



2003

Good Governance & Human Development

Republic of Moldova

**NATIONAL HUMAN DEVELOPMENT
REPORT 2003**

REPUBLIC OF MOLDOVA

**Good Governance
&
Human Development**

Foreword

The Republic of Moldova declared its independence more than ten years ago. Much has happened since then. The dynamic of transition has not only accelerated, it has begun to show important progress. At the same time it has posed new challenges for both the Government of Moldova and society at large. With the Millennium Development Goals as its long-term development framework and its course set towards European integration, the Republic of Moldova has taken on a renewed commitment to continue vigorous reforms and further enhance human development.

Human development is the ultimate goal of human progress. It offers people opportunities for long and healthy lives, decent living standards, and a high quality education. It also includes aspects such as unconditional observance of human rights, gender equality, citizens' participation, government's accountability to its citizens and citizens' responsibility toward society, tolerance and the rule of law. As a member of the United Nations, the Republic of Moldova is making notable efforts to promote the principles of human development, to overcome the difficulties of transition and to act on its adherence to the values of modern civilization. The process is, however, not easy.

After twelve years of independence, it has become increasingly clear for many people in Moldova that the glue that holds all the other development priorities together is good governance. The concept of "governance" is not new. It is as old as human civilization and encompasses all aspects of the way a society governs itself. To be called "good", governance needs to have a number of critical characteristics. It has to be participatory, consensus-oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and it must follow the rule of law. Good governance ensures that corruption is minimized, that the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is responsive to the present and future needs of people and ensures the sustainability of human development.

Maybe good governance is an ideal that is difficult to achieve in its totality. Indeed, very few countries and societies have come really close to it. However, to ensure sustainable human development, actions must be taken to work towards this ideal with the aim of making it come true.

UNDP Moldova feels it is timely and appropriate for a National Human Development Report to focus on those policy issues that promote a more effective link between governance and development. Like its predecessors, the 2003 National Human Development Report was written by an independent team of senior national experts which was led this time by the Institute for Public Policy. Their proposals do not pretend to offer a single, universally-applicable recipe to the Republic of Moldova's challenges. Instead, they set forth policy guidelines that can help the key issues pertaining to democratic reforms and social development to rise to the top of the public agenda.

We hope that the recommendations of this Report will feed the national policy dialogue and contribute to the strengthening of good governance in the Republic of Moldova, thus creating favorable conditions for making the Millennium Development Goals a reality for all the people of this country.

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Opinions expressed in the Report are of the authors and do not necessarily reflect those of the United Nations Development Programme or the Government of the Republic of Moldova

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Executive Summary

Introduction

The National Human Development Reports prepared in the Republic of Moldova with UNDP support since 1995 describe the process of the country's development and are an important mechanism of monitoring progress and analyzing barriers to human development.

The human development agenda of the past indicates that good governance has become a concern of the entire society. It has been heralded as the missing link in development, as a primary objective of development assistance and a pre-condition to achieve sustainable human development. For these reasons, the main subject of the *National Human Development Report 2003* (hereafter the *NHDR 2003*) is ways of improving governance, seen as enhancing not only the institutional capacity of the state to design and implement more sustainable human development policies but also as strengthening the role of civil society in human development.

The *NHDR 2003* sets forth a framework necessary for the analysis of the connection between governance and human development in the Republic of Moldova, and examines the main economic, political, and social trends, citizens' aspirations, the position of government, and the principal factors and actors influencing the quality of governance and human development. The central message of the report is that good governance is a basic condition for sustainable human development.

Chapter 1 The Profile of Human Development in the Republic of Moldova

In Chapter 1, the Report analyzes the most recent state of human development in the Republic of Moldova by applying the yardsticks represented by human development indicators, including the Human Development Index (HDI). The human development profile of the Republic of Moldova shows that in spite of some progress during the past decade, the evolution of human development was not significant. This conclusion is based on the following findings:

- In UNDP's 2003 *Human Development Report*¹ the Republic of Moldova is ranked as a medium human development country with a HDI value of 0.700². Of 175 countries analyzed in the 2003 Report Moldova is ranked 108, between Algeria and Vietnam.
- The 2001 value of HDI of the Republic of Moldova is below the world average (0.722). Similarly, when compared to other regions across the world the HDI value of the Republic of Moldova is below the HDI of the Central and Eastern European (CEE) countries and below the HDI of all former Soviet countries except for Tajikistan.
- As far as the three different components of the HDI are concerned, the situation in the Republic of Moldova varies. Life expectancy at birth (68.5 years) is higher than the world average (66.7 years) but slightly lower than in other CEE countries and the CIS region (69.3 years), and significantly below the average of developed countries (77.0 years).
- Regarding educational indices, the gross enrollment ratio at all levels of education in the Republic of Moldova (61%) is below the world

¹ Statistical data used in the 2003 *Human Development Report* are for 2001.

² The data provided by international and national statistical bodies may differ. Hence, the HDI for 2001, calculated on the basis of data provided by the Department of Statistics and Sociology of the Republic of Moldova, is 0.707. To avoid confusion, the analysis requiring comparisons between the indicators of various countries is based on the data provided by global reports, and for other purposes, on the basis of data provided by the Department for Statistics and Sociology.

average (64%), the average in the CEE countries and the CIS region (79%), and in the OECD countries (87%). It should be mentioned that available information is often differing, the variations between statistical data provided by international bodies (61%) and national entities (70.4%) are significant.

- In 2001, the Republic of Moldova had a Gross Domestic Product (GDP) per capita (in US\$ Purchasing Power Parity (US\$ PPP) of 2,150, which is nearly more than 3 times below the world average (US\$ PPP 7,376). Moreover, the Republic of Moldova's GDP per capita was below the average of all other regions in the world except Sub-Saharan Africa (1,831).

The Republic of Moldova achieved some satisfactory results in implementing Millennium Development Goals, especially in education and gender equality, but continuous efforts should be made to reduce poverty, improve child health, and eradicate tuberculosis and HIV/AIDS.

Chapter 2. Governance in the Republic of Moldova and the Challenges of Consolidating Statehood

Chapter 2 focuses on various aspects of good governance in the Republic of Moldova, on which the consolidation of country's statehood depends. Based on the experience of the Republic of Moldova, the chapter analyzes the relationship between governance, democracy, the role of the state and human development. The arguments presented in this chapter emphasize the mutual dependence between good governance and human development.

- According to international classifications, Slovenia and the Czech Republic have a good level of governance and register high HDI values, but the Republic of Moldova

and Tajikistan have a reduced level of governance and register lower HDI values. Assessments of the quality of governance demonstrate that about 60% of the world's countries have better governance than the Republic of Moldova.

- The deterioration of the quality of life, the appearance of mass unemployment, the consequences of the armed conflict in Transnistria and the slow and ineffective privatization of state property in the Republic of Moldova marked profoundly the course of good governance during the last decade. Moreover, the numerous changes of government (9 altogether or about 1.2 per year during 1991-2002), the permanent shifts in the balance of forces within the Parliament, and the lack of national consensus have made the process even more complex and uncertain.
- An analysis of the government programs from 1994 to 2003 reveals contradictory attempts to combine the need for reform and the wish to keep certain elements of the previous socioeconomic and political systems. A common feature of these programs was a lack of specific indicators against which the attainment of objectives and expected outcomes could be monitored and analyzed.
- According to national surveys, the population of the Republic of Moldova is dissatisfied with the quality of governance in the country. During 1998-2000, the share of people who considered Moldova to be going in the wrong direction increased from 52% to 82%, and decreased in 2002 to 46%. Moldovan citizens continue to be concerned about poverty, their children's futures, increasing prices, and unemployment.
- From the perspective of good governance and human development, the current challenges for the

consolidation of the Republic of Moldova require decisive actions in promoting efficient economic reforms, strengthening democratic institutions and participatory democracy, strengthening the rule of law, asserting political culture, overcoming - on a scientific basis - the identity crisis and social disintegration. The Republic of Moldova's accession to international organizations at regional and global levels is a fundamental element in the process of strengthening good governance.

Chapter 3. Consolidating Conditions for Better Governance and Human Development in the Republic of Moldova

This chapter analyzes the efforts of reform underway in the Republic of Moldova. Two main conclusions could be drawn based on the reform experience: (1) the lack of a mechanism allowing dialogue and interaction with civil society during the reform process; and (2) that most decisions related to reforms have been reactive as opposed to proactive in nature. The key findings of the chapter are:

- The process of creating a modern, efficient, and apolitical public service in the Republic of Moldova is proceeding with difficulty, and reforms of the central and local administrations are hesitant and contradictory.
- The Republic of Moldova is ranked as a country with a very high corruption index. Corruption has increased and is affecting all areas of the country's economic and political development. The President of the Republic of Moldova, Vladimir Voronin, mentioned that "for many, the public service continues to be a profitable business and not an activity in the interest of state"
- Approximately 2,800 nongovernmental organizations in the Republic of Moldova greatly contribute to the promotion of reforms and defend the political, economic, and social rights of the Moldovan citizens. However, the roles of nongovernmental organizations in human development and in asserting good governance remain limited, and most citizens still think that they cannot influence the decisions made by central or local authorities.
- Citizen' opinion on mass media is contradictory, both positive and negative. The legal framework for mass media in Moldova is confusing and restricting the freedom of press; about 50% of journalists believe that they are not protected against eventual persecution, threats, or pressure conditioned by their professional activity.
- The success of democratic governance depends greatly on the organizational skills of political parties, their ability to meet people's needs, and their political culture. Moldovan political parties will not contribute to the promotion of genuine political culture if they don't modernize and democratize their internal functioning and eliminate the gap between citizens' aspirations and the achievements of political parties.
- In spite of many positive efforts, creating the conditions for good governance and human development in the Republic of Moldova has been a difficult task. In part the process has been conditioned by the insufficient quality and promptness of political decisions, bureaucratic obstacles, and the way delicate ethnic, linguistic and territorial issues were handled. The basic objective of the Republic of Moldova is to continue the institutionalization of democratic values, practices, and principles in each area of social life.

Chapter 4. Key Human Development Policies in the Republic of Moldova: Preventing Conflicts and Strengthening Governance

Chapter 4 identifies several policy areas in the Republic of Moldova that could be targeted as part of a human development strategy. There is no simple, universal blueprint for implementing human development policies. Government and civil society in the Republic of Moldova will have to work together to design the most appropriate mix of policies to prevent conflict, strengthen governance and reduce poverty. While this Chapter proposes a more comprehensive approach, priorities will have to be set. The key findings of the chapter are:

- Facing considerable economic difficulties, lacking development capital and skills, with a reputation for high risk and unreliability among international investors, the Republic of Moldova should take urgent actions to consolidate recently achieved stabilization and growth and to create the optimal conditions for sustainable economic development. This should be possible by diversifying the economy's structure, from an agriculture economy to a service economy, improving the business environment, restructuring bankrupt enterprises, and tackling the corporate governance issues.
- In the area of education, in spite of the ongoing reform effort, the Republic of Moldova has not developed yet an education policy, as a legally binding instrument that would be effective regardless of the changes in government. There are also a number of areas where strategic interventions are needed, for example: access to pre-school education programs; institutionalized children; small rural schools; textbooks and other educational materials and assessment of performance.

- In the area of social protection the process of reforms should continue leading to a system that is transparent, fully funded, fiscally sustainable, well targeted and based on real possibilities of the country. The government must remain committed to strengthening the linkage between contributions and benefits, eliminating privileged pensions and tightening eligibility criteria.
- The health care system in the Republic of Moldova is still highly centralized, in almost all areas such as administration, training and employment of personnel and policy making. The processes of implementing mandatory health insurance should be oriented toward modernizing primary and emergency medical services, increasing investments, strengthening institutional capacities, and guaranteeing the population access to quality medical services.
- If the Republic of Moldova wants to achieve good governance, the state should guarantee territorial integrity and physical security, ensure necessary conditions for an effective effectuation of citizenship, mobilize public savings, coordinate the resources allocation, and to introduce corrections into the system of income distribution in order to make it more equitable.

Chapter 5. Governance and Human Development: Toward a Political Framework and an Action Plan

Following the analysis of the situation in the Republic of Moldova Chapter 5 examines and proposes the elements that are needed to operationalize a sound human development strategy. Key aspects of the proposal for a policy framework and an agenda for action towards good governance and human development are:

- Establishing good governance means renewing the democratic environment, uniting the civil society, extending collective actions, and forming a new, clear vision on change through dialogue and deliberation. It is possible to improve the quality of governance by promoting political involvement, stimulating partnerships between the public and private sectors, promoting freedom of speech, fighting corruption, and ensuring responsibility and transparency.
- The quality of governance and social development in the Republic of Moldova are mainly determined by the capacity of all social actors to develop and implement the revitalization and reform strategies for all aspects of social life — first, for the economy, legal system, education, social protection, and health care.
- The GDP's annual increase of at least 5% forecasted by the government of the Republic of Moldova for 2004–2006 will lead to the enhanced human development only if fundamental reforms are implemented in all areas of economic and social activity. The current trend of implementing semi-reforms or incomplete actions is not productive.
- Without proper consolidation, and expansion of reforms, the aspirations of the Republic of Moldova for a better future could not be brought to reality. The modest but encouraging results achieved during the independence years could be strengthened through accelerating institutional reforms, promoting economic restructuring, and extending and improving public services.

The Republic of Moldova: Human Development Balance Sheet

HUMAN PROGRESS	HUMAN DEPRIVATION
Human Development in the Republic of Moldova in the Global Context	
<ul style="list-style-type: none"> Over the past few years, the HDI of the Republic of Moldova increased slightly, reaching 0.710 in 2002. 	<ul style="list-style-type: none"> The increase of the HDI is too insignificant to reach the world average, and the difference between the Moldovan HDI and the world HDI, which is constantly increasing, remains largely the same. Rated by the 2001 HDI the Republic of Moldova was the last but one in the Central and Eastern Europe and in the Commonwealth of Independent States.
Life Expectancy	
<ul style="list-style-type: none"> During the period 1999–2002, the life expectancy at birth increased by 0.7 years, reaching 68.1 years. 	<ul style="list-style-type: none"> The average life expectancy in the Republic of Moldova is one of the shortest among the countries of the former Soviet Union and Central and Eastern Europe. The gender discrepancy remains significant – 7.3 years (7.9 years in 1995).
Education	
<ul style="list-style-type: none"> During the past decade, most education indicators remained at the same high levels being subject only to insignificant fluctuations. University education is increasingly popular. The number of students reached 110,000 persons. 	<ul style="list-style-type: none"> During the past six years, the number of preschool institutions in the Republic of Moldova decreased by 29%. As a result, the share of children attending these institutions is only 40%. During the transition period, the situation of almost 270 small rural schools significantly deteriorated; they are unable to ensure children's access to quality compulsory education.
Living Standards	
<ul style="list-style-type: none"> Between 1999 and 2002, the GDP per capita increased from US\$PPP 1,955 to US\$PPP 2,428. During 2000–2002, almost all pensions and wages arrears were paid off. An increase in the budget revenues made possible an increase of wages and pensions by roughly 80%. 	<ul style="list-style-type: none"> In 2001, the GDP per capita in the Republic of Moldova was the lowest in the CEE and CIS countries, with the exception of Tajikistan. It was three times lower than the regional average. Absolute poverty remains at the level of about 40.4%, and the risk to become poor is much higher in rural areas.
Consolidation of Democracy and Improvement of the Quality of Governance	
<ul style="list-style-type: none"> The Republic of Moldova, former part of a totalitarian state, became independent. Its legal framework promotes the establishment of favorable conditions for the free development of each citizen regardless of his/her ethnic, linguistic or religious background. 	<ul style="list-style-type: none"> The Republic of Moldova is ranked as a country with a very high corruption index. The number of cases of corruption has increased, and corruption is affecting all areas of the country's development. Moldovan citizens are largely dissatisfied with the quality of governance. The results of surveys reveal a lack of confidence in the majority of the state institutions. The process of establishing modern, efficient, and apolitical public service is proceeding with difficulty, and reforms of the local and central administrations are hesitant and contradictory.

Introduction: Good Governance and Human Development

National Human Development Reports in the Republic of Moldova

In 1995, the first National Conference on Sustainable Human Development was held in the Republic of Moldova. It was at that conference when the first National Human Development Report (NHDR) was conceived. Since then, NHDRs have accompanied the transition process and have become an important tool to regularly monitor human development progress and setbacks in the Republic of Moldova.

Under the guidance of the United Nations Development Programme (UNDP) and with the participation of representatives from government, civil society, and academia, six NHDRs were produced between 1995 and 2000. These reports have catalyzed constructive interaction between public policy makers and the nongovernmental sectors of the society, contributing to a detailed examination of all aspects

of human development in the Republic of Moldova. The reports provided several alternative views on transition processes, advocating for reforms and economic growth not as final results but as means to stimulate human development and strengthen responsible governance. Thus, they have increased awareness of the human development concepts and issues, and contributed to the establishment and consolidation of partnerships. The main conclusion drawn from these NHDRs is that the transition process from a totalitarian regime to a democratic regime is complex and requires strategic management and involvement of all active members of civil society.

In the past decade, the transition process has accelerated, and has generated some results. At the same time, many conceptually new problems concerning both the government and the civil society as a whole have emerged. For this reason, *NHDR 2003* is oriented, first of all, toward promoting a closer relationship between the quality of government and human development.

NHDRs have accompanied the transition process and have become an important tool to regularly monitor human development progress and setbacks in the Republic of Moldova.

Box 1

The United Nations Development Programme (UNDP) and the Impact of Human Development Reports

Since 1990, the United Nations Development Programme (UNDP) has promoted human development as an alternative paradigm to the classical economic approach to development. Using global Human Development Reports (13 reports in all) and National Human Development Reports (to date, more than 400 national and sub-national reports in more than 130 countries), the UNDP has focused on people as the center and objective of development.

Every year, Human Development Reports make efficient recommendations to be implemented at national and international levels. At the national level, recommendations focus on the priority of human development policies, the need to establish a new partnership between the state and the market, and the promotion of new forms of alliances between governments, civil society institutions, communities, and individuals.

National, regional, and global Human Development Reports have played a key role in promoting human development. For example, they have:

- brought human development concerns to public attention, advocating for a more people-centered approach to policy making;
- filled an important gap in policy dialogue among development partners, complementing other government-led and civil society initiatives, and donor-supported studies and reports;
- provided human development profiles and tackled key development issues such as human rights, good governance, HIV/AIDS, women in development, and local administration;
- supplied comprehensive human development indicators and indices and helped monitor progress and setbacks in human development and poverty; and
- generated interesting insights into people's perceptions of human development and their concerns and priorities, and incorporated them into policy analysis.

Defining Human Development

Human development can be simply defined as a process of expanding people's choices. Every day people make a series of choices in the economic, social and political realms. If people are put at the center of development policies, then those efforts should be geared to enhancing the range of choices. Enlarging people's choices implies formation and/or enhancement of capabilities. From a human development perspective three critical areas for capabilities are: a long and healthy life, knowledge and access to needed economic resources for a decent living. Human development is both a process and an end result.

However, the fundamental scope of human development is much broader. For instance, the idea of human development and human rights are linked in a compatible and complementary way. If human development focuses on the enhancement of the capabilities and freedoms that the members of a community enjoy, human rights represent the claims on the design of social arrangements to facilitate or secure these capabilities and freedoms. Other areas of choice highly valued by people include participation, security, good governance and sustainability. From a human development perspective, all of these are needed for being creative and productive and for enjoying self-respect, empowerment and a sense of belonging to a community. Ultimately, human development is development of the people, for the people and by the people.

A distinct difference between the schools of economic growth and human development is that the former focuses exclusively on expanding one opportunity – to gain income, while the latter includes the strengthening of all human capabilities – be they economic, social, cultural, or political. From the human development perspective income is a means to human

development, but not the only one. Through various measures the benefits of income need to be translated into enhancing different aspects of development. Thus economic growth is a necessary, but not sufficient, condition for human development. As was pointed in the *1996 Human Development Report* (HDR), it is the quality of growth, not its quantity alone that matters most for human development.

Very often, Governments, especially in countries in transition, do not consider the quality of economic growth and expanding people's choices to be important. They are usually more concerned with other aspects of the transition process, such as macroeconomic stability, budget execution, promotion of external policies, and so forth. Decision-makers are often preoccupied with the quantitative terms of economic growth. However, from the viewpoint of human development they should be more interested in the structure and quality of such growth.

The experience of the last decade in many transition countries suggests that there is no direct connection between stability, economic growth and human development. Even in the cases when such a link has been established, it can be gradually eroded especially if strategic policy management is not continuous or suitable for human development goals. Thus, human development needs to be incorporated in public policy discussions and processes.

Measuring Human Development

Since it first appeared in the first *Human Development Report* in 1990 (Box 1), the Human Development Index (HDI) has been rather successful in serving as an alternative measure of development, supplementing economic indicators.¹ The HDI measures the countries' achievements in three dimensions of

Human development can be simply defined as a process of expanding people's choices

Very often, Governments, especially in countries in transition, do not consider the quality of economic growth and expanding people's choices to be important

A distinct difference between the schools of economic growth and human development is that the former focuses exclusively on expanding one opportunity – to gain income, while the latter includes the strengthening of all human capabilities

The HDI measures the countries' achievements in three dimensions of human development: longevity, knowledge, and living standards

¹ The Annex contains a detailed description of the calculation method of HDI and other human development indices.

Good governance institutions represent fundamental building blocks for a framework for improved public accountability

human development: longevity, knowledge, and living standards. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined gross primary, secondary, and tertiary enrolment ratio; and standard of living is measured by the Gross Domestic Product (GDP) per capita (in US\$ Purchasing Power Parity (PPP)). All three are used to construct an index between 0 (low) and 1 (high), and on which annual country rankings are based on.

The HDI is not able to capture all of the peculiarities of a country and the social impact of newly implemented policies. This is what led national and international analysts to extend the HD concept and its measurement tools. Thus, during the past decades, national and global reports included several additional indices that went beyond the uniform composite measure of longevity, educational attainment, and standards of living. For example:

- ◆ *Gender-Related Development Index (GDI)* to assess gender inequality in life expectancy, level of education, and living standards.
- ◆ *The Gender Empowerment Measure (GEM)*, to assess relative participation of women and men in political and economic life.
- ◆ *Human Poverty Index (HPI)* to measure deprivation in longevity, knowledge, and decent living standards.

Good Governance and Human Development

No notion of human development can be relevant and effective unless it addresses the issue of governance. Taking into consideration the complexity of the Republic of Moldova's situation, and numerous internal and external factors that influence public decisions and policies, it is important to examine the relationships, linkages and synergies between governance and human development. A fundamental element of good governance

is the availability of information on governmental initiatives and policies, and the possibilities for citizens to analyze their impact, influence government actions, and participate in decision making, including the development of laws and regulations affecting their lives. These rights, which are important not only for human development but also for building trust between the state and civil society and for consolidating the national institutional system, are of particular relevance to the Republic of Moldova. Fostering democracy, advancing human development and expanding human opportunities will have to be the three indispensable elements of strengthening good governance in the Republic of Moldova in the years to come.

Good governance institutions represent fundamental building blocks for a framework for improved public accountability. Moreover, good governance as a process of intermediation touches almost all aspects of daily life. Through the synergy of formal institutions, policies, social organizations, values and outcomes of good governance, the predictability and fairness of decision-making processes across the full spectrum of public sector agencies could increase substantially. As the case of the Republic of Moldova shows, not promoting such synergies can have important implications for economic growth, democratic reform and human development.

The 2003 National Human Development Report for the Republic of Moldova

The human development agenda of the past indicates that good governance has become the concern of the entire society. It has been heralded as the missing link in development, as a primary objective of development assistance and a pre-condition to achieve sustainable human development. For these reasons, the main sub-

No notion of human development can be relevant and effective unless it addresses the issue of governance

A fundamental element of good governance is the availability of information on governmental initiatives and policies, and the possibilities for citizens to analyze their impact, influence government actions, and participate in decision making, including the development of laws and regulations affecting their lives

ject of the *National Human Development Report 2003* (hereafter the *NHDR 2003*) is ways of improving governance, seen as enhancing not only the institutional capacity of the state to design and implement more sustainable human development policies but also as strengthening the role of civil society in human development.

The *NHDR 2003* sets forth a framework for the analysis of the connection between governance and human development in the Republic of Moldova, and examines the main economic, political, and social trends, citizens' aspirations, the position of government, and the principal factors and actors influencing the quality of governance and human development. The central message of this Report is that good governance is a basic condition for sustainable human development.

Chapter 1 analyzes the current human development situation in the Republic of Moldova. *Chapter 2* focuses on various aspects of good governance in the Republic of Moldova, from the strengthening of statehood and the challenges of consolidating the country to the good governance aspirations of the people. *Chapter 3* analyzes the efforts of reform underway in the Republic of Moldova both at the public and political level. *Chapter 4* identifies priority policy areas that could be targeted as part of a human development strategy. *Chapter 5* addresses the elements that are needed to operationalize a human development strategy. It goes beyond diagnosis and analysis to consider an agenda for action in the Republic of Moldova.

The main subject of the 2003 NHDR is ways of improving governance, seen as enhancing not only the institutional capacity of the state to design and implement more sustainable human development policies but also as strengthening the role of civil society in human development

The central message of this Report is that good governance is a basic condition for sustainable human development

Chapter 1. Human Development Profile of the Republic of Moldova

Human Development in the Republic of Moldova within the Global and Regional Context

The Republic of Moldova is ranked as a medium human development country

The 2001 HDI of the Republic of Moldova (0.700) is below the world average (0.722)

The life expectancy at birth in the Republic of Moldova (66.7 years) is comparable with the world average (66.9 years)

The Republic of Moldova has the enrollment ratio (61%) that is lower than the global average (64%)

The Global Context

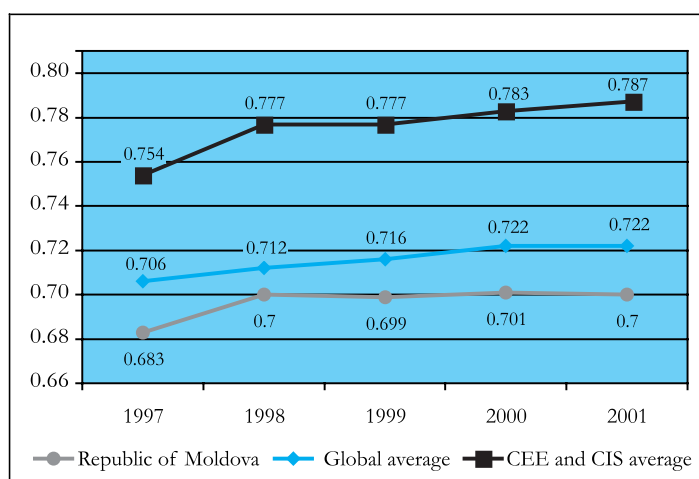
The global *Human Development Report 2003* used the following ranges to rank countries by the Human Development Index (HDI). Countries with an HDI value higher than 0.800 are considered to have high human development; those with HDI values from 0.500 to 0.799 are considered to have medium human development; and countries with an HDI value less than 0.500 are considered to have low human development. Thus, out of 175 countries, 55 have been qualified as having high human development, 86 - medium human development, and 34 - low human development.¹ Countries like Norway, Iceland, Sweden, and Australia are at the top of the 2002 HDR ranking, while countries like such as Mali, Burkina Faso, Nigeria, and Sierra Leone are at the bottom. The Republic of Moldova is ranked as a

medium human development country (108th among the 175 countries), along with Algeria, Vietnam, among others. The 2001 HDI of the Republic of Moldova (0.700) is below the world average (0.722). Similarly, when compared to other regions across the world, it The HDI value of the Republic of Moldova is below the average HDI values of the following (values in parentheses): Organization for Economic Cooperation and Development (OECD) countries (0.905); Central and Eastern European (CEE) countries and countries of the Commonwealth of Independent States (CEE and CIS; 0.787); Latin American and Caribbean countries (0.767); and the East Asian and Pacific Region area (0.726). During the last five years, the HDI in Moldova showed a slight fluctuation trend, while the global HDI average showed an increase (see *Figure 11*).

As far as the three different components of the HDI are concerned, the life expectancy at birth in the Republic of Moldova (66.7 years) is comparable with the world average (66.9 years). It is, however, shorter than life expectancy in the Eastern Asian and Pacific regions (69.5 years), Latin America and the Caribbean (70.3 years), and CEE and CIS countries (69.3 years), and is much shorter than in the OECD countries (77.0 years).

In terms of educational attainment, the Republic of Moldova has the enrollment ratio (61%) that is lower than the global average (64%) and the averages of the CEE and CIS countries (79%) and of the OECD states (87%). One should mention, however, that the available statistical data are not consistent. According to the 2001, 2002, and 2003 HDR data, the Republic of Moldova registered a gross enrollment ratio, at all educational levels, of 72% in 1999, 72% in 2000, and 61% in 2001. According to the Department for Statistics and Sociology, these values are 71.7%, 70.3%, and 70.4%, respectively. The discrepancies between data supplied by the international bodies and

Figure 11. Evolution of the HDI of the Republic of Moldova, compared with the global and regional averages, 1997-2001



Source: UNDP, Human Development Reports (1999-2003).

¹ In the *Human Development Report 2003*, the 2001 statistical data are used.

the national data are insignificant for 1999 and 2000, but for 2001, the difference is considerable; this makes the comparisons with other countries more difficult.

According to the 2003 HDR, the Republic of Moldova had a gross domestic product (GDP) per capita of 2,150 US\$ PPP, which was 3.4 times below the world average (7,376 US\$ PPP). Moreover, the per-capita GDP in Moldova was below the average of all other regions in the world, with the exception of Sub-Saharan Africa (1,831 US\$ PPP).

