.2. Human Development Index

Life expectancy at birth (years) 1998	Adult literacy rate (%) 1998	Combined first, second and third-level gross enrollment ratio (%), 1998	Real GNP per capita (PPP\$) 1998	Life expectancy index 1998	Education index 1998	GDP index 1998	Human development index
67.0	96.4	73.4	2042	0.700	0.887	0.503	0.697

B.3. Human Development Profile

Life expectancy at birth (years) 1998	Population with access to:			Daily calories supply per capita 1998	Adult literacy rate 1998	Enrollment ratio for all levels (%)1998	Periodicals (pieces per capita)1998	TV-sets (pieces per 100 persons) 1998	Gross Domestic Product per capita (GDP) US\$ 1997	Gross National Product (GNP) per capita (US\$) 1997
	Health care (%) 1998	Safe water (%) 1998	Sanitation (%) 1998							
67.0	100	1980.3	96.4	73.4	136	15	2207	545

B.4. Human Development Index

Life expectancy at birth (years)		Infant mortality rate (per 1,000 live births)		Adult literacy rate (%) 1989	Enrollment ratio for all levels (% , age 7-22) 1998	Illiterate adults (age 15 and above; millions) 1989	Illiterate females (age 15 and above; millions) 1989	Children not in primary school (thousands) 1998	Children dying before age five (thousands) 1998
1959	1998	1960	1998						
68.1	67.0	48.2	17.8	96.4	71	0.1	0.09	11.0	1.1

B.5. Child Survival and Development

Pregnant women aged 15-49 with anaemia (%) 1998	Low birth-weight infants (%) 1998	Maternal mortality rate (per 100,000 live births) 1998	Infant mortality rate (per 1,000 live births) 1998	Under-five mortality rate (per 1,000 live births) 1998	Mothers breast feeding before 6 months (%) 1998
48	5	36.3	17.8	23.5	66

B.6. Health Profile

One-year-olds fully immunized against		Cases (per 100,000 people) of		Population per		Public expenditures on health and social assistance	
Tuberculosis (%) 1998	Measles (%) 1997	AIDS 1998	Malaria 1998	1 doctor 1998	1 nurse 1998	% of GNP	% of GDP
99.3	92.7	0.09	0.09	246	105	10.8	11.1

B.7. Food security

Food production per capita index (1985=1000) 1998	Agricultural production (as % of GDP)	Food consumption (as % of total personal consumption) 1998	Daily calories per capita 1998	Food imports (as % of total import) 1998	Cereal imports (thousands of metric tons) 1998	Food aid in cereal (thousands of metric tons) 1998
56	26	69.72	1980.3	2.0	13.5	0.7

B.8. Education imbalances

Pupil-teacher ratio		Enrolment in secondary technical education (as % of the total enrolment in secondary education) 1998	Enrolment in the natural and technical science education, level 3 (as % of the total enrolment in education, level 3) 1998	Students abroad (as % of those at home) 1998	Public expenditures on			
Primary 1998	Secondary 1998				Education (as % of GDP) 1997	Education (as % of total government expenditure) 1997	Primary and secondary education (as % of all levels) 1997	High education (as % of all levels) 1997
22	17	47	6	9	10	24.7	57.9	13.5

B.9. Employment

Labour force * (as % of total population)	Women's share of adult labour force (age 15 and above;%)	Percentage of labour force in						Earnings per employee annual growth rate (%)	
		Agriculture and forestry		Industry		Services		1970-1980	1993-1998
1997	1997	1965	1997	1965	1997	1965	1997		
45	53	57.1	41.5	12.8	11.6	30.1	46.9	103	152

*population employed

B.10. Welfare, Poverty and Social Investment

Gross domestic product per capita (PPP\$) 1998	GDP per capita (US\$) 1997	Income share		Social security benefits expenditure (as % of GDP) 1997*	Public expenditure on	
		Lowest 40% of households (%)	Ratio of highest 20% to lowest 20%		Education (as % of GDP) 1997	Health care (as % of GDP) 1997
2207	528	13.6	12.6	12.4	10	6

* of budgetary and extra- budgetary resources

B.11. Resources Flow Imbalances

Total external debt		Debt service ratio (debt service as % of exports, of goods and services)	Export-import ratio (exports as % of imports) 1998	Terms of trade (1997=100) 1998	Current account balance before official transfers (US\$ millions) 1998
US\$ millions 1997*	% of GDP 1997				
1226.04	63.6	17.2	61.7	111.1	391.6

*Source: Balance of Payments

B.12. Urbanization

Urban population (as % of total)			Urban population annual growth rate		The biggest city			
					City	Population (as % of total urban population) 1998	Growth rate (%)	
1960	1998	2000	1960-1998	1998-2000				1970-1975
23	46	46	2.85	-0.50	Chisinau	34	4.6	-0.20

