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Report on the results of consultations

Dialogue to help strengthen capacities and build effective institutions for Post 2015 agenda

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Introduction

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Official forecasts of the Government of the Republic of Moldova¹ and those of the international financial institutions² suggest that between 2015 and 2017 the Republic of Moldova can expect a relatively healthy GDP growth rates between 4.0 and 4.5 percent per year. As Moldova and EU signed Association Agreement and initiated the Deep and Comprehensive Free Trade Agreement (DCFTA), the better terms of trade and regulatory harmonization with the EU will provide additional opportunities for economic growth, as well as new sources of development aid. However, this important foreign policy success does not guarantee a sustainable reduction in poverty, a more distribution of income or, indeed, a more sustainable development path. Existing empirical evidence compellingly shows that increased aid flows do not necessarily ensure faster, more inclusive or more sustainable growth, unless the aid goes to the growth-enhancing investment projects³. Moreover, these positive devel-

opment trends take place amidst dimmer and less stable regional outlook as well as lingering concerns about robustness and inclusiveness of the current institutions.

Indeed, designing of and embarking upon a sustainable development path for the country requires, inter alia, consolidation of the capacities of key institutions both at local and central level and more transparent decision-making mechanisms with more effective feedback loops. It also entails consulting the people on the most critical problems and challenges threatening the development of the country. More often than not, these 'subjective' opinions and beliefs are well informed and rooted in the people's individual experiences. Considering peoples' needs and expectations in the policymaking process may result in more relevant policies benefiting of much wider social support. Consultations may offer also precious information regarding the non-intended consequences of the development policies and may help fine-tune these policies. Equally important, dialogue with the people may offer solutions on HOW to achieve certain development goals, not only WHAT these goals should be.

With this in mind, the UNDP Moldova and ILO has launched an exercise building on the momentum created by a number of consultative processes and projects which already took place, including the post-2015 national consultations "The Future Moldova Wants", evidence gathered by the UN

1 Minister of Economy of the Republic of Moldova, "Updated forecast of the key macroeconomic indicators for the years 2015-2017", document available in Romanian language at http://mec.gov.md/sites/default/files/document/attachments/a2014_05_21-nota_prognostica_2014.doc.

2 International Monetary Fund, "Republic of Moldova: 2014 Article IV Consultation and First Post-Program Monitoring Discussions-Staff Report; Press Release; and Statement by the Executive Director for the Republic of Moldova", Country Report No.14/190, <http://www.imf.md/press/macrotabs2014.pdf>.

3 Camelia Minoiu and Sanjay G. Reddy, "Development Aid and Economic Growth: A Positive Long-Run Relation", IMF Working Paper, WP/09/118, 2009, <https://www.imf.org/external/pubs/ft/wp/2009/wp09118.pdf>.

Joint Project “Strengthening the National Statistical System in Moldova” and the post-2015 consultations’ follow-up Youth@Work gaming project. The key purpose of this exercise is to enhance national capacity for contributing to dialogues on the post-2015 and for localization of the goals as well as bring cross-sector partnerships for future implementation. Addressing transversal institutional dimensions of development challenges is therefore the defining feature of the current report.

As part of this process, UNDP Moldova has commissioned the independent think-tank EXPERT-GRUP to develop and conduct surveys and focus-groups with key informants with the purpose of evidencing the challenges defining the future of the country, the first- and second-round effects of these challenges and to design a number of meaningful solutions of how to implement the country’s development goals in the long-term.

The work started with the secondary analysis of key documents and reports. Based on the analysis of National and global Human Development Reports, the post-2015 National Consultations Report “The Future Moldova Wants”, the three National MDG Reports and National Development Strategy “Moldova 2020”, the consultants of the EXPERT-GRUP have defined seven key challenges likely to influence the development of the country over a longer period. The list of challenges – which, due to such an extensive review is not only a subjective belief of the experts - is composed of:

1. Growth of the labor migration and labor mobility;
2. A more urban-based economic growth;
3. Growing inequalities;
4. Declining level of trust in the state institutions;
5. Growing political polarization and a more fractured society;
6. More intense climate changes;
7. Increased pressures on the environment and natural resources;

The list of challenges has served as starting point for the public consultations that have used the “Futurescaper”, a crowdsourcing platform developed at the Massachusetts Institute of Technology (MIT), to collect peoples’ opinions and to structure them quickly and effectively. A total number of 95 people took part in the survey (that offered both Romanian and Russian versions). The survey targeted people known to be experts in various areas. The surveyed sample (which obviously was not meant to be a representative one for the Moldovan society) included 43 men and 52 women. Nine people reported to reside in rural areas, 65 in Chisinau and 17 in other urban communities. Four people were migrants staying abroad. Most of the participants have advanced educational background, with half of the people reporting to have graduate or post-graduate degrees. Two participants are below 20 years of age, 41 are between 20 and 34 years, 34 are between 35 and 49 years, and 15 – above 50 years.