The Regional Context

What is the human development profile of the Republic of Moldova compared to other countries of the region? According to the 2003 HDR data, only 10 out of 26 CEE and CIS countries can be qualified as countries with high human development (an HDI value higher than 0.800). These countries are Slovenia, the Czech Republic, Slovakia, Poland, Hungary, Estonia, Croatia, Latvia, Lithuania, and Belarus. The other 16 countries are medium human development countries (with HDI values ranging from 0.795 to 0.677). There are no countries from CEE or the CIS classified as having low human development. If the 25 countries of CEE and the CIS were ranked according to their 2001 HDI value, Moldova (0.700) would be positioned 24th right above Tajikistan, the country ranked last in the region.

Albania, for example, shows an HDI value of 0.735, Macedonia - 0.784, and Bulgaria - 0.795. The same situation is characteristic of the two neighboring countries Romania (0.773) and Ukraine (0.766). Among the former Soviet Republics, Uzbekistan made an impressive leap in human development between 1995 and 2001, as its HDI value increased by 0.017 and surpassed that of Moldova. In contrast during the same period the HDI value of the Republic of Moldova decreased by 0.004, a negative change not registered in any

other CEE or CIS country. As a consequence, The HDI of the Republic of Moldova is below the average of the CEE and CIS countries (see Fig. 11). In addition, Moldova has to cover a higher share of human development deficit than other countries of the region (over 0.100), except Tajikistan, to reach the high human development level (see Table 11).

In 2001, the Republic of Moldova had a gross domestic product (GDP) per capita of 2,150 US\$ PPP, which was 3.4 times below the world average (7,376 US\$ PPP)

Table 11. Evolution of the HDI in some countries of the Central and Eastern Europe and the Commonwealth of Independent States

Country	Human Development Index			Evolution of the Human Development Index		Year 2001 Classification
	1990	1995	2001	1990-1995	1995-2001	
Belarus	0.806	0.774	0.804	-0.032	0.030	53
Bulgaria	0.792	0.784	0.795	-0.008	0.011	57
Russia	0.809	0.766	0.779	-0.043	0.013	63
Romania	0.768	0.765	0.773	-0.003	0.008	72
Ukraine	0.797	0.748	0.766	-0.049	0.018	75
Uzbekistan	0.728	0.712	0.729	-0.016	0.017	101
Moldova	0.759	0.704	0.700	-0.055	-0.004	108
Tajikistan	0.735	0.665	0.677	-0.070	0.012	113

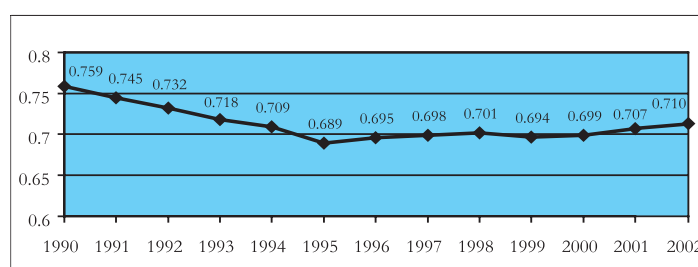
Source: Calculations of the Institute of Public Policies based on *Human Development Report 2003*, UNDP.

Dimensions of Human Development in the Republic of Moldova

Looking at According to the data of the Department of Statistics and Sociology (see Figure 12), the HDI evolution in the Republic of Moldova during the last several years shows an encouraging trend. Although the HDI value decreased during 1993-1995, it increased during 1996-1998, having, however, showed a slight reduction again in 1999. Only in 2000 did the HDI begin to demonstrate a continuous growth. Nonetheless, this increase is not sufficient to ensure the achievement of the highest level ever registered, namely 0.759 in 1990.

If the 25 countries of CEE and the CIS were ranked according to their 2001 HDI value, Moldova (0.700) would be positioned 24th right above Tajikistan, the country ranked last in the region

Figure 12. Evolution of the HDI in the Republic of Moldova, 1993-2002



Source: Department of Statistics and Sociology.

The representation level of women remains low, especially in public administration, economic and social institutions, and science and education management functions

In the 2003 Human Development Report, the Republic of Moldova was ranked 87 out of 144 countries, with the GDI of 0.697

Life expectancy in the Republic of Moldova in 2002 was 68.1 years: 64.4 years for men and 71.7 years for women

During 2000-2002, the birth rate decreased from 10.2 to 9.9 newborns per 1,000 persons

The HDI is an aggregated index calculated as an average for the country and, thus, it may not reflect discrepancies between men and women, as well as between different regions and income groups. One human development measure, which helps to disaggregate the overall HDI of a country, is the **Gender-related Development Index (GDI)**. It uses same variables as the HDI, but taking into account separately the indicators for men and women. In the 2003 Human Development Report, the Republic of Moldova was ranked 87 out of 144 countries, with the GDI of 0.697. The GDI of the Republic of Moldova, as it is in the majority of countries around the world, is lower than its HDI (0.700). Within the CEE and the CIS region, only Tajikistan had a lower GDI than the Republic of Moldova.

There are other complementary components of human development, which reveal significant gender discrepancies; for example, the active participation in political activity, in the decision making process, and in economic activity. The **Gender Empowerment Measure (GEM)** seeks to determine how many women have been empowered to take part in different aspects of public life - in comparison with men. The GEM focuses on four variables: ratio of estimated female to male earned income, share of females in the total professional and managerial jobs of the public sector, share of seats in the Parliament held by women and

share of female professional workers. (see *Table 1.2*). Data for the Republic of Moldova shows that women's participation in the political life is relatively low, although they are better represented better today than a decade ago. Nevertheless, the representation level of women remains low, especially in public administration, economic and social institutions, and science and education management functions.

Critical Aspects of Human Development in the Republic of Moldova

Life Expectancy and Health

According to the data of the Department of Statistics and Sociology, the average life expectancy in the Republic of Moldova in 2002 was 68.1 years: 64.4 years for men and 71.77 years for women. During 1999–2002, the life expectancy for both men and women increased by 0.7 years. Nevertheless, there remains a significant discrepancy between them: 7.3 years in 2002, compared to 7.9 years in 1995. This gap is explained largely by the high level of premature mortality among men.

According to the *2003 Human Development Report*, the average life expectancy in the Republic of Moldova (68.5 years) is one of the shortest among the CIS and CEE countries. Only Kazakhstan (65.8 years), Russia (66.6 years), Turkmenistan (66.6 years), and Kyrgyzstan (68.1 years) have lower life expectancy than the Republic of Moldova. During the same period, life expectancy in the neighboring countries registered higher rates, for example, 69.2 years in Ukraine, 70.5 years in Romania and 70.9 years in Bulgaria.

Birth Rate

During 2000-2002, the birth rate decreased from 10.2 to 9.9 newborns per 1,000 persons. This decrease was experienced in both urban and rural areas. The birth rate in villages (10.8%) continued to stay approximately 1.3 times higher than that in cities (8.5%).

Table 12. Gender Empowerment Indicators in the Republic of Moldova, 1999-2002

	1999	2000	2001	2002
Parliamentary participation (%)	7.9	7.9	12.9	15.8
Leaders and senior officials in public administration and economic and social units (%)	36.6	33.2	37.5	40.2
Intellectual and scientific jobs	61.3	63.1	62.4	60.3
Percentage of women in the total population	52.1	52.1	52.1	52.1
Percentage of women in the total of active population	49.3	49.96	50.11	50.76
GDP per capita in US\$ PPP	1,955	2,112	2,296	2,428
- Women	1,646	1,734	1,895	2,031
- Men	2,455	2,523	2,733	2,860
Index of women's participation in social life	0.428	0.414	0.473	0.511

Source: Department of Statistics and Sociology.

Box 11**More Women in Government: Less Corruption?**

Recently, some research has attempted to show a causal relationship between the levels of women's political participation and the levels of corruption. For example, countries like New Zealand and Norway, which boast more than 30% of women's share in the parliament score relatively high in Transparency International's Corruption Index. In contrast, countries like Russia, Romania and the Republic of Moldova, which on average have less than 15% of women's share in parliament, score low in Transparency International's Corruption Index. There is growing literature, which suggests that women may have higher standard of ethical behavior and be more concerned with

the common good. Increasing the presence of women in government may be valued for its own sake, for reasons of gender equality. If women are less likely than men

to behave opportunistically, encouraging more active participation of women into government may have significant benefits for society.

Women's Political Participation and Levels of Corruption		
	Seats in Parliament held by women (as % of total)	Corruption perception index
Moldova	13	2.1
Ukraine	5	2.4
Romania	11	2.6
Russia	8	2.7
Poland	20	4.0
Peru	18	4.0
Italy	12	5.2
Estonia	18	5.6
Germany	32	7.3
Norway	36	8.5
Canada	21	9.0
Sweden	45	9.3
New Zealand	29	9.5
Finland	37	9.5
Denmark	38	9.7

* Note: 10 means absence of corruption and 0 – the total corruption

Sources: Corruption and Quality of Governance: Case of Moldova, Transparency International Moldova 2001; and David Dollar, et al. "Are Women Really the 'Fairer' Sex? Corruption and Women in Government." *Policy Research Report No. 4*, World Bank, October 1999.

Similarly to previous years, the total fertility rate (the average number of newborn children per 100 women of 15 – 49 years of age) continued to decrease, and in 2001, this indicator did not exceed 125, compared to 215 necessary for a natural reproduction of the population, which is required for replacement of the parents' generation with the generation of their children.

Mortality

Starting in 1996, the Republic of Moldova experienced a decrease in the natural population growth, in part due to the high mortality rate. In 2002, the mortality rate in the Republic of Moldova was 11.6 deaths per 1000 inhabitants. As shown in Figure 13, the following three types of diseases mainly account for the mortality in the country: circulatory system diseases (57%), tumors (12%) and respiratory system diseases (6%). An alarming growth in tuberculosis and HIV/AIDS

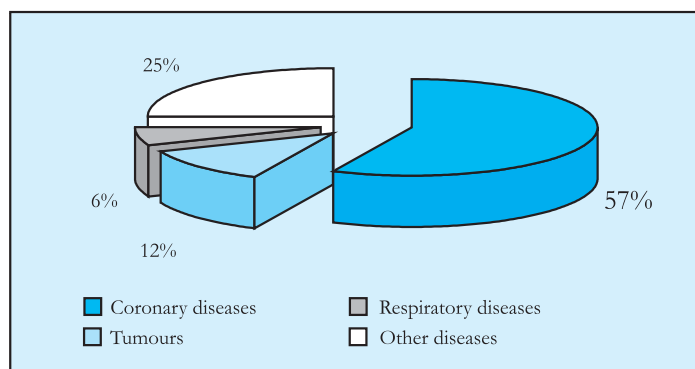
has been seen in the country recently, which will lead to a further increase in the mortality rate.

Infant Mortality

According to the Department of Statistics and Sociology, the infant mortality rate in the Republic of Moldova fell from 21.2 deaths per 1,000 live newborns in 1995 to 14.7 deaths in 2002. Despite this decrease, the comparison

The infant mortality rate in the Republic of Moldova fell from 21.2 deaths per 1,000 live newborns in 1995 to 14.7 deaths in 2002

Figure 13. Mortality Rate by Cause, 2002



Source: Department of Statistics and Sociology.

of the infant mortality rates presented in the *Human Development Report 2001* indicates that the situation in Moldova continues to be alarming. Thus, Portugal, the least developed country of the European Union (EU), registered during 1970-1999 a reduction in the infant mortality rate from 53 to 5 deaths per 1,000 live newborns, while the Republic of Moldova recorded a smaller reduction of this indicator, from 46 to 27 deaths per 1,000 live newborns.¹

Over the last decade, the maternal mortality rate in the Republic of Moldova decreased, but continues to remain higher than in other European countries. In 2002, this rate equaled 28.0 deaths per 100,000 newborns and was mainly due to various complications related to pregnancy, delivery and/or post delivery period. The maternal mortality rate in Moldova is similar to the rates across former Soviet countries.

Another issue that may have a causal relationship to mortality rates and the overall health quality in the Republic of Moldova is malnutrition. Low quality food, the deficit of micro-nutrients (e.g. iodine, iron, calcium), and vitamin D tends to increase the probability of people suffering from endemic goiter, anemia, and rickets.

Access to Health Care

Access to quality health services is a priority problem for the Republic of Moldova. According to the Households Survey, only 44.1% of the country's population have full access to health services, 40% have limited access to it, while 15% have no access to the respective services at all. This situation is largely explained by economic factors. For example, direct payments for healthcare services exceed significantly the 15% share of the healthcare budget recommended by the World

Health Organization (WHO). The low wages of medical staff also affect the accessibility and quality of health services. The Public Opinion Barometer Surveys carried out during 2000-2003 indicated that as much as half of the population in the Republic of Moldova, who benefited from hospital care, had to pay additional unofficial fees for health care services.

Education

The human development paradigm views education as the fundamental means to expand possibilities for people. Education, especially of today's youth, in the Republic of Moldova will be essential for laying the foundations for peace and prosperity in the future. A well-trained population which values diverse, multicultural, democratic systems can support interaction, trust and cooperation. In order to consolidate a successful transition the Republic of Moldova cannot rely solely on its natural resources, but also on the capacity of its people, its most important resource.

Within the HDI, various educational indicators are used to characterize the depth and quality of educational opportunities for people. Most of the aggregated educational indicators in the Republic of Moldova remained stable throughout the last decade, with some minor fluctuations. The current adult literacy rate is 96.4%, although this indicator may not be reflecting recent changes since it is based on the 1989 census. The gross enrolment ratio of 71% has seen only insignificant fluctuations.

During the last decade, preschool education was very seriously affected by various factors. The number of preschool institutions, teachers and enrolled children decreased. For example, During 1995-2002 33% of kindergartens were closed, and the number of enrolled children and teachers decreased by over 35%. It is estimated that at the beginning of the 2002/2003 academic year 1 out of 5 children of the 5-6 years group was not attending a kindergarten. Since most kindergartens that were closed are in rural areas, children in small remote villages

Over the last decade, the maternal mortality rate in the Republic of Moldova decreased, but continues to remain higher than in other European countries

Access to quality health services is a priority problem for the Republic of Moldova

Most of the aggregated educational indicators in the Republic of Moldova remained stable throughout the last decade, with some minor fluctuations

¹ The data released by the Department of Statistics and Sociology for 1970-1999 also indicate a small decrease in the infant mortality rate, from 23 to 18 deaths per 1,000 live newborns. Differences between global report data and those submitted by the national institutions are explained by different calculation methodologies.

are the most adversely affected. This also affects negatively the rate of enrolment at the primary school level, as well as increases the probability of school drop-outs in rural areas.

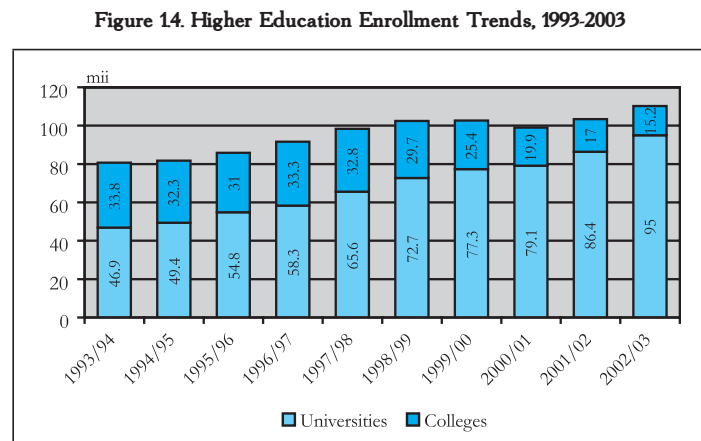
The gross enrollment ratio in the primary education of the Republic of Moldova is 99.5% and in the gymnasium - 92.2%. Based on these data, one may conclude that Almost 8% of pupils in the Republic of Moldova abandon school. This negative trend is accompanied by a very low rate of post mandatory education enrollment among the respective age group (about 48%).

One of the more promising educational sectors in the Republic of Moldova is the higher education (see *Figure 14*). During the Soviet times, Moldova was ranked one of the lowest among former Soviet republics in terms of the number of people with higher education per 10,000 inhabitants. Only after independence was it possible to correct the situation. Thus, in 2002, 110,000 students were enrolled in 45 universities and 63 colleges of the country. Of these, almost 14% of students study in colleges (short-term higher education institutions), and the remaining 86% - in universities. The most popular professions were economics (22% of the enrolled) and law (20%). During the 2002–2003 academic year, there were 304 higher education students per 10,000 inhabitants in the Republic of Moldova, which contributes to strengthening the intellectual potential of the society.

Despite impressive gains in the higher education sector, the employment of young professionals is still a major problem in the Republic of Moldova. Only 20% of higher education graduates manage to get a job adequate to the qualifications specified in their graduation papers. This calls into attention the need to adjust the content and quality of the higher education system to the economic and social policies of the country.

The Living Standards

Much of the current human development profile of the Republic of Mol-



Source: Department of Statistics and Sociology.

dova can be explained in terms of its income component. *Table 13* illustrates the GDP per capita trends of the Republic of Moldova for 1993-2002. Measured in Moldovan Lei at current prices, the GDP per capita increased steadily over this period. However, when the GDP per capita is calculated in US\$ purchasing power parity (PPP), the trend is more fluctuating. In 2001, the GDP per capita of the Republic of Moldova (US\$PPP 2,150) was the lowest among the CEE and CIS countries, with the exception of Tajikistan, and was three times lower than the regional average (US\$PPP 6,598).

In the Republic of Moldova, similarly to other countries in transition, difficult economic transformations were accompanied by an increase in poverty. The Household Budget Survey carried out in 2002 indicates that 26.2% of the population live under the extreme poverty line (the food poverty threshold) established at only 212 lei

One of the more promising educational sectors in the Republic of Moldova is the higher education

In 2001, the GDP per capita of the Republic of Moldova (US\$PPP 2,150) was the lowest among the CEE and CIS countries, with the exception of Tajikistan, and was three times lower than the regional average (US\$PPP 6,598)

In the Republic of Moldova, similarly to other countries in transition, difficult economic transformations were accompanied by an increase in poverty

Table 13. Evolution of Income Indicators in the Republic of Moldova, 1993–2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic product (GDP) per capita in lei, current prices	505	1,313	1,798	2,167	2,441	2,498	3,379	4,402	5,247	6,227
GDP per capita in US\$	348.1	323.3	400.5	470.5	527.9	464.9	321.4	354.0	406.7	459.0
GDP per capita in US\$ PPP*	2,935	2,975	2,105	2,100	2,188	2,020	1,955	2,112	2,296	2,428

* Estimated based on the results of the 1996 European Comparison Programme.

Source: Department of Statistics and Sociology.

26.2% of the population live under the extreme poverty line (the food poverty threshold) and 40.4% - under the absolute poverty line

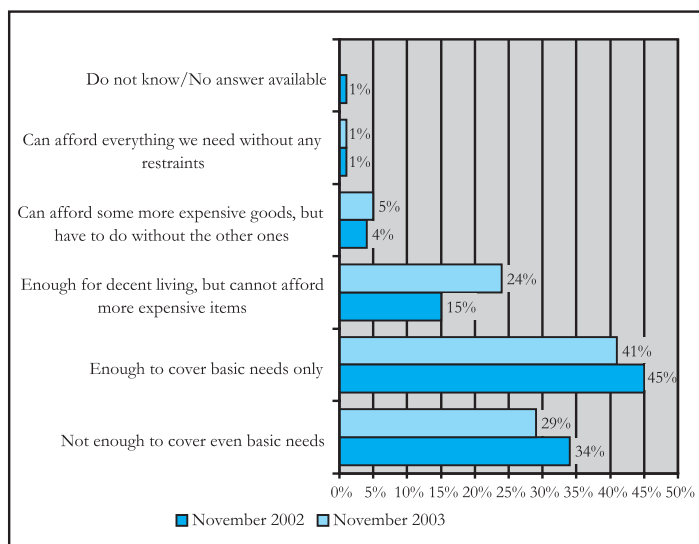
(US\$15.6) per month and 40.4% - under the absolute poverty line established at 271 lei (US\$19.9) per month.

Subjective assessments of the living standards confirm the objective evalu-

ations. *Figure 15* illustrates the results of Public Opinion Barometer surveys carried out in 2002-2003 based on a representative population sample. About 29% of the people interviewed stated that their available income was not enough to meet even the elementary basic needs. The other 41% stated that their present income was enough to meet only their most important needs. Only 24% of respondents considered that they led decent lives, but could not afford expensive goods. This was also confirmed by a consumption survey which showed that the majority of households spent the biggest part of the incomes to meet their basic needs. During 1998-2001, the share of expenditures for food and non-alcoholic beverages was over 60%; the expenditures to improve living standards came second. Expenses for healthcare totaled 3-4% and expenses for education were under 1%.

Poverty in the Republic of Moldova is accompanied by an acute differentiation of income. This divide can be

Figure 15. Living Standards in the Republic of Moldova (subjective perception)



Source: Public Opinion Barometer Surveys, 2002-2003.

Box 12

Anti-Poverty Initiatives for Human Development

As agreed at the World Summit on Social Development in 1995, a renewed global strategy against poverty needs to be designed, with more resources and a sharper focus and a stronger commitment, while developing countries are being encouraged to launch full-scale campaigns against poverty. In Copenhagen, countries committed themselves to establish their own estimates of poverty, set their own targets and elaborate their own plans. The role of external assistance is precisely to help them build the capacity to follow through on their decisions and resolutions.

Being a multidimensional problem, poverty should be addressed by a multi-sectoral approach, cutting

across government ministries and departments. Effective governance is often the "missing link" between national anti-poverty efforts and poverty reduction. Anti-poverty campaigns have often bypassed and ignored local government. Donors used to favor funneling resources through central governments but now they increasingly rely on civil society organizations. As a result, the critical role of local government, when elected and accountable, continues to be forgotten. If poverty reduction programs are to succeed, local government must be strengthened, and held accountable both to the central government and to its constituents. In the long run, building stronger and more accountable local government is the only way to make decentralization pro-poor. Popular participation and partnerships

with civil society organizations can foster greater transparency and accountability. Setting monitoring and evaluation systems that tie financing to performance can also enhance accountability. But this requires time, resources and capacity building.

The lack of an integrated approach characterizes several poverty programs. In fact, these are seen primarily as a set of targeted interventions (a series of small-scale projects), which are not integrated within national policies. Economic and social policies are artificially divided. Also, there is the habit of thinking sectorally, and organizing government departments along sectoral lines. The problem is especially acute with respect to such issues as gender and environment. The links between these two areas and poverty remain weak.

Source: UNDP. Overcoming Human Poverty. New York, 2000.

characterized by the Gini Coefficient that measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 presents perfect equality and a value of 1 - absolute inequality. During 1993-2002, the Gini coefficient of the Republic of Moldova increased from 0.36 to 0.42 (see *Table 14*). The Household Budget Survey indicates that the richest 20% of the total population account for about 45% of the total consumption, while the poorest 20% account for only 6-7% of the total consumption.

Like in many other countries, poverty in the Republic of Moldova has many dimensions. For example, poverty may be a result of lack of income and assets to cover basic needs (food, shelter, clothing, and acceptable levels of health and education). It could also be a result of inactivity and low capacity in the state and social institutions. In addition, poverty in Moldova is a result of the increased vulnerabil-

Table 14. Evolution of the Gini Coefficient of the Republic of Moldova, 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gini coefficient	0.36	0.38	0.39	–	0.44	0.44	0.44	0.42	0.43	0.42

Sources: Government of the Republic of Moldova. Interim Poverty Reduction Strategy Paper, April 2002. Economic Growth and Poverty Reduction Strategy Paper, November 2003.

ity to adverse shocks, linked to the inability to cope with them.

The poor in Moldova range from people with a reduced level of education, unskilled workers and very large or single-parent families, to highly educated persons who once enjoyed socially prestigious and well compensated positions as scientists and professionals. Among the poorest groups are the working poor, especially the landless workers in the agricultural sector, families with more than five members, families with one or more vulnerable members, and the unemployed. A third of these groups are reported to live in extreme poverty. Poverty in Moldova is more prevalent in rural areas, and the most vulnerable are the agricultural workers (see *Box 13*).

Poverty in Moldova is more prevalent in rural areas, and the most vulnerable are the agricultural workers

Box 13

Rural Poverty in the Republic of Moldova

Poverty in the Republic of Moldova is prevalent in the countryside. The poorest quintile is composed of 36% of urban population and 64% of rural population. Revenues in rural areas are mostly in-kind (72% of the total disposable income), with cash accounting for only 28%. The cash share in the total income for the poorest quintile in rural areas amounts to approximately 26%. Rural poverty is closely correlated with a drop in agricultural activity over the transition. The agricultural sector was severely hit on the onset of transition by a combination of an adverse terms-of-trade correlation between the prices of inputs and

the prices of agricultural output, the loss of competitiveness of Moldovan agricultural products in their traditional markets, and little restructuring in the sector.

Subsistence Agriculture is the most important revenue source for the poor rural population. The weight of income from agricultural activities in the structure of incomes of the rural population amounts to 77%. At the same time the weight of this income in the structure of incomes of the poor population from the rural areas amounts to 78%. Despite their capacity to produce some of their own food – which has kept many rural poor out of extreme poverty – conditions in rural areas remain difficult. Many rural households survive on subsistence farming.

Agricultural households interested in farming lack the means to expand into more profitable farm activities. Cash-poor, with fewer opportunities to obtain credit, these households are unable to branch outexpand into growing more profitable crops because they cannot afford equipment, fertilizers, pesticides, seeds or irrigation. Although the country has made good progress in farm restructuring and land privatization, the reforms were delayed until the collective farms had largely collapsed along with the processing/marketing system that supported the agricultural sector. A promising development has been the land consolidation that is underway following the privatization of land and the creation of voluntary cooperative associations.

Source: World Bank. Interim Poverty Reduction Strategy Paper. April 21, 2002.

The Economic Decline and Human Development

The economic decline experienced after independence, adversely affected human development conditions in the Republic of Moldova

The Republic of Moldova imports as much as 98% of its energy consumption

The technology that is used to distribute energy is outdated, which further contributes to waste, uneven distribution and high costs

The economic decline experienced after independence, adversely affected human development conditions in the Republic of Moldova. From 1993 to 1999, the GDP steadily declined by nearly 41% (see Figure 16). The effects of the structural and institutional reforms initiated during the previous years started to show only in 2000, and contributed to the maintenance of the economic and financial stability. Nevertheless, the positive results achieved during 2000-2003 continue to have a high degree of fragility.

The transition process and the creation of an environment that is conducive to economic growth in the Republic of Moldova have evolved under a set of unique difficult circumstances. For example:

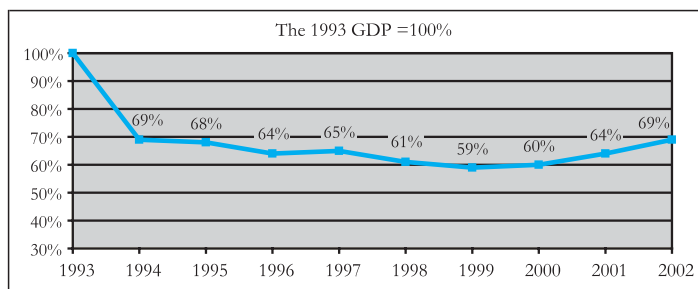
Militarization of the industrial sector. Before 1990, multiple industrial enterprises existed in the Republic of Moldova

such as the plants "Mezon," "Sigma," "Alfa," "Raut," "Moldavghidromas," "Vibropribor," to name but a few. They were part of the military industrial complex of the former Soviet Union. After the collapse of the Soviet Union, these enterprises lost their partners and beneficiaries. Consequently, the share of industry in the GDP reduced (see Fig. 17). No proper conditions were created for the experts and managers of these enterprises to reorient them towards the production of wide-use goods. Consequently, the share of industry in the GDP reduced (see Fig. 17). Efforts are being undertaken to revitalize the industrial sector, but noteworthy results have been registered so far only in the food processing area.

Economic vulnerability caused by its predominantly agro-alimentary character. Agro-alimentary specialization, inherited from the economic sector of the former Soviet Union, became after independence the main livelihood activity in the Republic of Moldova. The share of the agro-alimentary sector (agriculture and food processing industry, taken together with the activities related to serving this sector such as trade and transportation) represents as much as 50-60% of GDP. Given the seasonal character of agricultural production, the high possibility of unfavorable natural phenomena (droughts, frosts, floods) and the low level of profitability in agriculture, it would be rather difficult to achieve a substantial economic growth based only on agriculture.

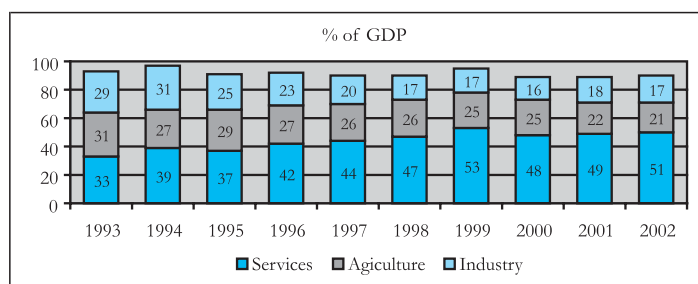
Dependence on external energy sources. The Republic of Moldova imports as much as 98% of its energy consumption. In addition, the technology that is used to distribute energy is outdated, which further contributes to waste, uneven distribution and high costs. The total cost of the consumed energy at the national level reaches nearly 37% of GDP, which is greater

Figure 16. Gross Domestic Product in the Republic of Moldova, 1993-2002



Source: Department of Statistics and Sociology.

