

"STATE BUILDING AND INTEGRATION OF SOCIETY"

STEERING COMMITTEE OF MOLDOVA'S 1996 NATIONAL HUMAN DEVELOPMENT REPORT

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FOREWORD

This publication demonstrates the strong commitment which the government of the Republic of Moldova has made to making sustainable human development a high priority during the country's transition period. It follows Moldova's first National Human Development Report prepared in 1995 and brings needed attention to, among other challenges, the social costs of economic reforms, the requirements of human settlements, and the importance of sovereignty.

In order to tap national expertise and in an effort to promote national capacity building a revised approach was taken to the preparation of this year's report. As in 1995, the preparation of all material was carried out by a team of Moldova's leading sociologists, economists, academicians and statisticians; unlike 1995, they worked under the direct guidance of a National Coordinator. Furthermore a National Steering Committee, including highly skilled politicians and government officials, as well as members of civil society, reviewed, presented comments and provided final approval of the reports. At a local conference in December 1995, the draft material was exposed for critical analysis with helpful suggestions having been made by members of the public interested in Moldova's most important concerns.

Our objective in funding this report is to promote people centered, sustainable development. Recognition of how this can be done - through investment in people, participation by people, and equity of access to opportunities - is crucial to progress in all societies. In this document, Moldovan experts have outlined the problems and have responsibly presented associated solutions, in the form of guidelines for government policy makers.

As UNDP Resident Representative and Resident Coordinator of the UN System's Operational Activities for Development, I am proud to serve the Republic of Moldova. Our relations with the government have been excellent, and have enabled us to assist this wonderful country and its people, especially during this difficult time of transition. It is my sincere wish that the successes of the Moldovan people - which are very much due to their own courage - continue.



Winston Temple

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REPUBLIC OF MOLDOVA HUMAN DEVELOPMENT REPORT 1996

CONTENTS

Acknowledgements

Foreword

Preface

Chapter 1. Human Development in Moldova- in the Context of Political Separatism and Reforms

1.1 Measuring human development in the Republic of Moldova

1.2 Peculiarities of Moldova's transition period - point of departure

1.3 Moldova's main development obstacle - political separatism

1.4 Achievements and problems to be solved

Chapter 2. Political Reforms - Conditions for Building the State and Integration of Society

2.1 Human rights

2.2 Democratization: search for the balance between pluralism and coordination

2.3 Judicial measures with respect to regional integration

2.4 Labor relations and social partnership

Chapter 3. Human Settlements as a Fundamental Issue for the State

3.1 Long term urbanization and housing policy (general characteristics)

3.2 Quality of living conditions in human settlements

3.3 Utilities and public services

3.4 Social sustainability at the local level

3.5 Problems and policy objectives regarding human settlements

Chapter 4. The Economic Situation and its Social Consequences

4.1 Overcoming the crisis: economic reforms

4.2 Privatization

4.3 Restructuring of the economy

4.4 Transformation in agriculture

4.5 Energy problems

4.6 Shadow economy

4.7 Registered and hidden unemployment

4.8 Individual incomes and the level of food consumption: the role of social protection

4.9 New aspects of the housing problem

Chapter 5. Social and cultural integration of society

5.1 Family - the cell of society

5.2 Public health institutions and health of the population

5.3 Education

5.4 Science

5.4.1 Science as a factor in human development

5.4.2 Science as a factor of society's integration

5.5 Culture as a factor of integration

Chapter 6. Integration of the Republic of Moldova into the International Community as a Factor in Building the State

6.1 The Republic of Moldova's foreign policy as a means of building the state

6.2 Actions for Moldova's integration into the international community

6.3 Foreign economic relations

6.4 Continuing integration into the global community

Conclusion

Annex Human Development Indicators for Moldova

Bibliography

PREFACE

As we progress towards the next century, we find ourselves increasingly concentrating our attention on the society surrounding us. Possibly due to this and notwithstanding the conflicts and the tension, success is being achieved in the reconciliation among peoples.

The newly independent state of the Republic of Moldova is no exception to this trend and is exerting every effort, as a sovereign state, both to build up a prosperous society with a level of life which reflects its potential, as well as to rapidly become integrated into the international community.

In the period which began with the declaration of its independence in 1991, the Republic of Moldova, like other states from Central and Eastern Europe, found itself facing the unprecedented task of setting up new political and democratic institutions, of carrying out profound economic reforms and of creating the legislative framework necessary to support these irreversible changes. Moldova has selected its own political, social and economic model in conformity with its national characteristics, with the features of its human and economic potential and with the geopolitical conditions of this region. This model focussed on the following: consolidation of the Republic's status as a country, economic development, and sustainable human development with emphasis on the provision of a level of life worthy of a modern society.

This national report on Human Development in the Republic of Moldova for 1996 is the second report of its kind, the first one having been prepared in 1995. During its formulation, account was taken of the need to give special attention to those problems that are now top priority for providing political, economic and social conditions for sustainable human development in the Republic of Moldova. The title of the report for 1996 is "State Building and Integration of Society". The report addresses the same three-dimensional aspects of Moldova's development over the last several years as was the case with the previous report. However, more attention is given to the issue of strengthening the Republic as an independent, democratic and lawabiding state. More attention is also given to the integration of Moldova's society, given its specific social and inter-ethnic characteristics. Building and strengthening the state and providing peace and civil accord in the society are currently some of the principal requirements for sustainable human development, which Moldova aspires to.

The process of society's integration and consolidation is encountering numerous political, social and economic difficulties as well as inter-ethnic, conceptual and spiritual differences (i.e., separatist actions, etc). The Report focusses on the efforts made by the Republic of Moldova's leaders to achieve real state status for the Republic and to overcome social differences based both on the support of strong and progressive forces in the Republic as well as the support provided by the UN and other international organizations.

Under the guidance of Moldova's Steering Committee for the National Human Development Report and under the aegis of the United Nations Development Programme Office in Moldova, the Report has been prepared by a team of national experts from the Republic of Moldova who are specialists in areas related to sustainable human development. During the compilation of the Report, the valuable observations made by Ms. Jolanta Supinska provided an objective international perspective. The Report was discussed at a local conference held on December 28, 1995, and was attended by members of the Steering Committee, by the national team and also by experts from Moldova's economic, social and political sectors.



CHAPTER 1. HUMAN DEVELOPMENT IN MOLDOVA - IN THE CONTEXT OF POLITICAL SEPARATISM AND REFORMS

1.1 Measuring Human Development in the Republic of Moldova

The modern concept of human development stems both from the question of what it means to be human as well as from the process of an individual's development. Men and women are both a part of nature and a product of society's historical, socioeconomic and cultural development. Therefore, it is not incidental that social, political, economic, cultural and ecological factors are at the basis of the United Nation's concept of sustainable human development. According to this interpretation, an individual is considered to have a supreme value, and the result and purpose of society's development is simply to grant a means for achieving the goals of each individual. More direct attainment of humanity's creative possibilities in society and the environment requires the following: productivity, equity, sustainability and empowerment.

Figure 1.1 Four essential components of the human development paradigm

Productivity. People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment. Economic growth is, therefore a subset of human development models.

Equity. People must have access to equal opportunities. All barriers to economic and political opportunities must be eliminated so that people can participate in, and benefit from, these opportunities.

Sustainability. Access to opportunities must be ensured not only for the present generations but for future generations as well. All forms of capital- physical, human, environmental- should be replenished.

Empowerment. Development must be by people, not only for them. People must participate fully in the decisions and processes that shape their lives.

To estimate quantitatively the level of human development, the Human Development Index (HDI) with its principal components of life expectancy, level of education and GDP, serves as a measurement of the synthesis and attainment of the four paradigms of human development.

Though controversial, this index still reflects the general level of social development of a particular country compared to others and indicates what this country has yet to accomplish in providing its population the opportunities necessary for realizing the four paradigms of human development.

According to the *Human Development Report 1995*, Moldova is situated in the group of countries with a medium level of development. The table shows that according to the HDI, Moldova occupies an intermediate place between high and medium development. Nevertheless, in comparison with European countries, Moldova has the lowest ranking according to this index.

In the *Human Development Report 1995*, the 1994 HDI ranking for Moldova, in comparison with the previous year, increased from 0.714 to 0.757. However, Moldova slipped down to 81st place among the member countries of the UN.

Figure 1.2 Distribution of UN member countries into groups according to HDI

Grouping of countries by HDI ranking	HDI average rank
High Human Development (63 countries) 0.801-1.0	0.888
Medium Human Development (63 countries) - 0.501- 0.8 includes Moldova	0.632 0.757
Low Human Development (47 countries) 0.0-0.5	0.403

Figure 1.3 Incidence of poverty and low income in the Republic of Moldova (% of population)

Year	Low Income	Poverty
	% Population	
1989	15.3	2.4
1991	13.9	2.1
1992	56.1	25.5
1993	70.2	40.6

The gap between Moldova and developed countries was maintained for all HDI parameters: average life expectancy was 5 years less, the level of education was lower by 3.8 years and GDP per capita was 4 times below the average.

Due to lack of statistical information and to some methodical divergences in the calculation of some macroeconomic indices, the level of GDP per capita for 1994 (in current prices) was US \$327 (according to Moldova's Department of Statistics) and US \$1,700 according to the Human Development Report 1994.

According to preliminary estimates, the 1995 HDI ranking in 1994 prices will remain at the level of the previous year (although a slight reduction is still possible). This means that, according to the HDI, the level of human development in Moldova did not make any progress in 1995 as compared with 1994. Other indices of quality of life in Moldova confirm that the situation is unfavorable for the majority of the population. This is also confirmed by the results of public opinion polls conducted by the sociological service "Opinia" (Opinion). According to the results, approximately 32% of those questioned consider

themselves to be living below the poverty line (their nutrition is below the level of the physiological minimum) 57% declared that their quality of life was rather low and only 10.5% were satisfied with their quality of life. Generally, according to the same poll, the quality of life decreased last year, affecting approximately 87% of the Republic's population. In fact Moldova is a part of the countries of Eastern Europe and the CIS (Commonwealth of Independent States) where the highest increase of poverty and misery is noted.

One can see from Figure 1.3 that between 1991 and 1993 the incidence of low income and poverty increased from 13.9% to 70.2% and from 2.1% to 40.6% respectively. Thus, it is clear that to solve the numerous problems and in order to provide the basic and normal quality of life for Moldovan families, economic decline must be stopped, political stability must be strengthened and society must be integrated.

1.2 Peculiarities of Moldova's Transition Period - Point of Departure

From the first days of its independence (August, 1991), the Republic of Moldova, like other republics of the Former Soviet Union (FSU) proceeded on a new and difficult path towards society's three-dimensional transformation: nation building, democracy and market economy. The need to build the state appeared simultaneously with the disintegration of the FSU, thus it was necessary to develop and consolidate the state attributes in a country which, for the first time in its history, had to create its statehood and its national administrative, economic, political and sociocultural systems.

The need for creating a lawabiding and democratic state was dictated by the fact that society is a non-uniform mass of individuals and isolated groups of people with specific interests and requirements. A more adequate meeting of these needs is therefore possible only in a lawabiding state based on human rights, supremacy of law, on the active participation of citizens in public activity at all levels and on the activities of political parties and sociopolitical movements.

Free development of democratization in Moldova during the transition period has been contradictory, due to the following, among others: lack of an overall legislative framework which would allow the development of democratic processes; insufficient training of large masses of the population in asserting themselves in conditions of political and economic democracy; lack of an adequate institutional and organizational framework; and a low level of professional training for political leaders in multiparty systems.

The transition from the centralized administrative system, which was characterized by a bankrupt and strictly centralized economic system, based exclusively on state property, to one based primarily on private property and market relations, is difficult, given, among others, the behavioral inertia of the whole society.

It should be noted that the need for transition to democracy and market economy can be more easily attained with the help of external factors. The example of central and western European countries, which have created democratic societies based on a market economy (i.e., a common European house) is a case in point.

Following the disintegration of the FSU, with its consequent difficulties common to all former republics of the Soviet Union, Moldova has additionally had its own problems in reforming its economic system (political, economic, organizational) which have been accompanied by positive and negative consequences (described in the following chapters).

1.3 Moldova's Main Development Obstacle - Political Separatism

The fundamental problem on which depends the progress in all areas of society's transformation, is that of constructing not only a "de jure" but also a "de facto" independent country, with all state attributes, i.e., an indivisible political, economic, social, institutional and administrative territory. At present, we can

ascertain, that notwithstanding a rather long period characterized by tragic events and the search for peaceful political and economic means through negotiations, the administrative-territorial restoration of the country and the formation of a viable civic society have not yet been achieved.

The lack of a modern indivisible state, able to ensure the normal functioning of society, makes it difficult to aspire to the observance of state laws, to the integration of all members of our society and to the mobilization of different social institutions (including families, nongovernmental organizations and trade unions) in order to solve common problems.

The separatism in two regions of the Republic of Moldova is being provoked mainly from outside. At present, after overcoming many confrontations (unfortunately, very tragic confrontations) and proceeding from acceptable political, administrative-territory, economic and cultural principles, a compromise has been reached in solving the problem of the Gagauzian minority by creating the Gagauz Eri autonomous unit within Moldova.

However, the existence of the selfproclaimed, Moldavian Transnistrian Republic including all state attributes (President, Parliament, Army, Security Service, Customs, etc. and a centralized administration system in the political, economic and social spheres) continues to provoke the ongoing disintegration of the Republic of Moldova and of the Moldovan society. The present leadership of the Transnistrian Republic has made appeals for support to some deputies of the Russian State Duma and represents endeavours for total separation from Moldova, aimed at the creation of an independent state.

Currently, 11% of the territory of the Republic of Moldova representing a population of 740,000 carries on public life based on completely disparate conceptions and ideologies as well as on political, economic and legislative principles different from those enacted by the law of Moldova. This situation cannot be regarded as a normal phenomenon. This contributes to society's disintegration, weakening of the Republic's economic and judicial potential, which, in turn, considerably affects human development within its territory.

The leadership of the Republic of Moldova is eager to solve this problem peacefully and has offered Transnistria the status of an autonomous unit (with corresponding rights and power). This proposal, supported by all international organizations, by the leadership of the majority of countries, including the Commonwealth of Independent States (C.I.S.) members, has, however, been rejected by the leaders of the selfproclaimed republic.

Current economic conditions in the Republic of Moldova reflect this situation. 38% of the industrial production capacity (including about 80% of energy, 90% of steel and plastics, 40% of food canning plants) are situated in Transnistria. The existence of two separate financial systems, the absence of a single currency, substantial differences in the legislative framework and lack of coordination of economic and social reforms have therefore contributed to the country's deepening economic crisis. It should be noted that the negative consequences on social, economic and political issues have affected more the population of Transnistria.

The socioeconomic and political situation in Transnistria is extremely tense. Economic reforms have stopped, poverty has become dramatic and the prospects of improving the quality of life are much less optimistic than in the rest of the country. The majority of Transnistria's population did not take part in the distribution of the patrimonial vouchers since the leadership of Transnistria did not permit this; thus, no privatization took place.

In the same context, it should also be mentioned that the majority of higher education institutions and secondary vocational institutions, as well as those which specialize in training in health and science are on the right bank of the Nistru. The problem is that the ideological, political and social atmosphere created

by the leaders of Transnistria has reduced the opportunities of the population of the selfproclaimed republic to leave the region and make use of the education that they can receive at these institutions.

Thus, the current problem of reestablishing the territorial integrity and the political, economic and social unity of the country can be regarded as a priority task. For this to be achieved, it is first and foremost essential that the Russian military forces be withdrawn from the territory of the Republic of Moldova (pursuant to the agreement in force) and secondly, it is necessary to arrive at a peaceful solution with Transnistria. These two interrelated objectives require stronger support from international organizations and the European communities (UN, OSCE, the European Council, etc.) and from democratic countries, in conformity with international judicial norms.

1.4 Achievements and Problems to be Solved

The situation in Transnistria does not favor the integration of society. Additionally, it has hindered the consolidation, at home and abroad, of the authority of the state, to efficiently carry out political, economic and social reforms, to halt the economic crisis and to improve the sociopolitical climate in the Republic of Moldova.

Nevertheless, certain economic and social reforms have been implemented in the rest of the country. Privatization for patrimonial bonds has been successfully concluded and, according to estimated official data, the nonstate sector of the national economy is now responsible for approximately 50% of industrial production. It is presumed that all the citizens of Moldova have received and thus now have a part of the state property, and therefore potential to receive additional revenues in addition to their salaries or pensions, etc.

Some background information is necessary for understanding the notion of a "nonstate sector", especially in agriculture. An agrarian industrial country like Moldova has no chance to succeed without real privatization in agriculture. Collective farms have always been classified as nonstate companies. Recently, the collective farms have been formally transformed into jointstock companies in which their members know neither their share of private land nor the equivalent share in the fixed and variable assets of these companies. Approximately 40,000 peasants (farmers) hold property certificates for limited portions of land (53,300 hectares or 2.1% of the total area of agricultural land), but they have not received from their former collective farms the share of property expressed in fixed and variable assets.

Furthermore, privatization without capital creates various problems for managers of privatized companies since enterprises lack the financial resources necessary for their modernization and operation. Without viable investments, therefore, privatization and efficient production can not advance and there can therefore be no real achievements in the economic sphere of human development. Although the economic reforms in Moldova give people hope and the opportunity to solve their own problems in a new way, a part of the population nevertheless continues to look at the reforms with uncertainty as they feel the negative effects of destabilization and anarchy which contribute to illegal activity.

During 1995, when the first two stages of the reform process were completed, some signs of recovery from the economic and social crisis were observed. The reforms can therefore constitute the foothold on which the state can mobilize all the forces of the society in order to accomplish the more multi-dimensional stage of human development. In this context Moldova made progress in the following areas: reforming political life, democratizing the society, developing laws for economic and social reforms and overcoming some of the negative consequences of reforms upon the quality of life of the majority of the population.

The capital assistance provided by international financial organizations (principally by the International Monetary Fund, the World Bank, and the EBRD) has contributed to a substantial macrofinancial stabilization. For over two years, the national currency has been maintained at a relatively stable level and inflation has been curbed. Inflation decreased from a monthly 100% rate in 1992 to 2% in 1995. In the

second half of 1995, industrial production increased in comparison with the same period of the previous year. The volume of farming production increased also and exports showed considerable growth.

For the first time since the beginning of the reforms, positive trends have stimulated the hope that privatization and agrarian reforms were indeed preconditions for the solution of many social problems. A small but growing part of the population has therefore begun to accept that, through these preconditions and through their own intellectual potential, they can undertake creative actions in finding independent answers to certain vital questions.

At the next stage of transition, it is necessary to consolidate the elements of a lawabiding state and to ensure their effective functioning in the Republic of Moldova. If this is not achieved, there can be no guaranteed development of the civil society, a basic component of sustainable human development. This task has specific bearing on all of society's spheres of activity, such as:

- The political sphere exerting the powers of a lawabiding state on administrative-territorial unification, effective functioning of the three state powers (legislative, executive, judicial), real observance of human rights under all conditions, maximum activity for local public bodies and territorial autonomous formations in the decision-making processes related to society's democratization.
- The administrative sphere observance of the institutional potential of central and local public authorities focused on eliminating inefficient bureaucratic activities (curbing the duplication of functions) and/or on shifting the center of gravity of decision-making and of activities of local interest to the basic administrative units.
- The economic sphere reestablishment of economic relations throughout the administrative territories in the Republic of Moldova. This includes free circulation of the national currency, use of the same fiscal and banking system, continued development and acceptance of economic legislation in all domains and spheres, promotion of the private sector, use of modern technologies, environmental protection, reduction of the shadow economy and adoption and implementation of a short and longterm coherent economic strategy aimed at the social stabilization of human development.
- The social sphere reforms are needed concerning reorganization of social services, especially those of social security. These are probably the most complicated reforms and, hence, during the stages of transition, according to the classical mechanisms characteristic of a market economy, these will not coincide with successes in reform. The principles for organizing the social sphere - its development depending on the evolution of legislation and on the availability of financial resources - should be similar throughout the Republic of Moldova and in compliance with the legislation in force. Social reforms should provide equal rights to all citizens as well as access to goods and resources intended for the social development of culture, social security, spirituality, etc. A priority issue is unemployment in its transparent (officially registered) and latent forms.