The platform enabled the participants to comprehend the development challenges, identify first and second round influences of the challenges they identified as the most binding and to offer recommendations to the authorities they considered relevant.

The same list of topics has been used to conduct three focus groups with representatives of the private sector (8 people), representatives of the public services providers (15 people) and services users (15 users). The focus-groups allowed the experts to go into qualitative details and dig a bit deeper on the most significant aspects and challenges.

The methodology and tools used offered the advantage of exploring the qualitative aspects of the development challenges and getting the real-life perceptions of people coming from various communities, with different educational and professional backgrounds. The key limit of this approach is that it does not offer numbers and shares allowing for extrapolation at the level of the entire society. However, the authors are confident they struck the right balance between the qualitative and quantitative dimensions and that the result is a short but compelling account on the key factors to advance the country's development in long term.

At the first glance, the report's outlook may seem overly negative and gloomy. In fact, it is not. "Realism" rather than "pessimism" would be the proper word, especially considering that the purpose of the effort was to identify clear solutions for over-

coming the most critical development challenges. Of course, after getting its independence, the Republic of Moldova has seen important positive developments across many sectors and areas. However, the people that took part in the discussions adopted a rather realistic approach to the country's development imperatives and have built on their own life experiences, current needs and expectations regarding their future and the future of their country. Migration experience of Moldovans in the more developed countries in the region over the recent decade or so seems to be a powerful factor that has shaped significantly these opinions and beliefs. Due to migration, it would be fair to say that Moldovan people are pretty well informed about the development standards that Republic of Moldova needs to aspire to. In their opinion, the Government is not only the development actor that can and should contribute to the greatest extent to the development of the country, but also the actor that under-delivers the most. No surprise, therefore, the people concentrated on government policies, actions and inactions. Furthermore, the report approaches development from the challenge-based perspective. Therefore, it is guided by the famous saying by Benjamin Disraeli: "I am prepared for the worst, but hope for the best". In fact, the report has to be read from this angle of how to prevent "business-as-usual development" and to step on a more inclusive, sustainable and people-centered development.

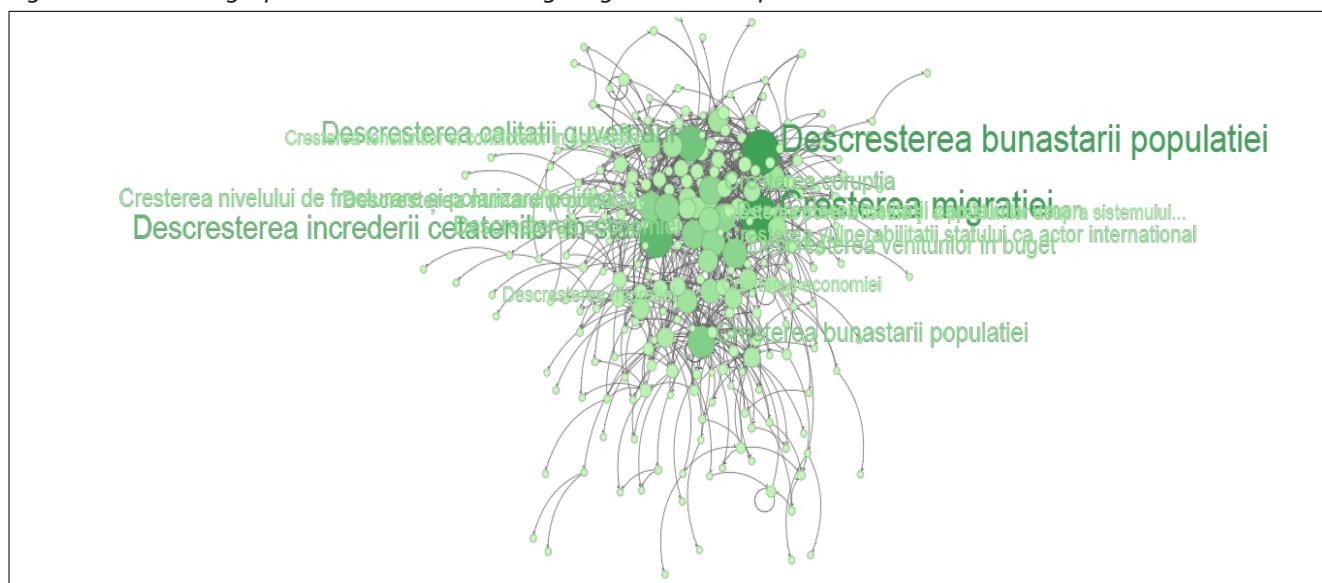
Key problems, causes and impacts

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The people that took part in this exercise contributed with their knowledge and expertise to identify the most challenging problems that Moldova faces in long term development. They also identified their causes and potential impacts. What resulted out of this exercise is an enormously complex web of causal chains, feedback links, loops and interdependencies (Figure 1).