Figure 17. Shares of Industry, Agriculture, and Services in the GDP of the Republic of Moldova, 1990-2002



Source: Department of Statistics and Sociology.

than in any European country. During the transition period, the cost of energy increased as much as 10 times. The increase, along with the lack of an adequate tariff policy has contributed to the accumulation of an enormous public and private debt, which affects the level of human development in the country.

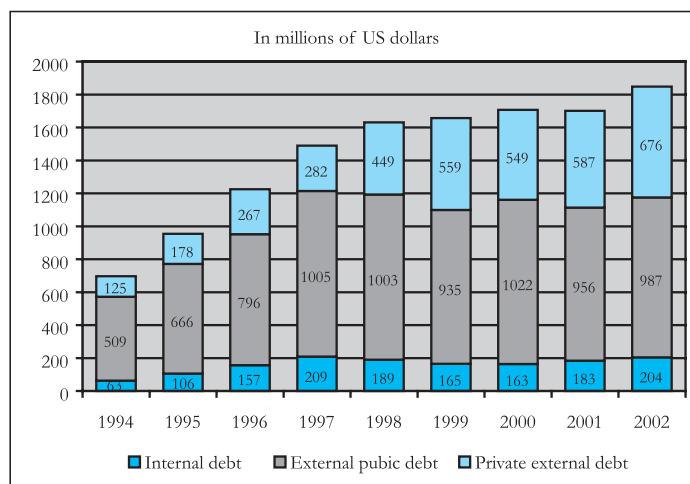
Diminution of the scientific-technological potential. In the former Soviet Union, research and development (R&D) activities were mainly oriented toward meeting the needs of the military industrial complex. Most local scientific groups were affiliated to the Union-wide ones and could not accept redirecting their activity after independence. The budget allocated to R&D activities in the industrial sector dropped from nearly 30% in 1990 to less than 1% in 2000. Currently, the number of staff employed in the scientific-technological sphere is 5 times smaller than in 1990.

The negative balance of trade and the unfavorable structure of foreign trade. In 2003, the Republic of Moldova had a US\$ 612.5 million trade deficit, which was much higher than in 1993-2002. About 54% of exports from the Republic of Moldova are destined to the CIS countries and Russia, while only 23% to the EU countries. Thus, any instability or financial crises in the CIS countries and Russia tend to have an adverse effect on the value and volume of trade in the Republic of Moldova.

The size of internal and foreign debt and insufficient investments. Beginning in 1994, the Republic of Moldova's debt started to steadily grow, and by the end of 2003, it increased almost three times (see Figure 18). The investments, on the contrary, showed a permanent decline. Thus, between 1991 and 2000, the decrease was of more than 90% (see Figure 19).

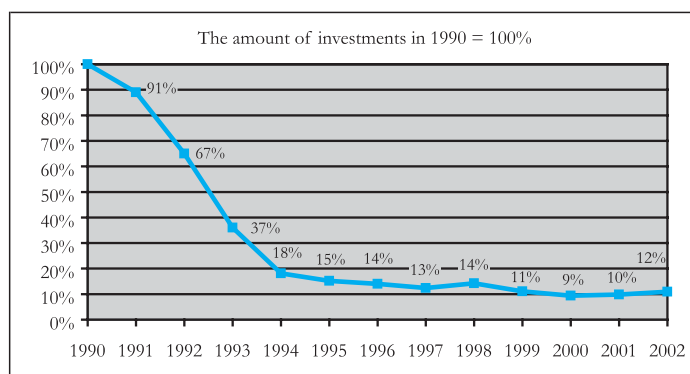
Unemployment and emigration of the workforce. Both unemployment and

Figure 18. Evolution of the State Debt in the Republic of Moldova, 1994-2002



Source: Ministry of Economy.

Figure 19. Evolution of Investments in the Republic of Moldova, 1990-2002



Source: Ministry of Economy.

immigration figures registered a dramatic increase in the last decade. According to the International Labor Organization, the average unemployment rate in the Republic of Moldova was 6.8% in 2002. Data released by the Department of Migration shows that about 600,000 people, or 37% of the total active population, went abroad in search of employment.

The contradictory character of financial stabilization. The financial stabilization in the Republic of Moldova was achieved with the help of financial-credit instruments. The National Bank of Moldova applied drastic anti-inflationary measures such as a sudden reduction of money emission, keeping a

Dispite progress in certain areas, the evolution of human development in the Republic of Moldova is unsatisfactory

high refinancing rate and maintaining a low level of money supply in the economy. These were necessary measures to eliminate the high inflation rates registered in 1992-1993, which reached 1,670% and 2,777% respectively. Restriction of money emission combined with the low level of the banking multiplier (lower than 2) caused an acute money insufficiency. This had an adverse effect on investment, debt, credit, and the economy in general. Moreover, the asymmetrical correlation between consumption prices and the exchange rate had a further negative influence on the economy (see Figure 110). After the introduction of the national currency in 1993, the foreign exchange rate was maintained unchanged for five consecutive years. The government was criticized for this exchange policy, on the grounds that there should have been a more gradual devaluation of the national currency to be more sensitive to local producers.

Lack of coherence during the privatization, reorganization and restructuring of enterprises. The privatization of enterprises and land in the Republic of Moldova did not bring expected results and many citizens did not get the chance to initiate profitable businesses. The

privatization of enterprises took place in accordance with the provisions of the laws based on the Czech Republic and Russian models. However, as a result of a combination of political and management factors the process yielded little results. The privatization in agriculture was implemented with a lot of problems and, similarly to the privatization of industrial enterprises, its outcomes were very modest.

Weaknesses of the fiscal system. The fiscal system in the Republic of Moldova is considered restrictive and inefficient. Excessively high taxes along with the weak fiscal discipline undermine entrepreneurship activities and encourages the expansion of the informal economy (estimated to be as high as 60% of the size of legal economy). The fiscal policy currently in place, also affects capital accumulation.

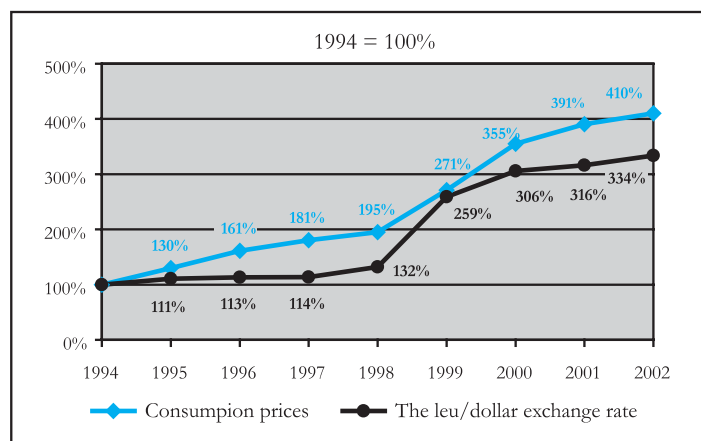
Conflicts in Gagauzia and Transnistria. These conflicts, largely inspired by certain external forces of the former empire, have had a significant adverse effect on the economic development of the Republic of Moldova. In addition, they contributed to an increase in the risk degree of the country, which is perceived as an obstacle by foreign investors.

Good Governance and Human Development in the Republic of Moldova

Considering the facts mentioned above, one may conclude that, despite progress in certain areas, the evolution of human development in the Republic of Moldova is unsatisfactory.

Over the last five years, despite periods of instability and uncertainty, the Republic of Moldova has made significant progress toward achieving and maintaining macroeconomic and financial stability. Furthermore, it has implemented many structural and institutional reforms. Nevertheless, the Republic of Moldova continues to have the lowest level of income per

Figure 110. Evolution of the Consumption Prices and of the Leu/Dollar Exchange Rate, 1994–2002



Source: Estimates produced by the Institute for Public Policies based on data submitted by the Department for Statistics and Sociology and the National Bank of Moldova.

capita in Europe and one of the lowest HDI values in the CEE and the CIS regions. There is also evidence that suggests that poverty in the Republic of Moldova is growing and job opportunities are becoming more limited. Human development is not being expanded steadily and income levels might get lower, especially in rural areas. Moreover, the human development profile of the Republic of Moldova appears less favorable than in most of the CIS countries, and significantly lesser than the CEE countries. According to the 2003 HDR, only Tajikistan registered lower human development indicators than the Republic of Moldova.

The high poverty level in the Republic of Moldova may also have been associated with an increase in income inequality. The effects of the regional crises, frequent droughts, the overall decline of the economic activity and the political instability have also negatively affected the country's living standards and human development indicators. Many subjective factors have made the transition process in the Republic of Moldova even more complex.

Although the Republic of Moldova has been independent since 1991, some external forces with the imperial long-ing continue to assert their power by extending support to the separatist elements in the Transnistrian region. This factor, in combination with the others mentioned above, has made the human development policy environ-

ment in Moldova more intricate and has brought into attention the issue of good governance.

During the past decade the Republic of Moldova has made progress in several areas of human development and political democracy. However, there are still significant obstacles to overcome, including the ones pertaining to the role of government in human development. As will be seen from the chapters to follow, the case of the Republic of Moldova helps to demonstrate the need for promoting greater synergies between public policy, good governance and human development.

Table 15. The Republic of Moldova's Progress towards the Millennium Development Goals

Goals and Targets	Indicators	Status
Goal 1: Eradicate extreme poverty and hunger		
Target: Halve the proportion of people suffering from hunger	Undernourished people (as % of total population)	On track
Goal 2: Achieve universal primary education		
Target: Ensure that all children can complete primary education	Net primary enrolment ratio (%) Children reaching grade 5 (%)	... Achieved
Goal 3: Promote gender equality and empower women		
Target: Eliminate gender disparity in all levels of education	Female gross primary enrolment ratio as % of male ratio Female gross secondary enrolment ratio as % of male ratio	On track Achieved
Goal 4: Reduce child mortality		
Target: Reduce under-five and infant mortality rates by two-thirds	Under-five mortality rate (per 1,000 live births)	Far behind
Goal 7: Ensure environmental sustainability		
Target: Halve the proportion of people without access to improved water sources	Population using improved water sources (%)	On track

Note: The analysis assumes that trends over the next decade will be the same as over the past decade.

Source: Human Development Report 2002, UNDP.

Box 14

The United Nations Millennium Declaration: Placing Human Development at the Top of the Policy Agenda (Excerpts)

We, heads of State and Government, have gathered at United Nations Headquarters in New York from 6 to 8 September 2000, at the dawn of a new millennium, to reaffirm our faith in the Organization and its Charter as indispensable foundations of a more peaceful, prosperous and just world. We recognize that, in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level. As leaders we have a duty therefore to all the world's people, especially the most vulnerable and, in particular, the children of the world, to whom the future belongs.

We believe that the central challenge we face today is to ensure that globalization becomes a positive force for all the people of the world. For while globalization offers great opportunities, at present its benefits are very unevenly shared, while its costs are unevenly distributed. We recognize that developing countries and countries with economies in transition face special difficulties in responding to this central challenge.

We consider certain fundamental values to be essential to international relations in the twenty-first century. These include: Freedom, Equality, Solidarity, Tolerance, Respect for nature and Shared responsibility.

We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a

reality for everyone and to freeing the entire human race from want. Success in meeting these objectives depends, *inter alia*, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems.

We resolve further to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water. We also resolve to promote gender equality and the empowerment of women as effective ways to combat poverty, hunger and disease and to stimulate development that is truly sustainable. And, to develop and implement strategies that give young people everywhere a real chance to find decent and productive work.

Source: United Nations Development Programme, New York, 2000.

Chapter 2. Governance in the Republic of Moldova and Challenges of State Consolidation

Correlation between Governance, Democracy, and Human Development

Governance and Good Governance

The ongoing debate of the concept of governance, as a means to and for development, dates back to almost three decades ago. Governance is seen as an administrative process consisting of a set of rules and institutions and an open, transparent, efficient, and accountable system of public administration. Within this conceptual framework, governance would provide clarity, stability, and predictability to the economic activity.

During the last two decades, as more countries opted for political and economic reform, the use and application of the concept of governance has intensified and broadened. The United Nations Development Programme (UNDP) has been among the leading international development organizations in promoting the concept of governance related to human development. From this perspective, one key premise to understand governance is the fact that processes of change, such as transition and globalization, are not automatically or inevitably focused on people's needs. Thus, governance has to be thought of as a process that goes beyond the set of rules and institutions that help manage change more effectively. Similarly, governance from a human development perspective has to comprise much more than authority. It needs to involve mechanisms, processes and institutions through which citizens and groups can voice their interests, exercise their legal rights, meet their obligations and mediate their differences.

For governance to be more effective for human development, it also needs to involve other key factors such as participation, transparency, and accountability. When a society like the Republic of Moldova has explicitly chosen democracy as a system of governance, political, social, and economic priorities, such as productive transformation, institutional reform, and human development become contending issues for dialogue, deliberation and consensus among the different groups within society. As the uncertainty of change and transition generates costs for various sectors of the society, it is important for the government to ensure that people have a voice that decision-makers take into account their predicaments and that development resources are allocated more effectively in their favor. Thus, the notion of good governance arises from recognizing the importance of democratic approaches to human development.

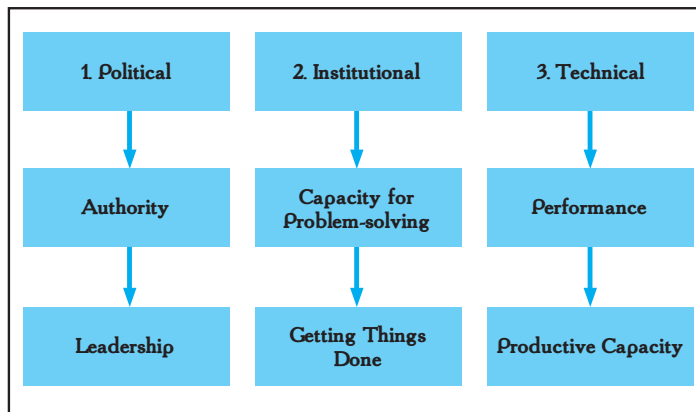
As can be seen in *Figure 21*, synergies, strategies, and policies drive good governance in three main directions: political, institutional, and technical. The technical dimension generally includes decision-making processes and capacity that affect a country's productive performance activities. This aspect impacts equity, poverty, and the quality of life in a foreseeable manner. The political dimension of good governance generally involves authority and leadership, which nourish the decision-making process that ultimately makes it possible to define policies. The institutional dimension comprises the decision implementation system. Encompassing all three, good governance is viewed as a multi-dimensional process by which human development policies are implemented with the maximum degree of consensus, success, and impact.

Governance is seen as an administrative process consisting of a set of rules and institutions and an open, transparent, efficient, and accountable system of public administration

The notion of good governance arises from recognizing the importance of democratic approaches to human development

Good governance is viewed as a multi-dimensional process by which human development policies are implemented with the maximum degree of consensus, success, and impact

Figure 2.1. Dimensions of Good Governance



Links between Good Governance and Human Development

Notwithstanding the overall progress made in broadening the concept of good governance, there is still no broad consensus on the definition of its elements. Research conducted since the mid-1990s has contributed to nourishing the concept and its operationalization. However, there is still a tendency to associate good governance only with lack of corruption and the efficiency of public management, or with participatory approaches. From a human development perspective, as it was analyzed in the *2002 Human Development Report (HDR)*, it may be much more appropriate to advocate for good governance from a broader perspective that encompasses the provision of rights, resources, and capacities that facilitate citizens' participation in the decision-making processes that affect their lives.

Promoting and consolidating good governance so that it efficiently supports human development is of great value to countries in transition, including the Republic of Moldova. Human development is an outcome of the interaction of economic, social, and political factors. In particular, it can be in part an outcome of the accountability and responsiveness of state institutions through which these factors are articulated. Poor governance, including corruption and political instability, can undermine the efficient and equitable provision of public ser-

vices, an efficient allocation of resources and block opportunities for sectors in the society.

Indicators developed by the *Freedom House* nongovernmental organization can be used to evaluate the quality of governance per se, not based only on intentions or adopted laws. These indicators take into consideration the authority of the legislative bodies; election procedures, the degree of decentralization and the activity of the local bodies; the degree of observance of individual rights and liberties; and legislative and executive transparency and accountability. The level of good governance is evaluated based on a numerical scale, using values from 1 (high) to 7 (low), which facilitates international comparison. *Figure 2.2* illustrates the correlation among the Human Development Index (HDI) and the good governance indicators for a number of countries in transition, including the Republic of Moldova. One can observe the existence of a close correlation between good governance indicators and human development indicators. Thus, Slovenia and the Czech Republic, characterized by better good governance indicators, have a high HDI, while the Republic of Moldova and Tajikistan have lower levels of good governance and show lower HDI values.

An important subject of discussion relevant to countries in transition is on how the quality and efficiency of governance contribute to decision making in vitally important human development areas. Among the main factors that have an influence on the state capacity to promote good governance and human development are:

- *Authority*, or the extent to which the society functions applying impartial rules to all citizens and at the same time sets legal limits to authority to avoid the risk of arbitrary action.
- *Problem solving*, or the extent to which there is capacity in society

A close correlation exists between good governance indicators and human development indicators

From a human development perspective it may be much more appropriate to advocate for good governance from a broader perspective that encompasses the provision of rights, resources, and capacities that facilitate citizens' participation in the decision-making processes that affect their lives

An important subject of discussion relevant to countries in transition is on how the quality and efficiency of governance contribute to decision making in vitally important human development areas

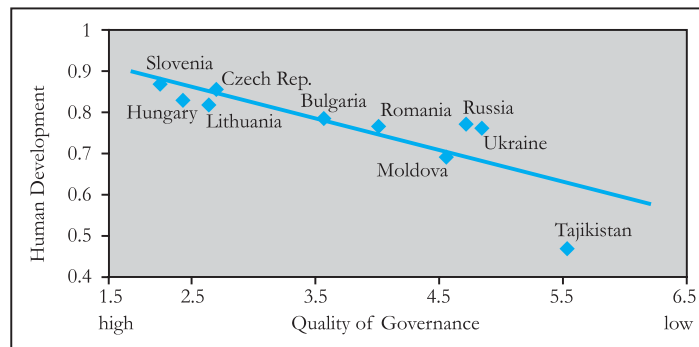
to identify problems, formulate solutions, and mobilize needed resources.

- **Conflict resolution**, or the ability to channel and resolve conflicts via sustainable institutional channels and or spaces for deliberation and dialogue.
- **Implementation**, or the capacity to translate ideas and decisions into policy operations.

When a process, such as transition, explicitly recognizes that people are the ends and the means of policy initiatives, synergies between government and society can be fostered. In this approach, the state can facilitate interactions between decision-makers and society at every step of the policy process. There are two main aspects to this approach: not only does the state and its democratic governing regime need to have the capacity to initiate public programs and policies aimed at expanding the quality of economic growth, but most importantly civil society also must have the capacity to input and engage the government, at different stages of the development process (Figure 23). The level of satisfaction with, and support to the government will be proportional both to the capacity of the state and its democratic regime to put forward and implement programs successfully and to the extent in which people have been engaged and participated in the decision-making process. The combination of an effective civil society and better governance would allow for establishing a powerful coalition to further human development more effectively.

As can be seen in Figure 23, a democratic state and governing regime can undertake a number of key actions to foster economic growth and human development. However, at every step of the process the synergies between civil society and government are what ultimately can guarantee better results for both governance and human de-

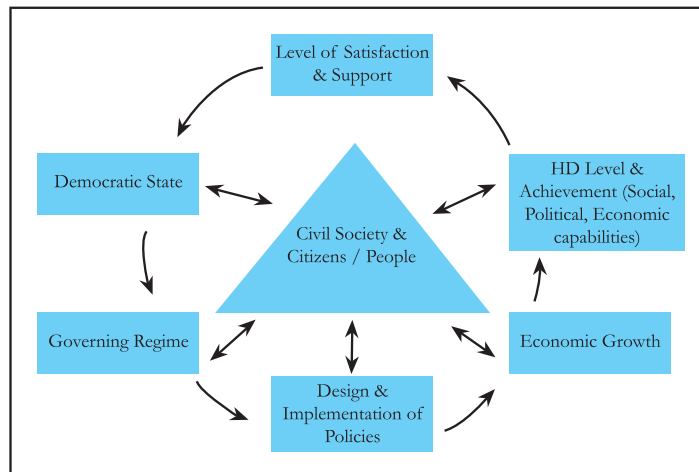
Figure 22. Correlation between Good Governance and Human Development in Selected Countries in Transition



Note: Value 1 denotes the highest level of good governance, 7 – the lowest level.

Source: Human Development Report 2003; Nations in Transition 2002.

Figure 23. People-Centered Approach to Human Development and Good Governance



velopment. Factors such as generating the demand of the civil society for better resource allocation and public service delivery, establishing partnership between civil society networks, forcing government agencies to be more transparent, and adapting the roles of government and leadership can all yield substantial political payoffs for both the government and civil society.

Good governance is an ongoing and nascent process in the Republic of Moldova, which has been linked to its unique transition process. Thus understanding the complexities of consolidating statehood and identifying potential policy entry points to strengthen the process become strategic activities.

Not only does the government need to have the capacity to initiate public programs and policies but most importantly civil society also must have the capacity to input and engage the government, at different stages of the development process

Good governance is an ongoing and nascent process in the Republic of Moldova, which has been linked to its unique transition process

Box 2.1**Effective Political Leadership: Good Governance and Human Development**

The prevailing notion that leadership consists of having a vision and aligning people with that vision is bankrupt because it continues to treat adaptive situations (like transitions) as if they were technical. The government (the authority figure) is supposed to define where the country is going, and people are supposed to follow. Leadership is reduced to a combination of grand knowing and salesmanship. Such a perspective reveals a basic misconception about the way societies succeed in addressing adaptive challenges. Adaptive situations, such as increased good governance and increased human development, are hard to define and resolve precisely because they demand the

work and responsibility of government and non-governmental actors.

Leadership has to take place every day. It cannot be the responsibility of the few, a rare event, or a once-in-a-lifetime opportunity. In our world today, countries and other organizations face adaptive challenges all the time. When presidents are asked to create jobs, they face an adaptive challenge. Ministers face adaptive challenge when they see reform as a solution to a problem, but as technical as the problem may be (education, health, local governance) it requires a change in the attitudes and habits of subordinates. When mayors see a gap between the resources and the needs of their local constituencies, they face both an adaptive challenge and the risks and opportunity of leading from below.

Leadership, as seen in this light, requires a learning strategy. A leader, from above or below, with or without authority, has to engage people in confronting the challenge, adjusting their values, changing perspectives, and learning habits. To those accustomed to authoritative decisions, this shift may come as a rude awakening. But it also should ease the burden of having to know all the answers and bear the entire load. To the citizen who waits to receive either the president's call or "the vision" to lead, this change may also seem a mixture of good news and bad news. The adaptive demands of our time require leaders who take responsibility without waiting for revelation or request. One can lead with no more than a question in hand: how can good governance and human development be enhanced in the Republic of Moldova?

Source: Adapted from Ronald A. Heifetz and Donald L. Laurie. "The Work of Leadership." *Harvard Business Review*, January-February 1997.

Building Up a Democratic State and Aspirations for Good Governance

Brief Political Background

The Republic of Moldova is the legal successor of the former Soviet Socialist Republic of Moldova, a part of the former Soviet Union. The territory of the Republic of Moldova is composed of two distinct parts with different historical backgrounds. The one between the Prut and Nistru Rivers (approximately 88% of the territory) is part of the territory known as Basarabia, which is geographically delineated by the Prut River in the west, by the Nistru River — in the north and in the east, the Black Sea in the southeast, and the Chilia (Kiliya) arm of the Danube delta in the south (See *Map 2.1*). The remaining 12% of the territory, Transnistria, constitutes a narrow strip of land on the left bank of the Nistru River.

Basarabia used to be part of the Moldovan Principat, which in 1859 united with the other territories populated by Romanians and created the present Romania. Over the course of several centuries, this territory was claimed by many powers in the region and was subject to frequent invasions and robberies, depending on changes in the regional and international political conditions. In 1812, as a result of the Russian Turkish war, the Russian Empire dismembered the Moldovan Principat and annexed the territory between the Prut and Nistru Rivers, transforming it into a peripheral county.

On December 2, 1917, when the Russian Empire was experiencing the Bolshevik Revolution, the representative body of this land proclaimed the Democratic Moldovan Republic, and on March 27, 1918, Basarabia united with Romania. The unification of these

The Republic of Moldova is the legal successor of the former Soviet Socialist Republic of Moldova, a part of the former Soviet Union

territories populated by Romanians was recognized at the international level on October 28, 1920, by the Paris Treaty, which was signed by Romania, Great Britain, France, Italy, and Japan.

In 1940, as a result of the secret agreement with the Nazis (the additional protocol of the Molotov-Ribbentrop Pact of 1939), and after conquering Latvia, Estonia, Lithuania, and dismembering Poland, the Soviet Union re-annexed Basarabia, creating a new state formation: the Soviet Socialist Republic of Moldova, with Chisinau as the capital city.

At the end of the 1990s, the democratic movement and the national liberation movement began to grow in Moldova. As a result, the Republic of Moldova proclaimed independence on August 27, 1991. The independence of the Republic of Moldova was recognized internationally. The country soon became a member of many international organizations, including the United Nations.

During 1991-2003, the Republic of Moldova continued to affirm its status as an independent state and signed many international treaties. In 1993, the Republic of Moldova joined the charter of the Conference on Security and Cooperation of Europe (CSCE), now called the Organization for Security and Co-operation in Europe (OSCE). In 1994, it joined the Partnership Programme of the North Atlantic Treaty Organization (NATO). Also in 1994, the Republic of Moldova signed the Partnership and Cooperation Agreement with the European Union, and in 1995 became the first former Soviet republic to join the Council of Europe.

In 1994, the Republic of Moldova adopted a new Constitution in which it is proclaimed an independent, unitary, and neutral state. Over 1990-2003, several parliamentary, presidential, and local election campaigns took place (see Figure 2.4). During the same period, Governments were replaced nine times, indicating a high level of political instability and social uncertainty.

Map 21 Republic of Moldova



The Beginnings of a Democratic Republic and Major Challenges

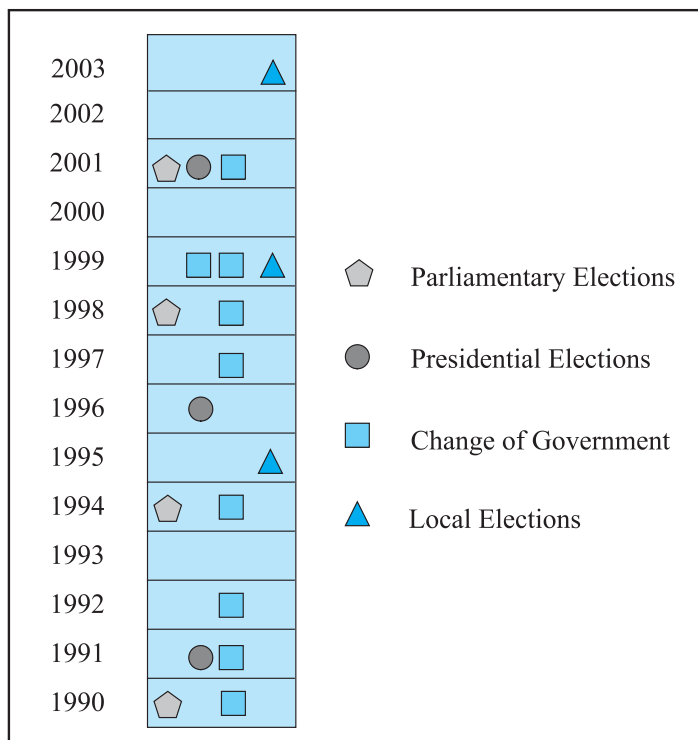
Once the initial stage of physical and cultural detachment from the former Soviet Union's structures was completed, the political leadership struggled with establishing the structures of a national state and the creation of new institutional mechanisms through which new rules and values could be filtered and promoted. One key challenge at the very beginning was establishing a kind of political authority that was different from previous experiences, including a democratic process. Another key challenge was balancing simultaneous processes of social integration, economic reform and democracy development, against the background of various latent external and internal conflicts.

Reorganizing the state and governance were the two main tasks for the new democratic Republic of Moldova. Initially, some policies and initiatives were

At the end of the 1990s, the democratic movement and the national liberation movement began to grow in Moldova. As a result, the Republic of Moldova proclaimed independence on August 27, 1991

In 1994, the Republic of Moldova adopted a new Constitution in which it is proclaimed an independent, unitary, and neutral state

Figure 24. The Electoral Process in the Republic of Moldova



The quality of governance can be analyzed by voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption

Between 1998-2000, the percentage of citizens who felt the country was moving in the wrong direction increased from 52% to 82%. However, since 2000 such perception has gradually reduced to 46%

An assessment of the governance quality demonstrated that about 60% of the world's countries have better governance than that in the Republic of Moldova

general and ambiguous, but progress was gradually made in implementing economic reforms, including the introduction of a national currency, the liberalization of prices and completion of land privatization. Much of what happened was within the context of a reform process, leading to an open market economy, overcoming and/or avoiding crisis and reshaping the sociopolitical contours.

The Public Opinion Barometer Survey conducted in April 2002 (based on a national representative population sample) illustrates people's attitudes toward the direction of the country's development. As can be seen in Figure 25, since February 1998 the opinions about the direction of the country have fluctuated. Between 1998-2000, the percentage of citizens who felt the country was moving in the wrong direction increased from 52% to 82%. However, since 2000 such perception has gradually reduced to 46%.