These and other problems between the state and human development shall be given more thorough consideration in the following chapters of this report along with corresponding analyses relating to the difficulties that result from Moldova's territorial disintegration and the lack of experience in strengthening a young state in a vulnerable geopolitical zone.



CHAPTER 2. POLITICAL REFORMS CONDITIONS FOR BUILDING THE STATE AND INTEGRATION OF SOCIETY

The Soviet period, in political terms, was characterized by a totalitarian regime, "formal" national status of republics and limitation of individual rights.

Political reforms in Moldova have therefore had to play an important role in the overall transformation during the current transition period. These reforms have been essentially oriented towards achieving independence, building the state, creating a democratic society, providing for human rights, establishing law and order and promoting sustainable human development with the participation of the population.

The following documents, have been prerequisites to this process: "The Declaration on the Sovereignty of the Republic of Moldova" of 23 June 1990, "The Declaration of Independence of the Republic of Moldova" of 27 August 1991, the Decree "On the State Power" of 27 June 1990, the Constitution of the Republic of Moldova, the Law on Parliamentary and Local Elections, the Law on the Constitutional Court of 29 July 1994 and the Law on the State Borders of the Republic of Moldova.

As a consequence of these laws, the Republic of Moldova has, for the first time in its history, sanctioned the democratic principle of the division of state power into three branches: legislative, executive and judicial. More important is the fact that the principles for the creation and functioning of national and local authorities have been established. However, the regulation regarding exercise of state power has not yet been completed. Laws have not been adopted concerning judicial power, the Supreme Court of Justice, the Court of Appeals, etc.

2.1 Human Rights

The development of Moldova in reducing internal ethnic and regional disparities, includes the regard for human rights. Confirming the aspiration for unconditional observance of human rights, the Parliament of Moldova, in 1991, adopted the decision that the Republic of Moldova adheres to international resolutions on human rights. Thus far, Moldova has ratified 70 international conventions concerning human activity, including the following: The Final Helsinki Accord, The Paris Charter for a New Europe, The Pact on Stability in Europe, Partnership for Peace, Convention for the Protection of Human Rights and Fundamental Freedoms, International Convention on Civil and Political Rights, International Convention on Economic, Social and Cultural Rights, The Declaration on the Elimination of all Forms of Discrimination Against Women, and the Convention on the Rights of the Child.

State territorial integrity and society's integration are directly affected by the rights provided to different nationalities for their free development. Over 35 ethno-cultural societies are active in Moldova and are supported by the legislation in force.

However, to proclaim human rights and liberties is not sufficient. There must be actions, conditions and mechanisms by which to ensure the protection of the life of individuals, their honor, their dignity and their property. These mechanisms are still ineffective in Moldova. For example, the state still does not provide the necessary security to its citizens nor does it provide compensation for damage to victims since, by tradition, this must be provided by the criminal. However, nearly 40% of crimes are not reported and thus no compensation is obtained by the victims. Instead of providing personal security (declared by Law) from unlawful actions, Moldova now has an unprecedented crime rate.

Figure 2.1 National structure of the population (according to 1989 census)

Population groups	Total number	% of the total population
Total population	4,335,400	100
Moldovans	2,794,700	64.5
Ukrainians	600,400	13.8
Russians	562,100	13.0
Gagauzians	153,500	3.5
Bulgarians	88,400	2.0
Jews	65,800	1.5
Other nationalities	70,500	1.7

The growing crime rate prompted Parliament discussion during October, 1995, on how to combat crime including that arising from the corruption of state bodies. It was decided that over 10 judicial documents should be examined, including the "Criminal Code", "The Law on the Department of Criminal Investigation", "The Civil Code" and "The Code of Civil Procedure". Laws regarding corruption, racketeering and abuses by public officials are pending adoption.

The efficacy of guarantees regarding human rights is itself affected by socioeconomic difficulties inherent in the transition period. Therefore, economic progress in Moldova is a necessary condition for democratization and for the provision of social and judicial protection for the individual.

In the first 9 months of 1995, crime in Moldova increased by 3.3% in comparison with the same period of the previous year. Of the total number of crimes, 28.3% were serious. Weapons were used during some of these crimes, including machineguns, grenades and explosive materials. Approximately one-third were crimes committed by teenagers. Currently, there are over 100 active criminal groups in Moldova.

Figure 2.2 Geographical distribution of population groups

Population groups	Areas of highest geographical distribution
Moldovans	Nationwide, especially in the north, centre and the west
Ukrainians	Northern and eastern Moldova

Russians	Chisinau and eastern Moldova
Gagauzians	Southern Moldova
Bulgarians	Southern Moldova
Jews	Major cities
Belarussians	Scattered nationwide
Poles	Northern cities
Gypsies	Northern Moldova

2.2 Democratization: Search for the Balance between Pluralism and Coordination

In the past, social life, as almost all domains of human activities, was dependent upon centralized administration activities. This limited the free participation of citizens in decision-making and in solving problems, even at the local level. Centralization practically eliminated horizontal relations and, generated uni-directional vertical orientation and thus deformed the relations between those at the top of the hierarchical ladder (the so called center) and those at the bottom (the periphery). Under these conditions, where the leaders permanently decided for the individuals, leaving them only with the obligation to fulfil instructions from above, an individual actually lost the ability to function as an independent entity and therefore the ability to be an active subject of social development. Great masses of people were excluded from the competitive activity (economy, politics, culture) and specific regional historic and ethnic characteristics were ignored. It was impossible to make effective use of local potential.

In the Republic of Moldova, as in all former socialist countries, the progress towards democratization and transition to a civic-minded society has been accomplished not only through division of power and radical change of the principles and operation of state bodies, but also through decentralization of state management, and promotion of political pluralism. The judicial basis for carrying out these processes has been guaranteed by the Constitution of the Republic as well as by the following laws, among others: "On Public and Local Administration", "On Administrative-Territorial Organization of the Republic of Moldova", "On Parties and other Socio-Political Organizations" and "On Regulations Concerning Public Associations".

Abolition of the super-centralized system of the Government and elimination of the practice of the top down approach have created conditions for improved and democratic relations between different central and local authorities. This, in turn, has created a more reasonable distribution amongst the different levels of administration as well as in duties and responsibilities. From this, the government system will tend towards a more reasonable combination of interests amongst the local government and enterprises, thereby encompassing the needs of sustainable human development for society.

A clear indicator in Moldova of society's democratization, along with decentralization of state administration, has been the creation of the multiparty political system and the appearance of numerous sociopolitical organizations and public non-governmental organizations. There has been a transition from a uni-dimensional society to a multi-dimensional society often with opposing viewpoints.

As of January 1, 1996, 35 parties and other socio-political organizations, as well as 622 public non-governmental organizations were registered in Moldova. In February 1994, 13 electoral blocks, parties

and socio-political groups participated in the first democratic multi-party parliamentary elections. 79% of the electorate voted. In April 1995, 64% of the electorate participated in the local elections.

However, unlike other independent states of the former U.S.S.R., Moldova is distinguished by the fact that differences among political forces occur not only on socioeconomic problems but also on state and national problems. Differences on issues of reform and the preservation of territorial integrity and independence of the country cause difficulties for sustainable human development and reduce the efficiency of the state, thereby making the transition period more painful and time-consuming.

A high level of political culture, honest civic-minded behavior, readiness for conciliation and the ability to join efforts in attaining the principal goals are a priority condition for integrating the society and for its sustainable human development. Taking into account that political pluralism is an inherent phenomenon of democracy, it would be logical to pursue the idea of consolidating political forces for the purpose of carrying out reforms and ensuring the independence and territorial integrity of the country. The aforementioned is especially necessary and important during the period of transition to a new model of political, economic and social organization.

Currently, the citizens of Moldova have opportunities to participate in the solution of most problems. It is important to harmoniously combine representative democracy and democracy which involves personal participation. When the former is more insistent than the latter, decisions constitute the prerogative of a group of selected persons. In a democratic and well-integrated society, the administration, even at the national level, can not be the privilege of only a narrow circle of "professionals". Large-scale democratization, which requires active involvement of various groups and social sector in the public life, represents the model for the civic society that Moldova is striving for.

In current conditions, as real democratization is only beginning, the attitude of citizens - deformed by five decades of excessive centralization - is such that the state is still expected to interfere in the solutions of all national and local problems. The degree of civic initiative is still weak. This lack of initiative contradicts the model of civic-minded society which, should encourage the individual's creative energy and mobilize her/him to act in the interest of securing a better life.

The state, however, must create mechanisms to permit democracy and to provide the individual the opportunity to participate in public decisions. This can happen through local public administration.

In the Republic of Moldova public administration reorganization at a macro- and micro social level is an important part of the political reform. At each stage specific aims should be targeted, most of which, at present have not been met. The decentralization of public administration, i.e. the optimal transfer of power, has not been completed. This process requires a well-grounded legislative, organizational and institutional system that would provide for reasonable relations between both national and local levels of public administration.

The new reform programs in this sector should be oriented to the advancement and consolidation of local autonomy, to the creation of a ratified system of public administration throughout the country, to the broadening of the functions and competence of the above noted bodies in their correlation with the major aims of the political and socio-economic reorganization. The obligations to the local bodies of public administration must aim at solving social, ecological and educational concerns, as well as the organization of public services and amenities, etc.

2.3 Judicial Measures with Respect to Regional Integration

Within the process of integration in the Republic of Moldova, the problems of regional integration are significant. Their importance lies in the need for the unification of ethnic and territorial communities based on mutual trust, common goals and common values, as well as the observance of human rights, and in the reservation of individuality and originality of each nationality. The central issue refers to the

resolution of conflicts caused by separatist movements (presented in Chapter 1) which, supported by certain forces from the outside, have led to territorial disintegration and selfproclaimed independence in Gagauzia and Transnistria.

Pursuant to the Law on the Special Judicial Status of Gagauzia (GagauzYeri) adopted by the Parliament of the Republic of Moldova (23 December 1994), the region became an autonomous territorial unit but as a component part of the Republic of Moldova. The Gagauzian territory resolves all problems of political, economic and cultural development on its own, within its competence and in the interest of the whole population.

On the basis of this law the Gagauzian region has been reintegrated into Moldova's territory with some concrete provisions having also served as a model for developing the draft Law "On the Special Status of the Territory on the Left Bank of the Nistru (Transnistria)" formulated by the Parliament of the Republic of Moldova in December 1995 and proposed to the citizens from both sides of the Nistru for discussion.

All rights and liberties foreseen by the Constitution and legislation of Moldova are ensured in the territory of Gagauzia. In the event that the status of the Republic of Moldova as an independent state changes, the people of Gagauzia have the right to selfdetermination. Gagauzia is governed on the basis of the Republic of Moldova's Constitution, the Law on the Special Status of Gagauzia, other Laws of the Republic, the Regulation of Gagauzia and of standard documents of Gagauzia's Popular Meeting that are not in contradiction with the Constitution and legislation of the Republic of Moldova. The official languages of Gagauzia are Moldavian, Gagauzian and Russian. Relations with the Republic of Moldova's public authorities, enterprises, organizations and institutions situated outside Gagauzia is carried out in Moldavian and Russian. Gagauzia has its own symbols used in conjunction with the state symbols of Moldova. One vicechairperson of the Popular Meeting of Gagauzia has to be selected from those deputies who are not of Gagauzian nationality. Local financial and fiscal activity is carried out by the People's Assembly of Gagauzia and is regulated by the Executive Committee of Gagauzia. The territory of Gagauzia and its water, vegetation, wildlife and other natural resources, tangible and intangible assets are the property of all Moldova's people and the basis for the economic foundation of Gagauzia.

This draft law was prepared by a group of experts following the disposition of the Republic of Moldova's President on 21 April, 1994, proclaiming the main objectives for the eventual special status of Transnistria as well as the mechanisms for its realization.

The official languages in this part of Moldova will be Moldavian, Ukrainian and Russian while correspondence with Republic of Moldova's public authorities, enterprises, organizations and institutions situated outside Transnistria will be carried out in Moldavian and Russian. Transnistria will have its own symbols which will be used in parallel with the entire Republic's state symbols. Transnistria will, on its own initiative, solve problems of political, economic and sociocultural development in the interests of the population which inhabits that region. In the event that Moldova changes its status as an independent state, the population of that region will have the right to territorial selfdetermination. With some exceptions stated in the draft law, public authorities of the left bank of the Nistru will act on the basis of the Constitution and of other laws of the Republic of Moldova.

In compliance with the draft law on Transnistria this region will become a territory having the form of a republic. The draft law deals, among other issues, with the following: forms and conditions of autonomy; guaranteed limitation of powers of the Republic of Moldova's and Transnistria's public authorities; conditions for preservation, development and expression of the ethnic, cultural, linguistic and religious identity of the population.

Also of importance in the context of regional integration, are those provisions which concern the leadership role in that region. The Head of the Transnistrian Government will simultaneously be Deputy Prime Minister of the Republic of Moldova. The Head of Transnistria's Security Service will also be a Member of the Board of the Republic of Moldova's National Security Ministry. The Head of the Transnistrian Customs Service will simultaneously be a Member of the Board of the Republic of Moldova's Customs Control Department. The Chairperson of Tiraspol's Tribunal will simultaneously be a Member of the Republic of Moldova's Supreme Court of Justice. Similar solutions are foreseen for Transnistria's Head of the Department of Justice, the Head of the Board of the Interior, etc. Local financial-budgetary and fiscal activity will be carried out by the appropriate authorities of Transnistria.

By creating and proposing this draft document for discussion, Moldova's leadership hopes that the document will constitute a basis for negotiations and open new avenues for resolving the Transnistrian issue. These expectations are all the more justified and understandable considering the public interest in territorial integration in Moldova and in settling the conflict with this region.

However, the events which have transpired during the last few years demonstrate a lack of willingness on the part of Transnistrian leaders to contribute towards the elimination of discord. Via the so-called elections and referendums held in December 1995, their organizers have demonstrated their persistence in clinging to separatist tendencies, as well as their firmness in undermining its resolution. This does not mean, however, that the problem of Moldova's re-integration should be put into the category of unsolved problems and that any hopes for success will be fruitless.

2.4 Labor Relations and Social Partnership

In this context, social partnership is defined as a system of relations between employers, employees and state bodies. It is established on the basis of the interests of the parties involved, and helps to achieve mutually acceptable decisions in regulating social, labor and economic relations through negotiations and consultations. Thus, social partnership expresses the relations between partners, thereby providing the balance and the realization of the main social and labor relations for the society, under conditions of social peace.

The social partnership in the Republic of Moldova is built on the same basis as that of most countries with a developed market economy. The principles formed in Moldova are based on the principles of the International Labor Organization, ILO, the first of which says that common and strong peace can be established only on the basis of social justice.

The Government of Moldova truly considers that social partnership is the decisive means for achieving civil content in society. This three-sided mechanism of cooperation, between the government, employers, and trade unions, is used successfully in regulating various aspects of social and economic policy and maintaining social stability in the society during this period of economic reform.

Regulation of social and labor relations, based on the principles of partnership in Moldova, began in 1991 with the signing of the first General Agreement on Cooperation between the Government of the Republic of Moldova and the Federation of Independent Trade Unions of Moldova, whose aim was to guarantee stability in economic, social and legal spheres for the adult population of the republic.

Such agreements on social partnership are made each year, and beginning in 1993, these agreements have been accepted on the basis of social tripartism in which the Entrepreneurs' Association participates with equal rights.

The Law of Moldova "On Collective Agreement" which came into force on February 25, 1993 plays an important role in the development of the social partnership system. The law was created with consideration of the world experience and international standards and recommendations of the International Labor Organization. It legally determines the sphere of collective agreements, negotiations

and settlement procedures, procedure for the signing of collective agreements, responsibilities of parties, and the like.

An important practical step in implementing the mechanism for social partnership was the creation of a national level Tripartite Committee consisting of an equal number of representatives of the Government, Trade Unions and the Entrepreneurs' Association of Moldova. The head of the Committee is one of the Deputy Prime-Ministers of the Republic. The Committee follows the Constitution of the Republic, the Law "On Collective Agreement", Conventions and recommendations of the International Labor Organization and other documents being in force on the territory of the Republic.

The Committee is convened when necessary, and resolves problems of regulation with regards to social and economic processes and works to improve situations in enterprises in social protection of employees, payments, unemployment, social assistance etc.

Government participation in this Committee is based on the principles of international legislation and the Moldovan Law "On Conflicts in Labor". The government receives and studies the drafts of normative documents offered by social partners regarding economic reforms and maintenance of civil consent, and takes into consideration economic and social interests of employees and employers. Initial experience of work in this direction shows that under conditions of transition to a market economy and the socioeconomic crisis, the social partners have a different vision of reforming social and labor relations. The social partnership mechanism realized through the three-sided Committee has therefore allowed the pursuit of constructive compromises in improving existing legislation.

Presently the creation of a social partnership mechanism in Moldova is, however, far from a classic form of tripartism, and is complicated by the fact that various public and political organizations do not yet have the necessary authority. Additionally, the function of the state as the owner of means of production and as the guarantor of regulating social and labor relations are not yet separated. The subjects of social partnership on different levels have not yet been exactly determined.

The Government is presently undertaking measures to prevent social and economic conflicts and to maintain civil stability in the society. As far as possible, it is contributing to creating new jobs, and organizing trainings and retraining of the unemployed. It also has undertaken additional measures in job placement for the poorly protected groups of the population.

* * * *

The continuation and amplification of initiatives in this area will require the following additional actions, to name but a few:

- increasing the efficiency of the central and local authorities, by improving the judicial framework, infusing state institutions with persons of high professional, political and ethical caliber and by obtaining the support of the citizens involved in sociopolitical activity;
- orientation of economic reforms primarily towards the formation of a middle class as a basis for democracy, as a decisive force for maintaining stability and a balance in society and for society's integration and its sustainable human development;
- rational combination of state administration and public self-administration through the protection of voluntary associations of citizens acting in the interests of their communities.
- promotion of social partnership on a tripartite basis in order to prevent conflicts in labor relations and thus build democracy in the entrepreneurial activity.

Conflict resolution with Transnistria could be accelerated if, during the political negotiations between Chisinau and Tiraspol, not only representatives of the Republic's executive and legislative bodies and of the selfproclaimed Transnistrian Republic were involved, but also a large part of the population a so-called "Peoples Diplomacy".



CHAPTER 3. HUMAN SETTLEMENTS AS A FUNDAMENTAL ISSUE FOR THE STATE

3.1 Long Term Urbanization and Housing Policy (General Characteristics)

There are no uninhabited zones in the Republic of Moldova. The pattern of settlements is dense and uniformly distributed having been influenced in the past by the two following factors: 1) favorable natural conditions have encouraged the population of the Republic towards agriculture; and 2) the geopolitically vulnerable position of this region has discouraged longterm investment and has delayed the urbanization process.

Thus, the pattern of settlement has acquired specific features: a high average population density (129 people per sq. km.) and a high degree of economic use of the territory (76% of the territory is agricultural land and 13% is occupied by settlements). The majority of the rural population live in large villages (some of them with populations exceeding 10,000 people), which have, to a great extent, preserved the features of rural settlements.