received no interest from the part of the participants to the FS survey in Moldova. While participants to the focus groups have discussed to some extent the challenges arising from the observable climate change, the participants tended to perceive the impact of the climate change falling mainly on the agricultural sectors; only the representatives of the businesses adopted a somewhat broader view on the climate challeng-

Figure 1. Collective graph of the factors affecting long-term development of Moldova



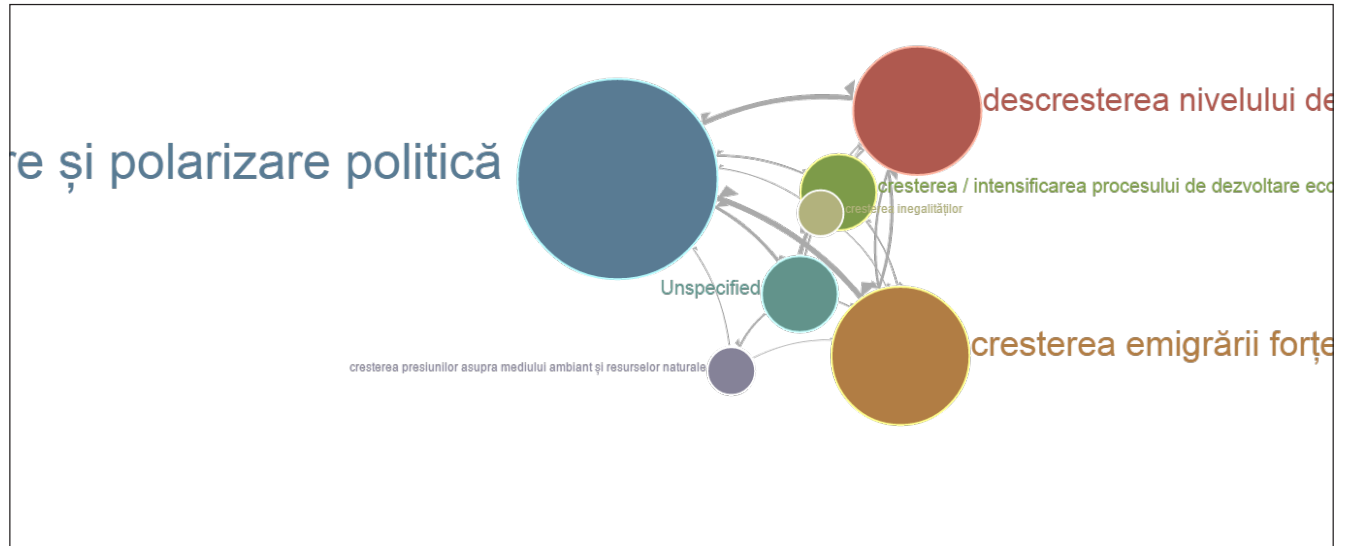
Source: FS survey;

Participants to the survey obviously gave different weights to the challenges proposed for discussion. Three development challenges have emerged as the most important: 1) declining trust in social and political institutions (22% of the people chose this as the most challenging aspect); 2) political polarization of the society (22%); and 3) labor migration and mobility (19%) (Figure 2).

Interesting to note, the climate change, which at the global level is one of the chief global challenges, has

es and related impacts on the agriculture, soils quality, energy sector and health of the people. Focus-groups discussants agreed that the negative impact of the climate change is magnified by the farmers' low level of technological skills and excessive use of pesticides and other substances. This has been also put in direct link with the poor health status of population. Given that adverse climate impacts are growing, this finding should draw closer attention: this 'awareness gap' translates in lack of action and worsening of status quo.

Figure 2. The most important initial challenges and their interlinks, as chosen by FS surveyed experts



Source: FS survey;

While negative perceptions regarding the current state of development seem to prevail, in general, the more upbeat attitudes are also present. As put by one participant to the focus-group, "... if Moldova stays on its pro-European vector, a lot of investments will come to the country and it will change radically in terms of

quality of infrastructure and quality of public services provided. The country can become an attractive destination for foreigners in the next 20 years. I know that there are already cases of foreigners coming to Moldova to live".