In accordance with the human development concept, good governance has the important mission of the expansion of opportunities leading to conditions under which people can develop a sense of self-worth and security. Unfortunately, these aspirations have not become reality for most citizens of the Republic of Moldova, who continue to be preoccupied with poverty, their children's futures, rising prices, and unemployment (see Figure 26). The results of the 1998-2003 Surveys reveal that more than 50% of citizens are dissatisfied in some way, and 43% are completely dissatisfied with the current situation. When asked what, in their opinion, were the factors that had led to such a situation, two thirds of the citizens mentioned the state's inability to adequately react and offer solutions.

Quality of Governance of the Republic of Moldova

The quality of governance can be analyzed by different methods, the most common one being based on the indicators proposed by the World Bank experts: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.¹ The 2002 global indicators were calculated based on the 250 individual indicators from 25 different sources published by 18 different international organizations, political and business risk-rating agencies, think tanks, and nongovernmental organizations. In general, a governance index might be misleading in providing a crude and static indicator for governance, which is a dynamic activity. Nonetheless, it helps to strengthen the notion that governance matters, that institutions, rules and political processes can play a role in economic growth, resource distribution, policy choice and people's perceptions.

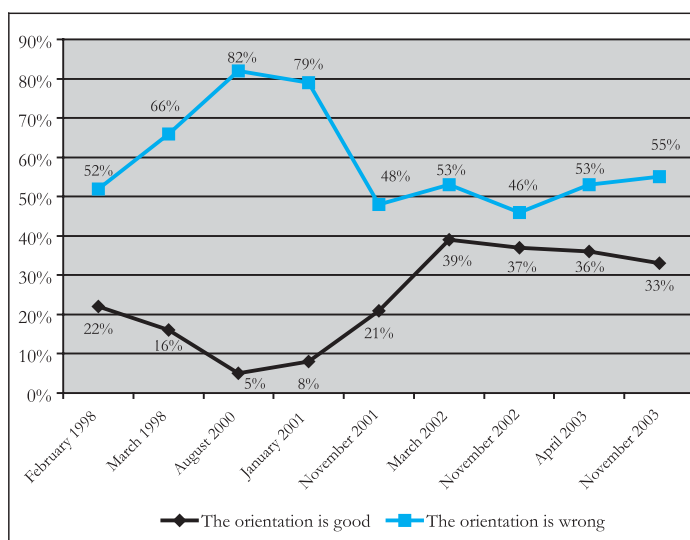
An assessment of the governance quality demonstrated that about 60% of the world's countries have better governance than that in the Republic

¹ Kaufmann Daniel, Kraay Aart, Mastruzzi Massimo. Governance Matters III: Governance Indicators for 1996-2002. World Bank Policy Research Working Paper 3106, 2003.

of Moldova which is well behind the developed countries and countries striving to become members of the European Union. Thus, on a scale from -2.5 (lowest) to +2.5 (highest), the corruption control in the Republic of Moldova has an overall value of -0.89, while the average for OECD countries is +1.71. It is equally alarming to see the discrepancy between the government efficiency values: the one for the Republic of Moldova is -0.63, while it is +1.68 for the OECD countries. It should be mentioned that actions taken to improve the quality of governance cannot have an immediate effect, but if promoted consistently, the state of affairs can gradually change. The case of Romania is a good example. As part of its efforts to join the European Union, Romania has accomplished prominent reforms, harmonizing its national legislation with that of Europe, restructuring state institutions, liberalizing the economy, and undertaking measures to expand political participation of citizens (see Figure 2.7).

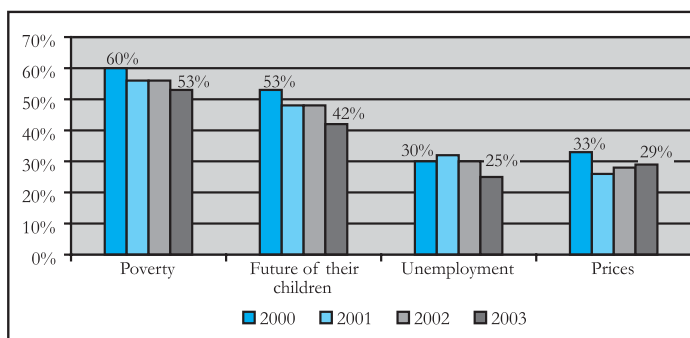
According to national surveys, the population of the Republic of Moldova is dissatisfied with the quality of governance in the country. This dissatisfaction is largely based on the significant lack of trust with respect to the country's main institutions. This lack of trust might be a reflection of a perceived governmental performance issue, frustration with the transition process and overall mistrust of the political process. A November 2003 survey shows that the President and mass media benefit from more trust as compared to the Government, Parliament, the justice system, and the political parties (see Figure 2.8). Survey results clearly indicate that lack of trust in the public sector and in democratic institutions is a major challenge for good governance in the Republic of Moldova and that the only way to strengthen good governance is to improve its quality notably its transparency, responsiveness and accountability.

Figure 2.5. Attitudes in the Republic of Moldova Toward the Development Direction of the Country, 1998–2003



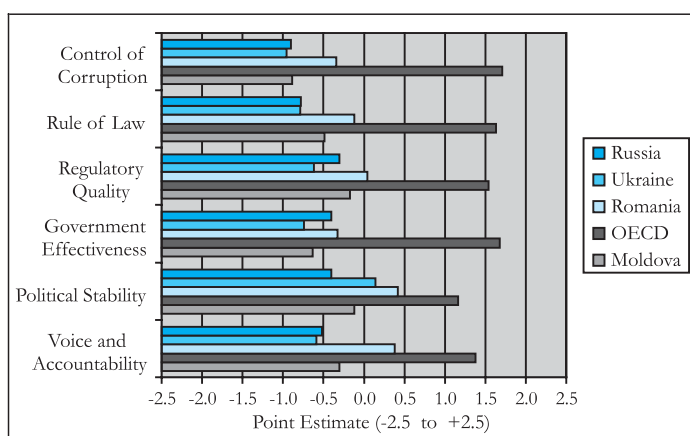
Source: Public Opinion Barometer Surveys, 1998–2003.

Figure 2.6. Main Fears of the Population of the Republic of Moldova, 2000–2003



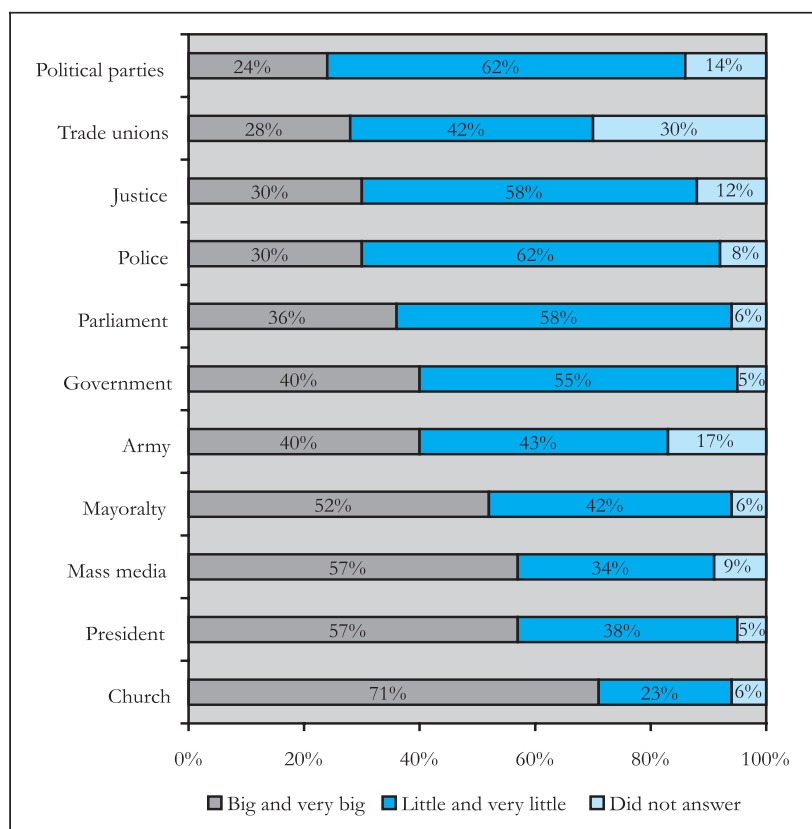
Source: Public Opinion Barometer Surveys, 2000–2003.

Figure 2.7. Governance Quality Indicators, 2002



Source: World Bank, 2003.

Figure 2.8. Trust in Different Institutions in the Republic of Moldova, 2003



Source: Public Opinion Barometer Survey, November 2003.

According to national surveys, the population of the Republic of Moldova is dissatisfied with the quality of governance in the country

The only way to strengthen good governance is to improve its quality, particularly, its transparency, responsiveness and accountability

Box 2.2

Five Mechanisms Facilitating Access to Information and Citizen Participation in the Decision-Making Process

Many different types of formal or semi-formal institutions exist to enhance government's accountability and improve bureaucratic decision-making processes. Some principally focus on horizontal accountability between the distinct branches of government. Others facilitate more direct, or vertical, accountability to the citizenry. Still others could be considered hybrid in nature; for example, the institution of an ombudswoman/ombudsman, which focuses and often aggregates direct citizen complaints

while lodging such grievances in a formal, yet non-binding manner with other government institutions.

There could be as many as five discrete types of mechanisms that are central to the promotion of vertical accountability. These include (1) affirmative, or so-called "active" provision of information by the government to the public; (2) systematic gathering of public comments on draft legislation or regulations by the government; (3) use of various advisory councils or other consultative mechanisms to help inform the development of policy, legislation, and regulations; (4) so-called responsive, or "passive" provision of information by the government upon request through a formal access to information regime; and (5) a system of administrative

procedure affording the public both administrative appeals of agency decisions and if desired, court appeals thereof.

Each of these types of mechanisms can influence and restrain government decision-making. Active information provision represents an ongoing background effort by a regulatory agency to provide the public with basic information about the agency and the regulatory process. The public's provision of comments on draft legislation or regulations represents an opportunity to influence the terms of a new departure in the legal framework. Advisory councils and consultative mechanisms constitute channels of communication whereby stable, knowledgeable interest groups provide input into the application

of new rules and the execution of policy by the agency. Responsive provision of information permits the transmittal of even more detailed information about an

agency's execution of policy. And administrative procedure permits affected parties to challenge concrete regulatory decisions in specific cases. The themes of trans-

parency and participation run through each of these mechanisms, which supplement efforts to ensure accountability through pressure on elected officials.

Strengthening the Statehood and Integrity of the Republic of Moldova: The External Dimension

Strengthening the Democratic Republic in Difficult Conditions

The consolidation of the Republic of Moldova as a sovereign state is an ongoing process, which is being largely overshadowed and undermined by the issue of Transnistria. This conflict, which emerged as a reaction of the conservative forces to Moldova's aspirations for independence, influenced profoundly the political and social transformations in the country.

In 1992, over 1,000 people died in the armed conflict in the eastern region of the Republic of Moldova (*Map 2.2*). The battles were openly supported and brought to a halt by the Russian army, but only after a political and military defeat of Moldova and the establishment of the separatist regime. Despite the decisions of the OSCE Summits, whereby Russia was obliged to withdraw its military forces from the Republic of Moldova by the end of 2002 and then by the end of 2003, the Russian troops continue to be deployed in the rebellious region.

As a consequence of the separatist actions supported by outside forces, the Republic of Moldova lost control of 12% of its territory inhabited by nearly 700,000 people who mostly support democratic transformations taking place in the ex-soviet space. Although many negotiations were held with the participation of the OSCE Mission and the Russian Federation and Ukraine as guarantor countries, the conflict, after ten years, remains unresolved. In addition, the expecta-

tions associated with the development of a new Constitution and the federalization of the Republic of Moldova have not been realized. On the contrary, the way in which respective initiatives were implemented led to the extensive protest actions and the great concern of the international community.

Failure to solve the Transnistrian dispute severely affects efforts to strengthen the statehood of the Republic of Moldova, and creates obstacles for the country's economic and social development. A number of surveys indicate that the economic losses that the Republic of Moldova accrued due to the Transnistrian conflict total more than 800 million lei annually, which is equal to approximately 20% of the country's budget. Lack of control over the eastern segment of the state border creates a favorable environment for tax evasion, smuggling, and illegal trafficking of arms and people. Should the Transnistrian problem continue to disturb the democratic order of the Republic of Moldova, the ideals of good governance and human development will suffer. Progress in this area could be based on a resolution assuming a more active involvement of the international community; other-

Map 2.2. Transnistrian Region of the Republic of Moldova



The consolidation of the Republic of Moldova as a sovereign state is an on-going process, which is being largely overshadowed and undermined by the issue of Transnistria

Should the Transnistrian problem continue to disturb the democratic order of the Republic of Moldova, the ideals of good governance and human development will suffer

The integration of the Republic of Moldova into the international structures at the regional and global levels has been a fundamental component of the governance consolidation process

Even at the official level, alarming incidents persist, manifested in religious intolerance, imposition of "the state ideology," and reanimation of false scientific statements referring to ethnic and linguistic problems

wise, the Republic of Moldova will continue to face the constant risk of falling into violence and totalitarianism.

Integration of the Republic of Moldova into International and Regional Structures

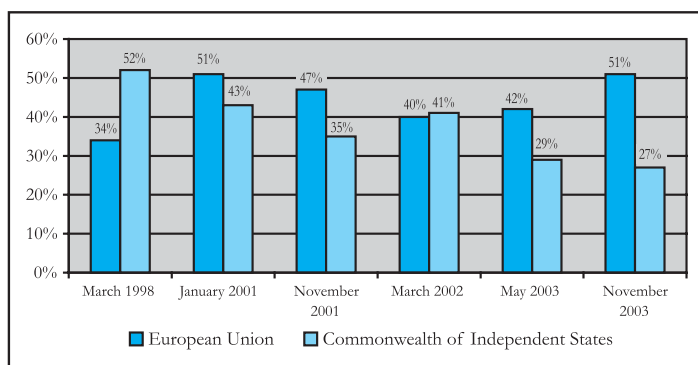
The integration of the Republic of Moldova into the international structures at the regional and global levels has been a fundamental component of the governance consolidation process. In addition to activities and initiatives during the decade of the 1990s following independence, more recently (2000-2001) the Republic of Moldova became a member of the Stability Pact for South-Eastern Europe and of the World Trade Organization. Similarly, multiple activities in the framework of the CIS were revitalized. The state has declared European integration to be the main political aspiration of Moldova. Nevertheless, the foreign policy of the Republic of Moldova has not been consistent and has at times experienced unexpected turns in terms of relations with other countries and international organizations. To this, one must add the inconsistencies with unconditionally observing human rights. Regrettably, even at the official level, alarming incidents persist, manifested in religious intolerance, imposition of "the state ideology," and reanimation of false scientific statements referring to ethnic and linguistic problems.

During the recent years, there has been a noticeable change in the perception of Moldovans with regards to alternative international integration choices. Whereas in 1998, most people supported closer economic ties with members of the CIS, more recently there seems to be a growing interest for European integration. The Barometer Survey conducted in March 1998 showed that a majority of Moldovans (52%) favored closer economic and cultural relations with the CIS. In the Barometer Survey conducted in January and November 2003, the majority (51%) opted for the European Community (Figure 29). More than a deep cultural shift, this reorientation seems to be a response to the uncertainties of the transition process in the Republic of Moldova. This kind of reorientation is not just a tribute to official propaganda; rather it seems to be a response to the uncertainties of the transition process in the Republic of Moldova.

During the first half of 2002, the Republic of Moldova was put in the international spotlight because of the recurrent protests in the capital Chisinau against the government. Attention was mainly focused on the nature of the protests, were held more frequently, lasted longer and had political momentum. After nearly two months of protests (between February and March 2002), when tens of thousands of people gathered in the central square in Chisinau, the message from the protesters became clear. They were asking the government for transparency and decisive action. This message was also heard in the main international organizations, at the time when the monitoring phase of the Council of Europe was about to culminate, and when the Republic of Moldova was waiting to be recognized as a full parliamentary democracy.

The events in Chisinau in early 2002 raised some concerns at the Council of Europe, the OSCE, and the European Union. In April 2002 the report

Figure 29. Evolution of International Integration Options for the Republic of Moldova, 1998-2003



Source: Public Opinion Barometer Surveys, 1998-2003.

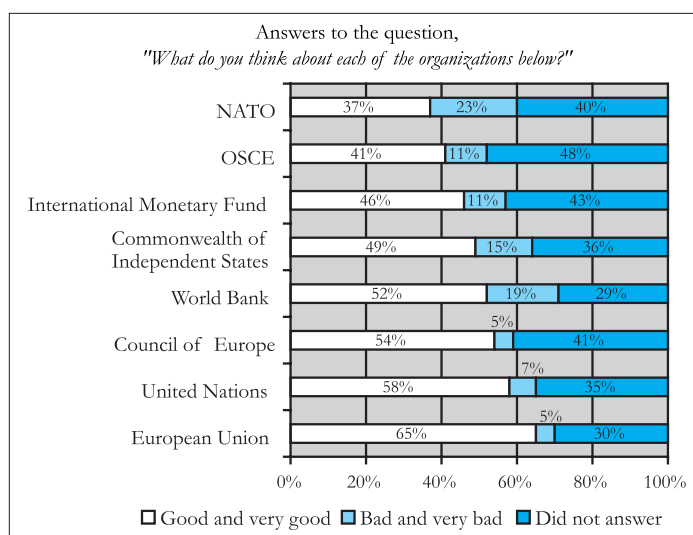
on the functioning of democratic institutions in the Republic of Moldova was presented during a main session of the Parliamentary Assembly of the Council of Europe. The report pointed that recent tensions were jeopardizing the stability of the Republic of Moldova. As a result, the Parliamentary Assembly of the Council of Europe passed a fifteen points resolution. Among the main recommendations were a real dialogue between the governing party and the opposition; a moratorium with respect to history issues and the obligatory study of the Russian language; and the need for better legislation to determine the status of members of the Parliament and to regulate the functioning of the Teleradio-Moldova company. During 2002 the full accurate execution of the resolution and its recommendations had been a central concern for the authorities in the Republic of Moldova and was the focus of extensive public discussions. Prior to assuming the Presidency of the Council of Europe planned for May 2003, the Republic of Moldova has to meet the stipulated recommendations.

While the Council of Europe focused on the political aspects of the situation in the Republic of Moldova, other international organizations expressed concern about the economic policies. For example, World Bank Country Studies *"Moldova Poverty Assessment (2000)"* and *"Moldova: Public Economic Management Review (2003)"*, highlighted the gravity and multidimensionality of poverty as well as the deficiencies of relevant government policies. Due to the failure of the Republic of Moldova to meet the requirements agreed on with IMF, the IMF programme with Moldova was suspended. The European Union also expressed concern about the progress of the Republic of Moldova, but continued assistance (not budgetary support, though).

The people of the Republic of Moldova welcome the assistance of international organizations. According to a Novem-

ber 2003 survey, approximately two thirds of citizens have a good or very good opinion of the European Union, 58% - of the United Nations, and 54% - of the Council of Europe. The World Bank has the support of about 52% of respondents, the International Monetary Fund - 46%, and the CIS - 49%. The results of the Survey have also shown that many citizens have not formulated opinions about such organizations as the OSCE and NATO (see Figure 2.10).

Figure 2.10. What do Citizens of the Republic of Moldova Think about International Organizations?



Source: Public Opinion Barometer Survey, November 2003.

Inheritance of the Past and Future Challenges Connected with the Consolidation of a Democratic State

In spite of its complexities, the transition process of the Republic of Moldova has been a learning process for both government and civil society. The political and economic system of the former Soviet Union was a closed and rigid one. Whatever the level of governance was, it was carried out through the unconditional execution of decisions made by centralized decision-making entities often based solely on strong ideological beliefs. Within the context of a one-party dictatorship, pluralism of opinion, as well as political pluralism was

World Bank Country Studies highlighted the gravity and multidimensionality of poverty in Moldova as well as the deficiencies of relevant government policies

In spite of its complexities, the transition process of the Republic of Moldova has been a learning process for both government and civil society

From the perspective of good governance and human development, the current challenges for the consolidation of the Republic of Moldova require decisive actions in the following three areas: the strengthening of democratic institutions; transformation of economic enterprises; promotion of participatory democracy

During the decade after independence the Moldovan society experienced several election processes, with their results reflecting clearly that in the collective mentality there was still a battle between the new and the old

not allowed. The notions of democracy, rule of law, market economy, fundamental human rights and liberties, were interpreted from positions of class struggle. The average citizen was excluded from the decision-making process and, in exchange for her/his loyalty, they were provided with a modest, but guaranteed level of social protection. As a consequence, after independence many citizens of the new state did not have the necessary experience of self-government, but slowly began to experience it first hand.

The Soviet economic system was systematic in implementing a military based industry, which after independence was difficult to reanimate. Neglecting the basic laws of economic development during the Soviet period also led to large discrepancies in the territorial distribution of newly created enterprises. More than one-third of the industrial potential of the Republic of Moldova was concentrated on the left bank of the Nistru River (Transnistria), a geographic area where only 17% of the population resided. A similar situation is found in the rural areas, where according to data from the 1989 census, more than half of the population of the Republic of Moldova resided. They were concentrated in collective farms (*Kolkhozes*) or state agricultural farms (*Sovkhozes*), and as such were deprived of any economic incentive, even of the right to choose freely their place of residence and job. The forced collectivization, accompanied in 1949 by the deportation of more than 11,000 families of wealthy farmers, prevented an entrepreneurship spirit to flourish and destroyed the system of traditional values from the rural areas. Moreover, the arbitrary economic decisions from the Soviet period were accompanied by a significant modification of the ethnic composition of the population, which favored massive immigration from other regions of the former Soviet Union. According to data from the 1989 census, the share of Moldovans/Romanians in the total population de-

creased to approximately 65%, and was preponderantly rural.

From the perspective of good governance and human development, the current challenges for the consolidation of the Republic of Moldova require decisive actions in the following three areas:

- The strengthening of democratic institutions, promotion of the unconditional observance of human rights and reduction of intolerance and territorial separatism (building the democratic state).
- The transformation of the former Soviet Union's economic enterprises into new production units capable of operating more competitively and in accordance with the laws of the market (productive transformation with equity).
- Overcoming the crisis of identity and social disintegration through education, expansion of the civic democratic space and promotion of participatory democracy.

Political Instability and Incomplete Reforms

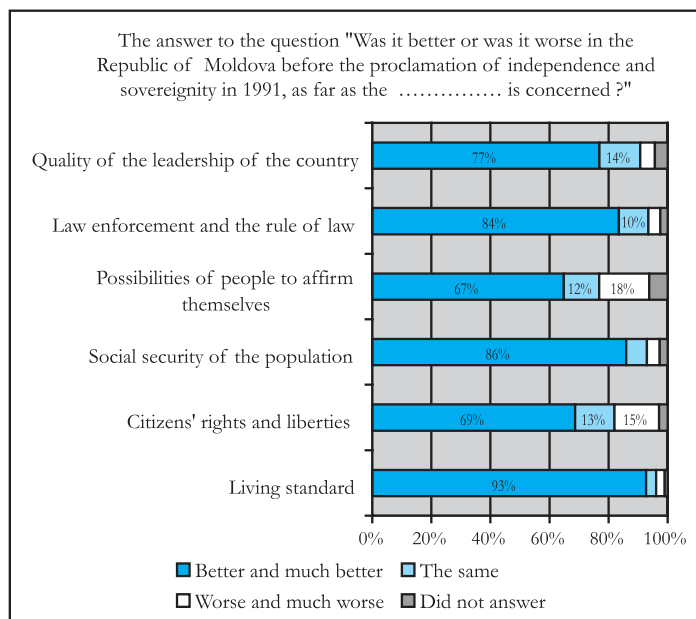
During the decade after independence the Moldovan society experienced several election processes, with their results reflecting clearly that in the collective mentality there was still a battle between the new and the old. The reformist ideas have not yet institutionalized or socialized. Thus, citizens perceive the three major challenges explained above (i.e., creating a democratic state, transforming productive patterns and strengthening participative democracy) in very different ways. For most of them, many of the promises, expectations and aspirations generated during the early stages of independence, have not been fulfilled. This is why when citizens are asked to measure results prior and after independence, there is a clear longing for the past. Figure 2.11 summarizes the results of a Barometer Survey conducted in 2001. Respondents were asked to rate different issues

prior and after independence. The overwhelming majority (93%) felt that the standards of living in the Republic of Moldova were better prior to independence. More than 80% of the respondents believed that in terms of social protection, order and legislation, they were better off prior to independence. Even regarding the issue of human rights, opinion is keen on the past as nearly 70% of the respondents considered that before 1991 they had more rights and freedoms.

During the last decade, lack of the national consensus regarding the transition process and the establishment of foreign policy priorities made the reforms incoherent and indecisive. The significant perception that the quality of life is deteriorating, the appearance of mass unemployment, the consequences of the armed conflict in Transnistria and the slow and ineffective privatization of state property in the Republic of Moldova marked profoundly the course of governance during the last decade. Moreover, the numerous changes of governments (9 in 14 years), the permanent shifts in the balance of forces within the Parliament, and the lack of national consensus have made the process even more complex and uncertain.

Immediately after independence the legal framework necessary for the creation of a genuine multiparty system was established. It contributed to the elimination of the monopoly of one single political force and to the appearance of the basic components for a participatory democracy. The political parties have been considered the main internal actors in the design and implementation of policies, and in the formation and strengthening of central, regional and local government administrations. The appearance of the multiparty system in the Republic of Moldova is a positive factor, which offered the citizens an opportunity to have a voice in government. Political parties are supposed to reflect the visions and rational expectations of constituencies. They also can become the main instrument to

Figure 2.11 Before and After: Aspirations or Frustrations?



Source: Public Opinion Barometer Survey, February 2001.

ensure political competition, which in turn can have a positive effect on the quality of governance.

Nonetheless, political parties have not fully contributed to engaging the citizens to be part or to actively participate in the decision making process. Likewise, citizens of Moldova have not been effective in exercising influence on parties or the government. It is well known that the quality of a democratic regime, is measured by its institutional and economic performance, but it is also decisively influenced by the socio-political factors. Neither political parties nor civil society actors in the Republic of Moldova have managed to effectively work together. This deficiency has weakened the link between the citizens and the state. On the one hand citizens have been alienated from the decision-making processes and their confidence in good governance has been undermined. On the other, government has grown less transparent and accountable. This is an issue that directly affects the quality of governance and should be an integral part of any strategy to strengthen good governance and human development in the Republic of Moldova.

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Neither political parties nor civil society actors in the Republic of Moldova have managed to effectively work together

The appearance of the multiparty system in the Republic of Moldova is a positive factor, which offered the citizens an opportunity to have a voice in government

Box 23**Importance of the Civil Society in Responsible Governance**

One of the reasons that there is less trust in politicians and elected officials is that debates no longer determine policy. Important decisions that affect every day life are being taken more and more outside the affected communities. How is it possible to develop

mechanisms through which the poorest people feel they have a say in how these decisions are taken?

One of the mechanisms is action from civil society organizations. Civil society is not a substitute for formal democratic processes. Rather it is a way of strengthening the substantive character of democracy. It involves the construction of a political culture at a global, as well as national and local levels, through which those

who are formally responsible for making decisions are more sensitive and responsive to the needs and concerns of the poorest people.

Civil society has become the buzzword of the 1990s but it has tended to be equated only with Non-Governmental Organizations (NGOs). I have tried to argue that other types of civil society groups and other understandings of civil society need to be taken seriously as well.

Source: Mary Kaldor. "Civil Society and Accountability." UNDP Occasional Paper Series No. 2002/6, UNDP/HDRO, 2002.

Chapter 3. Strengthening the Conditions for Good Governance and Human Development in the Republic of Moldova

Reforming the Public Sector

Starting with the first years of independence, the Republic of Moldova launched a large-scale process to reform many institutions of the public sector. This program was largely oriented towards the transition to a market economy and a democratic multi-party political system. Since then, a process of transformation covering such diverse dimensions as fiscal management, budgetary process, public administration and decentralization has been ongoing.

The Limited and Politicized Reform of the Central Public Administration

In the course of the years 1990-2002, the Law on Government was modified 25 times, reflecting the complexities of the process of organizing the public sector (unifying or splitting existent ministries, the creation or elimination of some public entities and governmental agencies). For example, during the decade the Ministry of Economy was reorganized five times, the Ministry of Industry six times, the Ministry of Education seven times, and the number of departments directly subordinated to the government was reduced from 13 in 1991 to 4 in 1999 and increased again to 12 in 2002 (see Figure 31).

In spite that reform was recognized as a necessary process, it also generated some negative repercussions. Frequent modifications and changes to the executive structures have often paralyzed the basic activities of the state. Because the Republic of Moldova still functions within strict centralized and top-to-bottom hierarchical structures, any impasse at the central level has a delayed and adverse effect on lower echelons of government. The reform process in the Republic of

Moldova has also often implied massive layoffs and frequent changes of personnel, which in turn has generated an atmosphere of insecurity. Moreover, the lack of a coherent plan delineating the vision and the details undermined the reform process, and in turn the quality of governance. Some of the reform initiatives generated protests and were contested by the Constitutional Court (see Box 31), but the process continued unabated.