According to existing law, the territory of Moldova is divided into the following administrativeterritorial units: districts, towns, and villages (communes). There are 40 districts with an average surface area of approximately 840 sq. km. and populations ranging from 45,000 up to 130,000 inhabitants.

In the southern part of the Republic, the settlements of three districts, mainly populated by Gagauzians, constitute an autonomous administrative territory named "Gagauz Yeri".

Approximately 2,315,000 people, or 54% of the total population of the Republic, live in rural areas. The density of the rural population is generally high, in some districts constituting 120 inhabitants per sq. km. The total number of rural settlements is 1,612. More than half of the rural population live in medium- and large-size villages, the latter with over 2,000 people each. The average population of a village is about 1,430 inhabitants. The village networks are dense (five villages per 100 sq. km) and include river arteries.

The status of an urban settlement (town) is reflected in legislation and based on the socioeconomic character of the corresponding settlement, its role in the administrative territorial system, and its level of social and technical utilities. Currently, there are 64 towns (Chisinau is the capital) and four municipalities.

Urban settlements are characterized by a relatively balanced distribution throughout the country. The largest is the category of small towns with populations varying from 2,000 to 20,000 inhabitants (49 towns out of a total of 64). The majority of these towns are administrative and industrial centres for processing agricultural production. More diversified functions are found in towns such as Ribnitsa, Sorooca, Orhei, Ungheni and Cahul, the population of each being approximately 40,000 to 50,000. Tiraspol, Baltsi and Bender, with populations from 130,000 to 180,000 are characterized by their industrial enterprises. Finally, the capital, Chisinau, has a population of 660,000 inhabitants.

The urbanization process has been most dynamic during the last 3035 years and has responded to the urban and housing policies of the former U.S.S.R. During this period, urban population grew from 23% to 46%.

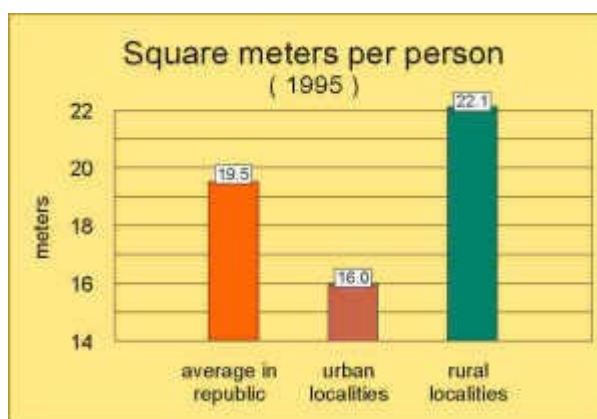
The housing inventory of Moldova is constituted by 79.1 million square meters of usable land, including 30.1 million square meters of urban area and 49 million square meters of rural area. As of January 1, 1992, the state owned 71% of urban housing and 5% of rural housing. Privatization of dwellings has,

however, quickly modified these proportions. According to preliminary data of October 1, 1995, over 70% of dwellings that had been state-owned were already privatized.

Over the last four decades, the housing problems have been solved in a different way in cities as compared to villages. Most of the urban population received housing from the state, however, the rural population only obtained housing by building it themselves. For both urban and rural inhabitants, housing availability was, however, limited. The situation of the village population was much different as they could not receive any state aid even if they were part of a socially vulnerable group (e.g. disabled, elderly, single-parent family, etc.). This obvious gap in social equity was even larger if we take into consideration the low pay of agricultural labor compared to that of industrial labor and the fact that the ethnic composition of rural and urban settlements was very different.

The social outcome of this policy was extensive and long-lasting. Although recent individual home construction in villages (based on traditional means) has shown considerable progress, this construction requires extra effort for many families since they have to forego other human needs, especially health and culture.

Figure 3.1 Living space in the Republic of Moldova



Under the state monopoly on urban housing (when housing was provided by the state and apartments cost nothing to those who received them), the Government established the following standard for an average home: 9.0 square meters per person and, for example, two rooms for a family of three, three rooms for a family of four, etc. Prefabricated concrete panels were primarily used in urban housing construction, and the level of utility services (water, sewer, gas and central heating) were uniform.

Rural housing materials consisted of those materials found locally (e.g., stone, bricks), and the quality varied depending upon the means available for families. In general, utility services were limited.

All towns and the majority of villages had general development plans by which social and cultural institutions were constructed. Mass construction provided housing for hundreds of thousands of families. However, such growth also had negative effects. Forced industrialization and growth of the urban population were based primarily on a flow of labor from outside the Republic. Population growth was followed by the extension of urban areas. Housing and industrial construction in the suburban zones of towns consumed large tracts of fertile soils from agricultural cultivation. Between 1970 and 1994, the surface area of towns doubled while existing urban spaces deteriorated since they were not maintained at a proper level. Furthermore, the design and construction of enterprises and homes was based on energy- and resource-consuming technologies not suitable to Moldova's conditions.

<i>Figure 3.2 Urban settlements (1994)</i>	
Urban population (% of total) in: 1970 1994	32 46
Urban population annual growth rate (%) between 1970-1994	2.4
Population in the largest towns (% of urban population)	56
Towns with over 1 million population	--
Population exposed to 60 decibels of road traffic noise (% of the population of Chisinau, Bender, Tiraspol, Baltsi, Ribnitsa)	60

The tendency to increase the total volume of construction while under limited financial resources meant that the new construction had to be achieved at the detriment of quality and durability. This especially affected apartment blocks of flats of mass housing developments and utilities. Furthermore, given the existence of the state monopoly in the construction, distribution and use of the urban housing fund, this created a passive behavior among the population in solving housing problems.

A further problem was that actions for environmental protection in towns were primarily undertaken not through modernization of technologies, but through creation of sanitary zones. Thus, the environmental problems were "exported" to suburbs and rural zones.

Housing problems such as those mentioned above, are numerous. Generally, the state, during its development of human settlements, did not, with few exceptions, foresee the need for social and human development for the population and paid too little attention to efficacy and to sustainable development.

The current economic decline has further led to a crisis in the development of human settlements. The most severe manifestation of this crisis is the non-existence of mechanisms for organizing and financing of urban housing. The social consequences of this crisis and other social aspects of the economic situation in the 90's will be presented in Chapter 4.

3.2 Quality of Living Conditions in Human Settlements

The main problem regarding different human settlements in Moldova lies in the discrepancy in the quality of living conditions between the various categories of settlements. The difference between rural and urban settlements and the difference between small towns and the capital of the country continues to determine people's preferences and the main directions of their migration.

In urban settlements, especially in Chisinau, there is a serious problem of transport to and from work. According to data of the 1980's, 58% of the movement of people in Chisinau was by public transport and this has tended to increase. Over 20% of movement by public transport lasted over 40 minutes. The current situation has become worse. Another problem is social communication among people living in the cities. The monotonous architecture is characterized by lack of space in which to assemble and discuss local interests. This has encouraged indifference and a lack of common public interest and activity.

Furthermore, vandalism within residential areas is on the increase. There are many reasons for this phenomenon, the primary explanation being that citizens could not choose freely the district, the zone or even the neighbors with whom a community could be created.

<i>Figure 3.3 Environment and pollution (1994)</i>	
Sulfur and nitrogen emissions (sulfur/ nitrogen dioxide in kg. per capita)	6.5/1.2
Pesticides consumption (metric tons per 1000 people)	1.8
Industrial toxic wastes (metric tons per sq. km)	0.1
Urban wastes (cubic metres per capita)	0.6
Waste recycling (as % of consumption):	
paper	65.7
glass	34.3

Due to privatization in commerce and to some structural changes in the economy, one or twostorey constructions have started. This has contributed somewhat to the revitalization of historical complexes in the central zones and to the appearance of new elements in housing districts. To some extent, this process has favoured people becoming more involved in activities close to their living place. However, if this process is not organized in the proper way, it can lead to undesirable effects, such as environmental pollution and more difficult living conditions.

The environment has a direct impact on the living conditions and health of the population. At the end of the 1980's, the Republic of Moldova was considered to be one of the most polluted zones of the former U.S.S.R.

The principal sources of nitrate pollution are drainage from residential areas and from livestock yards. Moldova had over 610 water treatment plants, including 35 in urban areas. However, at present, only 40% of them are in operation. In 1994, over 1.81 billion m³ of waste water, including 16 million m³ of unpurified residuals, and approximately 15 million m³ of insufficiently purified water were dumped into the water system. Currently, 120 water purification systems are seriously deteriorated of which only 46 can be repaired.

Ironically, the situation appears to have improved due to the drop in industrial production and due to the shortage of chemicals and fuels. However, pollution of drinking water due to nitrates and pathogenic bacteria is very high. In approximately 60% of the wells located in Moldova, the concentration of these elements exceeds the maximum admissible limits, thereby creating serious problems in providing the population with drinkable water.

Regarding air quality in towns, this remains unsatisfactory. There were several occasions during 1995 when pollutants such as dust, nitrogen oxides, sulphur, and formaldehyde among others, exceeded the level of Maximum Admissible Concentrations (MAC).

Figure 3.4 The number of families using waste collection systems

Year	Index
1985	44%
1989	47%
1991	47%
1993	46%
1994	46%

Approximately three million tons of various solid wastes are accumulated annually in Moldova. Centralized and systematic collection of household wastes is done only in towns.

There are no specialized agencies for waste recycling in Moldova. In 1987, construction plans were proposed for central waste incineration in Chisinau. Due to lack of funds, however, the construction was postponed (the cost of this project at the time was estimated at approximately 20 million US dollars). Thus, the issue of waste incineration is still pending.

3.3 Utilities and Public Services

A system for utilities was established parallel to the expansion of Moldova's settlements. Between 1970 and 1990, the capacity of the principal water pipelines increased two- to three- times; the centralized sewer network grew by ten times and annual thermal energy consumption grew by four times. However, the condition of these technical installations is very poor. 17% of Chisinau's water pipelines require immediate repair and 40% of thermal heating systems are being pushed far beyond their capacity. The output of thermal installations has decreased to 50% on average. Generally, the average water consumption per capita in Moldova does not exceed 180 liters daily, while in rural areas only 17% of the population are provided with water from centralized systems.

People in Moldova have very little heat during the cold months. Typically, people work and meet in their coats, including salespeople in shops, journalists at press conferences and children at schools and orphanages.

3.4 Social Sustainability at the Local Level

Despite impressive development of social services between 1970 and 1990, the quality and extent of such services remain unsatisfactory. This situation is especially severe in rural settlements: 270 villages have no medical institutions, 254 villages have no preschool education institutions, 352 villages have no cultural facilities and 31% of rural settlements have no postoffice. In the current conditions of economic decline, Moldova's system of public services, especially medical protection and preschool education, is in

severe crisis. As a result, the number of cases of children's illness in 1994 was 20% higher than in 1992. The issue will be presented in detail in Chapter 5.

In addition to the deficiencies noted above, other problems have appeared in human settlements, within the context of sustainable human development. One cannot speak about sustainable human development at the local level without also speaking about individual initiatives, which bring about the common desire to contribute to the solution of local problems.

Local initiatives especially in the countryside, have always been more conservative than at the urban level. Furthermore, during the communist regime the traditions, regulations and civic behavior that were centuries, or even millenniums old, were changed and adapted to the dictatorial regime, which deprived the individual of all material and moral responsibility, making him/her indifferent, and socially apathetic.

Under the present system, democratization and transparency of the decisionmaking process with the active participation of the population at the local level is lagging behind as compared to the urban level. There are no social mechanisms which might generate civic interest through the supply of information or ensure the right to have access to information on local decisions and interests. The possibilities for civic groups to act in the interest of all to improve living conditions through local economic, social and political mechanisms are very limited. Given the present circumstances, which are aggravated by unemployment, poverty and crime, this lack of public participation has a substantial negative influence on local sustainable human development.

3.5 Problems and Policy Objectives Regarding Human Settlements

The problems faced by human settlements in the Republic of Moldova are the following:

- general problems common to all systems of settlements throughout the world. Spatial and social relations between the village and the town, degradation of the rural space, environmental problems, shortage of natural resources (particularly energy resources) and social communication deficiencies, especially telecommunications;
- regional problems resulting from the political and socioeconomic conditions in which Moldova's settlements developed within the former U.S.S.R. - outdated technologies in the construction of homes and infrastructure, wasteful use of energy and resources in the housing sector and by utility services and the lack of mechanisms and equipment for recording and conserving resources;
- traditional problems characteristic of Moldova, such as the gap between the economic potential of the agroindustrial complex and the extent to which it assisted in the development of rural settlements, and the difference between the density of population, the size of villages, the level of their urbanization and the availability of utilities; and
- specific problems arising from transition from centralized socioeconomic institutions to market ones, in order to ameliorate the housing situation; lack of adequate legislative framework, lack of possibilities for the population to selforganize, to be more actively involved in the solution of housing problems and in the development of settlements.

The concept of sustainable development of human settlements in the Republic of Moldova should be further developed. This concept will give substance and support to the policies of the Government, the Ministries and sectoral Departments concerned with the management of human activities. Since this will take time, the concept of sustainable human development should, in the meantime, serve as a basis for the modification of urban design.

Recent political and socioeconomic conditions require both new plans for local land use as well as the reform of the administrative-territorial division of the Republic. It is necessary to have a new land use policy which will allow the local public administration to benefit from municipal property taxes and fees. One of the first steps in this direction is the reform of the system for land registration, which has already begun with the help of the World Bank.

The structural changes in the economy and in the labor market, and the new vision on human settlements require an analysis of population patterns, of living conditions and of the economic potential in every urban and rural settlement. These studies are important for the development of necessary policies.

Additionally the creation of an urban information system is a technical and organizational priority. Data regarding hydrometeorological, sanitary, and geological monitoring, etc., should be examined in the same context as that concerning public utilities, the quality of construction, technological processes and social and economic conditions.

All of the above mentioned objectives require longterm policies. Their attainment will also take great financial efforts but, first and foremost, it will require the understanding, by decisionmakers and the public at large, of the particular importance of human settlements for general sustainable human development of the society and for providing each of us with adequate living conditions.



CHAPTER 4. THE ECONOMIC SITUATION AND ITS SOCIAL CONSEQUENCES

4.1 Overcoming the Crisis: Economic Reforms

The Republic of Moldova is in the process of modifying its political regime and socio-economic system, of strengthening its legal system, of democratization and promoting the free development of its citizens.

Building of the state and its sovereignty, has allowed Moldova to accomplish some important achievements in economic reform, i.e., financial stabilization on a macro-economic level and a lessening of the economic crisis and its social impact.

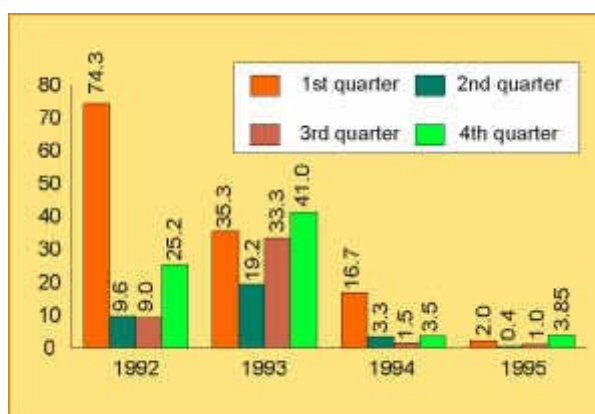
Macro-economic performance during the period from 1993 to 1995 (inclusive) was characterized by a substantial decrease in the monthly inflation rate and a decline of the budget deficit from 6.2% to 3.5% of GDP. The exchange rate is relatively stable, and interest rates for bank loans have decreased.

Upon completion of the privatization of state property on the basis of National Patrimonial Bonds, a private sector has been created and its production constitutes approximately 30-35% of GDP. A legal framework has also been established to ensure the conditions conducive to ownership of private property. Since 1991, 500 legislative acts concerning economic reforms during the transition period have been adopted. The success of macro-economic stabilization has also helped to increase the level of confidence and trust in Moldova amongst the international community. The reforms are being supported by foreign creditors (approximately 600 million US dollars have been lent) and by technical assistance from donors, including the United Nations, the European Union, USA, Germany and the Netherlands.

Figure 4.1 GDP for 1990-1995: % of 1989



Figure 4.2 Monthly average inflation rate



In order to further develop the private sector, it is necessary to continue the reforms and to improve the mechanisms supporting and stimulating them. Furthermore, macro-economic stabilization will not last unless the reforms reach all parts of the national economy.

The effects of current economic reforms can be characterized as follows:

- after a more than 50% reduction of production, the beginning of production growth of some industrial enterprises (following partial liquidation of insolvent enterprises), growth of investments (due to a flexible fiscal policy) and a decrease of the interest rate for bank loans;
- although the Land Code contains some contradictions, new important measures on agriculture have been taken, such as the liberalization of economic activity and privatization of the industrial sector of the agro-industrial complex, contributing to a relative stabilization of the market for food products and to an increase in exports;
- In 1995, for the first time since the reforms began, the rate of individual nominal income growth surpassed that of consumer prices.

Success in promoting economic reforms in Moldova - privatization of state property, liberalization of prices in the real estate market, liberalization of international trade, establishment and development of the banking system and of the financial market - allowed Moldova to be placed in 11th position amongst the 25 countries of Central and Eastern Europe, the Baltic states and the Commonwealth of Independent States (C.I.S.) in a classification made by the European Bank for Reconstruction and Development.

We can, therefore, conclude that 1995 was the first year of transition, following the first destructive stage of the reforms, to a better stage.

<i>Figure 4.3 Trends in economic performance</i>		
Gross Domestic Product (millions US \$):	1993 1994	1,524 1,424
Gross Domestic Product per capita (in %) compared to the previous year	1993 1994	98.9 68.8
Average annual inflation rate (%)	1993 1994	1,284 587
Tax revenue (% of GDP)	1992 1993 1994	20.1 13.9 22.6
Direct taxes as % of the total taxes	1992 1993 1994	36.7 49.4 43.1
Revenues exceeding expenses, deficit (-) % of GDP	1992 1993 1994	-4.7 -6.2 -4.8

However, although macro-economic stabilization is encouraging the continuous evolution towards a market economy, it does not guarantee an increase in the level of development, restructuring or efficiency of the national economy. These problems will require a longer period to solve than that required for achieving macro-economic stabilization. This is particularly true since the Republic must deal with a drop

in production, financial insolvency of enterprises in the country as a whole, and at the same time achieving, both the reorganization and restructuring of enterprises as well as the re-orientation of international trade.

It has been estimated that it will take at least 10 years to restore the level of production, income and quality of life which existed prior to the initiation of the reforms.

It should be stressed that forecasts regarding the revival of many industrial enterprises are not well-grounded since these enterprises have neither implemented a reorganization or restructuring programme nor gained new markets.

Nonetheless, the macro-economic stabilization mostly through monetary measures, and not combined with other measures in order to prevent further production decline, has not encouraged investment, as was expected. The orientation of fiscal policy towards maintaining a small deficit and the meeting of social needs (approximately 50% of government expenditures) has not contributed to further investment either.

Fiscal and credit policies have not stimulated investments for a number of reasons: on the one hand, limited demand in the domestic market, uncompetitive quality of goods, lack of experience on the part of local producers in penetrating foreign markets and, on the other, the current legal framework and the political and economic risks which discourage foreign investment.

The issue is that investments reach only between 12-15% of GDP and it is estimated that, in order to restructure the economy and achieve an annual production growth of 5-7%, it is necessary to reach a 25-30% investment level.