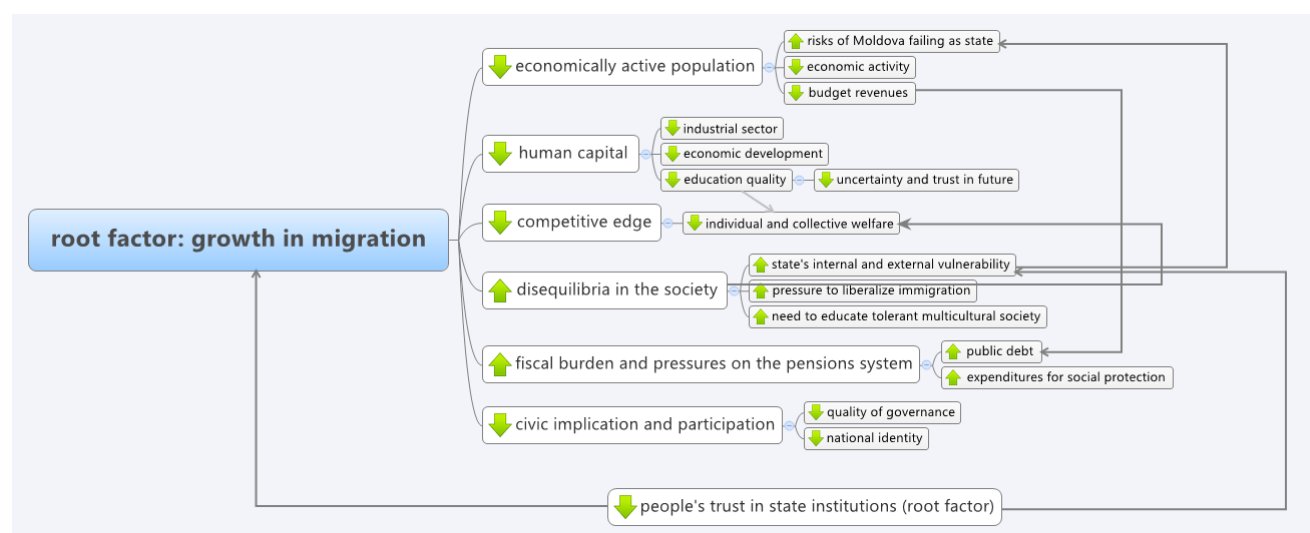
Increase in labor migration and mobility

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The Figure 3 shows the impact cascade of the growth in migration that experts found as the most challenging issue for the Moldova's development, including its first and second-round effects. Thus, if migration continues to remain as intense as it is today, this will result in a reduction of economically active population, with corresponding negative effects in the economic activity and budget revenues, which will likely result in a higher public debt. Interestingly, shrinking economically active population has been found conducive to increasing the risks of Moldova failing as state. Emigration will further erode the human capital, which will further undermine economic and industrial development. The younger experts taking part to the survey are particularly worried of the risk of undermining the quality of the human capital. Due to fast growth in reservation wages and declining pool of working force, the competitive edge of the country

fades, which worsens our individual and collective welfare. Migration is also responsible for multiple social and economic disequilibria in the society, which magnifies the state's internal and external vulnerability and further escalates the risks of state failure. Finally, because of the migration, general fiscal burden will be on the rise, while pressures on the pensions system will build up. This will result in higher expenditures from the state budget to ensure a decent level of social protection and will add to the public debt. It is important to mention that another root factor – the reduced trust of people in state institutions – feeds the migration, as shown collectively by the respondents. For women, the migration seems to be of a slightly bigger concern than for the men participating in the survey. Also, the younger respondents worry more because of the migration than the more senior population.

Figure 3. Impact cascade of the growth in labor migration and mobility



Source: authors analysis based on FS survey;

The focus groups allowed to identify that among the key causes of migration is not only the need to get a better job, but also the desire to have the chance to fulfill one's ideas and plans, including becoming economically independent and fulfilling entrepreneurial ideas that did not find fertile soil at home. As one young participant to the focus group said, "in Europe, when a young man or woman starts a business, he/she benefits of state's support, whereas in Moldova, your company has not yet started functioning properly while you already become subject to countless state controls and inspections". Tellingly enough, the migration has been put in direct causal connection with the declining trust in state institutions (which was identified by experts as another defining challenge for the country's development).

Labor migration is seen by the focus groups to bring more disadvantages rather than advantages for the Moldova's development. As strongly put by one of the focus groups' participants "most often the real intellectual force of the society is the one leaving the country, weakening the human capital and eroding the economic potential". The migration entails not only economic losses due to weaker human capital, but also significant social losses with impact of migration on children has been perceived as the most worrying.