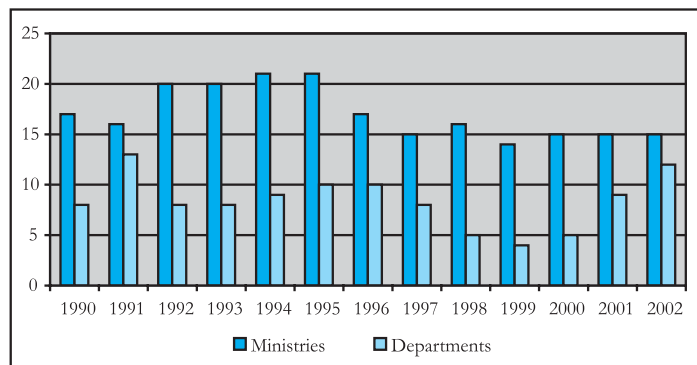
Two key lessons from the reform experience of the Republic of Moldova can be highlighted. First, the absence in the reform process of a mechanism that allowed dialogue and interaction with civil society. Citizens have had little to say about the quality of governance and its results. Second, a majority of the decisions regarding reform have been reactive as opposed to proactive in nature. Moreover, practically in all ministries and departments, the functions of strategic planning are not clearly separated yet, between the operative and political realms. One policymaker often makes operational and managerial decisions. This has tended to reduce the capacities of the public administration structures to design strategies, prioritize objectives, and analyze and develop alternative courses of action. Altogether, these deficiencies have undermined initiatives, nourished political clientelism and created the conditions for transparency to be often missing from the process.

Starting with the first years of independence, the Republic of Moldova launched a large-scale process to reform many institutions of the public sector

A majority of the decisions regarding reform have been reactive as opposed to proactive in nature

In spite that reform was recognized as a necessary process, it also generated some negative repercussions

Figure 31 Evolution of the Number of Ministries and Departments in the Republic of Moldova



Source: Calculations of the Institute for Public Policies based on data published in the *Official Monitor of the Republic of Moldova*.

Box 3.1**The Constitutional Court of the Republic of Moldova**

On July 29, 1994 the Parliament of the Republic of Moldova adopted the new Constitution, which set the foundations for the Constitutional Court. On February 23, 1995 the Constitutional Court started its activity and in June 16, 1995 the Parliament adopted the Code of Constitutional Jurisdiction, by which the Constitutional Court delivers its judgments, decisions and opinions.

The Constitutional Court does not represent a branch in the hierarchy of the legal institutions of the State. It is a unique constitutional judicial body, autonomous and independent from the executive, the legislature and the judiciary. The goal of the Constitutional Court

is to guarantee the supremacy of the Constitution, to ensure the principle of separation of State powers into the legislative, executive and judicial branches, to guarantee the observance of the State's responsibility towards the citizen and the citizen's responsibility towards the State. Upon request the Constitutional Court interprets the Constitution and undertakes the review of constitutionality of the Parliament's laws and decisions, of the decrees of the President of the Republic of Moldova and of the acts of the Government.

Under the Constitution and the Law on the Constitutional Court, the following parties may petition the Constitutional Court: the President of the Republic of Moldova; the Government; the Ministry of Justice; the Supreme Court of Justice; the Court of Audit; the Prosecutor-General; a member of Par-

liament; and a parliamentary group. Individual citizens have no right to petition the Constitutional Court. The Constitutional Court has no right to examine a case of its own motion either.

The Constitutional Court delivers resolutions, decisions and opinions. Where the application is examined, a resolution is adopted or an opinion is issued. If the issue is not resolved, a decision is adopted. The resolutions and opinions of the Court are issued on behalf of the Republic of Moldova. The resolutions of the Constitutional Court are binding only for the future, and are final and cannot be disputed in any other institution. Laws and other legal acts or their provisions declared unconstitutional are cancelled as of the date that the resolution of the Court is adopted, and cannot be applied in the future.

Source: The Constitutional Court of Republic of Moldova, 2003.

During the decade, several steps were taken in the Republic of Moldova to fulfill Article 109 of the Constitution, whereby the government is directed to work towards an efficient system of public administration based on the principles of local autonomy and decentralization

Hesitant Reform at the Local Level

In principle, decentralizing power from the center to lower levels of government can enable people to participate in decision making more directly. During the decade, several steps were taken in the Republic of Moldova to fulfill Article 109 of the Constitution, whereby the government is directed to work towards an efficient system of public administration based on the principles of local autonomy and decentralization. Nonetheless, given the Republic of Moldova's prior centralization history and the difficulties associated with devolving certain powers and duties to lower levels of government, the reforms at the local level have been limited and contradictory.

One key problem has been the relationship between central and local government entities in the Republic of Moldova is still not clearly defined. One of the main problems continues to be relations between the country's

central and local authorities, which are still not clearly defined. Before the administrative territorial reform of 1998, there were 925 relatively small communes organized in regions in the Republic of Moldova. Most did not have sufficient financial resources for self-government, which limited citizens' access to quality public services and did not stimulate citizen participation in settling local problems. The activity of local administration bodies depended to a great extent on the decisions made at the central level.

The law on territorial-administrative reform passed in 1998 (No. 191-XIV of 12 November 1998), eliminated the former soviet regions, reduced the number of communes and municipalities to 647, and organized the territory into ten second-level territorial-administrative units called counties (*judets*). The area mostly inhabited by the Gagauz was organized into the Autonomous Territorial Unit of Gagauzia. Special

forms and conditions of autonomy were planned to be considered for localities on the left bank of the Nistru River (see Box 3.2).

The autonomy of administrative-territorial units was guaranteed by the law on local public administration (no. 186-XIV from 6.11.1998). The law is based on the experiences of several developed countries and complies with the provisions of the European Charter on self-governance and the recommendations of the European Council. However, it focuses more on organizational issues pertaining to the functioning of the administrative structure than on the distribution of competencies, responsibilities, and functions.

The process of reform at the local level has not enjoyed wide-spread support in the Republic of Moldova, both at the political and civil society arenas. Within some circles of the society, the attempts to decentralize political and economic authority were seen as regressive, rather than progressive reforms. In large part this was due to the gap between policy prescriptions and reality. That is, local public spaces in the Republic of Moldova were still devoid of key mechanisms and capabilities, which would enable decentralization efforts to take root and grow. Moreover, decentralization policy in the Republic of Moldova was unclear and hesitant. Without these key elements, the process was seen not as a transfer of power and authority to new territorial-administrative units but as an unjustified extension of the judet bureaucracy.

During 2001-2003, many laws were adopted (no. 764-XV from December 27, 2001; no. 298-XV from June 22, 2001; no. 123-XV from March 18, 2003; and no. 397-XV from October 16, 2003), restricting further efforts towards decentralization and local autonomy. Some of the most important modifications promoted by the above-mentioned laws are:

- Liquidation of judets, reorganization of communes and reestablish-

ment, in general outline, of the old Soviet regions.

- Attempts to exclude concepts such as decentralized public services and/or de-concentrated public from official acts.
- Attempts to establish indirect elections of mayors and to authorize superior councils to discharge mayors.
- Extensive responsibilities in local territories for central government representatives (Ministries and departments) and subordination of local leaders to central authorities.
- Restricted allocation of financial means to local entities and depriving local authorities of the right to manage them independently.

The collective impact of these legislative and normative frameworks had an adverse effect on the reform process at the local level. The ambiguous delimitation of competences between central and local authorities contributed to the institutionalization of the subordination of local authorities and reestablishment of the centralized system of public finance management. Several civil society groups voiced protest against these laws. The issue was discussed with the European bodies, and the Constitutional Court of the Republic of Moldova considered some provisions of the respective laws.

The Reform of Civil Service

The process of creation of a modern, efficient and depoliticized civil service is just getting underway in the Republic of Moldova. The generally accepted criteria for the national legislations regarding the public service are formulated in the Convention of International Labor Organization. The Republic of Moldova has not ratified this Convention. Currently, the Law on Public Service of 1995 determines the status of public and civil service in the Republic of Moldova. This law establishes the categories of public

The process of reform at the local level has not enjoyed wide-spread support in the Republic of Moldova, both at the political and civil society arenas

The process of creation of a modern, efficient and depoliticized civil service is just getting underway in the Republic of Moldova

Box 32

Gagauzia and Transnistria: Two Puzzling Issues for the Republic of Moldova

The decade-long debate about overcoming the separatism movements in Moldova has had great significance both for Gagauzia, a poor region in the southern part of Moldova, and Transnistria located in the eastern part of the country. Questions about the status of both entities have been couched in terms of politics, history, sociology, economics, linguistics, and even international relations.

Shortly after the Republic of Moldova declared its sovereignty in 1990, the Gagauz authorities (the same people who were in power during the Soviet period) proclaimed the sovereignty of the Gagauz Soviet Socialist Republic within the Soviet Union with the capital in Comrat. The Gagauz leadership acknowledged no more than a federal arrangement with the new Republic of Moldova. With the support of the Soviet troops, the Gagauz elected their own “supreme authorities.” Gagauzia even created its own militia and set up control points on the main roads into their region.

After the proclamation of the Moldovan (Romanian) language as the state language of the Republic of Moldova and the introduction of the Latin script in 1989, the Gagauz leaders strongly protested and formed their own political party,

the Gagauz Halky (Gagauz nation), which advocated autonomy for Gagauzia. This party was orientated towards Moscow. By early 1992, the central authorities from Chisinau no longer exercised authority in Gagauzia or Transnistria.

Eventually, with changes within the leadership of Moldova, the Gagauz gave up on their original claims and accepted the legal authority of the Moldovan Parliament. In December 1994, the Moldovan Parliament passed a Law on the Legal Status of the localities with a majority Gagauz population. According to Article 1 (4) of that Law, the Gagauz people enjoy the right to self-determination, should Moldova change its existing status of an independent country. Thus, under the 1994 Constitution of the Republic of Moldova, the Territorial-Administrative Unit of Gagauzia obtained autonomy without resorting to violence.

Under the provisions of the new Constitution, the authorities conducted a referendum in the five regions populated by the Gagauz in order to establish which localities would have the right to become part of Gagauzia. The referendum also determined Comrat to be Gagauzia’s capital. As a result of the referendum, 30 communities joined Gagauzia: 12 from the former Comrat district, 6 from the Ceadir-Lunga district and 4 communities from the Basarabeasca, Taraclia and Vulcanesti regions. The Bascan, the Chairperson of the local executive power body,

elected through the direct vote, is simultaneously a member of the central government. According to some experts, offering a territorial autonomy instead of a cultural one to these localities lead to the aggravation of the isolationist trends, to the prejudice as regards the revival of the Gagauz culture and unconditional observance of human rights.

During the early '90s, Gagauzia and Transnistria formed a common bloc against Chisinau but later the relationship between the latter and Gagauzia improved. The Moldovan political crises from 2000-2001 once again consolidated the relations between Comrat and Tiraspol. In July 2000, Gagauzia opened an office in Transnistria to officially represent Gagauz interests in that region. In December 2001, both Gagauzia and Transnistria voiced their calls for the federalization of Moldova and advocated for the creation of a committee to develop a plan for the separation of powers.

Although these two regions were initially allied by historical circumstances, their more recent association is the result of political convenience. They share an interest in challenging the Republic of Moldova. Both Gagauzia and Transnistria have their own agendas and goals. The main question is which political arrangement will best serve the interests of the people from the entire territory of the Republic of Moldova?

Source: Adapted from Stephen R. Bowers, Marion T. Doss, Jr., Valeria Ciobanu. *Gagauzia and Transdnistria: the Moldovan Confederation Conundrum*. The William R. Nelson Institute (WRNI) at James Madison University, 2002.

employees, duties, rights, guarantees and restrictions (the law is applicable to the central and local levels). Civil servants could be employed under a semi-open career system, appointed and/or elected. The status of civil servant is not offered to teachers and members of the health-care profession. The Office for Personnel Policy within the State Chancellery is responsible for civil servant issues, as well as for the organization and coordination of the process of selection, training and evaluation of the public employees.

Although eight years have passed from the adoption of the Law on Public Service (1995), the process in practice is only getting started. Political considerations have dominated the civil service, more than administrative ones. In the Republic of Moldova, the civil service continues to be politicized, and the civil servant is often involved (with or without their consent) in political activities. This is more discernible during the electoral season. In this context, corruptive activities, adoption of hasty decisions and the dominance of personal over national interests are common. The image and credibility of the civil servant undermines the confidence of the citizen in the state institutions. In his speech during one of the sessions of the Parliament President of the Republic of Moldova Vladimir Voronin said that, “for many public service continues to be a profitable business and not an activity that promotes national interests.”

Civil servants in the Republic of Moldova are not protected against political discretionary power, the frequent reorganizations and restructurings of the central and local public administration bodies or the lack of career paths. Although in theory the access to civil service in the Republic of

Moldova is opened to each citizen through a transparent and competitive process, in practice the process is more discretionary. The hiring and promotion of civil servants often lacks transparency, are not based only on merit and competence and are influenced by political factors. In many cases, labor conditions for civil servants are difficult. Not only the use of modern information technology is restricted to those institutions that have benefited from a substantial international technical assistance, but also training opportunities are limited. Frequently, in the processes of civil service management the basic principles of human resource management are neglected. Moreover, employment opportunities for young professionals are limited and qualified professionals are being lured to the private sectors or opting to immigrate outside the country.

Challenges in Fighting Corruption

It is widely recognized that corruption is one of the most severe threats to development and democracy, and therefore to good governance and human development. After more than a decade into the simultaneous political and economic transition in the Republic of Moldova, new economic practices are being promoted and the state is being restructured. In spite of those efforts, boundaries remain murky, both within governmental structures, and between the public and private dimension. As a result corruption has developed new dimensions, reached new heights and posed new challenges for the Republic of Moldova. According to recent studies conducted by Transparency International and the World Bank, the Republic of Moldova has been categorized as a country with high levels of corruption (see Box 3.3).

President of the Republic of Moldova Vladimir Voronin said that, “for many public service continues to be a profitable business and not an activity that promotes national interests”

Corruption has developed new dimensions, reached new heights and posed new challenges for the Republic of Moldova

Box 33

Corruption Undermines Human Development

“Political elites and their cronies continue to take kickbacks at every opportunity. Hand in glove with corrupt business people, they are trapping whole nations in poverty and hampering sustainable development. Corruption is perceived to be dangerously high in poor parts of the world, but also in many countries whose firms invest in developing nations. Corrupt political elites in the developing world working hand-in-hand with greedy business people and unscrupulous investors are putting private gain before the welfare of citizens and the economic development of their countries. From illegal logging to blood diamonds, we are seeing the plundering of the earth and its people in an unsustainable way,” said *Peter Eigen*, Chairman of Transparency International, speaking at the launch of the Corruption Perceptions Index 2002.

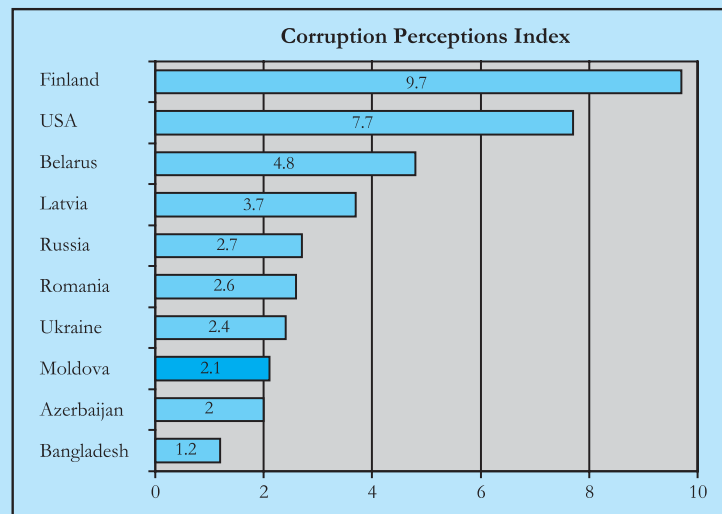
The Corruption Perceptions Index 2002, published by Transparency International, the world's leading nongovernmental organization acting in the field of fight against corruption, ranks 102 countries. Seventy countries, including many of those most stricken by poverty, score less than 5 out of 10. Corruption is perceived to be especially alarming in Indonesia, Kenya, Angola, Madagascar, Paraguay, Nigeria, and Bangladesh, countries

with a score less than 2. Countries with a score higher than 9, with very low levels of perceived corruption, are predominantly rich countries, namely Finland, Denmark, New Zealand, Iceland, Singapore, and Sweden. Taraclia and Vulcanesti regions. The Bascan, the Chairperson of the local executive power body, elected through the direct vote, is simultaneously a member of the central government. According to some experts, offering a territorial autonomy instead of a cultural one to these localities lead to the aggravation of the isolationist trends, to the prejudice as regards the revival of the Gagauz culture and unconditional observance of human rights.

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Source: Transparency International Corruption Perceptions Index 2002.

Moldovan citizens perceive corruption as a phenomenon that penetrates the basic institutional network, undermines governance, and decreases the credibility of the state

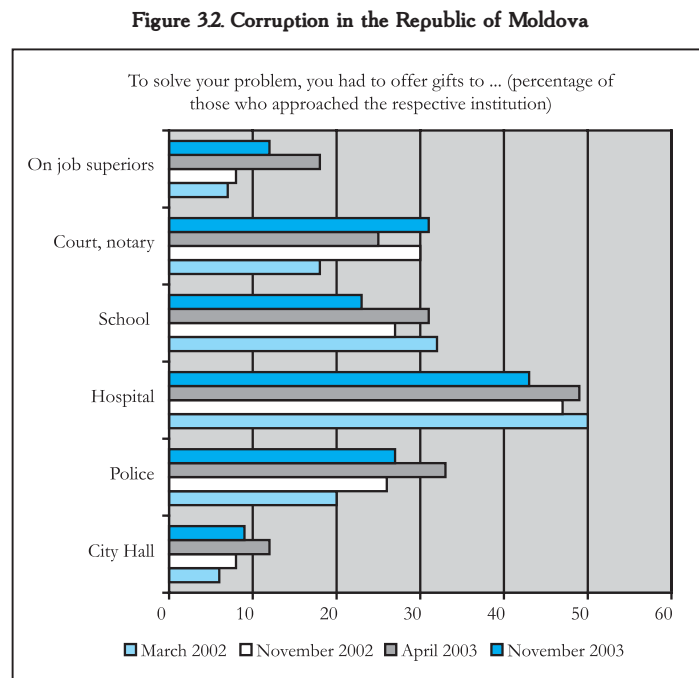
Moldovan citizens perceive corruption as a phenomenon that penetrates the basic institutional network, undermines governance, and decreases the credibility of the state. People interviewed as part of several surveys believe that corruption has increased and that it has distorted the course

of economic and political development (see Figure 3.2). In addition, they believe that democratic and market institutions, existing and under development, have been established to serve private interests and obtain ownership rights, but not to serve public interests.

In the Republic of Moldova, many individuals, groups and firms in the public and private sectors constantly continue to influence the design of laws, regulations, decrees, and other government policies to their own advantage. Whether these happen in Parliament, the executive or the judiciary, the purpose is to achieve personal goals to the detriment of the entire society. One factor is the purposeful introduction of imprecise and distorted text in the official acts, which obstructs their implementation. Several cases of the sale and purchase of the normative acts and of decisions in criminal and economic courts, as well as illegal financing from certain private economic groups and political parties of election campaigns were recorded.

Confronting corruption in the Republic of Moldova requires a more complex approach that recognizes the diverse factors underlying the persistence of corruption and provides a foundation for tailoring effective strategies. In as much as reforming public administration and public finance management are necessary measures to combat corruption, efforts need to be expanded to target broader structural relationships between the state and civil society. During the decade, some efforts in the Republic of Moldova have focused on adjusting legislative frameworks to the European standards, including the adoption of the new Civil and Criminal Codes. However, fewer have been the specific efforts to tackle structural relationships that contribute to the level and profile of corruption. The judicial system is one example, where more than 40% of the decisions are not executed and where the independence of judges is generally considered weak. Similarly, the level of remuneration of the judges continues to remain relatively low, a fact that favors rent seeking and disruptive activities.

Achieving a genuine and encompassing public sector reform in the Republic of Moldova will require political will, long-term planning and the commit-



Source: Public Opinion Barometer Surveys, 2002 and 2003.

ment of substantial resources. The public sector reform experience of the Republic of Moldova has generated so far three key lessons. First, that the reform process should be conducted within a framework of law. Second, that the relationship between the administrative authority and the citizen should not depend only on the will of the authority but ought to be mediated by legal principles and social activism. And third, that in the process of reform each administrative authority ought to be subject to supervision by other authorities to ensure accountability.

The Civil Society in the Republic of Moldova

The Civil Society and Good Governance

The ability of individual citizens and civil society organizations to obtain information about government operations and the impact of particular government programs, policies, and decisions represents a fundamental element of accountable governance. So is also the ability of the public to challenge administrative actions, and to have a say in the development of policies, laws, and regulations.

Confronting corruption in the Republic of Moldova requires a more complex approach that recognizes the diverse factors underlying the persistence of corruption and provides a foundation for tailoring effective strategies

Box 3.4

Abstract from the Speech of the President of the Republic of Moldova on Nongovernmental Organizations, March 22, 2002

“... I believe that it is high time to ponder on the following: How could state power bodies dramati-

cally improve their interaction with non-governmental organizations, or even delegate part of their responsibilities [to the latter]? Certainly, provided the appropriate financial means are allocated to them. These are envisaged by the state budget anyway, but are not always efficiently used. Frankly speaking, we have to admit that non-governmental organizations could carry out much more effectively and even at lower costs many of the tasks

which the state cannot really deal with for different reasons.”

“The power should not hide from people. Public hearings should be organized on all important issues, public opinion should be analyzed, and public committees bringing together qualified experts should be created. These things must be done at the Government, ministerial, municipal, and rural levels.”

Source: *Civic Voice*, volume 8, no. 2, March–April 2002, pages 3–4.

The number of NGOs in the Republic of Moldova has grown steadily in the last decade, from less than 50 in 1993 to nearly 2,800 in 2002

The role of Moldovan NGOs in human development and in the consolidation of good governance remains limited. Most people think that NGOs cannot influence decisions made at either central or local levels

Non-government organizations can have an important role in the mobilization of social actors to participate more efficiently and actively in the political process. The number of NGOs in the Republic of Moldova has grown steadily in the last decade, from less than 50 in 1993 to nearly 2,800 in 2002. In spite of that growth, many NGOs are still at a formative stage and are not close to becoming more autonomous and self-sufficient. Most of the non-government organizations involved in activities with significant social impact were created and are being supported only by foreign donors. Very few NGOs exist in rural areas, the most important ones being concentrated in the capital city.

Similar to other countries under transition, Moldovan NGOs contribute to accountable governance by raising the level of transparency and availability of information regarding government activities. For example, the issue of promoting public interests represents a special topic at the forum of Non-Governmental Organizations of the Republic of Moldova, organized once every two years by the Non-Governmental Organizations Council, with financial support from the World Bank, the Soros Foundation–Moldova, and other international and local actors. NGOs actively participated in the development of the Economic Growth and Poverty Reduction Strategy Paper formulated with the financial support

of WB, UNDP and other donors. Some NGOs carry out forecasting and public policy analysis activities. The Institute of Public Policies, the Centre for Strategic Studies and Reforms, the Institute for Development and Social Initiatives, Transparency International Moldova, the Centre of European Formation, the Association for Participative Democracy Development, and other are beginning to assume the role of experts in national economic and political issues. In this capacity, they work in the field of public policies and participate in policy analyses, development of policy alternatives and recommendations. In addition, they are quickly acquiring the capacity to monitor the implementation of policies and to play a strategic role in the organization of public forums and debates.

However, the role of Moldovan NGOs in human development and in the consolidation of good governance remains limited. Most people think that NGOs cannot influence decisions made at either central or local levels. The findings of the 2001–2003 Public Opinion Barometer Surveys based on representative national samples demonstrated that this opinion is shared by over 70% of Moldovans. Although, as mentioned before, there are about 2,800 NGOs in Moldova, few are directly involved in human development and good governance issues. About two thirds of existing NGOs operate in education, research, sports, culture, and medicine.

Generally, the activity of Moldovan NGOs is characterized by two essential features: (1) structuring an advocacy role, focusing on monitoring the implementation of existing laws and on proposing new legislative initiatives and institutional reforms; and (2) raising citizens' awareness of their universally recognized political, economic, and social rights. Because social transformation in the Republic of Moldova is relatively slow, and ministries, departments, and local public administration bodies are still passive, nongovernmental organizations often assume the role of leaders in developing and promoting public policies.

Despite their achievements, NGOs have not yet become a powerful social force. Some of them still lack confidence and, thus, their capacity to join efforts with others is limited.

There are still many obstacles to overcome for a broader participation in the Republic of Moldova, including traditional and regional social hierarchies, inequalities between social classes and gender groups, ethnic intolerance, exclusion of vulnerable groups, centralistic political system, and privileged relations between and among certain social groups.

The transition to a new way of life has to promote new ways of interaction between different socio-political actors, so that citizen participation in public life is strengthened in the context of a continuous process of democratization of society. Regretfully, a model of citizen participation in Moldova is still limited and characterized by three deficiencies: 1) lack of social responsibility for the community, 2) lack of clear understanding of rules and rights, and 3) lack of legitimacy to citizens' role in community life. Until now, no efficient methods of cooperation between central and local public administration bodies and the more dynamic NGO sector have been implemented (see Box 35).

Civil Society and the Mass Media

The essential role of mass media in societies in transition has been widely recognized, as a means of disseminating information, reflecting public opinion and social integration. During the last decade, public opinion about the media in the Republic of Moldova has been mixed, with both negative and positive elements. The mass media has been rated to be relatively free, although in comparison with other Cen-

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During the last decade, public opinion about the media in the Republic of Moldova has been mixed, with both negative and positive elements

Box 35

The Forum of Non-Governmental Organizations of the Republic of Moldova

Concept. The Forum of Non-Governmental Organizations of the Republic of Moldova is a democratic participation structure of NGOs that is called on to analyze, discuss, and formulate recommendations on important issues facing the Republic of Moldova in general, and the civil society in particular.

Purpose. To strengthen the efforts of civil society in support of the democratization process in the Republic of Moldova.

Context. The forth Forum was organized in 2003, when the environment in which NGOs were operating was rather specific. On the one hand, dialogue with public structures was more extensive; on the other hand, the role of the associative sector in society was understood differently, with the opinions often being totally opposite. The efforts of NGOs to eradicate problems facing com-

munities in which they functioned were recognized to the extent that these efforts went along with the initiatives of the government.

The current situation in the country requires strong and well-defined attitudes from the third sector on the fundamental issues facing society complemented by comprehensive recommendations on how to effectively address these issues. It also calls for the greater NGO involvement that responds to citizens' expectations and acts against antidemocratic practices.

Source: The Non-Governmental Organizations Council of the Republic of Moldova, 2003.

Public Opinion Barometer Surveys indicate that most of the population of the Republic of Moldova receives current information by TV or radio

The legal framework for the mass media activity in the Republic of Moldova is still vague

tral and Eastern European transition countries, it is less free from political influence. Most Moldovan journalists would not deny that in order to provide correct information, a certain degree of freedom is required. At the same time, they state that there is pressure, and that censorship has not been completely removed, especially for topics pertaining to Gagauzia and Transnistria.

In the Republic of Moldova, consumption of information is not very high, and access to information is limited, especially in the rural areas, where the number of subscribers to periodicals is finite. Current information does not reach some areas at all. Public Opinion Barometer Surveys indicate that most of the population of the Republic of Moldova receives current information by TV or radio (see Figure 3.3). Only 13% of people read books, and 14% read newspapers every day.

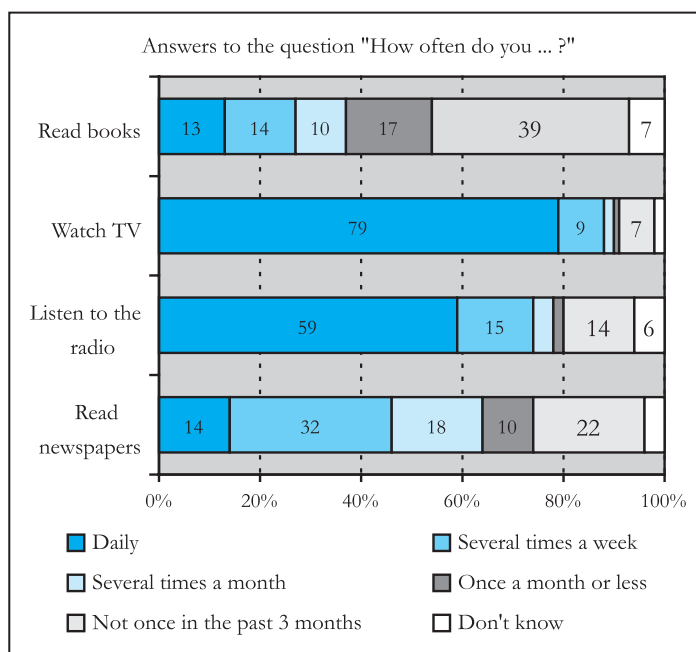
According to the *2001-2002 Mass Media Guide of the Republic of Moldova*, of the 65 radio and television frequencies 10 broadcasted mainly Russian programs, 11 mainly Romanian pro-

grams, 9 mainly local programs and 35 broadcasted international programs. Moreover, according to the Department of Statistics and Sociology of the Republic of Moldova in 2001, there were 233 existing newspapers with an accumulated annual print rate of nearly 45 million copies. Similarly, 80 magazines were published in the Republic of Moldova in 2001 with an accumulated total annual print of nearly 2 million copies. Taking into account the population of the Republic of Moldova (4.3 million), the per capita consumption of reading materials is relatively low, 10 newspapers and 0.5 magazines per inhabitant respectively.