Figure 4.4(a) Industrial production for 1990-1995

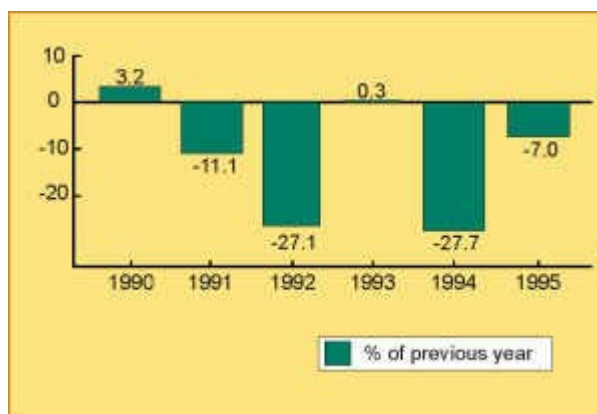
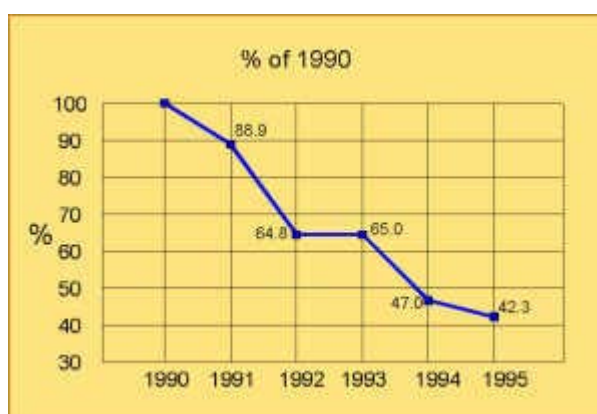


Figure 4.4(b) Industrial production: % of 1990



A further difficulty to increase this investment ratio is that the Republic of Moldova has not yet fully finalized its socio-political development strategy. Nor has it established a timeframe for priorities and

state policies regarding priority sectors. The legal and organizational framework of the capital market is not yet finalized, in particular that of securities. Discrepancies between the interest rates of the banking system (where most of the population's and businesses savings are held) and those in the rest of the economy create an obstacle to the solution of the investment problem. Access to loans for small business is very limited and is almost non-existent for individual entrepreneurs (mostly farmers) due to high interest rates and the lack of collateral. Furthermore the possibility of state support for individual entrepreneurs and small business is marginal.

As a result of the lack of access to loans, the participation of people in the revitalization and development of the national economy is not as significant as it should be.

Current estimates show that the social price for reforms and stabilization in 1994 and 1995 was very high. The drop in inflation, and the continuing maintenance of the budget deficit at a relatively low level has also meant a drop in the income of the population and an increase in unemployment. This situation has also undoubtedly put a strain on the availability of fiscal resources for solving social and human problems.

1996 will be a decisive year. However, economic and social reforms must be accelerated and the legal framework must be improved. A set of economic, organizational and legal actions is necessary for the following:

- reorientation of credit systems towards long-term investments, reduction of production and sales costs, growth of competitive production, exports and job creation;
- the banking system in order to address and overcome the crises arising from non-payment and focus on stimulating savings at a micro (including personal savings) and macro level and channel these savings towards investments in priority industries and projects;
- establishment of a securities market in order to distribute and concentrate resources in priority industries and social projects; and
- increase of investment, especially for small business, via specialized banks established within the Republic.

4.2 Privatization

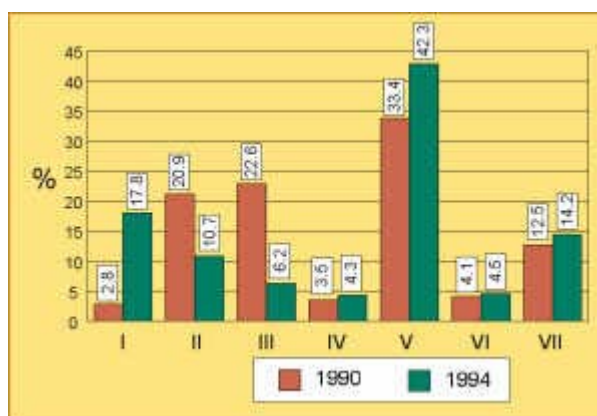
Based on the Law on Privatization, the Moldovan privatization model was carried out on the basis of National Patrimonial Bonds given to all citizens who, either through trust companies or directly, purchased shares of various enterprises. As of November 1995 and as a result of this process 1,979 small, medium and large companies were privatized, as well as 77% of the housing stock which had been recommended for privatization in November 1995. The second stage of privatization (during 1995 to 1996) envisions a decrease of state property by two-thirds.

Fair division of the patrimony was designed to allow each citizen to receive a part of this patrimony in the form of private company shares or plots of land, which would allow them, at least in the future if not the present, to solve their vital problems. Considering that the results of the first stage of privatization were positive, this can be considered a socio-political action of good will.

However, it should be mentioned that not all the expected hopes for privatization have materialized. The efficiency of privatized enterprises has not increased since these enterprises were financially insolvent (bankrupt).

4.3 Restructuring of the Economy

Figure 4.5 Changes in industrial sectors during 1990-1994
(according to production level in real prices in 1994)



* not including Transnistria or the Town of Bender

- I. energy
- II. machinery
- III. light industry
- IV. timber
- V. food
- VI. construction materials
- VII. other sectors

In order to help remedy the problems in the private sector, the Government proceeded to work on restructuring state and privatized industrial insolvent enterprises incapable of producing competitive goods. These non-productive enterprises will be transformed into businesses with mixed capital (private capital and foreign capital), divided and sold or left to become bankrupt. The State Council of Creditors and the Restructuring Agencies for Enterprises were created precisely in order to organize and implement these actions. These long-term activities will be accompanied by the promotion of the financial sector, without which competitive production, exports etc., can not take place.

This structural modification will be implemented in three principle areas:

- further privatization of state enterprises, continued privatization of land and real estate, and formation and consolidation of the private sector and of the capital market;
- promotion of priority industrial enterprises, such as food production and those sectors which could replace imported goods or increase exports. The final goal is to increase industry's contribution to the national economy (industry's share should grow to 35-40%); and
- further development of small- and medium-size enterprises, by dividing, or privatizing large state enterprises.

<i>Figure 4.6 Working population per sector (%)</i>		
Sector	1990	1994*
Industry, construction	30.3	19.2
Agriculture and forestry	32.7	45.6

Transport and communications	5.4	4.3
Commerce and public catering	4.6	5.4
Health protection, social assistance and culture	5.6	5.8
Administration	1.5	1.8
Other branches	19.9	17.9

* not including Transnistria

During this next stage in the reform process, preference will be given to those enterprises and products which use local "primary" material and which use local labor. "Primary" products include the following: wine, sugar, sunflower seed oil, lumber, tobacco, concentrated food products, perfumes and cosmetics. Some light industry products, such as furniture, etc., could also be given preferential treatment.

The "State Industrial Policy" also addresses the need to take measures to maintain and develop the potential of industrial production which will offer training to a large number of employees. Furthermore it is also reasonable to support the modernization of agricultural equipment and of food processing equipment factories in order to satisfy the needs of the internal market and the needs of the C.I.S., Baltic States and Eastern Europe.

4.4 Transformation in Agriculture

The highest priority regarding the new structure of the national economy will be the agrarian reform and the restructuring of the property of the agro-industrial complex which has, for many years, constituted the nucleus of the national economy. According to official statistical data, the rural population, after the first stage of agrarian reform (including the right to sell) only received ownership of approximately 10% of total land (1995). This privatization covered, therefore, only auxiliary plots of land (the land surrounding houses), vegetable-production cooperatives and fruit orchards.

Figure 4.7(a) Agricultural production for 1989-1995

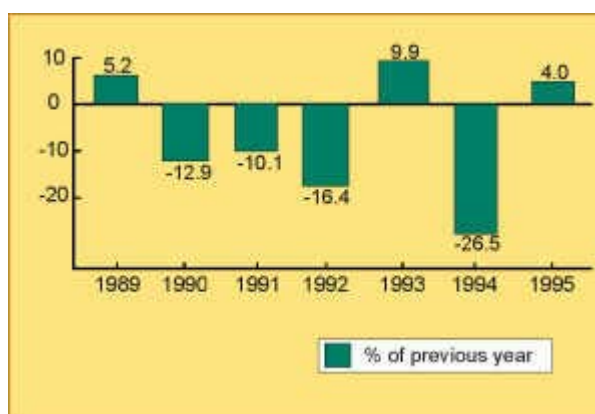


Figure 4.7(b) Agricultural production (% of 1989)



Currently, 695,000 people out of the 934,000 rural population of Moldova with the right to own land have received their ownership certificates. Of these 695,000 people, 48,000 farmers obtained titles of private ownership and formed private farms in an area of 58 thousand hectares (2.4% of agricultural lands).

A real estate market started in Moldova with the adoption of the Law on Standardized Price of Land in 1994. This Law also referred to the purchase and sale of auxiliary plots of the rural population, horticultural plots and municipal land.

The pace of reforms has been slower than it should be because of the discrepancy between the pace of the agrarian reform and the privatization of the Agro-Industrial Complex (AIC). As a result, the AIC has become unbalanced. For example, the networks of technical service, supply, storage and sale of production as well as the processing enterprises have been privatized without considering the privatization of the agrarian sector itself. As a result of this imbalance there have been economic, financial, commercial, organizational, and technological problems which have had a serious social impact in rural areas. A decline of productivity and efficiency, unemployment, extension of the shadow economy, migration, as well as an increase in the crime rate, etc., are all part of the social impact on the rural population, a large part of which has become poor. Access to education and medical assistance, to culture and civilization has also suffered seriously, and civic passivism is common.

The following activities are necessary in order to develop the Agro-Industrial Complex:

- improve the agrarian reform legislation and eliminate inconsistencies in the Land Code to reflect international norms;
finalize land reform (in 1996) by determining the definite proprietor of each plot to be privatized and the plot value of each share holder and by implementing the rules by which the shareholder can leave the association;
- organize legal, technological and managerial consulting services for those wishing to leave associations, societies or cooperatives, as well as to encourage the creation of enterprises offering services in the areas of soil and plant protection, technical services in agriculture, supply, transportation, storage, processing and sales of AIC production;
- adopt a complete set of legislative acts and technical standards for the formation and functioning of the local real estate market and infrastructure;
- open financial institutions for farmers; and
- develop laws and mechanisms for state support of agriculture.

4.5 Energy Problems

One of the most difficult problems facing the economy of the Republic and which affects the solution to social and political problems, independence and even national policy, is energy. Moldova imports 98% of its required energy resources. A unilateral policy for fuel imports from the traditional markets of the East

does not guarantee an efficient and stable energy supply. Therefore, the solution to this problem requires geographic diversification of import markets, including those countries of Europe and the Middle East.

Additionally, a strong energy policy needs to be developed in order to stimulate energy-saving production and energy-saving technologies.

Total energy consumption in the national economy of the Republic per unit of the GDP is three- to five-times greater than that in high and medium developed countries. However enterprises in all sectors can not function well, and most of the rural population does not have enough fuel to heat their homes. Rural areas are disconnected from the electric system, schools, hospitals and other institutions remain unheated.

This problem has technical, technological, organizational and economic explanations. Substantial losses are occurring in transportation and energy use. For example, approximately 20% of electric and thermal energy is lost during transportation and 10% during production. The outdated equipment and energy-consuming sectors of the economy have not yet been improved. The control of energy consumption (starting with large businesses and finishing with community services) remains economically difficult for the future.

A comprehensive energy conservation program is expected to be developed soon. Its implementation will require state funds, foreign loans, investments by local and foreign private enterprises and the assistance of consumers interested in finding solutions for economizing energy.

Strategically speaking the energy problem will be solved only through a long-term comprehensive program. Included in this program should be a more rational supply of energy and its economic use. It should include activities which promote the efficient use of non-traditional energy resources and the exploration of local oil and gas resources.

4.6 Shadow Economy

According to research by experts from Moldova and other former republics of the U.S.S.R., the shadow economy constitutes 10-20% of the legal economy of the countries of the Former Soviet Union. The appearance of this segment of the economy, which is seen mostly in agricultural trade and services, originates differently in each former republic. In Moldova, its existence is due to the disorganization of the economic system, lack of and inconsistencies in the legal framework, insufficient understanding of economic legislation and insufficient control of state bodies and personal interests of some members of these. This problem leads, however, to political uncertainty, separatist tendencies and an imperfect tax collection system, which together demonstrates the weakness of the structure of the newly formed state.

The shadow economy has become a significant element in the Republic because of its economic and social impact. The manifestations of this economy are diverse: fiscal evasion, unorganized "street trade", illicit transactions in foreign trade, undeclared products, production and sales of falsified goods, illicit privatization of state property, unregistered production by state enterprises, power abuse in informal relations, criminal economy, etc. From an economic standpoint, all of these elements harm budgetary income and indirectly damage social sector development. Socially, a drop in the quality of products affects the health of consumers, and a preponderance of shadow business creates distrust in the legality of enterprises.

The existence of the shadow economy has its advantages: it contributes to the balance of the domestic market and the increase of exports, to the creation of new markets for local production, to the participation of economic agents in the formal economy, to the development of the population (especially women and youth who are more often affected by unemployment) and to more active participation in the formal economy. At the same time, a non-regulated and uncontrolled shadow economy adds to the increase of offenses and violations influenced by criminal structures. By not participating in the legal structures, the shadow economy ultimately affects the informal participants themselves by depriving them of their right for social insurance and pensions. As citizens, they remain unprotected by law.

Currently, the objective of the state consists not so much in the abolition of this sector (with the exception of the criminal element), but in analyzing this sector's activity, in order to integrate it into the system of the formal economy. Otherwise, the economic, social and even political impact of the shadow economy can be unpredictable.

4.7 Registered and Hidden Unemployment

Economic decline and structural transformations have affected the labor market considerably. The mass layoffs have created a large imbalance between the demand and the supply of labor, and unemployment has continued to increase. Most of the unemployed are due to the closure of enterprises.

<i>Figure 4.8 Number of unemployed registered in the Republic of Moldova* as of January 1</i>	
1992	100
1993	15,000
1994	14,000
1995	20,600
1996	24,500

*not including Transnistria

Approximately 65% of the unemployed are women, and nearly half are under 30 years of age.

The officially registered unemployment rate in 1995 was 1.4% compared to 1.1% in 1994. The average duration during which a person is unemployed is also growing significantly: in 1994, the average duration was 5 months, while in 1995 it was of around 6.5 months. Demand for labor in 1995 was approximately 1,100 employees. For each vacancy as of January 1, 1996, 24 unemployed persons applied; in 1995, the figure increased to 29 persons.

Unemployment is regulated by the Labor Law, which is applied on the basis of joint agreements between government representatives, trade unions and corporate management (a social tripartite group). Citizens registered as unemployed have the right to: professional training paid for by the state, paid participation in public works and a nine-month unemployment allowance. In order to implement the program, 6,405,000 lei have been allocated from the Unemployment Fund of which 1,481,000 lei were spent for professional training, 4,922,000 lei for unemployment allowances and 1,700,000 lei for the organization of paid public works. In December 1995, 32% of the registered unemployed persons received unemployment allowances. It is estimated that, unemployment will increase in 1996.

Figure 4.9 Training and activity of the unemployed

	Year	
	1994	1995
Number of persons registered for courses	5,170	7,511
Employed within two years, including:	11,020	16,480
- at public works	505	595
- at new working places	9,584	20,936
Received unemployment allowance ('000 persons)	14.9	19.7
Total assistance ('000 lei)	1,692	4,921.8
Monthly assistance (lei) per person	28.7*	54.3*

*minimum consumer budget has been calculated as 271 lei per month in 1994

Solving the unemployment problem in the Republic of Moldova will require a different macro-economic environment, which can be created by implementing the following actions:

- strong promotion of small and medium businesses. It should be noted that the Moldovan Government has started the urgent privatization of small and medium public enterprises, which is a good initiative since the experience of other Central and Eastern European countries shows that this type of privatization is easier to implement and forms a good basis for private sector development;
- support by fiscal means and preferential credits for small-business entrepreneurs and joint ventures, as well as for other businesses which create jobs;
- support to state enterprises which hire mothers with infants, pensioners, certain groups of disabled persons and other socially vulnerable groups;
- creation of a national information computer network on supply and demand for jobs.

Figure 4.10 Unemployment in 1994

Officially registered unemployed (average annual)	18,000
Officially registered unemployment rate (%)	1.4
Unemployment benefits expenditure (as % of total government expenditures)	0.1
Length of unemployment (as % of the total)	
- over six months	28
- over 12 months	19
Solicited work during the year	38,700*
Officially registered unemployed during the year	38,700*
On forced vacation with reduced daily or weekly program	220,300*

* Not including Transnistria

The official unemployment rate is 1.4%, comparable to that of other FSU countries in transition to a market economy. For example, in Ukraine it was 0.3% in December 1994 and 0.4% in September 1995; Russia is 1.1% and 3.0% respectively.

Latent (or hidden unemployment) makes the situation worse. Latent unemployment includes people who have been sent on "forced vacation" (unpaid) or transferred to part-time employment with some reduction in pay. Latent unemployment was estimated in 1995 to affect over 220,000 people, which increases the unemployment rate 10 to 15 times. The average duration of forced vacation during the last three years was estimated at approximately 64 days per year. Approximately 38,000 employees worked part-time in 1995. It should be mentioned that these figures do not include seasonal unemployment in agriculture.

4.8 Individual Incomes and the Level of Food Consumption: the Role of Social Protection

The income of a person, compared to the budget of necessary consumption, is the primary indicator of a family's and an individual's quality of life. During the last four years, the average income increased 82 times, the average wage increased 543 times and the average pension increased 582 times. However, consumer prices increased 1,606 times. State budget income, and social and other funds have decreased (in real terms) with the country's economic decline.

The state is seldom able to regularly pay wages or pensions from the social fund. State debts for wages and pensions constituted approximately 400 million lei in January 1996, and pensions and wages are being paid with a delay of two to six months. As of January 1, 1996, debts to labour constituted 227.1 million lei, 64% of them agricultural workers. Most of the population who are able to do so must, therefore, seek diverse alternatives for additional income. Typically, this additional income is not regular and can not be recorded statistically, but it is an important source of personal income.

Pensions paid from the social fund are the only source of income for 90% of the pensioners. However, this fund decreased after the number of tax-paying employees decreased, thus directly affecting the standard of living of the pensioners. This situation is getting more tense due to the increasing number of pensioners. The Republic of Moldova is a country with a large population of pensioners (207 pensioners for every 1,000 citizens in 1994).

There are additional allowances and subsidies from the state but these are not a significant source of income and are provided primarily to socially vulnerable groups (disabled people, single parent families and those with many children, orphans, single elderly people, etc.). 600,000 citizens (14% of the population) benefit from this type of income, 450,000 (13%) of whom are in an extremely difficult financial situation. These individuals receive occasional allowances no more than once or twice per year.

Regarding students, a regular stipend is provided to around 50,000 students. However, since the stipend funds are limited, students also require financial assistance from their parents.

Reduction of government assistance also affects vital areas of human development, especially education and health. These, because they are still mostly free of charge (thus classified as indirect income of the population), are severely deteriorating and, therefore, devalued as social goods. However, if health had to be paid, without consideration for individual income levels, disease treatment would be absolutely inaccessible to most people, especially to children, pensioners, and disabled persons. Also to be noted is that prices for medicines have dramatically increased in the recent past.