On the positive side, people said that migration helped Moldovans to escape the trap of poverty and increase their standards of life. Migration also made many people know and appraise other cultural models and values and a part of these have been imported to Moldova. Migrants also are seen as key stakeholders supporting the development of their communities when they provide funds for solution of community problems and when they mobilize communities. Also, as declared by one of the discussants "migrants, especially those going to the European countries, bring

cultural changes and serve as promoters of the good country's image abroad".

While people understand that migration also involves some positive impacts, including financial, cultural and social remittances, they are not certain that the country is able to make any value out of these remittances. Because too many migrants returning home after long period of staying abroad, find the country of little relevance for their life plans and they just migrate again.

According to participants to the FG, emigration will persist for some time and will be fuelled by the population from the remote rural communities. Some even believe that many villages in Moldova will vanish as they will provide fewer and fewer opportunities for the population to survive economically. In fact, the challenge of the urban-based economic growth that experts proposed for discussions is likely only to become more intricate and to get deeper roots.

Again, on a more positive note, some of the focus-groups participants have said that migration from rural to urban communities is a positive demographic trend which contributes to the modernization of the country, provided that cities offer jobs, dwellings and public services that the newcomers need. As remarked by one of the discussants, "in the next ten years, big cities and towns will extend and become main poles of economic development". Positive economic impacts of this urban growth will spill over to the adjacent rural communities. Other participants brought forward stories of Moldovan villages successfully overcoming the brunt of this demographic shift. To quote one of the focus-group participant, "our village of Braviceni is a good place for starting a business and consumers are also there. People have jobs and there is no willingness to leave the village and settle in the city".

Decrease in the level of trust in political and social institutions

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As in the case of previous development challenge, the falling level of trust in state's institutions displays a complex picture of cause-effect and mutual links (Figure 4). The decrease in the level of trust in political and social institutions seems to be of particular concern for men. As immediate impact, the lower trust in state institutions triggers losses in social capital (trust of people in each other) and in the social cohesion (people's ability to mobilize and work together for common causes), which significantly reduces the governmental capacities to implement much necessary structural reforms, escalates existing social and economic disequilibria and people's dissatisfaction. The declining trust also shrinks the tax base, with corresponding effect on fiscal burden falling on the good willing tax payers and on the general level of corruption (which is of particular concern for women taking part in the survey). The popular support for the necessary reforms diminishes, while power of the vested interests is on the rise. The latter has been found to feed back to the original factor of declining trust in state institutions. This will dent quality of the governance, rate of economic growth and the general level of economic development. The state's domestic and external vulnerabilities may go up. The declining trust in state institutions has been found as an important push factor of migration,

with a number of demographic, economic and cultural effects.

According to participants to the focus groups the declining trust in state institutions has three key causes: a) corruption and abuse of public positions, b) misuse of public money and property and c) inability to enforce the application of law and of universal justice. Referring to the latter, as one of the participants argued, "the media informed the people about outrageous economic and penal crimes and abuses committed by high-level public figures, but nobody has been convicted and penal cases have been stopped". Erosion of the state authorities involves significant risks, including appearance of informal institutions functioning in parallel to the state and the justice institutions. Some of the participants warned that social instability may result in violent social unrest and violent change in power. The high level of income inequalities and the widening cleavage between the elites and the society provides the right environment for such dispositions to breed.

At the same time, other discussants consider that "if salaries in the public institutions go up, then the relationship between the citizens and clerks will improve".

Figure 4. The impact cascade of the declining trust in state's institutions.