During the controversial socio-political events of 2001-2002, the Republic of Moldova's mass media attempted to reaffirm its independence but was caught in the political game and the government managed to silence the most critical aspects. Although the government has loosened its grip on media, especially in the written press, it still tightly controls Teleradio Moldova, the only countrywide radio and television operator.

The legal framework for the mass media activity in the Republic of Moldova is still vague. According to the results of several surveys published by the analytical magazine *Mass-Media in Moldova*, about 50% of journalists believe that they are not protected against persecution, threats, or pressure. In the opinion of journalists, public institutions that do not provide information about their activity are the Government (26% of respondents), the Presidency (25%), and central and line public authorities (25%). The Parliament (only 9% of respondents indicated that they did not receive access to required information) and local public authorities (7%) are considered to be most open. An overwhelming majority of the respondents identified three key issues in which an appropriate level of transparency did not exist: 1) the use of funds obtained from abroad, 2) corruption allegations and 3) the use of budgetary resources.

Figure 3.3. Media Preferences in the Republic of Moldova



Source: Public Opinion Barometer Survey, November 2003.

Moreover, the results of the survey indicate that Moldovans perceived that most public officials were reluctant to talk or discuss topics related to privatization issues, salaries and privileges. When respondents were asked to name the institution in the Republic of Moldova that used mass media to manipulate public opinion, an overwhelming majority of respondents mentioned the political parties.

As emphasized in the 2002 Human Development Report, a free media can play at least three crucial roles in promoting democratic governance and development. First, it could act as a civic forum, giving voice to different parts of the society and enabling debate from all viewpoints. Second, it could act as a mobilizing agent, facilitating civic engagement among all sectors of society and strengthening channels of public participation. And third, it could be a watchdog checking the abuses of power, increasing government transparency and holding public officials accountable for their actions in the court of public opinion.

The past decade has seen an evolution of media in the Republic of Moldova. Some economic and political reforms have begun to loose restrictions on the media, including censorship and ownership controls. There are also constitutional and some legal guarantees of freedom of speech and information. But there is still room for more progress, not only at the legal level, but also in the journalists' mentality. This requires greater efforts to promote more ethical standards, especially through open debate and dialogue between government official and the public. Similarly, NGOs could facilitate more partnerships between society and the media.

Cultural Values and Traditions as Preconditions for Governance and Human Development

Most countries today are culturally diverse. According to recent estimates, the world's more than 180 indepen-

dent states contain over 600 living languages, and 5,000 ethnic groups. In very few countries can the citizens be said to share the same language or belong to the same ethno-national group. This diversity gives rise to a series of important and potentially divisive questions. Minorities and majorities increasingly clash over such issues as language rights, regional autonomy, political representation, education curriculum, land claims, immigration and naturalization policy, national symbols and public holidays. From a human development perspective, finding morally defensible and politically viable answers to these issues is the greatest challenge facing democratic governance today.

The domain of culture, complex and ever changing, is often considered marginal relative to more known development factors such as economic, legal, or health care. In reality, however, the development of a coherent, fair and balanced cultural policy constitutes one of the most complex and challenging areas for democratic governance.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) defines culture as "the set of spiritual, material, intellectual and emotional distinctive features that characterize a society or a social group." It embraces, besides arts and literature, the life styles, the basic human rights, the values, traditions and beliefs. Thus the emphasis of the cultural dimension on development encourages the creative energies of the citizens.

Undoubtedly, the cultural dimension cannot be tackled just like any other, since it represents the fundamental reference for measuring and comparing the significance of the other factors. Thus no development or governance strategy could be genuine and sustainable unless it takes into account the essences of the community and

About 50% of journalists believe that they are not protected against persecution, threats, or pressure

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The development of a coherent, fair and balanced cultural policy constitutes one of the most complex and challenging areas for democratic governance

society. Nicolae Iorga's¹ statement that "without a cultural banner a people is not an army, but a crowd," supports the idea of a culture that defines a society as an entity, brings it together, challenges and inspires individuals to mobilize towards progress and aspirations. Emphasizing the cultural dimension of development can also encourage synergies, as well as the necessary creativity to find innovative solutions. A growing number of scholars, journalists, politicians and development practitioners are focusing on the role of cultural values and attitudes as facilitators of, or obstacles to, progress. Traditions, music, political culture and attitudes towards human rights, all are cultural expressions that reflect the current reality in the Republic of Moldova.

Different Dimensions of Moldovan Culture

Several laws favoring the development of culture have been adopted in the Republic of Moldova in the course of eleven years of independence. However, translating such commitments into a sustainable strategy favoring cultural development requires also adequate financing and management.

At present, the Ministry of Culture is the main government institution in charge of managing the cultural patrimony of the country. Libraries, "houses of culture" and/or cultural clubs, cinemas, recreation centers, artistic centers, museums and educational establishments, theaters, the opera, and the circus are some of the public means through which culture is disseminated in the Republic of Moldova.

Music has always had a special place in the cultural life of the Republic of Moldova, especially folk music. Classical music is also an important part

of the culture. The concert activity at the national level is promoted through three main institutions valued by the public: the National Philharmonic Hall, the Organ Hall and the National Palace. Regretfully, during the last years the prices of tickets increased due in great part to constraining economic conditions. Similarly, foreign performers no longer come with concerts to Chisinau as often as they used to, and tours to rural areas are no longer practiced. Many of the talented instrumentalists left the country.

The Republic of Moldova has an impressive number of public libraries. In 2002, there were about 1,400 libraries, two of which were within the competence of the Ministry of Culture. During 2000-2002, the number of registered library subscribers increased from 1,045,800 to 1,456,600, and the number of books and magazines borrowed by readers increased from 5,836 to 6,305 copies per 1,000 inhabitants, respectively. Unfortunately, in recent years, some public libraries were merged or closed, especially in small villages.

In the Republic of Moldova, the folk culture infrastructure has always been important, targeting traditions, crafts and artistic expressions. The Union of Folk Craftsmen carries out a lot of activities. In rural areas public administrations sponsor numerous amateur artistic competitions. There are several important festivals such as the *Vai sarmana turturica*, the *Nufarul alb*, and the *Lavatra horelor*. These festivals promote the Moldovan culture of the Republic of Moldova and common values of Moldovans. They are an expression the national cultural identity.

The theatre has evolved in Moldova, but there are still many difficulties in the cinema development. Between 1950 and 1990, 3-4 movies, 4-5 animated cartoons, 25 documentaries, 12 news reviews, and 6 satirical journals were released every year, but in the past few years,

Several laws favoring the development of culture have been adopted in the Republic of Moldova

Translating commitments into a sustainable strategy favoring cultural development requires adequate financing and management

¹ Distinguished personality of the Romanian culture, born in 1871 in Botosani, brutally assassinated by the far-right nationalists of Iron Guard in 1940. A historian of European class, politician, poet and literary critic, he published about 1,250 volumes and 25,000 articles.

only a few movies were produced. People have limited opportunities to watch big-screen movies there is no developed network of cinemas any more. A few cinemas of Moldova the majority of which are located in the capital city mostly show Russian language movies, with some rare exceptions.

One of the key problems in the area of culture in the Republic of Moldova is lack of financial resources and the involvement of political forces in the creative activity. The main sources of funding for cultural institutions are the central and local budgets. Allocations from the central state budget directed to cultural activities are steadily decreasing and their share in the GDP dropped from 0.8% to 0.5% during 1997-2001. A large portion of financial resources are spent to organize cultural events in the capital city, with other parts of the country receiving approximately six times fewer resources. A decrease in the central budget financing was not offset by additional allocations from the local budgets or resources from the private sector. Investments and sponsorships provided by prosperous private enterprises are insignificant, mainly because of ambiguities in the fiscal system and the indifference of public servants. In 2002, the average monthly salary in the cultural field was 410 lei (US\$30), which made about 40% of the average monthly salary in Moldova.

Political Culture Assertion in the Republic of Moldova

It is well known that the success of democratic governance depends, among others, on the organizational skills of political parties, their ability to meet people's needs and their political culture. The Republic of Moldova has been experiencing a transition process, from a command economy and overly authoritarian politics to democracy for over a decade and the appearance of a multiparty was a large part of that ongoing process.

Until now, the party system in the Republic of Moldova has not been able to fully fulfill its functions of political education and mobilization of citizens for the achievement of the set objectives. Neither are they sufficiently open and transparent in their political commitments. Very often charismatic and authoritarian leadership drives the party loyalty more than a sound social development program or a coherent political doctrine. Many political leaders do not promote clear concepts and ideologies. Displaying the so-called political centrism is more of an electoral move than a conscious decision in favor of change. It is not a coincidence that practically all political parties that have ruled the country during the last decade have publicly declared themselves centrist, center-rightist or center-leftist parties.

The failure of the political center to effectively deal with problems facing the country and the doctrinal inconsistency of different political parties created understandable confusion among common citizens. The Public Opinion Barometer Surveys carried out during 2000–2003 indicate that most Moldovan citizens have very little confidence in political parties. Thus, the percentage of people who trust political parties does not exceed 25%, and more than two thirds of the population doubt the ability of political parties to meet existing requirements (see *Figure 3.4*). About 50% of respondents answered that political parties were interested in their own agendas. Only 6% of respondents believe that political parties are concerned with the well being of the population. The lack of confidence in political parties feeds nostalgia for the totalitarian past. As a result, when asked to choose the type of political system most suitable for the Republic of Moldova, almost half of the interviewees chose a one-party system.

The effective promotion of accountable governance in the Republic of

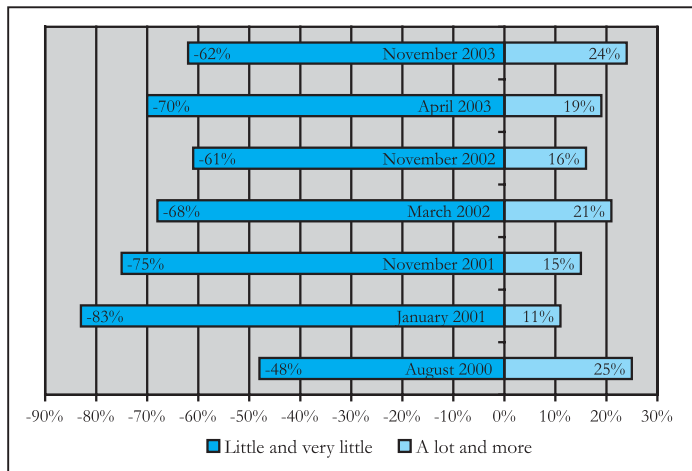
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The failure of the political center to effectively deal with problems facing the country and the doctrinal inconsistency of different political parties created understandable confusion among common citizens

Success of democratic governance depends, among others, on the organizational skills of political parties, their political culture and their ability to meet people's needs

The effective promotion of accountable governance in the Republic of Moldova is tightly connected with the creation of a more viable political culture that guarantees citizens' participation

Figure 3.4. Degree of Confidence in Political Parties in the Republic of Moldova



Note: Differences up to 100 percent represent the lack of answer.

Source: Public Opinion Barometer Surveys, 2000-2003.

A dramatic decrease in living standards and the severe consequences of internal conflicts have all been factors that have affected the conscience of the majority of citizens and have given rise to doubts about the possibility of positive changes

Human development in the Republic of Moldova has been slowed by the insufficient quality and promptness of political decisions, bureaucratic obstacles, and the way delicate ethnic and territorial issues were handled

Moldova is tightly connected with the creation of a more viable political culture that guarantees citizens' participation. The collapse of the non-democratic regime in 1990, the declaration of independence and international recognition of the Republic of Moldova were all decisive factors to start a process of transition, in both the institutional as well as the cultural dimensions. To a certain extent, the handling of the delicate linguistic issue, the granting of citizenship to all persons living in the territory of the Republic of Moldova who came from other regions of the former Soviet Union, and the unrestricted participation of all citizens in the process of privatization of state property, has conveyed adherence by the government to human development principles.

In spite of some positive developments, creating favorable conditions for good governance and human development in the Republic of Moldova has been a difficult task. In part the process has been slowed by the insufficient quality and promptness of political decisions, bureaucratic obstacles, and the way delicate ethnic and territorial issues were handled. Existing difficul-

ties can also be explained by the lack of a civic and political culture capable of engaging the government and political parties. By all accounts, parochial elements dominate the political culture in the Republic of Moldova. They manifest themselves through the fact that a rather large number of citizens continue to avoid associating with political parties or even among themselves in civil society organizations. Also, there seems to be a misunderstanding among citizens about the interdependence between their personal level of political activism and the quality of governance.

A dramatic decrease in living standards, the loss of savings at the Savings Bank of the former Soviet Union, and the severe consequences of internal conflicts have all been factors that have evidently affected the conscience of the majority of citizens and have given rise to doubts about the possibility of positive changes. Since 1990, nine election campaigns were organized in the Republic of Moldova, but various circumstances undermined their value. In accordance with the Election Code, Parliamentary elections are carried out based on the proportional system, with the entire territory of the country being declared as one electoral constituency. This system allows the creation of a legislative body, based on political affiliation as the major criteria. Only the political parties and independent candidates that meet the minimal threshold requirements of representation can accede to the legislative body. Initially the minimal threshold was 4%, but more recently it has been increased to 6% which created a favorable situation for populist parties. This increase has led to the ratio of votes in the Parliament to be unrelated to the options of the electorate. The distribution of the remaining mandates only among the electoral competitors that passed the relevant threshold in 2001 unjustifiably tilted the balance of power in favor of one single political formation.

Strengthening Condition for Tolerance, Human Rights and Rule of Law

Throughout most of its history the Republic of Moldova has been a multiethnic society. For example, in the nineteenth century when Basarabia was part of Russia, its southern regions were settled by the Germans, Gagauz and Bulgarians and the rest of the territory by Russians and Ukrainians.

Until the collapse of the Russian Empire in 1917, the “russification” of all ethnic groups in Basarabia had been an official policy. This included Russian as the only official language. Between 1918-1940, when Basarabia was part of Romania, ethnic and language situation improved. Better conditions were created to incorporate the Romanian language into educational programs and official use. The governments of that period were more responsive to the needs of all ethnic groups in the territory.

After the instauration of the Soviet regime, more restrictive language and ethnic policies were implemented and were based on false scientific data and open or hidden repressions. The Russian language was introduced into all areas of social life as the only official language, while the Romanian language was marginalized. Romanian language schools existed mainly in rural areas, and there were no schools teaching in the Ukrainian, Gagauz, or Bulgarian languages.

Since the declaration of independence in 1991, considerable efforts have been made in the Republic of Moldova to improve the inter-ethnic relations, and create conditions for unrestricted development of every citizen regardless of her/his ethnic, linguistic or religious affiliation. One key policy instrument was the Law on Citizenship, which provided Moldovan citizenship to all persons permanently residing in the territory of Moldova at the time of the declaration of independence, regardless of their ethnic origin and time of arrival.

The Laws which declared the Moldovan (Romanian) language as the official language and allowed the return of the Latin alphabet not only restored the rights of the majority of the population to use their native language but also created conditions for the free development of other languages spoken in the Republic of Moldova (Russian, Ukrainian, Gagauz, and Bulgarian). These Laws also defined the special status of the Russian language as “the language of communication among the nations of the former USSR”.

The Law on Education stipulates the right of every child to receive education (at any level) in the mother tongue is also important. The Ministry of Education reports that at present, 72% of students in the Republic of Moldova are educated in the Romanian language, 22% in Russian, 4% in Gagauz, and 1% study in Ukrainian and Bulgarian.

Despite efforts made and successes attained, the issues of language and ethnicity are not fully resolved yet. The new state inherited from the former Soviet Union a few complicated historical problems that are difficult to solve because of the unfavorable political environment. The complexity of the national development tasks, the need to comply with European standards, and the Gagauz and Transnistrian disputes have required considerable efforts on behalf of the Government and made the process of consolidating the political society of the Republic of Moldova slower and more challenging. The creation of a more tolerant environment, an unconditional commitment to observe human rights, and the consolidation of the rule of law implies gradual but steady progress. Achieving these goals will require attention to key policy areas such as the harmonization of the interests of the majority and minorities, promoting linguistic diversity and values leading to the strengthening of the Moldovan/Romanian cultural identity, more access to information and designing and designing

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Continuing to institutionalize democratic values, practices and principles in every aspect of the society is at this juncture a key goal for the Republic of Moldova

and implementing a positive image for the Republic of Moldova.

It is clear from the experience of the Republic of Moldova that there is no simple set of guidelines for countries embarking on the difficult path of transition. In this situation political leaders cannot make a choice to delay either the reform process or the process of nation building. Tolerance, human rights and the rule of law are human development aspirations that emerge from the natural dynamics of democratic life, with strengthening the conditions for good governance and human development being central to the larger process of transition and nation building.

Continuing to institutionalize democratic values, practices and principles in every aspect of the society is at this juncture a key goal for the Republic of Moldova. Democratic governance should

contribute to the resolution of internal conflicts as well as to the sustainable economic growth through the promotion of social peace, harmonization of political interests, development of human potential, and elimination of grounds for eventual ethnic or linguistic conflicts. Democratic institutions and practices could strengthen the capacity of political forces to prevent the emergence and/or consolidation of authoritarian regimes. could strengthen the capacity of political parties to prevent the creation and/or consolidation of authoritarian regimes. could strengthen the capacity of political parties to prevent the creation and/or consolidation of authoritarian regimes. There are some policy areas, which will help to build a stronger, durable and inclusive democratic society, one that is more responsive to reality and more accountable to ordinary people.

Chapter 4. Key Human Development Policies in the Republic of Moldova

Human development in its fullest sense requires democratic governance. Achieving human development also depends on avoiding protracted conflicts. In the three previous chapters, it was shown that the quality and effectiveness of governance could enhance the decision-making capacity of the Republic of Moldova in strategic areas that are vital to the process of human development.

In this Chapter several policy areas that could be targeted as part of a broad human development strategy are identified. There is no simple, universal blueprint for implementing human development policies. Government and civil society in the Republic of Moldova will have to work together to design the most appropriate mix of policies to prevent conflict, strengthen governance and reduce poverty.

Economic Policies: Strengthening the Financial and Business Environment

Creating a Favorable Business Environment

Economic growth is one of the key factors of, and for, human development. A pre-requisite for such growth is an adequate institutional framework. Evidence from experiences across the world suggests that strong rule of law and reduction of corruptive practices can contribute to the country's economic development. Efficient functioning of the legal system, the creation of a business environment based on equity, guaranteed ownership rights, and adequate fiscal policies stimulate companies to invest and develop.

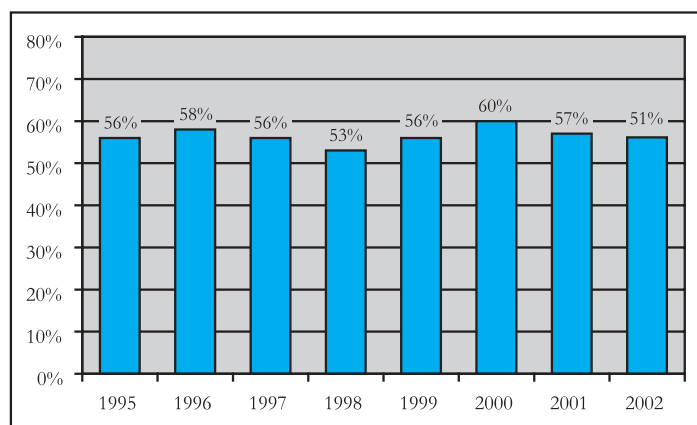
In 2000-2002 the privatization process in the Republic of Moldova began to show some results. A limited economic growth was registered. The share of the private sector in the gross domestic product (GDP) exceeded 50% (see Figure 4.1). The percentage of the popu-

lation employed in the private sector reached an average of 72% (56% in industry, 76% in construction, and 98% in agriculture). The average salary of employees of private joint enterprises is almost twice as high as that in the public sector and 1.5 times higher than at enterprises with mixed public-private ownership. In addition, there was a significant increase in the monthly salaries at private agricultural enterprises.

Out of approximately 314,000 Moldovan companies, only 4,300 (1.3%) are public. The others are private, joint, or foreign companies. Most private companies have been created recently. During 1998-2002, the number of private startups increased by about 20%.

Government and civil society in the Republic of Moldova will have to work together to design the most appropriate mix of policies to prevent conflict, strengthen governance and reduce poverty

Figure 4.1 The Share of Private Sector in the Gross Domestic Product of the Republic of Moldova, 1995-2002



Source: Department of Statistics and Sociology.

The statistical trends hide the number of private businesses that were pushed out of the formal economy. This withdrawal is caused by several complex factors one of them being the increased costs related to starting and developing a business. Recent studies conducted by local and international organizations point to excessive regulatory requirements imposed on new businesses in the form of registration, issuing of licenses and certificates (see Box 4.1). On average, it is estimated that in the Republic of Moldova it takes as many as 40 days and as much as US\$2,000 to start a business or to register an existing

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Box 4.1**Doing Business in the Republic of Moldova**

The World Bank conducted a business survey in the Republic of Moldova in 2001. The survey demonstrated that the private sector is subject to excessive state regulation. This premise is unequivocally born out by the comparison of the business climate in the Republic of Moldova with that of other countries in the region (i.e., Armenia, Belarus, Bulgaria, Georgia and Ukraine), where similar polls have been recently conducted. In all areas covered by the survey, Moldovan entrepreneurs are markedly worse off than their colleagues in other countries in the region. Main areas of concern were: business registration and licensing procedures. In addition, as compared to other countries, there are more customs re-

quirements in Moldova, and their costs are very high.

With the exception of Georgia, which is considered the most corrupt former Soviet Union country, the official and unofficial costs related to economic activities are highest in the Republic of Moldova. According to the findings of the study, the Republic of Moldova is the second most corrupt former Soviet Union country after Georgia.

Conditions are better for individual entrepreneurs who do not have employees - the larger the enterprise, the stricter the state control. Business regulatory environment seems to be designed in such a way as to hobble the growth of private companies.

The most vexing problem reported by the polled entrepreneurs is the fluid business-related legislation, in particular the retroac-

tive introduction of legal acts that worsen the operating conditions of private businesses. Consequently, companies are unable to chart long-term development strategies and are forced to assume much bigger risks. This, in turn, is the primary cause of the Moldovan businessmen's unwillingness to invest in the expansion of their enterprises. This unfriendly environment also makes it virtually impossible for local companies to secure a reliable foreign partner because the formidable red tape and excessive state interference discourage even the most daring investors.

The survey results clearly demonstrate that if the negative trends in the private sector development currently evident in Moldova are to be reversed, urgent measures are to be undertaken in import-export, certification, fiscal administration and inspection fields.

Source: The World Bank, *Costs of Doing Business in the Republic of Moldova (A Country Study)*, 2000.

Countries that are using technology for development have made spectacular gains in human skills in the past few decades

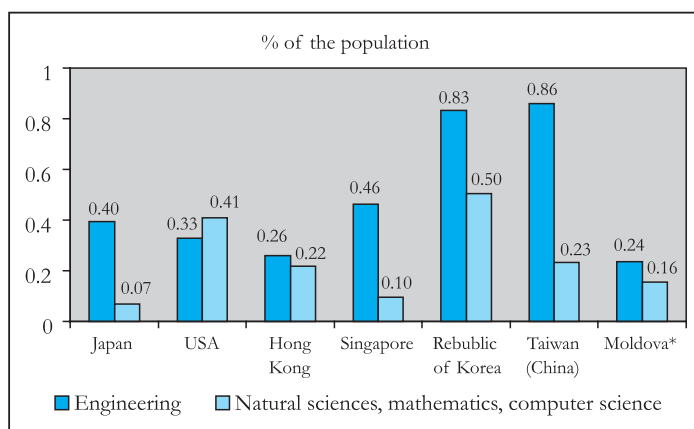
business. Similarly, it is estimated that state agencies conduct business inspections on average nearly 17 times per year. The cost if these inspections average

nearly US\$1,500 per enterprise. Eliminating these and other obstacles would improve growth by as much as 7%.

Expanding Investment in Human Skills and Technologies for Development

Countries that are using technology for development have made spectacular gains in human skills in the past few decades. For example, tertiary gross enrolment rates in South Korea rose from 15% to 68% between 1980-1997, and 34% of that enrolment was in science and mathematics, well above the Organization for Economic Cooperation and Development (OECD) countries (28%). Because the investments in research and development, as well as investments in education and technology, are risky and often do not generate immediate benefits, the state must play a decisive role. In the case of the Republic of Moldova, expanding investment in human skills and technologies has not been a priority (see Figure 4.2).

Figure 4.2. Undergraduate Students in Technical Fields



* Calculations of the Institute for Public Policies based on the data of the Department of Statistics and Sociology.

Source: Joseph Stiglitz, *More Instruments and Broader Goals: Moving toward the Post-Washington Consensus*, WIDER Annual Lectures 2, 1998.

Stimulating Macroeconomic Policies

Because the macroeconomic context in the Republic of Moldova is not yet totally stable, especially in relation to inflation, many economic agents do not have access to the necessary medium- and long-term investment credits. Similarly, an economy with a high level of risk is less attractive to both local and foreign investors. One way of overcoming this obstacle is to continue to control and reduce inflation, reduce interest rates and increase the total volume of credits both in national and foreign currency. Another more radical way would be to reduce taxes and duties, as well as increase governmental expenditures on capital investments.

A decrease of the fiscal burden would contribute to the reduction of prices, inflation and interest rates, and would lead to an increase in consumption and, in turn, investment. The experience of Kazakhstan is an example, which helps to illustrate how tax reductions can help macroeconomic indicators. In 2001 Kazakhstan reduced the income tax from 26% to 21% and the Value Added Tax (VAT) from 20% to 16%. Starting in 2002, Russia (which is the main commercial partner of the Republic of Moldova) unified income tax at 13%.

Experience has shown that stimulating tax policy, reducing taxes and duties must be accompanied by an intransigent fight against tax evasion, smuggling, informal economy and corruption.

Educational Policies: Reconsidering Education in the Republic of Moldova

Public education in the Republic of Moldova is free, guaranteed by the state and accessible without any discrimination based on ideology, political affiliation, religion, race, or nationality. During 1998–2002, new curricula for primary and gymnasium education were developed and implemented with the support of the World Bank.

The basic activities of the education reform in the Republic of Moldova aimed at:

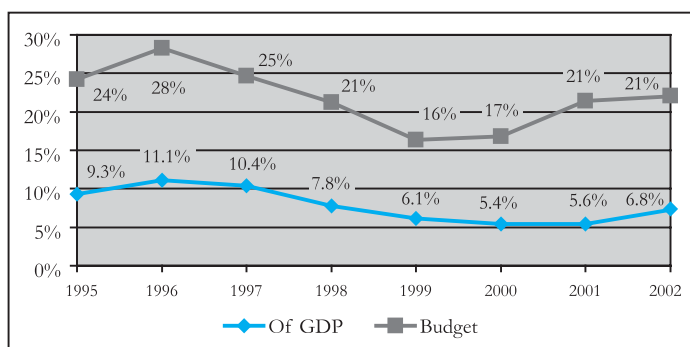
- Promoting access to, and retention in primary and gymnasium education of poor children;
- Increasing the overall compulsory education enrollment rate;
- Reviewing the structure of the secondary education system in order to make it more appropriate to current demands in the labor market and identifying measures for improving the quality of secondary schooling;
- Developing a modern education management system.

In spite of the ongoing reform effort, the Republic of Moldova has not developed yet a coherent education policy, as a legally binding instrument that would be effective regardless of changes in government. The share of public expenditures earmarked for education has been declining in the Republic of Moldova and there is an urgent need to increase the efficiency of the use of these funds (see *Figure*

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In spite of the ongoing reform effort, the Republic of Moldova has not developed yet a coherent education policy, as a legally binding instrument that would be effective regardless of changes in government

Figure 43. The Share of Public Expenditures on Education, 1995–2002



Source: Department of Statistics and Sociology.

4.3). There are also a number of areas where strategic interventions are vital including children's access to preschool educational programs, improving learning conditions for institutionalized children, supporting small rural schools, and supplying manuals and didactic materials.

During 1998–2002, new curricula for primary and gymnasium education were developed and implemented with the support of the World Bank

Children's Access to Preschool Educational Programs

In the Republic of Moldova, access to education programs for children between 0 and 7 years old was ensured through preschool educational institutions such as nurseries for children from 1.5 to 3 years old, and kindergartens for children from 3 to 7 years old. Over the last six years, the number of preschool institutions was reduced by 29%, from 1,680 in 1995 to 1,192 in 2002 (see Table 4.1). Most rural kindergartens do not operate during winter months, mainly because of the lack of resources to ensure heating.

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Table 4.1. Preschool Institutions in the Republic of Moldova, 1995-2002

	1995	1996	1997	1998	1999	2000	2001	2002
Number of preschool educational institutions	1,680	1,596	1,497	1,399	1,201	1,135	1,128	1,192
Attending children (in thousands)	161.3	146.9	138.8	126.0	101.0	93.7	96.5	104.0
As % in the total number of children 1 to 6 years old	45	43	43	40	37	36	38	40
Teaching staff (in thousands)	17.6	15.0	14.7	13.2	9.8	8.9	9.0	9.6

Source: Department of Statistics and Sociology.

According to the Law on Education, preschool training is compulsory for the children of 5 to 7 years old. Starting in 1995, the number of children attending preschool educational institutions and the number of teachers working within these institutions decreased by over 35% (see Table 4.1). The main reasons are limited resources and parents' inability to pay kindergarten fees and buy clothes and shoes for the cold season.