Throughout 1995, the population's standard of living has been continuously decreasing: nominal income increased by 16% as compared with 1994; however, the real income actually decreased by 11% due to price increases. It has been assessed (through analysis of family budgets) that in 1995 the nominal income per capita increased by 8% as compared with 1994, (in real prices it decreased by 17%). In approximately 3% of surveyed families, income per capita was under 18 lei (minimum wage), which is slightly higher than 1994 (0.3%).

Low income affects the employee's motivation, initiative and efficiency. In order to counteract these tendencies, in 1995 the Government undertook a set of actions (albeit with limited resources) to improve the system of remuneration. Restrictions in wages were eliminated.

Slight increases in the factors used to calculate improvements to the population's general financial situation are unsubstantiated. Firstly, the proportions used could result in errors and, secondly, they could only reflect the increase of income in social groups with high earnings. Those who were rich become richer, and those who were poor have less and less. The income of a person from the 10% of the population with maximum earnings is 11 times higher than the income of a person from the 10% with minimum earnings. Wages of employees in banking, credit and insurance are 3.5-times higher than the average wage in Moldova. The average wages in agriculture, education, culture and the arts are lower than an average wage in the national economy by 28%, 22% and 25% respectively.

<i>Figure 4.11 Income per family member in minimum wages</i>		
Family Size	% of families	Income per family member in minimum wages
3 members	29	2-3
4 members	64	1-5
5 members	84	1-4

The structure of the population's sources of income has changed over the past three years. From 1993 to 1995, the wage share decreased from 71% to 50%, whilst the share of other categories of income, such as dividends, etc., increased from 6% to 30%. This situation characterizes the changes occurring in the structure of the family income, in average wages, pensions, stipends and other income.

However, as statistical research shows, a large number of families have very low incomes, which can be seen in Figure 4.11.

<i>Figure 4.12 Food consumption indicators</i>							
Food products	average per month, per capita (in kg)						
	1980	1990	1991	1992	1993	1994	1994 as a % of 1980
Meat, meat products	4.1	4.8	4.7	3.8	2.9	2.6	63.4
Milk, dairy products	22.1	25.3	21.6	16.5	14.5	13.4	60.6
Eggs (no.)	15.4	16.9	16.3	13.8	10.8	8.3	53.9
Fish, fish products	1.2	1.0	0.6	0.2	0.1	0.1	8.3
Sugar	3.9	4.1	3.4	2.5	2.5	2.3	59.0
Vegetable oil	0.8	1.2	0.9	0.7	0.7	0.6	75.0
Vegetables, melons	9.6	9.3	9.4	7.9	7.8	6.0	62.5
Fruits	3.7	6.6	6.6	5.3	6.7	4.4	118.9
Potatoes	6.3	5.8	5.8	5.6	7.9	6.7	106.3
Cereal products	14.8	14.3	14.6	14.2	14.2	11.3	76.4

The minimum consumer budget in 1994 was assessed at 271 lei, of which 177 lei (65%) is a minimum physiological budget. If the need for social allowances is calculated according to this criteria, 90% of the remaining population would be placed in the category of those with little and insufficient income. The state budget would experience a chaotic imbalance as the official social security system would drive the country into a long-term hyperinflation. Either there is a high level of poverty in the country or a more precise definition is required on what is the demarcation between poverty and the groups in the "low income" category. Only by doing this can more precise calculations be made and a more fundamental system of social safety net be drafted.

The structure of expenditures for consumables (items needed on an everyday basis) has been continuously growing and 70% of income is spent for consumables and services. In the past 15 years, the share of food expenditures has grown substantially, while non-food expenditures have been decreasing.

Precise calculations for the real income and purchasing power of the population are missing. However, some trends can be established by using proxy variables. For example, with an average wage of 232 rubles, a person could buy 66 kg. of butter in 1990; however, with an average wage of 142 lei in 1995 this went down to 10 to 11 kg., i.e., a six-fold decrease.

A similar comparison of non-food everyday goods (soap, detergent, etc.), goods of medium duration (clothes, shoes, underwear) and of long duration (TV sets, washing machines, etc.) would show a severe decline of purchasing power. A minimum wage can not buy the cheapest pair of shoes for a ten-year old child. The official minimum wage is unrealistic: 16 minimum wages are required to meet *one* minimum consumer basket (1994).

The structure and composition of the minimum consumer basket was approved by the Government in 1992. The consumer basket is divided into three baskets, each with 320 types of goods.

In fact, data on poverty has not been assessed. Poverty in any country is considered to be the level at which a person (family) can not cover certain minimum expenses. It is difficult to determine this minimum in Moldova since the income and expenses of the population do not reflect the parameters of real consumption, because of payments in kind (i.e. agricultural products) and hidden incomes. To determine the poverty line means to compare the cost of the minimum consumer basket with the real income of an individual.

Figure 4.13 Total consumption of the population

Product	percent				
	1990	1991	1992	1993	1994
Consumption total	100	100	100	100	100
Including					
Food products:	34.5	36.7	43.5	46.2	45.5
- fruits and vegetables	6.1	6.3	5.8	5.5	7.3
- meat and fish	7.9	9.3	11.3	13.2	11.7
- milk, dairy products	3.9	3.7	5.4	5.5	6.2
- sugar	3.6	3.3	5.6	5.2	4.7
Alcohol	2.6	2.5	2.2	2.2	2.0
Non-food products	50.1	51.1	45.8	41.1	37.1

Personal services	12.8	9.7	8.5	10.5	15.4
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Figure 4.14 Composition of food and organic substances

Indicators		per capita, average per day						
		1980	1990	1991	1992	1993	1994	1994 as % of 1980
Calories,	units	3,281	2,969	2,842	2,577	2,566	2,353	71.7
- inc. animal origin	units	743	806	763	658	599	528	71.1
Protein,	gram	87.7	80.8	77.4	69.5	63.4	61.3	69.9
- inc. animal origin	gram	36.8	40.0	37.4	31.6	24.7	23.2	63.0
Fat,	gram	95.7	106.5	101.6	87.7	85.9	73.7	77.0
- inc. animal origin	gram	57.7	65.0	61.6	53.1	49.7	43.8	75.9
Carbohydrates	gram	462.6	417.5	400.2	373.5	383.9	351.9	76.1

In order to improve the difficult situation regarding social insurance and state pensions, a set of actions was undertaken in 1994 and 1995, designed to improve the social protection system and to increase pensions and social allowances. Beginning on April 4, 1995, pensions and allowances for some categories of retirees (*e.g.*, participants of World War II) were increased. Pensions for the disabled in groups I, II and III were increased respectively by 200%, 175% and 150%. In February 1996, all types of pensions were increased. A draft law on the non-governmental pension fund has been prepared.

An allowance of 4 minimum salaries is provided to every newborn child in order to provide financial support to young families and those with infants.

In order to support parents caring for children under the age of 1.5 years, a monthly allowance of 1.3 minimum wages (24 lei, *i.e.*, 0.5 liter of milk per day) was established.

Approximately 162,000 children between the age of 1.5 years and 16 years receive, on a monthly basis, an allowance of 45% of the minimum wage (8 lei, or 5 liters of milk).

Figure 4.15 Purchasing power of monthly wages

Products	1993		1994		1995	
	average	minimum	average	minimum	average	minimum
	wage		wage		wage	
Beef, kg.	19.2	3.3	20.4	3.0	20.9	2.6
Bread, flour, kg.	347.8	60.5	123.4	18.3	118.3	15.0
Milk, ltr.	1043.0	182.0	160.0	24.0	120.3	15.5
Sugar, kg.	120.0	21.0	70.0	10.5	56.0	7.1
Eggs, (no.)	423.0	74.0	362.0	54.0	426.0	54.0
Potatoes, kg.	224.0	39.0	110.0	16.0	108.4	13.7

Figure 4.16 Standards established in the minimum consumer basket and real annual consumption of food products

Food products	Standards established in the minimum consumer budget (in kg.)	Average consumption			
		1992	1993	1994	1994, % of 1992
Meat, meat products	78.0	46	35	31	67.4
Milk, dairy products	128.8	198	174	161	81.3
Eggs (number)	290.0	166	130	100	60.2
Fish, fish products	13.2	2.3	1.3	1.3	56.5
Sugar	18.2	30.5	30	27	88.5
Vegetable oil	14.6	8.5	7.8	7.2	84.7
Cereal products	133.6	170	170	136	80.0
Potatoes	93.4	67	95	80	119.4
Vegetables, melons	171.5	95	94	72	75.8
Fruits	63.8	63	80	53	84.1

Immediately after state subsidies for certain food products were removed, a monthly compensation of 10 lei per child (1.5 kg. of beef) was established for the following groups: families with three or more children, single-parent families and children under the age of 16 living in a guardianship situation.

Since 1995, a network of institutions, subordinate to the Ministry of Labor, Social Protection and Family, began to function in the Republic. Together with the local Governments, they promote a single state policy in social protection. As a rule, they implement the social protection policy indicated by the Ministry, formulate the total budget and manage their local budget and the portion of the national budget allocated to them. There also exist non-governmental organizations (NGOs) which receive and distribute social aid. A number of charity NGOs in the Republic accumulate funds from various sponsors of charitable activities. However, given that the majority of the population is affected by poverty, it becomes increasingly difficult to accumulate such funds. Local initiatives to assist those in need are still not very numerous.

The problem of improving remuneration of labor and social assistance is continuously on the agenda of the legislative and executive authorities. There are laws being developed in the following areas: labor remuneration, the pension system, income assessment of the population, employment, etc. However, these laws are only partially implemented or non-operational at all for economic reasons. A number of drafts are being prepared, among them the law on the formation and distribution of the Social Fund.

At present, the state makes decisions according to an 'emergency service' principle, based on a developed programme to guide these decisions so that they are well coordinated. Therefore, decisions addressing social issues are of a fragmentary nature, and the solution to general problems is illusory.

Figure 4.17 General indicators of the standard of living of the population

Indicators	lei			% of the minimum consumer budget		
	1993	1994	1995	1993	1994	1995
Monthly average wage	30.2	108.6	143.2	60.9	40.0	45.7

Monthly minimum wage	5.5	16.1	18.0	11.2	5.9	5.8
Monthly fixed pension	19.9	57.9	66.9	40.4	21.3	21.5
Average consumption of the minimum consumer budget including:	49.3	271.4	310.6	100	100	100
- Food products	25.4	122.6	154.4	51.5	45.2	48.4
- Non-food goods	16.2	93.1	84.8	32.9	34.3	27.3
- Services	7.7	55.7	75.4	15.6	20.5	24.3
Monthly inflation rate %	32.0	6.2	1.8			

4.9 New Aspects of the Housing Problem

The dramatic decline of family income has affected not only the capacity to satisfy everyday needs for food, current- and long-term use of goods, services and access to recreation and cultural values but also the problem of housing, which remains a priority, more so since there are signs that the housing situation is rapidly deteriorating.

In spite of substantial construction in Moldova over many years (as described in Chapter 3), the housing problem persists. According to criteria established by law, currently, approximately 130,000 families are registered as having the right to improve their housing conditions. Of these families, 18% have been on the waiting list for over 10 years. 2% of these families live in hostels (excluding student hostels). These facts show that the housing problem in Moldova is acute. At the same time, the pace of construction has dramatically decreased during the last few years. In 1994, state investments in housing construction constituted only 21% of housing constructions in 1990.

Along with the social and political transformations of recent years, the new legislation now permits the construction of individual houses and no longer limits the types of apartments. Equally, homes and apartments can now be sold, although this possibility for the population to thus satisfy their housing needs is limited by economic factors. The average cost of constructing a two-room apartment (52 square meters of usable surface) at 1994 prices was 72,000 lei (US \$ 16,000). If compared to the average wage (approximately US \$32), this cost is enormous and prohibitive to most families. The possibility of renting a house or an apartment is also very limited due to the lack of housing (in any case, the rent for a one- or two-room apartment in the capital varies between US \$60 and US \$80 per month).

A separate problem is the increasing price of municipal utility services (electricity, heating, water, etc.). For families with low wages and pensions, all costs of maintaining their dwellings are a heavy burden and constitute 40%-60% of their income or pension (sometimes more). A large number of tenants (in apartments which are state property) and owners can not make their payments on time. In Chisinau, this number is approximately 20%. At the same time, the costs of municipal utility services (especially those for electricity and heating) have increased, since the state can no longer subsidize them. Gradual cancellation of subsidies is a major issue that pertains also to energy conservation.

A large number of apartments require capital renovation, but the population lacks funds for implementing this renovation. It appears that adequate maintenance of apartments (even private apartments) and of community services will become a social problem in the near future.

Lack of credit mechanisms for housing construction leaves most young families without access to proper housing. Financial resources for urban construction has become impossible. Individual means (if such means are available) can cover only the costs of construction of rural-type houses. Rural-type housing within towns causes problems because of lack of land and of technical and social infrastructure in such districts.

The housing crisis is a reflection of the general economic crisis, but it is also caused by other elements. For example elimination of the state monopoly on housing does not mean that there is no need for a

policy for the legal management of land, organization of the territory, location of buildings and community services. This policy is still missing.

The new housing policy approved by the Government foresees a promotional strategy in housing and ensures the right of every citizen to choose the most convenient way to solve his/her housing problem. The basis of this policy includes a distinct separation of the functions of the state and local Governments in the management of the housing fund and in the financing of construction, and reconstruction and in the general use of housing. At the same time, the state will continue to construct social housing for the population groups which need it.

Implementation of the new housing policy will require the development and adoption of new legislation and strong organizational actions. In order to efficiently coordinate the actions of various Ministries and Departments, the Government of the Republic of Moldova has, therefore, established an Inter-departmental Council for Coordination and Implementation of the National Housing Plan. In order to establish necessary conditions to create a housing market the most important measures are the following:

- privatization of housing (this has been implemented to a large extent);
- clear standards for the construction of housing for sale;
- assurance of equal rights for all professionals involved in construction activities;
- establishment of a new financial, credit and fiscal system in the area of housing construction (loans, mortgages, creation of a network of investment banks); and
- application of new criteria for distribution of housing for socially protected citizens.

The most important factors hindering the construction of housing are both lack of funds as well as lack of faith of the population in the possibility of resolving their housing problem even when they have these funds. This distrust is generated by the fact that, during the hyperinflation of 1990 and 1992, a great number of families lost their earnings deposited in savings banks or in housing construction cooperatives. Successful implementation of a programme for accumulating funds for housing construction could, therefore, contribute to more active participation of the population in financing their housing.



CHAPTER 5. SOCIAL AND CULTURAL INTEGRATION OF SOCIETY

5.1 Family - The Cell of Society

The family is the nucleus and integrating factor of society. It plays a priority role in the process of education and in passing the experience accumulated by predecessors to the younger generations. Currently, however, Moldovan families are affected by serious material, moral and behavioral difficulties due to economic difficulties (as described in Chapter 4). The family, as a social institution, is in crisis.

Figure 5.1 Demography

Population (in millions)	1970 1994	3.6 4.3
Annual population growth rate (%)	1970- 1994	0.8
Total fertility rate	1993	2.1
Use of contraceptives (women under supervision of medical institutions at end of 1994; % compared to the number of women aged 15 to 49 years old)	1994	22
Demographic index of pregnancy (%)	1994	56
Population aged 60 and over (%)	1994	13
Life expectancy over the age of 60 (number of years)		
- women	1993	17.3
- men	1993	14.5

This crisis is a consequence of the family fulfilling less and less its principal function of organizing conjugal life, giving birth and bringing up children. A further acute problem is the decreasing number of marriages and increasing number of divorces, especially in recent years. In 1990, 3 divorces were registered for every 9.4 marriages, but in 1994 this relation was of 3.2 divorces for every 7.8 marriages. The number of families with separate budgets, as well as the number of one parent families has increased. The one parent family category increased from 98,500 in 1959, to 227,600 in 1979 and to 271,600 in 1989.

Nuclear families (with only one or no children) currently predominate in Moldova. There is, furthermore, an average of only 1.2 children per family, which is insufficient for natural population growth. The situation seems even more complicated when analyzing the number of couples without children -23.2% in 1970, 34.7% in 1979 and 35.4% in 1989. The number of families with three or more children is decreasing. The only exception is that of families with two children: these have increased from 23.2% in 1970, and 26.0% in 1989.

Although there has been a decrease in births, the number of children born to unmarried women is growing. In 1980, children born to unwed mothers equalled 7.4% (total of 5,919 children) of all newborns; in 1994, this number equalled 12.3% (7,624 children) of all newborns. Abortion remains the principal means of family planning, and the number of abortions grows each year. In 1980, there were 24 abortions per 1,000 women aged 15-49; by 1994, this number increased to 53. In 1994, the ratio between abortions and births was 95:100.

There has also been an increase in the number of sterile couples. According to available statistics, the percentage of childless families, due to infertility, has reached 15%.

<i>Figure 5.2 Demographic profile</i>		
	1990	1995
Total population	4,359,400	4,345,700
Women (% of total)	52.4	52.2
Age groups (% of total):		
0-5 years	12.0	9.6
6-17 years	21.1	22.4
18-30 years	19.2	18.3
31-59 years	35.0	36.7
over 60	12.7	13.0
Rural population (as % of total)	52.9	53.6

To protect the health of future generations, the system of family planning is of special importance. In Moldova, there exists the Republican Centre for Family Planning and family planning offices have been created in every region of the Republic.

5.2 Public Health Institutions and Health of the Population

Prior to its independence, the former Soviet Socialist Republic of Moldova had a centralized and free public health system. Its achievements during the last 50 years were mostly of a quantitative character, namely, the creation of an infrastructure and the training of medical personnel i.e., in 1995 there were 122.2 beds and 39.6 doctors for every 10,000 persons.

However, the profound socioeconomic transformations occurring recently in the Republic have been accompanied by insufficient financing of the social sector, including health care. The 1995 budget for the development of the health system equalled only 286 million lei, which covered approximately 50% of the

minimum necessary expenses. The per capita allocation is, thus, seven-times less (in real terms) than in 1990.

Taking into consideration the budget deficit and the very low income of the population groups requiring medical assistance, it is, therefore, essential to find additional funds. Medical services for a fee must be introduced, but these private medical services should, nonetheless, be accompanied by certain state control. In some of the regions, pilot projects have been undertaken using private medical insurance systems in an attempt to introduce an optimal health system.

Medical statistics indicate, nonetheless, an increase of morbidity with its considerable effect on the demographic profile.

Between 1990 and 1994, the birth rate decreased from 17.7 to 14.3 per 1,000 people, natural population growth - from 2.5 to 0.8 per 1,000 people and infant mortality (children under one year of age) grew from 19.0 to 22.6 per 1,000 live births. Regarding the infant mortality rate, this varies throughout the Republic. For instance, in Camenca it is 14.4 out of 1,000 live births, in Edinet - 12.7, in Cahul - 39.7, and in Taraclia - 35.0. The level of mortality for children from one to four years of age has remained basically the same (5.9 out of 1,000 children within this age group) between 1990 and 1994.

One of the main indicators of effective health protection and quality of life is average life expectancy. In 1990, the general mortality rate was 9.7 persons per 1,000 people, increasing to 12.2 persons in 1995. These indicators show the same trend for average life expectancy which was 66.1 years in 1994.

The most vulnerable social groups are children and pregnant women, (even though statistics show a decrease of maternal mortality from 50.6 in 1990 to 25.8 in 1994 per 100,000 newborns).

At present medical assistance for mother and child must legally be provided by the state. In reality, however, hospitals and children's units are not provided with even basic medicines and medical equipment.

One of the principal health problems is childhood nutrition. Breast-feeding remains the only source of nutrition for newborns. However, during their first year of life, babies also need nutritive supplements which are not produced in the Republic and are very expensive to import.