Political polarization of the society

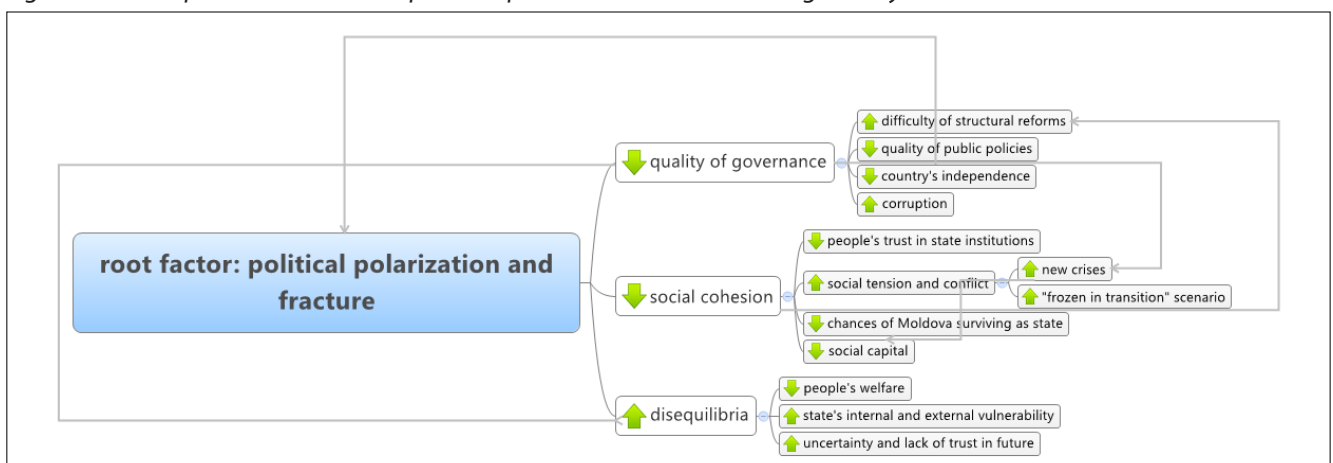
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Political polarization of the society was highlighted as a key trend by the participants to the Futurescaper survey – both men and women - and has been also reflected in the focus groups' discussions. The apparent simplicity of the impact cascade engendered by the political polarization and the fracturing society shown in the Figure 5 should not be misleading. In fact, the political polarization causes significant losses in the general trust of the people in their state and regarding their future. Political polarization has been found to worsen the quality of governance, to create risks of state failure and even to pose risks to the country's independence and territorial integrity. Social cohesion may decline, which can offer proper ground for the social tensions and conflicts to breed. Again, we see the scenario of "country frozen in transition" and potential new crises. It is interesting to note that youth is relatively

less concerned about the split society compared to the more senior population.

Key cause of this phenomenon, according to the focus groups, is the low level of people's education, information and political enlightenment. The main risks associated with the political fragmentation are a protracted political instability, reversal of democratic gains and of European integration process and even the country disintegration. Political polarization leads to social hate and, according to the participants to the focus-groups, the mass media is partly guilty of this situation because it often offers room for the hate speech instead of penalizing it. Some focus-groups participants also accused political parties of exploiting and widening political cleavages instead of trying to heal the social-political wound and of narrowing them.

Figure 5. The impact cascade of the political polarization and fracturing society



Source: authors analysis based on FS survey;

Key solutions proposed

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Solutions identified by the people and experts have been grouped thematically, according to the three key problems that emerged as the most binding. At the same time, this grouping has been done mainly to ease the reading, because the solutions proposed are inter-related, just as the three key development challenges are.

Manage labor migration and mobility

- **Better conditions for SMEs = more decent jobs.**

A key measure that would serve both the purpose of diminishing migration and of increasing the level of trust in state institutions is adoption of simpler, more predictable and uniform rules for businesses, with an emphasis on the SMEs. "Get rid of the multiple controls of the economic agents from the part of the state control bodies" is literally one of the recommendations of the FS surveyed experts. In this context, another solution was the national Competition Council, the justice courts and other relevant bodies to more actively defend and promote fair competition on the markets. Combined, these measures will increase the economic confidence of the small and large business alike and will path the way to more productive investments and more decent jobs in the country, which will alleviate the push factors for migration. Key roles in this regard are expected to be played by Ministry of Economy, Economic Council of the Prime-minister, National Commission for Collective Negotiations and Consultations and SMEs unions and associations.

- **More freedom for immigration.** The representatives of the business community participating to the focus groups proposed to address the challenge of labor emigration and mobility through liberalization of the immigration policy. This recommendation resonates well with one of the key trend identified by the FS surveyed experts. As a more liberal immigration policy requires a more tolerant and open society, national leaders need to play the

key role in shaping the values of tolerance and openness to other cultures.

- **Address qualified labor shortages.** Besides a more liberal immigration policy presented above, another measure to address the labor shortages would be adopting faster tracks in the professional education, by simplifying and streamlining curricula, while at the same time increasing the relevance of technological training.

- The people agreed on the need to **rebuild the social prestige** of the profession of teacher, to streamline the school curricula, emphasize core subjects such as mathematics and science, and develop critical thinking. In case of professional education (both vocational and university), it appeared critical for the educational system to emphasize the practical skills and to foster links between the school and the labor market. Only in this way the relevance of the education will increase and the quality will match the expectations of the employers.

- No surprise, **employers have to be more proactive** in partnering with the educational services providers and be more involved in the policy dialogue and policy processes that governmental bodies initiated. The most critical processes requiring more active participation of the employers are mapping of the vocational schools sector, definition of the national occupational standards, development of educational standards. Employers have also to actively take part in the labor market forecasts conducted by the state bodies.