B.13. Demographic Profile

Estimated population (millions)			Annual population growth rate (%)		Rural population (as % of total) 1998	General birth rate 1998	General death rate 1998	General fertility rate 1997	Contraceptive prevalence rate, any method (%) 1998
1960	1998	2000	1960-1998	1998-2000					
3.0	4.3	4.3	0.85	-0.45	54	10.9	11.1	1.67	27*

* inclusiv femeile luate la evidență care folosesc contracepțiile prin metode intrauterine și bucale; în % din numărul femeilor în vârstă de 15-49 ani

B.14. Natural resources

Land area (1,000 km ³) 1998	Forest and woodlands (as % of land area) 1998	Arable land (as % of land area) 1998	Irrigated land (as % of arable land) 1998	Deforestation (1,000 ha per year)	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) 1995	Annual fresh water withdrawals 1995	
						1992	1997		% of water resources m ³	per capita
33.8	12.5	53.5	16.9	15	3	194	237	1.7	27*	463*

*estimates

B.15. National Accounts

GDP (US\$ billion)	Share in GDP			Consumption		Gross domestic investments (as % GDP)	Gross internal savings (as % of GDP)	Net taxes on production and import (as % of GDP)	Public administra- -tion expendi- -ture (as % of GDP)	Exports (as % of GDP)	Imports (as % of GDP)
	Agric ulture (as % of GDP)	Indus try (as % of GDP)	Ser- vices (as % of GDP)	Private (as % of GDP)	Govern- ment (as % of GDP)						
1997	1997	1997	1997	1997	1997	1997	1997	1997	1997	1997	1997
1.9	26.0	20.2	39.8	56.2	20.3	13.5	10.4	14.0	6.3	53.2	74.4

B.16. Trends in Economic Performance

GDP (US\$ billion)	GDP annual growth rate (%)	Average monthly inflation rate (%)		Commercial energy use (kg of oil equivalent per capita)	Commercial energy imports (as % merchandise export)	Overall budget surplus/deficit (as % of GDP)	
		1991	1998			1993	1997
1997	1993-1997	1991	1998	1998	1998	1993	1997
1.9	-10.15	7.9	1.41	203	50.6	7.5(-)	7.5(-)

Abbreviations Used in this Paper

ASEM	-	<i>Academy of Economic Studies of Moldova</i>
ASM	-	<i>Academy of Sciences of Moldova</i>
EBRD	-	<i>European Bank for Reconstruction and Development</i>
HBS	-	<i>Household Budget Survey</i>
WB	-	<i>World Bank</i>
NBM	-	<i>National Bank of Moldova</i>
CASE	-	<i>Center for Social and Economic Research, Warsaw</i>
CISR	-	<i>Center for Strategic Studies and Reforms</i>
CSP	-	<i>Scientific and Practical Center for Public Health and Sanitation Management</i>
CSPP	-	<i>Center for Market Problems Research</i>
DSAS	-	<i>Department of Statistical Analysis and Sociology of the Republic of Moldova</i>
IF	-	<i>“Increderea” Foundation</i>
MER	-	<i>Ministry of Economy and Reforms of the Republic of Moldova</i>
MES	-	<i>Ministry of Education and Science of the Republic of Moldova</i>
MLSPF	-	<i>Ministry of Labour, Social Protection and Family of the Republic of Moldova</i>
ILO-CEET	-	<i>International Labour Office — Central and Eastern European Team</i>
UNDP	-	<i>United Nations Development Programme</i>
USAM	-	<i>Arts State University of Moldova</i>
USLM	-	<i>Slav University of Moldova</i>
ULIM	-	<i>International Free University of Moldova</i>