<i>Figure 5.3 Health profile</i>		
Average life expectancy (years)	1994	66.1
General mortality (per 1,000 people)	1995	12.2
Years of life lost due to premature death (per 1,000 people)	1990	19.0
Mortality due to widely spread diseases (% of the total)	1994	42.0
Mortality due to tumors (% of the total)	1994	11.0
Infant mortality under the age of one (per 1,000 live births)	1995	21.5
AIDS	1994	-

Alcohol consumption (liters per adult) per year	1993	11.0
Tobacco consumption (kg. per adult) per year	1993	1.1
Population per doctor	1994	249.0
Public expenditure on health (% of total public expenditures)	1994	16.7
Total expenditure on health and social assistance (% of GDP)	1993	5.1
Private expenditure on health (% of overall health expenditures)	1994	...

Figure 5.4 Infant mortality by cause of death for children under one year of age per 10,000 newborns

	1990	1994
Total, due to various reasons	189.90	225.70
Contagious and parasitical diseases	17.81	24.13
Diseases of the nervous system and sensory organs	4.23	5.24
Respiratory diseases	49.47	72.07
Digestion diseases	1.41	1.27
Congenital anomalies	45.24	40.64
Conditions occurring during the perinatal period	56.39	62.06
Accidents, intoxications, traumas	11.02	17.78

Children at preschool and school institutions are also insufficiently fed, and there is a continuous growth in the number of children suffering from abnormal development.

The epidemiological situation is becoming more severe. One of the most urgent problems is that of tuberculosis. In the recent past, morbidity of tuberculosis increased from 178.1 cases per 100,000 persons in 1990, to 187.8 in 1994. The number of patients with chronic liver diseases, such as viral hepatitis and cirrhosis has also increased. Between 1990 and 1994, for example, the number of cases of hepatitis increased from 39,500 to 52,800.

The problem of sexually transmitted diseases, has recently become very acute. In 1994, over 5,135 patients with syphilis were registered which was eight times more than in 1990.

During the past decades, cardiovascular diseases have become the number one cause of death. Mortality due to cardiovascular diseases reached, in 1994, 500.7 cases per 100,000 people.

However, because of high prices for medical services and medicines, the number of persons treated and attending medical institutions/ resorts is declining: in 1980, there were 69,500 persons thus treated, and in 1994 this figure decreased to 26,300. Insufficient financing has also limited the treatment of acute and chronic complications provoked by gastroduodenal ulcers, acute cholecystitis and strangulated hernia.

Substance abuse (alcoholism, drugs and their consequences) is another serious public health problem. In 1994, there were 6,352 patients registered as suffering from this disease, 19% of these patients being women. The spread of alcoholism among youth and the rural population is especially disheartening.

Figure 5.5 Causes of death in the Republic of Moldova (rate per 100,000 people)

	1990	1994
Cardiovascular diseases	419.27	500.70
Respiratory diseases	64.55	75.08
Contagious and parasitical diseases	10.77	16.34
Accidents, intoxications, traumas	102.25	113.26
Tumors	133.02	136.06

Because Moldova is geographically situated at the intersection of important communication routes in illegal drug trafficking to Europe, many young people have become involved in drugs. The situation has become so alarming that a delay in undertaking drug control measures could threaten Moldova's society. There were 1,409 persons identified and subjected to medical treatment for drug abuse, while 60,000 persons are occasional drug users.

The ecological situation in the Republic also affects the health of the population. Chemical pollutants, which have long affected Moldova's population, include potentially mutagenic and cancerous substances. The result is damage to the human reproductive system and an increase of morbidity among children. In 1994, there were 136 cases of cancer per 100,000 people.

Untreated drinking water also negatively affects the health of the population. At present, over 60% of well water and spring water (the principal sources of drinking water for the rural population) do not meet sanitary requirements, due to the presence of an excessive amount of nitrates.

The situation in the Republic of Moldova requires the state to take necessary steps to provide adequate medical assistance. Given the scarce funds, however, attention should be focussed on prevention services.

5.3 Education

The socioeconomic transformations in Moldova require a new policy of human resources development. Education, based on humanist principles as well as on democracy and development, is focussed on

training future generations and on creating human resources capable of ensuring both social integration, as well as economic, political and social sustainability.

The Policy and the Law on Education approved in 1995 by the Parliament of the Republic of Moldova determine the conceptual and legal framework of the educational system. These documents are in compliance with the Republic of Moldova's Constitution, with international documents concerning human rights, children's rights and the right for access to education as well as with modern education theories.

The structure of education in Moldova is as follows:

I. Preschool education (children up to seven years of age)

II. Primary education (grades one - four)

III. Secondary education

- Secondary education- general
 - a) gymnasium (grades five to nine)
 - b) lyceum, general cultural secondary education (grades ten to twelve)
- Secondary education-vocational (pro-fessional lyceums)

IV. Higher education

- Shortterm (colleges established to replace technical and specialized secondary schools)
- University

V. Postuniversity education

Parallel to this structure, the education system also includes other forms: special education, complementary education and adult education.

Figure 5.6 Training level in 1989 (showing the point of departure of the reform)

	No primary education	With primary education	Incomplete secondary education	General second. education	Vocational second. education	Incomplete higher education	Higher education
Productive age population (%)	2.2	8.8	21.3	37.9	18.2	1.5	10.1
Retirement age population (%)	40.3	33.9	10.3	4.6	6.1	0.5	4.3

In order to improve the quality of education, the following measures should be taken: compulsory preparation of pre-school children for school education beginning from the age of five; establishment of an obligatory nine-year training period up to the age of 16; establishment of lyceum education; essential changes in the analytical programmes in accordance with public education standards; selection of analytical programmes aimed at ensuring progress at all stages so that each pupil may realize his/her own potential.

Changes should also be made in the professional training of pupils. This concerns the creation of prerequisites for establishing a system of education which combines professional training with lyceum education.

Higher education consists of two stages, short-term (college) education and university education. In order to bring higher and postuniversity education to world standards, there are plans to confer the titles of Bachelor and Master and to make universities autonomous entities.

Regarding the process of staff certification and of conferring teaching degrees, this process has already been started and will result in a 30% to 50% increase of the present salary level.

The new democratic educational system will play an important role in ensuring observance of the right for access to education. This objective is being achieved by giving parents the right to choose the educational institution and the language for their child. It also gives educational institutions the right to define their strategy of development, the system of training and the system of staff certification.

Under the Soviet rule, a considerable decrease in the number of schools and kindergartens for Moldovan-speaking children took place. However, in 1989, the use of Moldovan as the official language and the use of the Latin alphabet was proclaimed and since 1993, 63.5% of all pupils study in Moldovan speaking schools.

Nonetheless, the foundation has also been laid for children's training and education in their mother tongue, in those areas populated by national minorities (e.g., Gagauzian, Bulgarian, Ukrainian). The Gagauzian language is studied in 37 general schools and in three lyceums. The alphabet and orthography of their language has been adopted. There are also already 22 classes in 10 schools with the training being carried out in Ukrainian. Besides, Ukrainian is studied as a separate subject in 71 schools (322 classes). In 37 schools (144 groups) Ukrainian is studied optionally. There are 275 Russian schools in the Republic with 130,572 pupils and 112 mixed schools with 20,490 pupils.

Pupils from families of other nationalities (Jewish, Polish, Germans) who do not live in concentrated groups in the Republic have the opportunity to study their mother tongue as an independent subject.

Notwithstanding the above, increased attention is given to the study of the state language by nonethnic Moldovans.

Figure 5.7 Number of educational institutions, pupils and teachers in the Republic of Moldova

	1990	1994
Pre-school establishments	2,322	2,062
Pupils, in pre-school	336,500	223,300

Teachers at pre-school	26,700	20,100
Schools	1,635	1,692
Pupils, in schools	732,400	731,000
Teachers, at schools	53,900	50,300
Colleges	50	62
Pupils, in colleges	50,100	43,800
Vocational institutions	114	87
Pupils, in vocational institutions	59,400	39,800
Higher educational institutions	9	18
Students, in higher education institutions	54,700	55,200

In order to put into practice the provisions of the Law on Education, the Ministry of Education is developing a National Education Programme in the Republic of Moldova for the period 1995 to 2005, which will be submitted to Moldova's Government for approval. The Programme includes an analysis of the present status of education in Moldova as well as the activities of a step-by-step development of education in the Republic.

Chronic economic and financial shortages create numerous obstacles for the reform of the educational system. Insufficient financing has almost completely eliminated the construction of new educational institutions. In 1994, only two general schools and two affiliated schools with a total capacity of 2,168 places and three kindergartens for 480 places were put into operation, while only two schools and an affiliated school with overall capacity of 866 places were put into operation in 1995. Meanwhile, there are still 60 villages in the Republic that have no schools. The children of these villages are forced to go to the schools of neighboring villages and must travel distances of over three kilometres to get there.

At present, Government funding ensures only an elementary functioning of educational establishments. Practically no funds are provided for construction or for teaching aids. Social protection of students and teachers is still on the decline. Expenditures foreseen for maintenance of a student at an educational institution are diminishing. In 1994, expenditures worth 1,713 lei were granted for maintaining a student at a vocational school; in 1995, these dropped to 921 lei. As regards funding of a student to be trained at higher education establishments, this was of 1,440 lei. School and university professors are deprived of any facilities and the payment of their salaries is usually delayed by two to three months.

There is a severe lack of teaching aids in educational institutions. Schools, pupils and teachers lack manuals and books. Of 93 book titles to be published in 1995, only 14 were issued. Professional and higher education institutions received no new publications, and books published during the Soviet period could not be used any longer.

The difficult financial situation has led to the decline in the number of children attending schools (some children even have to abandon school altogether). Last year, every third kindergarten in the Republic was

active on a seasonal basis only. Even more difficult is the problem of the reorganization and closing of preschool institutions (within the last two years, 122 such institutions were reorganized or shut down). Only 57% of the children aged five to seven attended preschool training institutions. On September 1, 1995, 14,872 pupils of the first grade (out of 33,249) were not prepared for school.

Economic and financial obstacles also affect the training of children. As of October 15, 1995, there were 3,989 school-aged children (0.7% of total school-aged children) who were not in primary school. This phenomena is caused by a worsening of the economic and financial situation of the family. This is also negatively affecting the situation of ninth-grade graduates. Approximately 15% of the 1995 ninth-grade graduates did not progress to secondary education, while 13% neither continued their studies nor are they engaged in work.

Figure 5.8 Budget allocations for science and total expenditures on scientific research in the Republic of Moldova

Year	1990	1991	1992	1993	1994	1995
Allocation for science (% of GDP)	0.30	0.23	0.44	0.28	0.25	0.29
Total expenditures on scientific research (% of GDP)	1.57	0.91	0.62	0.57	0.81	n/a

An additional problem is that of providing educational establishments with specialists. The number of teachers with service records up to ten years constitutes only one quarter of the total number of such specialists (in 1978 it was more than one-third). Compared to 1980, the number of people with service records of more than 18 years increased by 23.4%. Every tenth teacher is of pension age or close to it, which presents a problem for the future.

In recent years, the number of young specialists - graduates of higher education establishments, becoming teachers, has decreased considerably. Demoralization of education specialists can also be observed. This is caused by lack of advanced training programmes and re-qualification systems ("refresher" courses have been practically stopped because of lack of funding).

The impact of the economic situation is also felt in the system of vocational education. There is no coordination between demand and supply in the training of workers at vocational schools. Furthermore, all expenditures have to be covered by the state since enterprises are indifferent to this kind of activity.

Educational institutions on the left bank of the Nistru River and those located in the city of Bender have additional problems, one of these being the violation of elementary human rights and liberties. For example, pupils of the Moldovan schools there, are prohibited from studying in their mother tongue.

5.4 Science

5.4.1 Science as a factor of human development

A necessary condition for sustainable human development is economic development, which implies the need for production to be competitive and based on the use of advanced technologies. Economic development must also be compatible from an ecological point of view and must operate in a lawabiding, democratic state and in a stable political and social environment. To be highlighted is that although economic development can generate problems these can be foreseen, avoided or solved through well-grounded scientific analyses and prognoses.

The most acute problem for scientific progress in Moldova, however, continues to be insufficient financing. This problem is becoming worse and has a very negative impact on technicalscientific research. For example, between 1990 and 1994, the share of technicalscientific research, as a percentage of GDP, decreased from 1.57% to 0.81%. In the developed countries, this normally remains at a level of 2.0% to 2.9%. As a result of inflation, real budget allocations for science, according to some estimates, decreased six- to seven- times between 1990 and 1995.

In spite of these difficulties, Moldova still possesses a considerable scientific potential. Research work is being conducted at nine universities, 25 academic institutions and 55 branch institutions. Although the number of scientists has decreased by approximately 50% in the last five years, there are currently around 10,000 research associates, 2,560 doctors of science and 443 doctors habilitat.

Figure 5.9 Scientific research in the Republic of Moldova during 1990-1994

		Total in the Republic		Including					
				Academy of Sciences of Moldova		Universities		Other institutions	
				persons	%	persons	%	persons	%
Total number of specialists involved in design, and technological research work	1990	17,205	100	1,312	7.6	2,795	16.2	13,098	76.2
	1994	9,619	100	1,162	12.1	2,263	23.5	6,194	64.4
Including									
doctors of science	1990	3,581	100	824	22.9	1,820	50.7	949	26.4
	1994	2,560	100	748	29.2	1,188	46.4	624	24.4
doctors habilitat	1990	375	100	125	33.3	198	52.8	52	13.9
	1994	443	100	148	33.4	222	50.1	73	16.5

Following the declaration of independence of the Republic of Moldova, the changes that occurred in science have been aimed at overcoming some inconsistencies characteristic of the previous period and have been directed primarily at the organizational development of science, perfecting scientific methods, updating research for meeting the needs of the Republic, and extending international scientific relations, including relations with the west.

The structure of research has undergone substantial modifications in favor of applied research. Currently, applied research constitutes 55% of total research (26% in 1990), technicalscientific services - 35% and fundamental research - 10%.

Thus, the years since the declaration of Moldova's independence have been years of new activities and new requirements which have fortunately resulted in important achievements, such as the active

involvement of the Republic's scientists in international scientific structures and an increase in Moldova's scientific authority in the world. Many of Moldova's scientists have become honorary members of foreign academies, doctors honoris causa of many foreign universities, have obtained grants from international foundations and have been awarded prizes, medals and prestigious scientific titles of other countries.

5.4.2 Science as a factor of society's integration

It is common knowledge that the role of science, in presentday society, is also, in addition to its role as a promoter of progress, a key role player in the evolution of social phenomena. This is why it can make a substantial contribution to society's consolidation. By using the knowledge of previous generations and accumulating new information, science can ensure the continuous development of society, can contribute to strengthening the relations between generations and between social groups.

The role of science is especially important in the process of transition when differences among various social groups become a serious concern. The scientists of our Republic can contribute to the consolidation of the society primarily by making investigations and providing recommendations which will be useful for the solution of acute problems that endanger society's integration.

Increasingly, the Republic's scientists have been taking an open attitude towards many sociopolitical problems that presently worry the Republic. Equally, they have pleaded for social accord and tolerance (including inter-ethnic tolerance) for the state integrity of Moldova and for peace. This is very much the case in the last several years, when the scientists of the Republic have made appeals, declarations and protests concerning the "putsch" of 1991 and the military conflict in the regions on the left bank of the Nistru (1992). Equally, Moldovan scientists have made appeals against discriminatory actions towards Moldovan schools in Transnistria (1992) and advocated the idea of re-naming the state language (1995).

The transformation process of science in the Republic can be illustrated by the example of the Academy of Sciences of the Republic where, in recent years, various activities have been initiated for reforming, reorienting and adapting scientific research to new conditions and for decentralization and democratization of research. Following a new concept of the Academy's development, the research themes have been reconsidered and updated, three new scientific sections have been created, all scientific personnel have been re-certified, new members of the Academy have been elected, the composition of the General Assembly of the Academy and of the scientific sections has been enlarged and agreements for cooperation with scientific centres from over 15 countries --Romania, Ukraine, Belarus, Poland, Hungary, Italy, France, Greece, Israel, Turkey etc.-- have been reached. Moldova's Academy of Sciences is affiliated to the International Council of Scientific Unions (I.C.S.U.) as well as to the International Association of Academies which has been set up for promoting scientific collaboration between the signatories of these agreements

One of the principal objectives of the current policy in the field of science and technology is to find flexible solutions to the country's most important problems, including: privatization and transition to a market economy, formulation and implementation of environmentally friendly materials and advanced technologies that help save energy; information systems and telecommunications, and ways to increase export potential. Special attention is being paid to fundamental research in mathematics, physics, chemistry and biology. Additionally, research in the following humanities is being intensified: socio-political relations, law, sociology, literature, philology, and culture.

In order to solve these problems, the Presidium of the Academy of Sciences has defined the areas of scientific priority and the Government has introduced some of these areas in its programme of activities for the period from 1994 to 1997.

The Academy of Sciences of Moldova has, furthermore, developed close relations with scientists from universities, and academic and branch institutes from other countries. Also to be highlighted is that the

Academy of Sciences created a Research Institute of National Minorities, in order to meet the cultural needs of national minorities living in Moldova. This institute studies the culture, language and history of Russian, Ukrainian, Gagauzian, Bulgarian and Jewish minorities. Also to be highlighted is that the Academy includes scientists of various nationalities: for example, 658 of 1,162 scientists of the Academy are Moldovans, 288 are Russians, 138 are Ukrainians, 23 are Jewish, 21 are Bulgarians, and 17 are Gagauzians.

Unfortunately, as in other domains, there is a rift between scientific centers from the left and right banks of the Nistru. With some exceptions, the majority of the scientific research institutes are located on the right bank which affects the cooperation between science and industry, between educational institutions and medical institutions. This rift aggravates the crisis in the national economy, influences both the living standards of the population as well as scientific activities.

In conclusion, the following proposals should be made:

1. In order to facilitate the integration of the country, it is desirable to establish branches of research institutions in various regions of the Republic, including the southern and eastern regions.

2. In order to contribute to society's integration, it is necessary to develop and implement longterm sustainable human development programmes, with the participation of various scientific, medical, educational and cultural institutions, as well as enterprises and public authorities. These programmes should be coordinated by the Council for Science and Sustainable Human Development created in February 1996.

3. In order to save and increase the country's scientific potential, it is also necessary to work out a special programme which will provide for the improvement of scientists' living and working conditions and for the creation of favorable conditions for involving Moldova in the global scientific initiatives.

5.5 Culture as a Factor of Integration

Culture, in general, and spirituality, in particular, were, and continue to be, an integrating factor of society, since their foundations are established on the basis of stable national and human values. In this context, artistic culture has not modified its tasks even under the present conditions where the socio-political atmosphere of much of our planet, including the postSoviet space, is marked by instability and turbulence.

In his paper "Advice for the XXI Century" (recently published by the Chisinau Magazine "Saptamina" [The Week]), Mr. Alvin Toffler, an American political-cultural specialist, commented on so-called "shock therapy" economic transformation. The author considers the point of view of those who qualify shock therapy as mechanical and limited. Why? Because they consider that economic transformations are simple technical changes, without understanding that they are correlated with social and political changes. The interdependence of economics, politics and culture should be understood clearly since underestimating or, disregarding this relationship, could lead to serious prejudices for economic and social progress. The author comments that the economy's weakness is due to lack of regard for cultural aspects, religion and social structures which are preconditions for transition to a market economy. The stabilizing and integrating role of culture grows considerably under such circumstances.

The goal of culture is the development of necessary conditions at a technical and professional level in order to create national and universal cultural artistic values. In a socioeconomically and financially bankrupt society, one can not speak about prosperity, but must speak, instead, about culture. Socio-economic factors which can stimulate both the development and implementation of culture must, therefore, be taken into account.