The Situation of Institutionalized Children

In the Republic of Moldova the institutional system that supports and educates children with special needs is a complex structure subordinated to three ministries: the Ministry of Health, the Ministry of Labor and Social Protection, and the Ministry of Education. Funding for these activities come from both central and local sources. The Ministry of Health is in charge of managing the operation of specialized schools for children (0-6 years of age)

In the Republic of Moldova the institutional system that supports and educates children with special needs is a complex structure subordinated to three ministries

The analysis of the current situation shows that children's institutionalization is forced by a number of factors, the main one being poverty

who have various medical and psychological deficiencies, as well as orphans and abandoned children. These institutions provide childcare, treatment and rehabilitation of children. Once such children turn 7 years they are transferred to special boarding schools subordinated to the Ministry of Education, while children with severe psychological or neuro-physical deficiencies are transferred to the institutions under the Ministry of Labor and Social Protection. Currently, the Ministry of Health is in charge of three orphanages with a total capacity for 413 children. These orphanages are nearly full to capacity (on average 91%).

The Ministry of Labor and Social Protection is in charge of the boarding schools for children with severe psycho-physical deficiencies (infant cerebral paralysis, epilepsy, schizophrenia, medium and severe mental retardation), where they are taken care of, and are provided general and medical assistance. Once such children turn 18 years they are placed in adult institutions that are subordinated to the same Ministry. The Ministry of Labor and Social Protection runs two boarding schools with a capacity for 400 boys and 320 girls.

The Ministry of Education is in charge of boarding schools for orphans, children with chronic diseases and with various anomalies in their psychological and physical development, as well as abandoned children. The objectives of such institutions are, to provide decent conditions for children's living, education and treatment and to protect their lives and health. Children are kept in such institutions from the age of 6 until the age of 17. Currently, the Ministry of Education is in charge of 62 such boarding schools, where about 12,500 children are educated and taken care of.

The analysis of the current situation shows that children's institutionalization is forced by a number of factors, the main one being poverty and related issues. Reasons for institutionalization

vary from one type of institution to another. For children in auxiliary schools, children with sensorial and motor deficiencies and chronic diseases poverty is a factor, with the primary reason being a deficiency in the psychophysical development of the child. Children in general institutions (boarding schools, orphanages) are often placed there due to family problems, although poverty is obviously a major factor.

Unfortunately, the Republic of Moldova has no mechanisms in place for helping children in difficulty without using the least desirable means - their institutionalization. Current data shows that only 35% of the institutionalized children benefited from special medical assistance and only 29% - from pedagogical assistance. In most cases institutionalization of children is a decision initiated by parents and pedagogic advisers of local educational institutions. By and large, living conditions of institutionalized children are harsh, to a great extent due to insufficient and inappropriate use of funding. Annual funding covers only 55% of needs, and expenses are tightly allocated to food, utilities and some clothes.

Small Rural Schools During the Transition Period

Small rural schools in the Republic of Moldova are generally primary and secondary schools located in villages where there are 1-9 classes and the average number of pupils in a class is 15 on average. Of the total 120 primary schools, 55 are small rural primary schools, and of 672 gymnasium schools - 219 are small rural gymnasium schools. The main challenges being faced by small rural schools in the Republic of Moldova are the acute shortage of teaching staff, the lack of school libraries, and inadequate infrastructure. Only 30% of teachers at small rural schools have didactical degrees, 50% do not have special training, and 65% teach as many as three subjects.

Most small rural schools in the Republic of Moldova are located in adapted premises and do not have

areas for basic learning activities, such as classrooms, computer rooms, indoor sports facilities, or laboratories. These schools are often forced to operate in two shifts, and to share limited resources and materials. As a rule, school buildings are old and have not been repaired for decades. Even if local governments had the political will to invest in these schools, they still would lack the necessary funding to provide materials and additional facilities. Many schools do not have sufficient financial resources to pay teachers and ensure decent conditions. This most certainly affects not only access to school but the quality of education as well.

Textbooks and Educational Materials

Until 1998 textbooks and other educational materials in the Republic of Moldova were distributed to pupils free of charge through school libraries. Funding from the Ministry of Education was insufficient and often their distribution would be subsidized by external donations. For example, in the 1996 budget the equivalent of US\$ 2.5 million was earmarked for textbook publishing. However, due to the tough economic situation, only 10% of this allocation was spent. After 1998, textbooks and educational materials have been largely distributed to children/students for a fee.

The lack of a sustainable funding mechanism for textbooks and other educational materials prompted the Ministry of Education and the Ministry of Finance to seek assistance from international financial organizations. Once such support was successfully obtained, the manual loan scheme program started to be implemented (in 1998). This program allows the publication of textbooks and other educational materials, using financial resources made available through a WB loan, with textbooks and educational materials being then distributed to pupils for a reasonable annual fee. This scheme has a certain level of sustainability, since textbooks and other educational materials could be re-pub-

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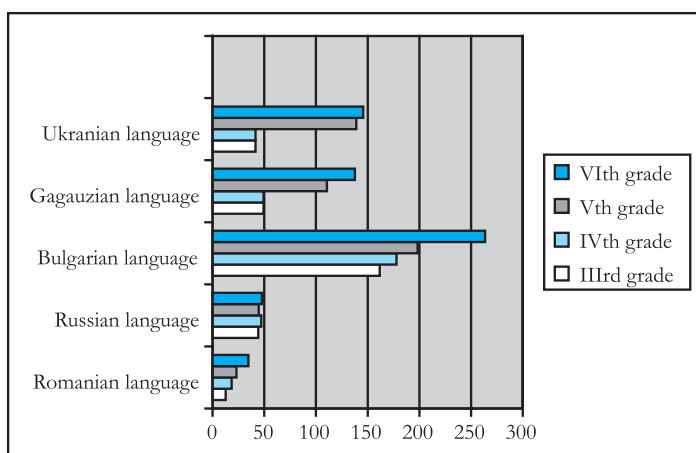
During 1998-2001 more than 80 schoolbooks were published, with a total circulation of 3.1 million copies

Traditionally, pupils and teachers paid attention to grades as indicators of performance and/or success. It was of little importance whether the students actually accumulated knowledge

lished and/or updated using as a resource the fees collected annually. During 1998-2001 more than 80 schoolbooks were published, with a total circulation of 3.1 million copies. These textbooks are in line with the new curriculum requirements set forth in the education reform.

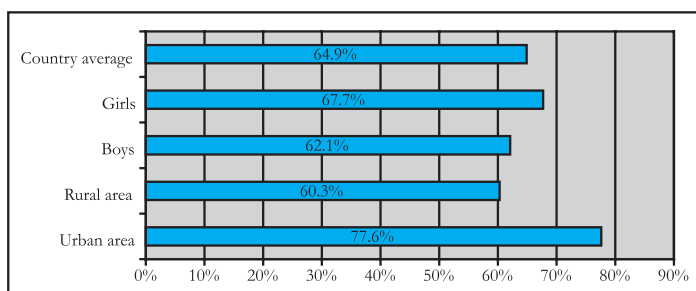
There were two problems about the manual loan scheme program. One was that it did not cover the lyceum level, where there was also a great need for new textbooks and other educational materials. The other problem was related to the education in different languages. Although the Ministry of Education encourages the publishing of school manuals in the languages of national minorities living in the Republic of Moldova, it is much more expensive (see Figure 4.4), and the manual loan scheme does not provide for expenditure reimbursement.

Figure 4.4. The Cost of Native Language Textbooks



Source: Ministry of Education.

Figure 4.5. Performance of Primary School Graduates (4th graders), 2003



Source: Ministry of Education, Directorate of Exams and Evaluation.

Assessing Educational Achievement

It is well known that any evaluation is a complex process of comparing the results of training and education against planned objectives and resources used and/or against previous results. The assessment of students' knowledge is especially important, with both teachers and parents being interested in the results of it.

Traditionally, pupils and teachers pay attention to grades as indicators of performance and/or success. It was of little importance whether the students actually accumulated knowledge. Since 2000-2001 academic year, the Ministry of Education has been implementing modern methods of organizing and implementing student evaluations and examinations. The efficiency of these methods can be evaluated based on the achievements of IV form graduates (see Figure 4.5). An analysis of exam grades shows that 6 students out of 10 obtained good results and are performing within relatively acceptable parameters. Girls performed better than boys; and pupils from urban areas (cities) tended to have a higher performance rate than those from the rural dwellings (villages).

Social Protection Policies: Balancing the Old Features with New Demands

The Present System of Social Protection

In the Republic of Moldova, social protection is generally thought as a system of economic, judicial, social and organizational initiatives undertaken by the state in order to guarantee a minimum decent standard of living to vulnerable sectors of the society. At present, in the Republic of Moldova the social protection system has two basic components, which complement each other. The first one is social insurance, which allows for compensation in the event that someone loses employment as a result of illness, unemployment, old age, maternity leave or being disabled to work. The sec-

Box 4.2

Lessons for the Republic of Moldova from the East Asia Education Reform Experience

Several factors explain East Asia's stunning educational achievement: increased demand for skilled labor force as a result of the rapid growth of the manufacturing sector; the pressures of competition in an expanding and open global market; a relatively early demographic transition that resulted in a sharp decline in the rate of growth of the school age population and a fairly high budgetary commitment to education by the government.

However, the key to the sustained performance of East Asia in the field of education lies in the bal-

ance that was engineered between public expenditure on basic and higher education. In East Asia, the emphasis was placed squarely on universal, high-quality primary education, accompanied by a largely self-financed university education system.

As a result primary education is the most important factor - much ahead of physical investment - in explaining East Asia growth over the last three decades.

The Republic of Moldova can improve its growth prospects enormously by increasing the overall expenditure on education and by shifting government expenditure from higher to basic education. The pattern of educational spending in the Republic of Moldova has been both inequitable and ineffi-

cient. Inequitable because educational policies have been skewed towards subsidies at the university level, where there is a greater concentration of students from high-income groups. While this has created many highly qualified graduates, the overall impact is limited.

The main lesson that the Republic of Moldova can learn from the experience of East Asia is the immense benefits of heavy investment in education, particularly primary education, with an emphasis on science subjects and technical skills at all levels. The low quality and limited coverage of education in the Republic of Moldova, particularly the insufficient levels of investment in primary education, make the economic transition process more difficult.

and one is social assistance, which is an ensemble of social services, ranging from medical to social, granted to families, seniors or people with disabilities.

During the period 1998-2002 the Government of the Republic of Moldova made considerable efforts to implement a series of reforms pertaining to social protection. Two achievements in this area were the liquidation of the pension arrears and a 97% increase in the value of pensions, which had a profound social impact (see Figure 4.6).

Reform of the Social Insurance System

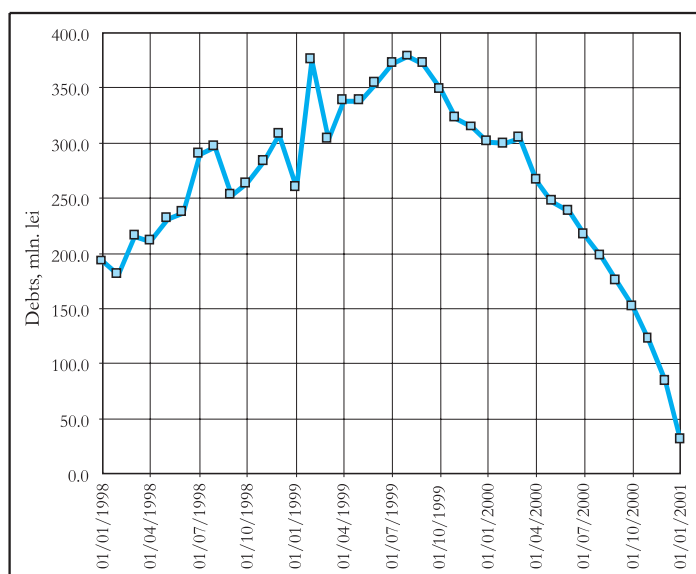
Implementation of the social insurance system reform in the Republic of Moldova was based on many different laws and normative acts, most of them being worked out and adopted in the 1998-1999 period. In accordance with these laws, authorities were supposed to solve several problems, the most important one being the increase of pension payments to reflect new socio-economic realities. The responsibility for the good functioning of the social insurance system fell on the central and local bodies of the Ministry of Labor and

Social Protection. In 2000, the National Social Insurance House was created, which took over the control over the funds of state social insurances, pensions, unemployment, disability, insurances for illness and disabilities.

One key challenge in the social insurance system of the Republic of Moldova

During the period 1998-2002 the Government of the Republic of Moldova made considerable efforts to implement a series of reforms pertaining to social protection. Two achievements in this area were the liquidation of the pension arrears and a 97% increase in the value of pensions, which had a profound social impact

Figure 4.6. Evolution of Pensions and Indemnities Arrears in the Republic of Moldova



Source: Ministry of Labor and Social Protection, Annual Social Report 2000.

One key challenge in the social insurance system of the Republic of Moldova remains the issue of financing

The capacity of the social insurance system to collect funds is seriously affected by the informal economy and unemployment. Tax evasion puts a further strain on the funds collection process

In spite of the efforts to reform the system of social insurance, there are serious still serious political and financial problems

Budget allocations for the health-care system are being steadily reduced. Since 1996, the amount of expenditures allocated for health care decreased from over 7.6% of the GDP to 4.1% of the GDP in 2002

remains the issue of financing. The social insurances system is financed by contributions from economic agents and to a lesser extent from individual contributions of insured people. The distribution of contributions is a contentious issue. During 2002-2003, 29% were paid by economic units and 1% by employees. This disproportion led to hiding the actual salary amounts.

In spite of the efforts to reform the system of social insurance, there are serious still serious political and financial problems. In the new laws many provisions from the old pension system persist, which have created distortions. For example:

- Social insurance contributions are not equitably distributed between economic agents and employees.

- In the cases of proprietors who did not rent out their land, the social insurance contribution is calculated on the basis of the degree/hectare of agricultural land.

- The structure of social insurance contributions does not take into account special working conditions.

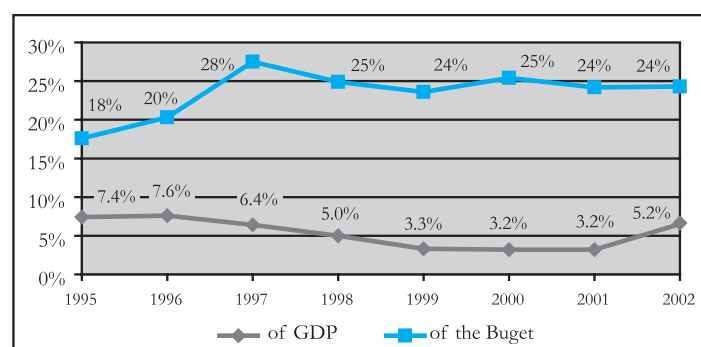
During 1997-2001, the number of the employed people decreased, which adversely influenced the total number of contributions (see Table 4.2). The capacity on the social insurance system to collect funds is seriously affected by the informal economy and unemployment. Tax evasion puts a further strain to the funds collection process. A great proportion of the social insurance debt comes from the agricultural sector. From 1997 to 2001, the social insurance debt has grown from 442 million lei (about 34 US\$ million) to 517 million lei (about 40 million US\$).

Table 4.2 Contributors to the National Social Insurance System in the Republic of Moldova

	Unit	1997	1998	1999	2000	2001
Active population	thousand	1,671.0	1,809.0	1,682.0	1,655.0	1,617.0
People employed by the national economy	thousand	1,646.0	1,642.0	1,495.0	1,515.0	1,499.0
Contributors in the public sector	thousand	1,365.3	1,677.8	1,371.1	1,314.3	1,460.1
Total pensioners	thousand	757.0	758.0	728.1	722.5	704.2
The ratio between active population and pensioners		2.21	2.40	2.31	2.29	2.30
Ratio between employed population and pensioners		2.17	2.17	2.05	2.10	2.12
Ration between contributors and pensioners		1.80	2.21	1.88	1.82	2.07
Ration between employed population and contributors		1.21	0.98	1.09	1.15	1.03

Source: Ministry of Labor and Social Protection, *Annual Social Report 2001*.

Figure 4.7. Share of Expenditures in Health, 1996-2002



Source: Department of Statistics and Sociology.

¹ Some insignificant differences exist between statistical data used by international and national bodies.

Policies in Public Health: Consolidating and Clarifying the Reform

Current Challenges in the Healthcare Sector

Budget allocations for the healthcare system are being steadily reduced. Since 1996, the amount of expenditures allocated for health care decreased from over 7.6% of the GDP to 5.2% of the GDP in 2002 (see Figure 4.7). This has had an adverse impact on the entire population, but particularly on the poorest sectors of society. A decline in life expectancy at birth during the last decade can be explained in part by the fact that health services may have failed to reach many sectors of the society. After reaching a relatively high level in the late 1980s (69 years), during the 1990s the life expectancy in the Republic of Moldova fell to levels that are below the European average and even the Central and Eastern average¹ (see Figure 4.8). Significant discrepancies exist between men and women, rural and urban and young and old.

The difficult issues facing the health-care system of the Republic of Moldova were identified back in 1996-1997. The

Box 43

Challenges of Social Protection in the Republic of Moldova

The Government recognizes that the reform of the country's social protection system is necessary in order to provide fiscally sustainable and well-targeted assistance to those in need. In the past the Republic of Moldova's social protection system relied on pensions supplemented by poorly targeted and, to a large extent, under-financed benefits and privileges. Work undertaken by the Government in the process of formulating its national program for poverty alleviation suggests that over one-third of Moldova's population enjoyed privileges which were both poorly targeted and expensive, accounting for around 8 % of Moldova's GDP in 1998.

Recent developments in social protection in Moldova have included the rationalization of energy, communal services and, partially, transport subsidies by eliminat-

ing the old system and approving a fully funded and targeted compensation scheme based on category targeting which is paid in cash and directly to recipients. The Law on the special social protection of certain categories of population, that eliminated non-targeted energy subsidies, communal services and limited energy privileges to eleven categories representing the most vulnerable segments of society, is likely to have a beneficial effect on government finances and improve significantly the efficiency and targeting of the government's social assistance program. This law replaces the previous 100 normative acts stipulating the provision of different kinds of compensations to more than 12 million beneficiaries.

Designing a social assistance system that is transparent, fully funded, fiscally sustainable, well targeted and based on real possibilities of the country will be the focus of the next phase of the social protection policy development. Under the constraint of lacking a

reliable income certification process, future social assistance system would need to rely on a combination of targeting mechanisms and will consist of a mixture of programs at national levels and local levels.

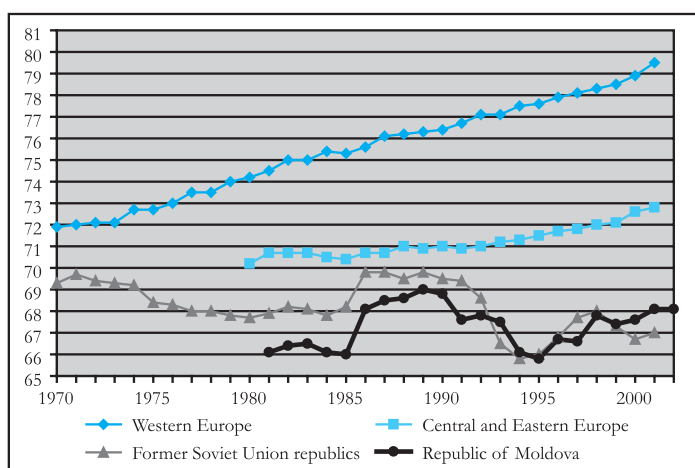
With regard to the reform of the pension system the Government remains committed to strengthening the linkage between contributions and benefits, eliminating privileged pensions and tightening eligibility criteria, making the system more transparent. Recently, the Parliament adopted the Law on Pension Recalculations, which provides a considerable increase (around 36%) in pensions starting with December 1st 2001. Additionally, the Government will take steps for defining an indexation rule for the adjustment of pensions within the social insurance budget constraints. It is further envisaged that an individual pension record for everybody will be established along with a clearly specified benefit formula correlating the compulsory social insurance contribution with the pension size.

Source: Interim Poverty Reduction Strategy Paper. April 21, 2002.

authorities acknowledged that there was a need for an in-depth reform, with some of the factors that justified it being as follows:

- Unjustified limitation of resources;
- Substantial reduction of public funding to the sector and lack of alternative sources of financing;
- Reduced access of the population to quality primary medical services;
- Lack of an adequate legal and normative framework;
- Lack of an efficient mechanism for the quality control of the rendered medical services;
- Distortions in the relation physician-patient-institution, and appearance and expansion of unofficial payments;

Figure 4.8. Life Expectancy at Birth in the Republic of Moldova, as compared to other Regions in Europe



Sources: Department of Statistics and Sociology; Scientific and Practical Centre of Public Health and Sanitary Management; Martin McKee, Witold Zatonski, *Public Health in Eastern Europe and the Former Soviet Union*. Global Public Health, Oxford University Press, 2002.

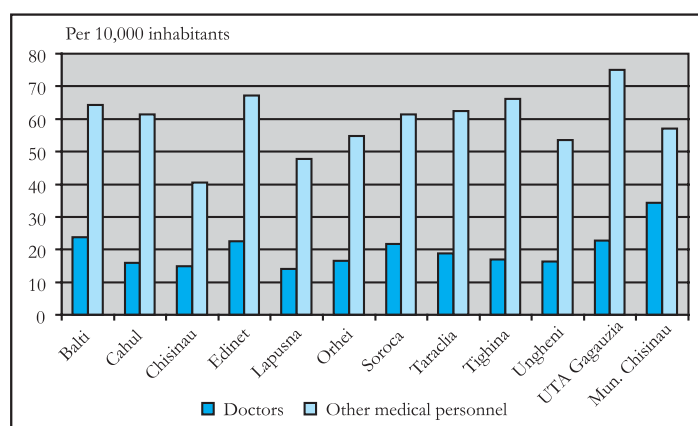
- Lack of an adequate decision-making mechanism in the healthcare system.

Some policy measures were undertaken in the health sector during the last decade but much more needs to be done to enhance the quality of health services. For example, the in-patient units use about 60% of all financial resources allocated, while the average for Western European countries is 43%. The share of medical personnel assigned to the primary health care sector in Moldova averages 19%, while in developed countries the average is 50%.

Since 1999, there was a substantial decrease in the number of physicians and qualified medical staff, which affected primarily the rural areas. In 1990, there were 37.4 physicians per 10,000 inhabitants in the Republic of Moldova. In 2002 the ratio decreased to 31 physicians per 10,000 inhabitants. Outside the aggregate number for the country as a whole, the disparity among former counties (*judets*) is even more alarming. For example there were 14 physicians per 10,000 inhabitants in Lapusna judet, 24 in Balti judet and 15 in Chisinau judet. It is estimated that annually more than 800 highly qualified and experienced doctors leave medical institutions, opting to immigrate abroad.

The number of mid-level medical personnel also varies from region to region. For example, in the former judet Tighina there were 68 mid-level medical staff per 10,000 inhabitants, and in the former judet Chisinau - 41 (see Figure 4.9).

Figure 4.9. Medical Staff by Judet, 2002



Source: Department of Statistics and Sociology.

The health care system in the Republic of Moldova is highly centralized, in almost all areas such as management of medical institutions; training, testing and employment of personnel and policy making

Some policy measures were undertaken in the health sector during the last decade but much more needs to be done to enhance the quality of health services

Both citizens and policy makers in the Republic of Moldova have come to realize that a more sustainable strategy to reform the health sector is urgently needed

Various Aspects of Healthcare System Reform

The health care system in the Republic of Moldova is highly centralized, in almost all areas such as management of medical institutions; training, testing and employment of personnel and policy making. Moreover, unlike other areas, the healthcare system in the Republic of Moldova was not subject to extensive reforms. In July 1997, on the basis of an official Decision of the Government of the Republic of Moldova (No. 668), a five-year (1997-2003) strategy to reform the sector was put into place. The purpose of this strategy was the implementation of several policies, aimed at ensuring full access to primary medical services and preventive medicine; an increase of budget allocations for medicine; expanding the independence of medical institutions, especially hospitals; training general medicine personnel and medical sector managers; and applying compulsory medical insurance.

In the context of the strategy, a series of measures were implemented to optimize the medical institutional network, rationalize expenditures, and create extra-budgetary funds. In addition, eleven programs were developed in areas such as combating viral Hepatitis and cardiovascular diseases, eliminating iodine deficiency disorders, promoting integral healthy life-styles, family planning and reproductive health. Unfortunately, the full scope and depth of the eleven programs could not be fully realized, mainly because of financial constraints and implementation inconsistencies.

Both citizens and policy makers in the Republic of Moldova have come to realize that a more sustainable strategy to reform the health sector is urgently needed. Furthermore, the dramatic decrease of the volume and quality of services modified radically public opinion about the role of the state in health care provision. A national representative survey carried out in 2000 by public health specialists showed that 5% of the respondents were in favor of paid medical assistance, 60% were in favor

of partially paid medical assistance and only 35% of the respondents wanted to maintain the free of charge service. In the same survey, respondents were asked to indicate in which situations they would favor paying for medical services: 43% of the respondents would pay if medical assistance was of high quality; 20% would pay if fees were made affordable and 17% of the respondents would condition their payments on the possibility of choosing physicians and medical facilities. The majority of respondents (99%) pronounced themselves in favor of free medical assistance for certain social groups such as pensioners, persons with disabilities, children, and the unemployed.

In 1998, the Parliament of the Republic of Moldova adopted the Law on Compulsory Medical Insurance (no. 1585). According to this Law, the compulsory medical insurance would guarantee a certain level of sustainability to health care system, by helping to cover fees and expenditures. Similarly, it offered the population an opportunity to have access to improved health care services. In spite that the Law was supposed to be compulsory, its implementation was only started in 2004.

Challenges of Good Governance in the Republic of Moldova

The euphoria and high expectations that accompanied the Republic of Moldova's 1991 independence have rapidly faded. The contradictions involved in trying to consolidate democracy and privatize the economy were starkly revealed. The transition measures necessary to put the economy on a sound footing were threatening to undermine the government's legitimacy. The atmosphere of pluralism and free debate in the Moldovan politics was distracted by the Gagauzia and Transnistria conflicts leading to unproductive political squabbles and the inhibition of a framework for a coherent public policy.

Despite the steady growth of recent years, many economic problems remain unsolved. The Republic of Moldova has

Box 4.4

Short-Term Goals of the Health Reform in the Republic of Moldova

- ♦ Developing the legal framework responding to patient's needs and the financial base required for the mandatory health insurance;
- ♦ Strengthening the health sector's institutional capacity while
- reducing excess capacity in certain geographical areas;
- ♦ Guaranteeing transparent access of the most vulnerable to a minimum package of medical services fully funded by the state;
- ♦ Modernizing emergency services and primary health care;
- ♦ Targeting and prioritizing investment in health sector.

to consolidate the achieved stabilization and growth and provide conditions for the sustained growth and development in the medium term. The country is also facing chronic shortages of development capital and skills, a reputation of high risks and unreliability among international investors and the challenge to diversify the economy's structure, from an agriculture economy to a service economy. Although many of aspects of privatization both in industry and agriculture were successfully addressed, future policies need to tackle the bankruptcy and restructuring of enterprises with significant debts as well as corporate governance issues.

Because the political transition in the Republic of Moldova was very rapid, there was no time to develop a firm institutional base vital for strengthening the democratic governance. Moreover, power struggles within political parties caused uncertainty and fluidity, and delayed institutional consolidation. The governance system operates under the Constitution that contains many features of the centralized rule. Very few public policies are the responsibility of ministries, departments, or local authorities.

In the area of the civil service reforms the government faces many critical challenges. At the base of it, there is a need to review the very structure, the composition, the functioning and the ultimate role of the public administration system in the transition process. Civil servants display limited managerial skills, they are accustomed to implementing orders from above, reluctant to contradict their superiors,

The Republic of Moldova has to consolidate the achieved stabilization and growth and provide conditions for the sustained growth and development in the medium term

The elimination of unnecessary procedural controls and regulations that stifle entrepreneurial activity, breed corruption and affect human development is a priority

If good governance is to be achieved in the Republic of Moldova, the state must guarantee territorial integrity and physical security, it must maintain the conditions necessary for an effective exercise of citizenship, it must mobilize public savings, coordinate resource allocation, and correct income distribution

Most of the questions pertaining to the future of good governance and human development in the Republic of Moldova entail the relation between economic and political reforms

and unschooled in the rigors of policy analysis. This is why an important aspect of the reform requires enhancing the productivity of civil service and making certain that each employee is performing socially relevant tasks. There has to be an incentives structure that rewards and promotes merit and improves accountability and performance. At the same time there is a significant scope for improving the technical expertise in policy formulation and in the management of regulatory bodies set up to oversee the critical areas of a market economy. The elimination of unnecessary procedural controls and regulations that stifle entrepreneurial activity, breed corruption and affect human development has become the order of the day.

The opposition is also weakly institutionalized. The resources of political legitimacy in the Republic of Moldova are easily dispersed, and the government has already lost some of its political credibility. In order to renew and expand its political authority, the government should provide people with tangible economic benefits and with important political goods such as genuine participation in decision-making. Between elections, this is best achieved by granting citizens a stake in the public policy process. The challenge facing the government in Moldova is to spin out its legitimacy until such time as the benefits of economic restructuring become widely felt. This suggests the need for a concerted effort at strengthening political institutions and at providing linkages that allow for popular participation in the policy process.