Bibliography

- 1 United Nations Declaration on Human Rights, Dec. 10, 1948.
- 2 Human Development Report for Central and Eastern Europe and the CIS, 1999.
- 3 Human Development Report, 1994.
- 4 *Andre de Peretti*, "Educația în schimbare", Iași, 1996.
- 5 *Băloiu L., Angelescu A.* "Protecția mediului ambiant", Bucharest, 1995.
- 6 *Bătrâncea I., Bătrâncea M.*, "Analiza riscului de țară", Tribuna economică. Bucharest, No.12, 1999.
- 7 *Cantemir A.*, "Dihotomia programelor sociale în tranziție: Cazul Moldovei", Conference "Economic Reforms in Moldova and România: Progress, Tendencies and Problems", Chișinău, 1998.
- 8 *Cantemir A.*, "Financial Impact on Social Security Nets: Case of Moldova", Conference "Economic Reforms in the Republic of Moldova: Tendencies and Difficulties", IREX, Chișinău, 1999.
- 9 *Carășciuc L.*, "Economia tenebră și politica statului cu privire la aceasta", Institute of Economic Information, Chișinău, 1998.
- 10 *Carășciuc L.*, "Shadow economy as an Offset of the Inefficient Formal Economy", Academy of Sciences of Moldova "Economie și Sociologie", No.10, Chișinău, 1998.
- 11 *Carășciuc L.*, "Corruption as a Driving Force of Shadow Economy", Revista Economică, Ediție specială, Chișinău, 1999.
- 12 "Republic of Moldova: Key Problems and Strategic Priorities for the National Economy Development", *CISR* Study, Chișinău, July 1997.
- 13 "Republic of Moldova: Strategy for Development", *CISR* Study, Chișinău, 1998.
- 14 "Moldova in transition, Economic Survey", Nr.2, Nr.3, *CISR*, Chișinău, November 1998, April 1999.
- 15 "*Concepția învățământului în Republica Moldova*", Chișinău, 1994.
- 16 "Criminalitatea organizată și economia tenebră în Republica Moldova", Conference held on February 1999, ARC, Chișinău, 1999.
- 17 *Dimitrenko S.*, "Autoangajarea în câmpul muncii: aspectul social", Express/Information, ICȘITE, 1998.
- 18 *Galaju I., Toma A.*, "Securitatea economică a statului în condițiile actuale", "Reformele economice în Republica Moldova: realizări, tendințe, probleme", 1998.
- 19 *Globalization and Development. A Critical Appraisal of the UN Human Development Report*, 1997.
- 20 *Gudim A.*, "Securitatea economică și politica externă", International Scientific Simposion "Moldova, Romania and Ukraine: Aspects of Security and Regional Collaboration", Chișinău, October 1997.
- 21 *Gudim A.*, "Seven years - the first round of reforms in Moldova", South East Europe Review, Baden-Baden, April 1999.
- 22 *Guslikova N.*, "Piața muncii: formarea, managementul în mediul instabil", Privire informațională, Chișinău, 1998.
- 23 "*Strategic Guidelines of the Social-Economic Development of Moldova till 2005*", Government of the Republic of Moldova, Chișinău, November 1998.
- 24 *Guțu I.*, "Republica Moldova: Economia în Tranziție", Litera, Chișinău, 1998.
- 25 *Imbrogno Salvatore*, "Democratizarea, privatizarea și transformarea în noile state independente: cazul Moldova", Economic Review, International Center of Research on Economic Reforms, No. 1, Chișinău, 1999.

- 26 Keune Maarten, Orlova Nina "The Deepening Social Crisis and Poverty in Moldova: An Analysis of Income, Consumption, and Nutrition in the 1990s ", *South East Europe Review*, Baden-Baden, April 1999.
- 27 *Law on Education*, Chişinău, 1995.
- 28 "L'enseignement secondaire du Europe: probl[]mes et perspectives", *Conseil de l'Europe*, 1997.
- 29 Ministry of Environment, State Ecological Inspectorate "Raport privind calitatea factorilor de mediu din Republica Moldova şi activitatea Inspectoratului Ecologic de Stat în anul 1998", Chişinău, 1999.
- 30 "Moldova: Poverty Assessment", World Bank Study, 1999.
- 31 "Programul Naţional de dezvoltare a învăţământului în Republica Moldova 1995-2005", Chişinău.
- 32 "Moldovan Economic Trends", Quarterly Issue, *TACIS*, Chişinău.
- 33 Rojco A., "Veniturile băneşti ale populaţiei şi problemele perfecţionării politicii de stat de reglementare a acestor venituri în Moldova", ICŞITE, Chişinău, 1999.
- 34 Rojco A., "Perfectarea dirijării de stat a proceselor de diferenţiere socială a populaţiei din Republica Moldova", ICŞITE, Chişinău, 1999.
- 35 Rojco A., Gavriliţa V., Stremenovskaia Z., "Minimul de existenţă: metodologia determinării lui şi calcularea mărimii pentru diverse grupuri ale populaţiei Moldovei", ICŞITE, Chişinău, 1998.
- 36 "Sănătatea publică în Moldova 1998", CSP, Chişinău, 1999.
- 37 "Situţia social-economică a Republicii Moldova în 1998, DSAS, Chişinău, 1999.
- 38 "Statistical Yearbook 1998", *UNESCO*.
- 39 Stratulat O., Rojco A., "Asigurarea socială în Republica Moldova: situaţia la momentul actual şi principalele căi de reformare", Chişinău, 1998.
- 40 Teleuţă A., "Conservarea diversităţii biologice (manuscris)", Chişinău, 1999.
- 41 Zabolica V., "Alimentaţia populaţiei este o problemă de primă importanţă", Academy of Sciences of Moldova "Economie şi Sociologie", No.2, Chişinău, 1998.
- 42 "Femeile şi bărbaţii Moldovei", Anuar statistic succint. *Departamentul Analize Statistice si Sociologie al Republicii Moldova*, Chişinău, 1999.
- 43 "Evolution of the Moldova's Economy: Opportunities for the European Integration", International Simposium, 28-29 January 1999, *TACIS Project* "Support of Economic education in Moldova" and Association of Economists of Moldova, Chişinău, 1999.
- 44 "Anuarul statistic al Republicii Moldova. 1997", *Departamentul Analize Statistice şi Sociologie*, Chişinău, 1999.
- 45 "Republica Moldova în cifre, 1998", *Departamentul Analize Statistice şi Sociologie*, Chişinău, 1999.