This section will concentrate only on the following aspects of culture: a) the library system, b) the publishing sector, c) museums d) cinematography, e) theatre, f) radio and television, and g) massmedia. These elements are important links which contribute to the dissemination of moral and spiritual values capable of consolidating and redressing the conscience and psychology of both an individual as well as of the society. Words written and pronounced from the pulpit or from the theatre stage, from the small or large screen, by way of social or ethicalmoral behavior modeled by the most diverse types and domains of artistic culture, literature and art all of these are active and effective forms for the recreation and for the reconfirmation of national and general human spiritual values. The direct participation of various creative forces (writers, composers, etc.) in this process is very important.

To be stressed is that during the transition to a market economy, the socio cultural sphere has suffered. Having been sufficiently provided with material and financial resources by the state during the totalitarian period, cultural institutions found themselves in a crisis which began in 1990 and continues at present. The state is not able to provide sufficient financing for the socio-cultural sector, and the private sector and eventual sponsors have not yet made substantial contributions. In these conditions, culture is forced to narrow considerably its sphere of activity and influence, to the detriment of general development.

Some relevant statistics pertaining to the last five years are as follows:

- In 1990, there were 2,079 public libraries with the total number of readers being 175,700 and 302,240 copies of books and magazines. In 1994, this number (not including Transnistria) decreased to 1,594 libraries with 119,800 readers and 226,530 books.
- Books published: in 1985, 1,564 titles were published, in 1990 - 1,277 titles and in 1994 - 806 titles (not including Transnistria). Total edition of various publications was 19.8 million in 1990, while in 1994 it was only 8.4 million (not including Transnistria), which was over 11 million copies less (around 60%). There were 514 works published in Romanian in 1985, 477 in 1990 and 452 in 1994. This means that there was a decrease in the number of books published in other languages, with the exception of Russian.

Prices for books have increased. Currently, a 230-page book of a high quality printing with an edition of 1,000 copies would cost approximately 22 lei, which is one-sixth of the average monthly salary (120 lei) of a white-collar employee. The same book cost only 4.5 rubles in 1987. Compared to a monthly salary of 120 rubles, these figures show a 5-fold price increase. A larger circulation will, of course, contribute to a decrease in prices; however, due to the small number of buyers and low purchasing capacity of the population, large editions of books are, in most cases, unrealistic.

- The number of *magazines* has increased from 68 in 1990 to 76 in 1994, (the number of magazines in Romanian increased from 35 in 1990 to 43 in 1994). There is, however, a catastrophic decrease in total circulation: from 38.4 million in 1990 to 1.1 million in 1993. On the one hand, the increase in the number of magazines is accounted for by an increase in democratic thinking and in expressing different opinions through free and new publications; on the other hand, the growing economic and financial difficulties limit the quantity and scope of existing publications. The same situation is observed with respect to *newspapers*. In 1990, 240 newspapers with the total circulation of 2.4 million copies were issued in Moldova, while in 1994 there were only 161 newspapers with a circulation of 1.2 million (not including Transnistria).
- With respect to *museums*, the decrease in their number has not been large: 79 in 1990 to 66 in 1994 (not including Transnistria), however, there has been a considerable decrease in the number of museum attendees: from 1.7 million in 1990 to 0.8 million in 1994 (not including Transnistria), i.e., over 50% decrease.
- As regards cinemas, there were 1,791 *cinemas* in Moldova in 1990, while, in 1994 (not including Transnistria), this figure dropped to 784. The total number of viewers has decreased from 430,890 in 1990 to 3,993 in 1994. This drop can, however, be attributed to the greater watching of television.

- The number of *theatres* has slightly increased from 10 in 1990 to 13 in 1994, but the number of spectators has decreased by more than 25% i.e., from 863,900 in 1990 to 540,600 in 1994 (not including Transnistria). The number of visitors of the *philharmonic* in 1990 was 734,900, but in 1994 it fell to 63,100. These decreases are taking place in spite of the fact that the state is keeping the price of tickets down through subsidies: in 1995, an average ticket to the theatre cost 1.54 lei, to the puppet theatre - 0.55 lei, to the philharmonic - 0.90 lei and to the opera - 3.20 lei.

The total number of cultural institutions has also decreased considerably from 1,790 in 1990 to 1,335 in 1994 (not including Transnistria). The number of seats in theatres and reading halls has decreased from 484,900 in 1990 to 378,600 in 1994 (excluding Transnistria).

Special mention should be made of the role of radio and television in propagating and disseminating artistic culture for a large population of spectators. If, in the final analysis, culture and art presuppose a more or less elevated reader or spectator, radio and TV address *all* categories of citizens, regardless of their age and social status. Individuals, families and various groups currently constitute the essence and structure of television and radio spectators. The electronic revolution of the last decades and the large-scale implementation of modern technologies, have had, as Mr. James N. Rosenau, an American researcher, says, a profound, though not always desirable, impact on the way individuals perceive, understand and judge the world outside their working place or home, or the way in which they establish relations with this world. He continues by stating that unlike other times, nowadays citizens can form their own opinion on any situation no matter what part of the world it occurs in, since they have immediate access to the information about the most recent events.

The same observation equally goes true with culture and art. The focus is not only on the timeliness and quality of broadcast information -- be it verbally or through images and actions - but also on completeness, diversity and consistency of broadcast information images. Television spectators from the Republic of Moldova have the possibility to hear and to watch five to six national and transnational channels. There are two channels of Moldovan TV, two of Russian TV, one Romanian and two Ukrainian TV channels. There are links with the European TV network via cable. Programmes on art and culture occupy an extremely important place in the structure of all TV programmes. Between 15% to 20% of the programmes on art and culture on Moldovan TV propagate universal cultural values, 40% to 45% promote values of national art and culture and 35% to 40% encourage values of the national folk culture. This last figure demonstrates the importance of folk traditions in the identity of the new state of the Republic of Moldova.

A separate problem is the content and quality of the different programmes. Along with highly educational and culturally informative radio and TV programmes, there are also the so-called mediocre or subcultural programmes which have negative repercussions for the morale of spectators in general. James N. Rosenau states that technology has developed the capacity for production and manipulation of information and knowledge even to a greater extent than for consumer goods production, creating a situation in which the service industry has come to replace the manufacturing industries and basic industries of society. The tendency to increase services and to decrease the production of goods -- in our case spiritual goods - is partially demonstrated by the analysis of the situation of Moldova's culture, an analysis partially presented above.

In this new reality, even notions or traditional images which, until now, were sacred or mythical, have changed their essence. The prospect of an eventual nuclear war or of ecological or natural global catastrophes have practically eliminated, according to the same American author, the feeling of glory that had recently been connected with the struggle for a county's honor, thus ruling out the possibility of expressing the most vehement form of patriotism for those to whom national pride is a major sentiment. The military hero, the historical battles and the desire to exact revenge against the country's enemies are cultural values which are disappearing from most countries.

National and patriotic ideas, as well as the concept of statehood is acquiring new dimensions, which are sometimes extremely exaggerated and painful. Artistic culture, which has direct access to these fundamental notions within the nation's spirituality, is called on to cultivate in the reader's conscience and soul the most beautiful and noble feelings, eliminating the element of blind hatred among peoples.

Radical modification of the general vision of ethicalmoral, aesthetic, national and overall human values, present during the postSoviet and postsocialist period, has called for total revision at the theoretical and conceptual levels, as well as on a practical level, of values created in the past, and of the foundation on which new cultural and spiritual structures can be built.

Integration or, more accurately reintegration, of Moldova's national culture into international values implies the need for a competent and objective re-evaluation of the history of culture and of current cultural phenomena. Concrete analysis of the cultural situation in the Republic of Moldova demonstrates the following: 1) the processes of reevaluation have started and are irreversible; 2) these processes are often chaotic and have negative consequences for innovative and progressive ideas due to the lack of a coherent strategic plan. This is also the case with cultural and creative ideas for the development of the national culture, especially in the context of the transition to a market economy.

Intensification of Moldova's relations and exchanges of values with other countries, with the assistance and participation of scientific and cultural international organizations (foremost UNESCO) which encourage and facilitate these contacts and exchanges, contributes fundamentally to the modification and redressing of the situation in national culture. In this integration process, the relationship between Moldovan and Romanian cultures is of special importance due to the common language and spirituality of the people of these countries.

In conclusion, it should be noted that the efforts of the society have always been aimed at the improvement of the material and financial foundation of culture, towards the coordination and more efficient distribution of existing resources that originate from state funds, from funds of local governments, from international assistance agencies, and from cultural foundations and private funds. The budget of the Republic of Moldova should increase the allocations and support to national culture, including arts because, as was already stated, the present funds are insufficient for ensuring the development of national culture. During the past several years, there has been an increase in allocations for culture and arts: 17.5 million lei in 1994, 20 million lei in 1995 and 27.9 million lei in 1996. It should also be noted that in 1996, 18 million lei were allocated to the Teleradio-Moldova State Company, which is equivalent to almost the entire amount allocated for culture and arts in general. This fact indicates the importance of this institution in the life of our society.



CHAPTER 6.

INTEGRATION OF THE REPUBLIC OF MOLDOVA INTO THE INTERNATIONAL COMMUNITY AS A FACTOR IN BUILDING THE STATE

Following the collapse of communism and disintegration of the U.S.S.R., the Republic of Moldova emerged from what had been the former Moldavian Soviet Socialist Republic (one of the former 15 Soviet Socialist Republics of the U.S.S.R.).

The Republic of Moldova's status as a sovereign state became a legal reality after the Declaration of Independence was adopted on 27 August, 1991. Romania was the first country to recognize the independence of the Republic of Moldova. The Republic of Moldova is now recognized by the majority of countries and international organizations. Moldova has been a member of the United Nations since 1992.

6.1 The Republic of Moldova's Foreign Policy as a Means of Building the State

The foreign policy of Moldova is aimed at many factors:

- the need to have the international community recognize the Republic of Moldova situated within the borders of the former Moldavian S.S.R. which was once part of the former U.S.S.R.;
- the establishment of the legal status of Moldova as an independent state with all the characteristics and responsibilities resulting from this status;
- the development of the Republic of Moldova as an independent, democratic state with a market economy;
- the solution to the problem of training professional diplomatic personnel and of gaining experience in the international arena.

Following independence, various political forces promoted different and contradictory opinions concerning the future of the new country. These opinions were reflected in the actions of the Republic of Moldova in defining the priorities of its foreign policy. Those ideas and actions which were contrary to Moldova's independence (initially manifested in a transparent manner but currently in a more camouflaged way) are rejected by the majority of the population. Currently, both in the activities of state bodies as well as in the mentality of the majority of citizens, the idea of the Republic of Moldova's state independence is understood as a historical reality. In the February 1994 elections, the population voiced strong support for independence and national status of the Republic of Moldova, both at home and abroad. Moldova's foreign policy has crystallized according to this vision.

The present form of state is made legal in the Republic of Moldova's Constitution enacted on 27 August, 1994. The Constitution defines the powers of various state governing bodies regarding foreign policy.

The support of the population, as well as the international experience gained, allowed the adoption on February 8, 1995, of the Foreign Policy Concept of the Republic of Moldova, which, in general terms, brings all the political forces of the country to consensus. This document establishes the following priorities for Moldova's foreign policy:

- consolidation of the country's sovereignty and independence;
- ensuring territorial integrity;
- affirmation of Moldova as a stabilizing factor in the region;

- promotion of democratic reforms for the transition to a market economy and for the population's prosperity;
- the building of a lawabiding state, in which liberty, fundamental human rights and duties will be guaranteed in compliance with international standards.

Implementing the priorities stated above will be in strict accordance with human rights principles recognized by the international community and reflected in the "Declaration on Friendly Relations and Cooperation Among States", adopted by the United Nations General Assembly on 24 October, 1970, and in the "Declaration on Principles Governing the Relations Among States-Participants of the CSCE" of the 1975 Helsinki Accord. Pursuant to the assumed obligations, the Republic of Moldova will promote a policy of permanent neutrality, nonproliferation of nuclear weapons and all efforts aimed at disarmament.

The priorities of Moldova's activities in the international arena are established according to various political, economic and social interests. Thus, the Republic of Moldova's foreign policy foresees the following:

- collaboration with C.I.S. countries, primarily with the Russian Federation, Ukraine and the Republic of Belarus, in order to benefit from mutually advantageous economic relations, a common political mentality and a history of relations among these peoples. This collaboration, mainly for economic purposes, will, however, not constitute an obstacle to the gradual integration of Moldova into European structures nor should it hamper Moldova's cooperation with other states;
- special bilateral cooperation relations will exist with Romania;
- collaboration with countries situated in the zones of Moldova's geopolitical interests, such as the Black Sea countries and those countries of the Danube basin, in order to secure stability and a balance of interests in the regions bordering Moldova;
- collaboration with developed western states, especially with the seven highly developed countries which have a determinant share in the world economy, as well as with the rest of the European Union;
- collaboration with countries with which Moldova--including its national minorities-- has historic, linguistic and cultural ties and with those countries where the diaspora of Moldovan people is numerous, as well as with those countries whose language is of the same origin (Latin-based).

Thus, the Republic of Moldova's foreign policy is based on the principles of transparent relations with all countries, on noninterference in the internal affairs of other countries, on neutrality and on the supremacy of human interests over ideological interests.

6.2 Actions for Moldova's Integration into the International Community

Foreign policy carried out in conformity with the principles stated above, has essentially contributed to the consolidation of the Republic of Moldova's status as a country and to its integration into the European and international communities, especially during the last two years.

On March 2, 1992, six months after the declaration of its independence, Moldova's appeal for acceptance as a member of the UN was approved. The Republic assumed the duties which, together with the other members will contribute to the implementation of UN goals.

Although Moldova is a member of the UN, entrance into the global community has not been easy. For Moldova, as well as for other postsocialist states, this process was and still is very complicated. The illusions concerning entrance into the European sphere, which followed the break-up of communist totalitarianism, have vanished. The strong desire of postsocialist countries in the initial transition period to achieve immediate changes in the European statusquo has generated various local conflicts and

provoked international tension. The internal structures of these post-socialist countries have not yet become totally democratic.

The efforts of the Republic of Moldova's top leaders appear to have resulted in some successes concerning the admittance of Moldova into many more international organizations. Moldova enjoys diplomatic relations with approximately 100 countries and has Embassies in 13 countries. There are 11 foreign Embassies in Chisinau and 59 Ambassadors accredited to Moldova and physically stationed abroad. The activities of Moldova are also supported in-country through representations of the United Nations, including UNDP, UNICEF, UNFPA, WHO, International Monetary Fund and World Bank, as well as by the OSCE Mission, the European Community's TACIS Programme, and the Alliance Francaise.

Regional and bilateral relations with other countries in political, social, economic, commercial, technical and cultural fields play an important role in Moldova's integration into the international community. Thus far, Moldova has signed 285 agreements in various sectors with many other countries.

The building and consolidation of the state must include provision for human rights and liberties equal to international standards. The Constitution of Moldova and the legislative and judicial reforms, which take into account these standards, have made it possible for Moldova to become a full member of the Council of Europe - the first among the C.I.S. countries to do so.

Moldova's membership in these international organizations benefits the consolidation of the state and its integration into the international democratic community. Membership status in these organizations has helped to focus attention on the conflict in Transnistria and on the process of withdrawing the Russian military forces stationed there. Participation of OSCE representatives has contributed to the achievement of some positive results in the negotiations between the parties involved in the conflict.

Moldova also enjoys the assistance of some respected and prestigious organizations in drafting new laws. Thus, the Constitution of Moldova, as well as the Law on the Status of Gagauzia and a series of laws concerning the creation of a lawabiding state in the Republic of Moldova, have been subjected to expert examination.

Important contributions also include the involvement of our country in the spiritual life of the international community, as well as in scientific and cultural cooperative efforts. The cultural contributions are manifested in Moldova's cooperation with UNESCO, the Latin Union, the francophone movement and also in close cultural relations with Romania and some C.I.S. countries.

A special role in Moldova's integration into the international community is played by nongovernmental organizations (NGOs), as well as by the external activities of our citizens. Over 250 NGOs have been registered by Moldova's Ministry of Justice. A number of these organizations also have close ties with similar foreign organizations. They hold seminars and conferences, organize exchange delegations and jointly participate in the solution of problems. Especially distinguished are the associations for cultural relations with other countries (sports, charity, science) as well as cultural centres and societies of Moldova's national minorities.

Democratization of the sociopolitical structure and of the public life of Moldova has considerably enlarged the opportunities of its citizens to travel abroad for various purposes: cultural, scientific, sport, business, tourist, etc. These travels are means to get to know other cultures, and to establish individual as well as family relations with the citizens of other countries. These relationships lead to the exchange of values, to mutual understanding, to "grass roots diplomacy" and, generally, to the gradual integration of Moldova's people into the world. Thus, our independent state is becoming better known, which contributes to the formation of the external framework which will help to promote political and socio-economic reforms aimed at permanent consolidation of the state, democratization of the social structure, transition to a market economy and Moldova's integration into the world community.

6.3 Foreign Economic Relations

The Republic of Moldova's international integration is demonstrated in a variety of ways. Parallel with political and diplomatic integration, economic integration (mainly in commerce) is taking place.

In order to ensure a favorable external framework for transition to a market economy, Moldova has turned to many economic and financial international organizations, at both the global and regional level. Among them are the following:

a) specialized UN Agencies, such as International Monetary Fund (IMF), World Bank, United Nations Development Programme (UNDP), UN Commission for Europe (EEC-UN), United Nations Industrial Development Organization (UNIDO), Food and Agricultural Organization (FAO), International Labour Organization (ILO), Postal Union, etc. With the help of these organizations (foremost UNDP and EEC-UN), a series of regional projects have been initiated in the field of transport, industrial policy, energy, environmental protection, statistics, information, foreign investments, training of industrial management and other forms of technical assistance;

b) regional and sub regional bodies - Moldova has joined the Commonwealth of Independent States (C.I.S.) and the Black Sea Economic Cooperation, which includes the creation of the Black Sea Bank for trade and development. The processes of international economic integration in the framework of the C.I.S. are developing. Prior to independence, these states were part and parcel of the U.S.S.R.'s economic policy. The leadership of these states increasingly understands that trade relations between these countries, especially the import of energy resources, raw materials and equipment from Russia and other C.I.S. member countries are of vital importance now and in the future.

Of the 385 agreements (economic, trade, technical, cultural, etc.) that have been signed by the Republic of Moldova, a great number is constituted by those with C.I.S. countries. According to data from Moldova's Ministry of Economy, the share of Moldova's trade with C.I.S. countries was 67% of Moldova's total volume of foreign trade in 1994. In 1995 this figure was approximately 65%. With approximately 75 countries outside the CIS, the volume of trade is 35%. Our main partners in 1994-95 were: Russia with 40.1% of the total volume of Moldova's foreign trade, Ukraine 18.7%, followed by Romania, approximately 10%, Germany, Belarus, Hungary, Italy, Bulgaria, etc.

<i>Figure 6.1 Foreign trade of the Republic of Moldova during 1995 (%)</i>			
With CIS countries		Other countries	
Total:	65.20	Total:	34.80
Including:		Including:	
Russia	40.13	Romania	10.09
Ukraine	18.14	Germany	5.74
Belarus	4.87	Bulgaria	3.37
Kazakstan	0.69	Italy	2.20
Azerbaijan	0.68	U.S.A.	1.18
Uzbekistan	0.31	Turkey	1.16
Armenia	0.17	Austria	1.12
Turkmenistan	0.13	Lithuania	1.08
Kyrgyzstan	0.16	Hungary	0.90
Georgia	0.01	Great Britain	0.73
Tajikistan	0.01	Other countries (69)	7.23

Of particular importance are Moldova's economic relations with the countries of the European Union. These relations became more dynamic after the signing of the Agreement on Partnership and Cooperation with the European Community, the interim agreement on wine trading and other agreements. From 1994 to 1995, exports from Moldova to foreign countries (except the C.I.S.) increased by 56%, mostly to countries of the European Union. The value of Moldova's exports to western countries increased by 78% during 1995, compared to 1994.