- **Train better the future migrants.** Faster and deeper reform of the professional education in Moldova is seen by the people as a recipe for the reduction of the human costs associated with migration. More competent workers are more likely to find better jobs abroad and be better protected socially and economically than in case of unskilled migrants and forced by the circumstances to work irregularly.

- **Address the needs of the rural development.** From the focus groups discussions, it seemed clear to all the participants that addressing the challenges of the rural development requires vast resources. However, left unaddressed, the rural underdevelopment will continue to

be the main pushing factor for the rural emigration. This makes it even more urgent and compelling defining a national program for rural development, with clear financial plans and optimal sequence of investment projects. It is also necessary to ensure critical infrastructure for development of rural tourism and diversification of economic base of the village. Sometimes, the infrastructure failures arise from totally unexpected directions. For instance, it has been found to be very difficult to sell Moldovan traditional crafts and artisans on the international markets for the mere reason that postal services are prohibitively costly and inefficient. Participants to the focus group discussions also emphasized that it is critically important to establish common Moldova-EU mechanisms for monitoring the use of development assistance offered by the European Union for the rural and agricultural development. It is clear that rural development requires many development actors and agencies to play multiple roles and cooperate with each other.

Foster trust in public and social institutions

- **“State, be transparent”.** In order to rebuild the people’s confidence, a key imperative for the Government is to make the public finances system transparent and sustainable in the long term. This imperative requires four types of policy actions: 1) increasing efficiency and rationality of spending within the sectors, 2) increasing the general efficiency of governmental spending (including by better management of the property and through more realistically-set budget constraints), 3) increasing significantly the transparency of the public finances system, public tenders and management of public property, and 4) imposing a more rational system of taxes, in order to reduce the clout of the informal economy. Ministry of Finance and relevant Parliamentary committee are expected to be the main stakeholders behind this agenda of change.
- **Smart solutions to formalize the informal economy.** Informal economy has been a recurrent symptom of the declining trust in the state that has been debated by the focus-groups participants; it also emerged as a dominant trend among the participants to the Futurescaper survey. The set of measures proposed by the experts en-

compasses amendments to the fiscal and labor legislation, including formalizing the informal practice of daily employment agreements in the agricultural sector, offering fiscal incentives to employers paying higher-than-average-per-sector wages, raising the non-taxable share of the personal income up to the minimum subsistence level and adopting fixed taxes for the economic sectors affected by high level of informality (agriculture, constructions, trade, transport). While some of these proposals did not consider the distributional effects (for instance, adopting single tax in agriculture would have relatively higher negative incidence on the owners of the small plots), they are worthwhile to be taken in consideration by the Government while designing the fiscal policy.

- **Cleaner and more efficient public administration.** Addressing the problem of declining trust in state institutions requires a number of key measures on the public service side. These measures include better protection of whistleblowers’, development of a clear system of performance evaluation of individual public servants, promotion of professionals as opposed to political cronies in senior positions in the key institutions (many referred to customs and tax offices), and designing more effective tools for sanctioning misconduct from the part of public officials and public servants. Here, of crucial importance would be the performance of the State Chancellery, National Anticorruption Center and National Commission for Integrity.
- **Increase the efficiency and transparency of the social and public-private dialogue.** This includes the consolidation of the status and role of the National Commission for Collective Consultations and Negotiations (a tri-lateral platform for the dialogue among the government, trade unions and employers’ organizations) and creation/strengthening of similar commissions at local levels and in the key economic sectors. The latter is meant to address the problems arising at local level or the sector-specific issues, with the National Commission empowered to address the most strategic areas and subjects.

Educate social cohesion and promote inclusive growth

- **Higher minimum wage.** Increasing the minimum wage per economy has been proposed as a solution with

double impact. On the one hand, increasing the minimum wage per economy is likely to have a beneficial impact on the welfare of workers. On the other hand, this will significantly alter the motivations of employers and will reduce the incentives for informal employment and for labor-related tax evasions. While increasing the minimum wage requires multiple actions from employers, employees, their representatives, and other stakeholders, the Government needs to play the leading role in initiating and implementing the decision.

- **Address social inequalities.** The problem of wide and raising inequalities has been discussed extensively in order to identify feasible solutions. With a body of anti-discrimination legislation well developed, the key now is to educate the people about their rights and to teach them how to claim their rights. These consultations have clearly shown that income inequality and the rural-urban inequality are perceived as the most binding ones. National, regional and local media need to be active in addressing the social inequalities, and in this regard media can appear in a double role: on the one hand, to vocally denounce the cases of social mistreatment, violations of people's rights and other misconducts and, on the other hand, to adhere to a more rights-sensible language.