Some progress has been achieved in developing economic relations between Moldova and Asia, Africa and in the countries of China, Iran, Japan, the Republic of Korea, Kuwait, South Africa, Egypt, Mexico, and Brazil. In view of the large economic share of these countries in world trade, they provide an impetus to capital investment in Moldova's economy and can contribute to the implementation of new technologies necessary for Moldova's industrial development.

This pragmatic and multi-lateral approach to its foreign policy allows Moldova to make use of all possibilities for consolidation of the state and for a greater integration into the international community. Moldova also brings its contribution to the realization of the goals of the UN. It has demonstrated its position as an international partner by coauthoring a series of resolutions and decisions of the UN General Assembly regarding important international issues.

Figure 6.2 Foreign trade of the Republic of Moldova during 1994 (%)



6.4 Continuing Integration into the Global Community

In order to ensure a continuation of integration into the global community, Moldova's primary interests urgently require the following:

- continuation of the policy of nonadherence to political and military treaties;
- promotion of a policy of neutrality which can be ensured only if Moldova does not join political and military groupings (be it within C.I.S. or NATO);
- maximum possible contribution to the solution of important international problems, such as the prohibition of nuclear weapons, weapons of mass destruction and general and regional disarmament;
 - participation in activities (together with other countries) which help to decrease the chance of war and which increase world security;
 - development of regional and sub-regional European cooperation for the sake of state independence and the effective security of national interests;
 - intensification of activity within OSCE and the Council of Europe, gradual integration into the European Union and compliance with European standards in building a lawabiding state;
 - greater involvement of international organizations (UN, OSCE, etc.) in the political solution of the problem of Moldova's territorial integrity (problems of Transnistria and withdrawal of the Russian military forces from its territory);

- maximum geographic diversification of foreign suppliers (of energy resources, raw materials, semifinished products, technologies, consumer goods) and of outlets for goods manufactured in Moldova, based on bilateral agreements with various countries, including those of the C.I.S., Romania, countries of the European Union and Middle East, etc., which would contribute to the economic and political consolidation of the Republic of Moldova;
- increased participation of Moldova in UNESCO, the Latin Union and the francophone movement, as well as an increased development of relations with Romania for preserving and improving the national spiritual and cultural heritage.
- integration in regional and international ecological organizations, observance of international principles stated in agreements on environmental protection, pursuing an efficient national ecological policy, and participation in the regional and general ecological programmes.

Thus, the young state of the Republic of Moldova, having chosen the road of democracy and transparency, will demonstrate the consolidation of its state and the gradual integration into the world community.

CONCLUSION

This National Human Development Report for the Republic of Moldova reflects the changes and the problems of human development during the past years, including 1995. The process of profound political, economic and social mutations demonstrate that Moldova has irreversibly started down the path to democracy, transition to a market economy and integration into the international community. The transition stage has revealed new horizons for capitalizing resources and human potential and for integration and the development of its civic society - the necessary conditions for sustainable human development. Most of the population of Moldova has undergone profound changes in social psychology, political consciousness, attitude and civic behavior.

Politically, the degree of democracy has increased through the continuous decentralization of public administration, the maturation of a multi-party political system and the emergence of numerous non-governmental organizations. Recent events in Moldova confirm that as state building continues there is an increased recognition of the country by the international community. Documents including the Declaration of Independence and Sovereignty, the Decree on State Power, the Constitution of the Republic of Moldova, the Law on Parliamentary and Local Elections, the Law on the Constitutional Court, the Law on the State Frontier of the Republic of Moldova and the Law on the Election of the President of the Republic of Moldova have been adopted. Among these and other laws the democratic principle of separation of the three state powers was sanctioned. Moldova has been recognized by the majority of countries and international organizations and has become a member, among others, of the United Nations, the Council of Europe, C.I.S. and the Black Sea Economic Cooperation.

Despite difficult conditions, great efforts were made for building of the state and integration of society. Necessary measures were adopted to respect the rights of all nationalities and ethnic groups living in the Republic. The autonomous administrative territory of "Gagauz Yeri" has been created. A statute for the eastern districts of the Republic has been proposed, on the basis of which the problems with Transnistria and the real integration of the whole republic can be solved.

The building of the state and the integration of the society in the Republic of Moldova requires an increase in the efficiency of the national and the local authorities, which is being achieved through the establishment of a judicial framework and the creation of a reasonable balance of state administration and civil society. These measures are also aimed at resolving the dispute with the spurious body in Transnistria and integration of the population from both sides of the Nistru River.

The recent years have been marked by continuous economic reforms and by the creation of a market economy. This process has been accompanied by a deep economic crisis with its inherent social implications. The first signs of overcoming the crisis on a macro-economic level have fortunately appeared: the inflation rate has dropped considerably, the budget deficit has been reduced to sustainable levels, the exchange rate of the national currency is very stable, interest rates for bank loans have decreased, the formation of the private sector has begun, a relative stabilization of the food market has been achieved and the export potential of the republic has increased.

Nonetheless, although macro-economic stabilization has produced some important successes, it remains fragile, and does not guarantee an increase in the degree of development and efficiency of the national economy. The reasons for this are: macro-economic stabilization includes only the regions of the right bank of the Nistru River; its results are derived only through monetary methods; and it has not managed to revive the investment process. For the past years, investments have represented only 12% to 15% of GDP, while in order to ensure annual growth of production by 5% to 7%, this share needs to be 25% to 30% of GDP.

It is widely known that monetary policy is just one of the instruments of general economic policy, and its effect can be assessed only in the context of other economic policies. The real issue is that macro-economic stabilization can be achieved only by means of a financial system which will mobilize and channel capital, by means of efficient credit processes and short- and long-term investments. However, bank and other financial services do not currently correspond to the present stage of transition, and the decision-making process does not have any long-term economic vision, not even a coherent strategy, or sufficiently grounded priorities for the medium-term. The securities market is only being formed to channel the accumulation and distribution of cash reserves. In this context, the establishment of a specialized investment bank could contribute to the accumulation of investment resources (especially for small businesses). Finalization of the privatization process is a socially important outcome for the transition to a market economy.

Regarding the agrarian reform this is unfortunately, proceeding with a great deal of difficulty and contradiction. In order to accelerate this process, legislation needs to be improved taking into consideration international experience and legal norms. Networks of legal consulting services, agricultural, veterinary and technical services, supply, transportation and processing services need to be created.

Also to be highlighted is the substantial reduction of the gross national product per capita assessed at US \$327 in 1994. Taking into consideration that life expectancy at birth and educational level of the population have remained unchanged, we can place the Republic of Moldova in the category of developing countries (according to the Human Development Index).

On the social integration in the Republic, it should be noted that the principles of human integration into democratic society are totally different from those of the former totalitarian system. A large part of the society is still not ready to accept new democratic principles, especially since the advantages of the reform process have not yet materialized for the majority of the population. Disapproval of the transition to a democratic society and market system has manifested itself, especially in the initial phase of reforms, in the form of local conflicts. However, as the example of separatism in Transnistria shows, these conflicts are of a political nature.

The on-going process of democratization, establishment of the state of law, political and economic reforms, decentralization of the state administration, privatization and freedom of consciousness are factors that work, slowly but steadily, in favor of a society oriented towards the general human values of the citizens. They, in turn, become more aware of their rights and responsibilities under the law.

Nonetheless, the discrepancy between the high income level of a small part of the population and the poverty of the majority, the appearance of mass unemployment, and the increase of crime and corruption

has slowed the process of society's integration. A decrease in income and an increase in prices and the continuous growth of unemployment has resulted in considerable decline of the quality of life. Additionally, the situation of socially vulnerable groups, such as pensioners, disabled persons, families with many children and unemployed youth has become extremely serious. To be stressed, is that despite a legal framework which allows active and constructive civic behavior, society's integration can not really be implemented to its full degree when incomes are low, and when the positive effects of the reform process are not felt by the majority of the population.

Another very acute problem for the Republic of Moldova is that of housing. Taking into consideration the fact that the housing problem directly affects the social situation of the population, the National Housing Policy needs to be urgently implemented and with an active participation.

In order to solve all the above mentioned problems, assistance is required from the state especially in order to encourage the formation of a middle class based on small business and individual economic activity. This should be based on the intellectual and professional potential available in all the sectors, and thus show the capacities of the citizens, on whom social and political stability will always rely. This kind of policy will create more jobs, social guarantees for all citizens (especially for vulnerable groups), and compensation for higher prices by increasing wages, pensions, allowances, and stipends.

A possible problem is that of poverty, which for many is becoming more serious. This very complex problem requires special attention and the formulation of a social policy for raising the quality of life of the population which is affected by poverty, especially the socially vulnerable groups.

The reality is that due to lack of funds, the social sectors such as education, science, culture, health protection, etc., are confronted with serious difficulties. A small country with insufficient natural resources can only pin its hopes for sustainable human development on investments of a qualitative value and on the training and competence of its human resources. Disregard of the human factor leads to the gradual depreciation of the quality of human resources, now being experienced. Insufficient support from the state for these domains will have grave repercussions for sustainable human development. It is not surprising that there is a pronounced tendency on the part of highly qualified experts to leave the country, a trend that is also manifested among young people and even teenagers.

The above problems require preventive and adequate reactions from the state. The lack of these actions will complicate their solution. It would, therefore, be useful to establish a social monitoring service that could analyze the situation and, on the basis of such a diagnosis, elaborate measures to prevent the aggravation of the present social crisis.

It goes without saying that the positive and negative processes examined in this report are not characteristic only of the Republic of Moldova. They are typical for many other countries that have chosen the way of reforms and transition to a new socioeconomic system.

The Republic of Moldova hopes to overcome the present situation of crises by accelerated restructuring of the national economy, by consolidation of the state, by integration of the society beginning with citizens, families and local communities and ending with the state. These are the necessary prerequisites for prosperity in all domains of activity and ultimately for sustainable human development.

ANNEX „Human Development Indicators for Moldova” (1996)

Human Development Index

Life expectancy at birth (years) 1993	Adult literacy rate (%) 1989	Combined first, second and third-level gross enrolment ratio (%) 1994	Real GDP per capita (PPP \$) 1993	Adjusted real GDP per capita	Life expectancy index	Education index	GDP Index	Human development index 1992	Real GDP per capita (PPP\$) rank minus HDI rank
67.8	96.4	65	2,370	-	0.71	0.964	-	.757	2

Profile of Human Development

Life expectancy at birth (years) 1993	Population with access to			Daily calorie supply per capita 1994	Adult literacy rate 1994	Combined first-, second- and third-level gross enrolment ratio (%) 1994	Daily newspapers (copies per 100 people) 1994	Televisions (per 100 people) 1994	Real GDP per capita (PPP\$) 1993	GNP per capita (US\$) 1993
	Health Services (%) 1994	Safe water (%) 1994	Sanitation (%) 1994							
67.8	100	62	-	2,322	96.4	65	32	23	2370	-

Profile of Human Deprivation

Refugees by country of asylum (thousands) 1993	Population without access to			Illiterate adults (age 15 and above; millions) 1989	Illiterate Females (age 15 and above; millions) 1989	Children not in primary school (thousands) 1994	Malnourished children under five (thousands) 1994	Children dying before age five (thousands) 1994
	Health services (millions) 1994	Safe water (millions) 1994	Sanitation (millions) 1994					
-	-	1.6	-	0.1	0.1	20 (estimate)	-	1.8

Trends in Human Development

Life expectancy at birth (years)		Infant mortality rate (per 1,000 births)		Population with access to safe water (%)		Underweight children under age five (%)		Adult literacy rate (%)		Enrolment ratio for all level (% age 6-23) 1994	Real GDP per capita (PPP\$) 1993
1959	1993	1960	1994	1975-80	1988-93	1975	1990	1970	1989		
68.1	67.8	48.2	22.6	-	-	-	-	-	96.4	62*	2370

* 7-24 years

Rural-urban gaps

Rural population (as % of total) 1994	Population with access to services (%)						Rural-urban disparity in services (100 = rural-urban parity)		
	Health		Safe water		Sanitation		Health 1994	Safe water 1994	Sanitation 1994
	Rural 1994	Urban 1994	Rural 1994	Urban 1994	Rural 1994	Urban 1994			
54	100	100	-	-	-	-	100	-	-

Child Survival and Development

Pregnant women aged 15-49 with anemia (%) 1994	Births attended by trained health personnel (%) 1994	Low birth-weight infants (%) 1994	Maternal mortality rate (per 100,000 live births) 1994	Infant mortality rate (per 1,000 live births) 1994	Under-five mortality rate (per 1,000 live births) 1994	Mothers breastfeeding at 6 months (%) 1994	Oral rehydration therapy use rate (%) 1994	Underweight children under age five (%) 1991
38	99	6	26	22.6	28.8	48	-	-

Health Profile

One-year-olds fully immunized against		AIDS cases (per 100,000 people) 1994	Malaria cases (per 100,000 people) 1994	Population per doctor 1994	Population per nurse 1994	Public expenditure on health	
Tuberculosis (%) 1994	Measles (%) 1994					As % of GNP 1960	As % of GNP* 1993
90	85	-	0.02	249	92	-	5.1

* as % of GDP

Food Security

Food production per capita index (1985=100) 1994	Agricultural production (as % of GDP) 1992	Food consumption (as % of total household consumption) 1994	Daily calorie supply per capita 1994	Food imports (as % of merchandise imports)		Cereal imports (thousands of metric tons) 1995	Food aid in cereal (thousands of metric tons) 1995
				1970	1994		
36	38	62	2,322	-	3	181	28

Education Imbalances

Pupil-teacher ratio		Secondary technical enrolment (as % of total secondary) 1994	Tertiary natural and applied science enrolment (as % of total tertiary) 1994	Tertiary students abroad (as % of those at home) 1994	Scientists and Technicians (per 1,000 people) 1994	Public Expenditures on			
Primary 1994	Secondary 1994					Education (as % of GNP)* 1993	Education (as % of total government expenditure) 1994	Primary and secondary education (as % of all levels) 1990	Higher education (as % of all levels) 1991
22	15	58	8	2	2.3	6.5	24	61	9

* as % of GDP

Employment

Labor force (as % of total population) 1994	Women's share of adult labor force (age 15 and above) 1994	Percentage of labour force in						Earnings per employee annual growth rate (%)	
		Agriculture		Industry		Services		1970-80	1993-94
		1965	1994	1965	1994	1965	1994		
47	53	57.1	45.6	12.8	13.8	30.1	40.6	103	347

Wealth, Poverty and Social investment

Real GDP per capita (PPP\$) 1993	GNP per capita (US\$) 1993	Income share		People in poverty (%)		Social security benefits expenditure (as % of GDP) 1994	Public expenditure on	
		Lowest 40% of households (%) 1981-94	Ratio of highest 20% to lowest 20% 1994	Urban 1991	Rural 1991		Education (as % of GNP)** 1993	Health (as % of GDP) 1993
2,370	-	-	10.3*	-	-	4	6.5	5.1

* Ratio of highest 10 % of income share to lowest 10% of income share ** as % of GDP

Resource Flow Imbalances

Total external debt		Debt service ratio (debt service as % of exports of goods and services)		Total net official development assistance received, 1993 (net disbursements)			Export- import ratio (export as % of imports) 1992	Terms of trade (1987 =100) 1992	Current account balance before official transfers (US\$ millions) 1992
US\$ millions 1992	As % of GNP 1992	1980	1992	US\$ millions	As % of GNP	Per capita (US\$)			
430	-	-	-	37.7	2.5	8.7	90	-	39

Military Expenditure and Resource Use Imbalances

Defence expenditure						Military expenditure (as % of combined education and health expenditure)		Imports of conventional weapons (1990 prices)		Total armed forces	
US\$ millions (1985 prices)		As % of GDP/GNP		Per capita (US\$; 1985 prices)		1960	1990-91	US\$ millions 1992	1989 =100 1992	Thousands 1992	Index (1985=100) 1992
1985	1992	1985	1992	1985	1992						
-	22.8	-	2.1	-	51	-	-	-	-	12	-

Growing Urbanization

Urban population (as % of total)			Urban population annual growth rate (%)		Population in cities of more than 750,000		Largest city				
					As % of total population 1990	As % of urban population 1990	City	Population as % of urban population 1995	Growth rate (%)		
1960	1995	2000	1960- 1995	1995- 2000							1970-75
23	47	46	3.2	-0.3	-	-	Chisinau	33		4.6	-0.4

Demographic Profile

Estimated population (millions)			Annual population growth rate (%)		Population doubling date (at current growth rate) 1995	Crude birth rate 1994	Crude death rate 1994	Total fertility rate 1994	Contraceptive prevalence rate, any method (%) 1994
			1960-1995	1995-2000					
1960	1995	2000							
3.0	4.3	4.3	1.1	-	-	14.3	11.8	1.95	22*

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

Natural Resources Balance Sheet

Land area (1,000 km ²) 1994	Forest and woodland (as % of land area) 1994	Arable land (as % of land area) 1994	Irrigated land (as % of arable land area) 1994	Deforestation (1,000 ha per year) 1980-89	Annual rate of deforestation (%) 1980-89	Reforestation (1,000 ha per year) 1980-89	Production of fuel wood and charcoal (1,000 m ³ per year)		Internal renewable water resources per capita (1,000 m ³ per year) 1992	Annual fresh water withdrawals	
							1992	1994		As % of water resources 1994	Per capita (m ³) 1994
34	12.6	52.0	15.0	25	-	3	194	143	7.4*	35*	598*

* estimate

Energy Consumption

Production as % of national energy reserves			Commercial energy production average annual growth rate (%)		Commercial energy consumption average annual growth rate (%)		Commercial energy use (kg of oil equivalent per capita)		Commercial energy efficiency (energy consumption in kg of oil equivalent per \$100 GDP)		Commercial energy imports (as % of merchandise exports)		
			Coal 1991	Natural gas 1991	Crude oil 1991	1971- 80	1980- 92	1971- 80	1980- 92	1971	1992	1965	1991
-	-	-	-	-	-	-	-	1,600	-	-	-	-	-

National Income Accounts

GDP (US\$ billions) 1993	Agriculture (as % of GDP) 1993	Industry (as % of GDP) 1993	Services (as % of GDP) 1992	Consumption		Gross domestic investment (as % of GDP) 1993	Gross domestic savings (as % of GDP) 1992	Tax revenue (as % of GNP) 1992	Central government expenditure (as % of GNP) 1992	Exports (as % of GDP) 1993	Imports (as % of GDP) 1993
				Private (as % of GDP) 1993	Government (as % of GDP) 1993						
1.5	21*	44*	-	46	23	-	-	-	-	31.8	41.8

* Share of value added in the GDP

Trends in Economic Performance

GNP (US\$ billions) 1992	GNP annual growth rate (%) 1980-91	GNP per capita annual growth rate (%)		Average annual rate of inflation (%)		Exports as % of GDP (% annual growth rate) 1980-92	Tax revenue as % of GNP (% annual growth rate) 1980-92	Overall budget surplus/ deficit (as % of GNP)	
		1965-80	1980-92	1991	1995			1980	1992
-	-	-	-	7.9	1.8	-	-	-	-

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