- **Consolidate key democratic institutions.** A worrying finding is the perception common among the participants to the survey that the income inequalities arise "from the country's leadership". Corruption, lack of integrity and of professional competence, as well as conflicts of

interests are seen as key causes of poor quality of governance. It is no surprise therefore that one of the solutions proposed has been the consolidation of the capacities of the National Commission for Integrity, which people think should be the cornerstone of a cleaner and more coherent political and civic society in Moldova.

- **Eradicate gender prejudices and stereotypes.**

Experts drawn attention to the fact that prejudices and stereotypes are present in the school material and curricula (for instance, during the lessons of technological education, girls are usually knitting and crocheting, while boys are working outside, processing wood or metal). Even some poems for children have been quoted that promote a gender-based segregation of professions and occupations. All these materials need to be reevaluated in terms of how they promote gender equality and self-confidence of boys and girls. Ministry of Education should take the lead in addressing these issues, but opinions of several important players, including church, need to be considered.

- **Educate more transparent and credible justice system.**

Lack of trust in justice is one of the key causes of weakening social fabric. Experts emphasized the need to speed up the reform of the justice sector. People also advised to use the opportunity of the European integration for increasing benign pressures on the justice sector, including by employing retired European judges and prosecutors in the Moldovan justice sector.

Conclusions and ways ahead

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- For most of the participants to the discussions, the Republic of Moldova seem to be a very good place to live. According to them, the Republic of Moldova is also attractive for many foreigners looking for environmentally cleaner and spiritually purer geographic destinations for life. The people love their country and their native communities, they appreciate very much the good changes that have taken place over the years and they are ready to provide the necessary social support to further reforms that are necessary.
- This is why people consider that “business-as-usual” development model needs to be brought to an end. If this model persists, in the future, Moldova is likely to see an even lower level of trust in state’s capacities to deliver on its social commitments, so the country will face new waves of emigration, further denting the trust of people in the state and widening the political fractures in the society. Therefore, Moldova will need to increase level of trust in public institutions in order to ensure effective and improved public service delivery. In turn, this will help to manage better development impacts of migration and bringing back cohesion to Moldovan society.
- Among this triad of key development challenges, the trust of people in the state’s institutions appears as the factor of last resort explaining everything, including the migration and political polarization. Effectively addressing these development challenges may significantly contribute to the social fabric, improve the potential for economic growth and modernization, and enhance internal cohesion and integrity of the Moldovan state. With the fiscal base widening and the number of economically active population at least staying constant, the pressures on the public budget and, particularly, on the pensions fund, will reduce.
- To avoid the negative scenarios, the Republic of Moldova needs to urgently fix its fundamental economic, social and economic institutions, which will help it to reduce the perceived level of country risks and thus to ensure a faster and socially broader economic growth. The reforms necessary to address the institutional shortcomings in the justice sector, competition and anti-trust policy, transparency of the ownership in the financial sector are likely to meet resistance from the vested interests, but at the same time they will gain most support from the population and being cross-cutting in nature would unlock many sources for the country’s modernization.
- These consultations showed that people of Moldova long for faster and more comprehensive development. In a way, they feel the recent achievements have not responded to the expectations and aspirations of people to a considerable extent. People do not want anymore to continue seeing their country as ‘frozen in transition’. To achieve those development aspirations, a set of critical conditions need to be respected. Owners of the production factors – labor, soil and capital - need to have the freedom to relocate these factors from the least productive to the more productive sectors, to be supported to increase the efficiency of these factors and to be compensated to a fair level for their contributions to the production. Property rights have to be adequately defined and defended; otherwise no significant investment will be attracted for long term development of the country. Stronger property rights will encourage productive direct investment: those projects that are creating long-term jobs will start coming to the country without needing firm political backings and without seeking fiscal compensations in order to choose Moldova.
- The conventional economic policies need to be complemented with rather unconventional and courageous ideas, in order to get the economic resources and factors functioning in most optimal way. If migration is a risk for the country’s labor force, why not create a policy and institutional environment which is friendlier to immigrants? Pension’s system is under stress because of the high level of informal relationships between employers and employees which blame the high fiscal pressure. Then why not reducing, instead of increasing, the fiscal pressure in order to alter the key market motivations on the labor markets?
- At the same time, the reforms needed to promote long-term development of the country have to be carefully considered not only in terms of efficiency gains, but also in terms of distributional consequences. As suggested by the focus-groups participants, only reforms leading to sufficiently balanced distributional effects will benefit of wide social support and be politically successful in long-run. Furthermore, if population sees that social outcomes are fair and that public policies aim at addressing inequalities among others, the trust towards institutions and amongst people is restored and social cohesion is strengthened.