Most of the questions pertaining to the future of good governance and human development in the Republic of Moldova entail the relation between economic and political reforms. Since the Republic of Moldova's transition process to a democratic regime has coincided with economic and territorial crises, it faces an urgent need to consolidate the political institutions and to overcome economic difficulties. Democratic institutions can be consolidated only if they offer the politically relevant groups the appropriate channels and incentives to

process their demands within the framework of representative institutions. Yet the reforms necessary to restore and sustain economic growth often engender a deterioration of the material conditions of many groups. Furthermore, having to deal with territorial and autonomous claims from territories within the country (Gagauzia and mostly Transnistria), deters attention from both political and economic urgencies.

The Republic of Moldova's case reminds that development and transition practitioners, as well as researchers and politicians do not pay sufficient attention to the issue of good governance. Yet without it, there can be no democracy, sustained economic growth and no human development. The effect of good governance on human development is contingent on the institutional viability and the effectiveness of state institutions. Hence, while it can be argued that in several countries the state has become too large, politically onerous, and economically inefficient, the role of the state institutions in organizing both the public and the private life of groups and individuals cannot be underestimated. If good governance is to be achieved in the Republic of Moldova, the state must guarantee territorial integrity and physical security, it must maintain the conditions necessary for an effective exercise of citizenship, it must mobilize public savings, coordinate resource allocation, and correct income distribution. And if the state institutions are to be capable of performing these tasks and those that were analyzed earlier in this chapter, they must be reorganized, rather than simply reduced.

The state is essential in creating the conditions for the effective exercise of citizenship for all members of a political community. Democracy is a system of rights and responsibilities, but the conditions necessary to exercise them are not automatically generated by the mere existence of democratic institutions: a viable state is necessary to make it possible. Hence, the question of the relation between good governance and human development has to precede any isolated attempt to analyze human development.

Chapter 5. Governance and Human Development:

Towards a Policy Framework and an Action Plan

The previous chapters of this Report have focused on analyzing the human development profile of the Republic of Moldova, and the challenges that it entails for governance, government and civil society. Some key policy areas have been identified so as to move the human development and good governance issues to the top of the political agenda. This Chapter addresses the elements that are needed to operationalize a good governance strategy for human development.

As was shown in the Report, no matter how human development is analyzed in the Republic of Moldova, whether through its income, educational or life expectancy components or its complementary components, it is evident that human development is a dynamic rather than static concept. During the last decade, the human development situation in the Republic of Moldova has rapidly deteriorated, and has created a sense of vulnerability in most sectors of the society. This vulnerability follows from the lack of appropriate human capabilities to withstand a difficult transition process. More people in the Republic of Moldova are not leading a long and healthy life, are not being educated, are not having access to the resources needed for a decent standard of living and are unable to fully and actively participate in the life of their communities. The real human cost of transition in the Republic of Moldova cannot only be measured in terms of high unemployment rates, falling income or declining social indicators, but also in terms of the lack of a clear path towards recovery and growth, which affects the ability to generate opportunities and choices for people.

The declining human development profile in the Republic of Moldova is

not a uniform pervasive state, as it affects differently groups and geographical areas. The collected data points to human development disparities in terms of age (old and young), gender (men and women), urban/rural and geographic areas (regions, municipalities, capital). It is these disparities that make decisive action a paramount need. The Republic of Moldova case suggests that the current declining human development profile is as much a result of the transition process as is of governance or failure thereof. During the last decade, the Republic of Moldova has been building an institutional architecture almost from scratch. The incomplete or incoherent nature of that governance architecture in the form of institutions, rules, legal frameworks, and political processes has played an important role in affected the economic growth, in the quality of education and health and in human development.

The citizens of Moldova believe that much of human development depends on the strengthening of governance institutions. The continuous integration and interaction with regional and global entities will also require more mature institutional structures, which are able to satisfy the economic and political framework condition of a competitive international scene. Governance institutions will also play an essential role in reducing the growing poverty. Last but not least, governance institutions will help provide access, representation and space for a dialogue to all members of the diverse Moldovan society, and assure a collective capacity to manage internal conflicts.

General Considerations for the Policy Framework and Agenda for Action

Setting the Vision for Change through Dialogue and Deliberation Debates

Any human development strategy has to be goal-centered. Identifying goals will be an appropriate starting point

No matter how human development is analyzed in the Republic of Moldova, whether through its income, educational or life expectancy components or its complementary components, it is evident that human development is a dynamic rather than static concept

The real human cost of transition in the Republic of Moldova cannot only be measured in terms of high unemployment rates, falling income or declining social indicators, but also in terms of the lack of a clear path towards recovery and growth, which affects the ability to generate opportunities and choices for people

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Experience from other transition countries, similar to the Republic of Moldova, shows that it is more feasible to implement technical changes in systems, but much harder to implement changes in behavior

Good governance, enforcement of property rights, an independent judicial system, competent and transparent authorities, and mechanisms to promote dialogue and resolve conflict among economic agents can characterize an enabling environment for human development

The success of political mobilization in favor of good governance and human development in the Republic of Moldova will depend on winning broad support of people

The spaces for dialogue and deliberation in the Republic of Moldova must be strengthened and expanded

to develop a reform agenda. Prioritization is needed in both, the choices of policy measures and budget allocations. This implies limiting and sequencing the set of policy measures to those which can most likely be achieved, given the real capacity of the society, the political constraints and the time horizon of the strategy. There needs to be an orientation towards a common goal or vision, without which many of the strategies will be difficult, if not impossible, to implement successfully.

Experience from other transition countries, similar to the Republic of Moldova, shows that it is more feasible to implement technical changes in systems, but much harder to implement changes in behavior. The Republic of Moldova needs to work in both, technical and behavioral dimensions. Many of the technical issues are being implemented and solved with the help of donors. But they may not be sufficient for the stringent tasks at hand in the Republic of Moldova, thus partnerships for change between governmental and non-governmental sectors need to be encouraged.

The success of political mobilization in favor of good governance and human development in the Republic of Moldova will depend on winning broad support of people. Non-governmental organizations or organized civil society groups, however well organized, will not be able to force alone policy shifts for human development. Therefore, all groups in the Republic of Moldova must be involved. Alliances, partnerships and compromises are the only viable vehicles for the peaceful, sustained reform.

A clear, shared vision of the future will provide focus for action. When enough people rally to a cause, many ideals can become realistic. In this context, it will be necessary to reanimate politics so it can be capable of earning trust and bring back credibility to governance.

The spaces for dialogue and deliberation in the Republic of Moldova must be strengthened and expanded. The quality and credibility of the decision-

making system would be at stake in this type of deliberation, because it would have the potential to increase the political capabilities of the citizens as actors in development, both in the reflective sense as well as the active sense. Existing associations and organizations can be called upon to take part in the implementation of some national initiatives. This could not only reduce costs, but also enhance the sustainability of reforms by increasing ownership. Furthermore, the participating institutions can become strengthened due to their involvement.

The effectiveness of partnerships depends critically on the nature of a wider political environment and policies proposed for implementation. The latter can encourage or discourage local organizations and provide incentives or disincentives for people to participate. Good governance, enforcement of property rights, an independent judicial system, competent and transparent authorities, and mechanisms to promote dialogue and resolve conflict among economic agents can characterize an enabling environment for human development. A vision that articulates these elements is at this juncture crucial for the Republic of Moldova.

Identifying and Developing Areas of Common Interest

Human development and governance must improve in the Republic of Moldova. On this a majority of the population can probably agree. Public opinion in the Republic of Moldova also believes that all citizens, regardless of their ability to pay, should have basic health and education services. There are, as was shown throughout the Report, common interests and concerns that can unite the society. Reducing levels of vulnerability and social exclusion of specific sectors makes everyone safer. Similarly, a more educated population benefits all of society through the associated productivity gains. Common interests also abound between the government and society. Government wants its citizens

to be well educated and energetic, and, therefore, it is likely to support educational reforms. It also wants people to be self-sufficient, and so it can support investment in research and development in order to be able to support investments in the economy and assure their development. Common interests can also emerge between beneficiaries and providers of social services. Nurses, social workers, extension workers, paramedical personnel, and primary school teachers — all stand to benefit from an expansion of services. And since they are often better organized and vocal, they can be powerful allies.

Common interests can be more easily promoted if there is an explicit strategy for inclusive human development. It would help if in the Republic of Moldova new spaces of dialogue and deliberation were opened. They would help rethink how to benefit from global, regional and national opportunities, and also how those benefits can strengthen social integration, the diffusion of knowledge for improved productivity and the democratization of daily life. Achieving common interests would also help break the vicious circles found in education, employment, health and culture. Most importantly, achieving common interests and matching common concerns would help to translate the value of cultural diversity into real options for different cultural groups.

The identification and development of areas of common interest in the Republic of Moldova is as important as adopting a common strategic vision. This task is a responsibility of the government and civil society, and requires building synergic relationships. Above all, the Republic of Moldova needs to reconstruct a national social cohesion based on its own cultural and historical values: the idea of unity and the values of diversity and equality in difference are crucial for sustaining both good governance and human development.

Renewing the Democratic Space and Involving Civil Society

Good governance and human development in the Republic of Moldova require a strategic vision and common interests to help identify and prioritize the reform needs, accepting a strategic vision and joint interests that would contribute to the identification and finalization of reform priorities. To ensure the success of reforms, there is a need to create a democratic space in which people can articulate demands, act collectively and fight for a more equitable distribution of competencies and responsibilities. Strengthening and expanding the democratic space will help invest more adequate resources in human development priorities, and will make access to productive assets more equitable. Within that renewed space, there would also be an opportunity for macroeconomic management to be more pro-poor, and for markets to provide ample opportunities for ordinary people to improve their standard of living. Since 1991, the Republic of Moldova has been electing governments democratically. This is an impressive accomplishment, but it is not enough. The challenge now is to ensure that democratic practices and principles permeate every level and dimension of the society.

The Need for Civil Society and Collective Action

Creating and re-energizing the democratic space in the Republic of Moldova will also provide civil society with a space for collective action. Achievements towards good governance and human development depend first and foremost on people's ability to articulate their demands and mobilize for collective action. Isolated and dispersed, civil society has no power and no influence over political decisions that affect people's lives. But organized, it has the power to ensure that their interests are advanced. As a group civil society actors can influence state policies and push for the allocation of adequate resources to human development priorities and for more people-friendly

The identification and development of areas of common interest in the Republic of Moldova is as important as adopting a common strategic vision. This task is a responsibility of the government and civil society, and requires building synergic relationships

Achievements towards good governance and human development depend first and foremost on people's ability to articulate their demands and mobilize for collective action

Since 1991, the Republic of Moldova has been electing governments democratically. This is an impressive accomplishment, but it is not enough. The challenge now is to ensure that democratic practices and principles permeate every level and dimension of the society

Individuals, groups and civil society organizations can do a great deal on their own to advocate for good governance and human development. But much will depend on the environment created by the government action

Civil society should organize and unite citizens and build solidarity. A vibrant civil society working towards good governance and human development can assert itself through the mobilization of people in well-structured organizations

The case of the Republic of Moldova also confirms that free elections are not sufficient to motivate the government to become more enabling and responsible

One lesson learnt by the Republic of Moldova from the experience of the last decade is that for the market structures to function properly, the government must reduce inflation, strengthen the fiscal system, improve the business environment, and assure the sustainability of growth

economic policies. Ultimately, these are the pressures from people to defend their rights and to remove obstacles that enhance their life opportunities.

Civil society should organize and unite citizens and build solidarity. A vibrant civil society working towards good governance and human development can assert itself through the mobilization of people in well-structured organizations. Strong communities of NGOs, public-private partnerships and strategic collective action engagements all can help civil society to become an important force for reform, as well as to represent people's views and priorities in contacts with governments. In addition, civil society can reinforce and complement government activities by promoting more productive partnerships that can achieve goals which government cannot attain on its own.

What then can be done to help civil society actors in the Republic of Moldova? First, it is important to support both NGOs, and other active civil society and grass-root actors. The objective of such support would be not only to engage them into dialogue and deliberation, but also to encourage them to act. As civil society expands, it is important to develop mechanisms to regulate its activities. This regulation must not be understood as imposing constraints or limiting the powers and autonomy of nongovernmental organizations. It is rather about the institutionalization of public participation - an outcome that might lead to for a stronger government commitment to participation - and the setting up of institutional mechanisms, which could allow civil society organizations to do business differently through the use of public consultations and dialogue.

Good Governance

Individuals, groups and civil society organizations can do a great deal on their own to advocate for good governance and human development. But much will depend on the environment created by the government action. The

state has a central role, not just through its activities but also through its influence on many other elements of society. Civil society is not and cannot be a substitute for a formal democratic state. For example, in the Republic of Moldova, expenditures for social services have declined in the last decade. A human development strategy requires an active and strong state but not a retreating and weak one. A strong and active state is an integral part of good governance. It has to enable people to be active participants in the transition process rather than disable them.

Good governance implies using the state power in favor of human development interests, forcing politicians to use government resources more strategically and avoiding preferential access to public benefits. It also means more equitable distributions of services between urban and rural areas. No group in society should get benefits or resources at the expense of others, and this is where good governance plays a key role to ensure equity. A transition to a market economy can offer an important way to help people escape excessive government intervention. However, as the case of the Republic of Moldova suggests after a decade of transition, the path towards a market economy is a difficult one. One lesson learnt by the Republic of Moldova from the experience of the last decade is that for the market structures to function properly, the government must reduce inflation, strengthen the fiscal system, improve the business environment, and assure the sustainability of growth of the gross domestic product (GDP).

The case of the Republic of Moldova also confirms that free elections are not sufficient to motivate the government to become more enabling and responsible. There is no direct causal relationship between electoral democracy and expansion of human development and improved governance. Advancing broad human development

interests, as well as more focused ones, can reduce possibilities of social unrest and political upheaval, which can be detrimental to stability. In order to build political momentum and a more adequate policy environment to improve human development conditions and governance the following steps should be taken:

- **Promote political participation.** The government of the Republic of Moldova must enable civil society's active participation at many levels of debate, dialogue and decision-making. This requires tolerant government institutions and free discussions of policies, development and change. Such an open atmosphere could be enhanced by promoting the freedom of the press, democratic institutions, free elections and respect for human rights. At the same time, civil society must actively and constructively engage the government, for this to be a two-way process.
- **Encourage public-private partnerships.** The governments must create an adequate space for NGOs and other civil society actors to participate in policy dialogue. Partnerships with private sector firms can should also be promoted. Public-private partnerships can work in two directions: top-down (from the government to civil society), as well as bottom-up (from civil society to government).
- **Facilitate bottom-up planning.** Governments have to offer adequate means for local and regional communities to feed in views, information and policy recommendations at every layer of public administration.
- **Ensure accountability and transparency.** All organizations, public and private, should be accountable not just to their shareholders or members but also to society as a whole. This means that NGOs and civil society should be held accountable not just to their donors but also to the communities they serve and that governments should be held accountable not only to their political parties but also to the constituencies at large.
- **Anti-corruption in politics.** Good governance for human development requires a clear separation of economic and political powers. In the complex web of power relations and self-serving economic interests, weak governments cannot find a counterweight to economically powerful groups and individuals, leaving corruption a major obstacle to poverty eradication. Legal mechanisms, institutional arrangements and political commitments need to be strengthened to fight corruption at every level.
- **Protect the freedom of the press.** A free press is essential for providing people with the information they need to make rational choices about political action. It helps establish the right political incentives for policy-makers.
- **Promote judicial activism.** To protect their legitimate rights and interests, nongovernmental organizations and unassociated citizens should turn to justice as frequently as possible. The Republic of Moldova already has a basic legal framework recognizing economic, social and political rights, and the Constitution that in principle is committed to human development. More activism is needed, however, at the civil society level to amend existing laws, do away with biases and anachronisms and contribute to a pro-human development and good governance framework.
- **Promote civic education.** The citizens of the Republic of Moldova need to understand how their own political system works or could work. The government should make a greater effort to ensure that citizens in the Republic of Moldova are aware of the Constitution, laws and their rights and responsibilities.

ties. If the government lacks resources for this work, NGOs and civil society organizations must be encouraged through various donations.

Human Development Forecast for 2003-2006

Macroeconomic Estimates and Standards of Living

The quality of governance and social development in the Republic of Moldova is largely determined by the capacity of all actors of the Moldovan society to develop and implement strategies for the revitalization and reformation of all realms of social life, such as the economy, justice, education, social protection and healthcare. During the eleven years of independence, the government agents, the academia and civil society institutions have accumulated important experience in the identification of priority issues the facing society, in the outlining of possible solutions and the designing of ways for the improvement of the quality of governance. This experience is used for the formulation of many draft legislative and normative acts, scenarios and strategies for development. The formulation with the support of UNDP of the National Strategy for Sustainable Development produced a significant impact on the entire process of establishing the priority directions for

the development of the Republic of Moldova. In this document the first attempt was made to forecast the evolution of the human development index (HDI) based on the results of the reforms commenced with the declaration of independence.

From a current perspective, the evolution of the quality of governance and social development in the Republic of Moldova in the medium term (2004 -2006) will depend on the ability of relevant stakeholders to implement the programs and strategies that have already been approved and adjust them to the needs of a permanently changing society. Obviously, the main components of human development – the standards of living, level of education and health – are inevitably linked to the fiscal-budgetary policies and to the poverty reduction measures to be carried out by the government.

According to the macroeconomic estimates of the Government of the Republic of Moldova for 2004-2006, the GDP will grow annually by at least 5% (see Figure 51). This growth will be ensured, according to the government, by the effective implementation of economic and structural policies through developing the industrial and services sectors, attracting domestic and foreign investments, restructuring and modernizing enterprises, expanding exports and imports, and improving management of the fiscal system. It is expected that the actions undertaken by the Government will ensure a sustainable macroeconomic stability, and the rate of inflation will be under 10%.

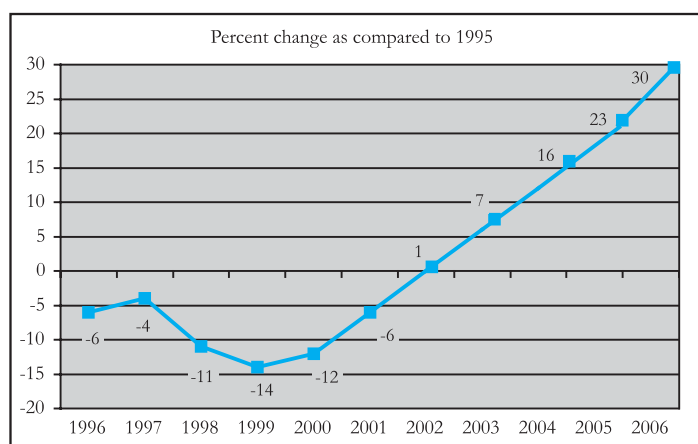
According to the Institute of Public Policies, the annual GDP growth of 5% will lead to the increase in the GDP index from 0.532 in 2002 to 0.566 in 2006. Improved standards of living will contribute to This will result in an improved HDI which will grow from 0.709 in 2002 to 0.720 in 2006, provided its other components (life expectancy at birth and level of education) do not worsen.

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The formulation with the support of UNDP of the National Strategy for Sustainable Development produced a significant impact on the entire process of establishing the priority directions for the development of the Republic of Moldova

According to the macroeconomic estimates of the Government of the Republic of Moldova for 2004-2006, the GDP will grow annually by at least 5%

Figure 51. The Evolution of GDP (main scenario)



Source: Government of the Republic of Moldova. Economic Growth and Poverty Reduction Strategy, draft, May 2004.

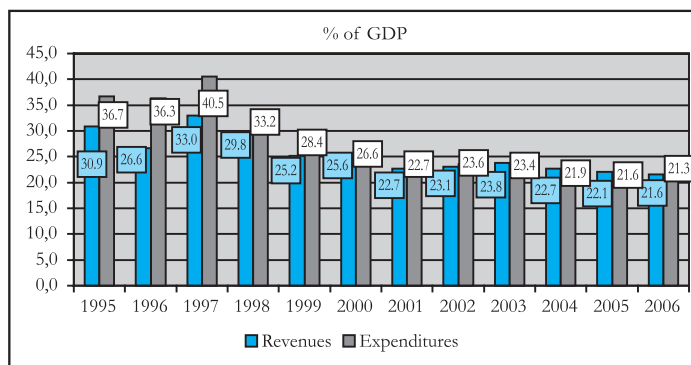
Human Development and Funding for the Social Sector

Traditionally, the main documents that regulate the financing of the social sector – local, regional and central budgets – are elaborated based on the needs of institutions in the respective branches in correlation with the available financial resources. Their analysis during 1997-2002 shows that, the share of the consolidated budget expenditures in GDP was permanently decreasing (from 40.5% in 1997 down to 23.6% in 2002), and was dependent on the accumulated revenues and sources of funding for the budget deficit. The expenditures for public administration, defense, justice and public order experienced a growth. At the same time, the expenditures for the social sphere declined, with an insignificant increase showing only in recent years.

A decrease in social expenditures took place against the background of an alarming increase in poverty, which limited the population's access to education and healthcare services, and diminished the level of social protection for people unable to work and those with small incomes. If in urban communities, the resources allocated for the social sphere are sufficient at least to maintain the volume and the existent level of relevant services, the situation in the rural areas is much worse. The free of charge social services are the only chance for the majority of people living there to get access to education, medical treatment and social protection. Thus, for the rural population the share of food expenses is of approximately 71% of the total consumption expenditures. The share of other expenses is extremely modest: from 11.4% for the housing maintenance to 0.4% for education. For the poor persons the situation is even worse: 81.9% of the total expenses are used for cover food requirements.

If the chronic under-financing of the social sector perpetuates there will be no significant changes in the human development indices. In order to pre-

Figure 52. The Structure of the Consolidated Budget (main scenario)



Source: Government of the Republic of Moldova. Economic Growth and Poverty Reduction Strategy, draft, November 2003.

vent the aggravation of the situation in education, healthcare and social protection, the financing strategies of the relevant sectors should take into account the reduced level of incomes of the population and should be based on the state support to the priority areas that determine the level of human development in the country. These priorities are explicitly formulated in the Economic Growth and Poverty Reduction Strategy (EGPRS) developed by the Government of the Republic of Moldova and proposed for public discussion at the end of 2003. The Strategy envisages the implementation of a number of measures aimed at optimizing public expenditures pending management and focused on defining strategic priorities and reorienting budget management toward obtaining expected results making the budget management more results-based.

Unfortunately, according to the forecasts presented in the EGPRS, the Government will face a continuous deficit of funds in the next three years. This will require restrictive budgetary policies. Consequently, the practice of rationalizing and optimizing public expenditures will continue, along with the reallocation of existing resources. Against the background of serious problems facing the social sector, if its chronic under-financing perpetuates there will be no significant changes in the human development indices.

Analysis during 1997-2002 shows that, the share of the consolidated budget expenditures in GDP was permanently decreasing (from 40.5% in 1997 down to 23.6% in 2002)

In order to prevent the aggravation of the situation in education, healthcare and social protection, the financing strategies of the relevant sectors should take into account the reduced level of incomes of the population and should be based on the state support to the priority areas that determine the level of human development in the country

The attainment of higher levels of human development in the Republic of Moldova will be possible only if a series of radical reforms in the economic and social sectors are implemented since the current course of semi-reforms and half-measures is insecure

The human development situation of the Republic of Moldova is not only different from a decade ago, but it is more dynamic and complex

Based on the hypothesis that the present trends in education and health-care will persist in 2004-2006, a linear extrapolation of the enrollment ratio at all educational levels and of the life expectancy at birth shows that the value of the *index of education* will not change and the *index of life expectancy* will increase from 0.719 in 2002 to 0.737 in 2006. Consequently, the Human Development Index will increase from 0.709 in 2002 to 0.726 in 2006, a growth that is insufficient even in comparison with other countries with medium human development (see Figure 5.3). Thus, the attainment of higher levels of human development in the Republic of Moldova will be possible only if a series of radical reforms in the economic and social sectors are implemented since the current course of semi-reforms and half-measures is insecure.

Key Policy Human Development Areas

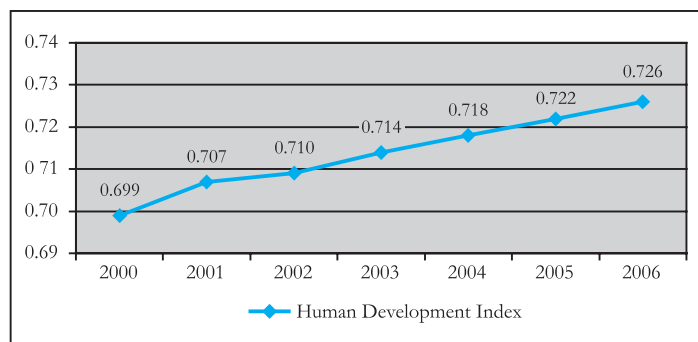
As was shown, improving governance in the Republic of Moldova has to be addressed at multiple levels. The human development situation of the Republic of Moldova is not only different from a decade ago, but it is more dynamic and complex. In particular the role of the state and civil society has to be repositioned. Policy efforts and initiatives have to be directed at building individual and collective capacities for human development. There are key human develop-

ment areas that have been identified where the need to strengthen capacities is of utmost importance. These include:

Governance

- Reforming the central public administration by reorienting it from direct control of economic activity to the creation of a favorable frame for the development of the private sector and sustainable economic growth.
- Orienting the government as a whole and each ministry separately toward strategic planning and development of public policies, and separating the process of developing public policies from their implementation.
- Preventing attempts to restrain the autonomy of local public administrations, eliminating unjustified intervention in the daily activity of local representative and executive bodies, and adjusting the legal framework to reflect current developmental trends in regional and local autonomy in European countries.
- Improving the legal framework for the local public administration to eliminate overlaps and contradictions related to the delimitation of competencies of local and central public authorities, as well as of local authorities of the first and second levels.
- Implementing modern methods of developing central and local budgets, identifying reliable sources of funding, and establishing a set of norms for the transfers of the state revenues not only to the budgets of the second-level administrative-territorial units, but also to the budgets of the first-level ones;
- Intensifying the fight against corrupt practices that lead to the private business dominating overriding the state, and against administrative corruption that constitutes

Figure 5.3. The Evolution of the Human Development Index (main scenario)



Source: Calculations by the Institute of Public Policies, based on the macroeconomic forecast for 2004-2006 of the Economic Growth and Poverty Reduction Strategy, draft, November 2003.

an additional undeclared tax that affects the poor in particular.

- Developing an ethics code for civil servants, recruiting personnel openly and competitively, promoting them based on merit and professional competence, and separating political functions from administrative ones.
- Implementing new information technologies at all levels of administration as soon as possible, developing and maintaining official web sites, developing elements of "electronic governance."

Civil Society

- Further strengthening nongovernmental organizations as entities that can influence the process of improving the quality of governance; fostering the involvement of NGOs in new activities and their expansion to rural areas; diversification of funding sources and consolidation of the financial autonomy of NGOs.
- Creating a legal framework to guarantee to nongovernmental organizations and to all unassociated citizens free access to information, and expanding their opportunities to participate in decision making.
- Unconditionally guaranteeing freedom of the press, adjusting legislation to conform to the requirements of a true democracy, and preventing attempts to use the mass media for opportunistic political goals. Ceasing attempts to mimic reforms in the mass media by turning radio and television, as means of information and public opinion building, into public institutions servicing the entire society; promoting the norms and principles of the journalistic codes of ethics.
- Ascertaining scientific evidence and creating a favorable environment for the development of the national culture and its integration into the international system of values. Implementing modern cultural management practices and diversifying the

sources of funding for cultural institutions.

Education

- ◆ Creating a common education space in the Republic of Moldova by integrating ethnic, linguistic, and religious minorities into society, decentralizing competences and responsibilities; increasing the autonomy of educational institutions, and involving parents more actively in the management of schools.
- ◆ Developing and implementing systems of sustainable funding for education based on a shift from institutional funding to funding per student. Delimiting responsibilities in financing educational institutions and allocating funds for different levels of education according to the standards of developed countries.
- ◆ Increasing the effectiveness of the education system, implementing modern methods of institution, teacher, and student evaluation, improving the quality of education by increasing the admission rate and adapting current curriculum to the needs of a modern economy.
- ◆ Providing equal opportunities for quality education for all children by updating the network of educational institutions and supporting children from poor families and children in difficult situations.
- ◆ Rendering education apolitical and nonpartisan; creating councils composed of representatives from academic, teacher, and parent communities for the management of the education system; these councils would make decisions regarding the school curriculum and promote scientific evidence, civic peace, and tolerance in society.
- ◆ Ensuring the attainment of objectives formulated in the National Strategy on Education for All:
 - to increase by the year 2007 the rate of enrolment in the early childhood programs of the children of 3-5

years of age up to 75 % and of the children of 6-7 years - up to 100 %; to reduce during the same period the discrepancies between the disadvantaged groups and the ones with average incomes as well as differences between urban and rural areas down to less than 5%;

- to achieve the universal access to quality basic education, by ensuring that recognized and measurable results are achieved by all, especially in literacy, numeracy and essential life skills, including health education, vocational training, etc. by the year 2007/2015;
- to ensure that by 2015 all children, especially children in difficult circumstances and those from ethnic minorities, have access to and are able to complete education that is free, compulsory and of good quality;
- to promote inclusive education which addresses the needs of children with special education needs and provide support and guidance to schools, particularly with regard to curriculum for students with emotional and behavioral difficulties;
- to increase or at least to maintain the current level of adult literacy (95 %) by 2007; to provide access for all families to family education programmes that would allow them to develop better parental skills and communication with their children, leading to the fulfillment of children's rights;
- to ensure the development of skilled human resources for a democratic social and economic life through the provision of appropriate learning opportunities, especially for the youth and adults in difficult circumstances.

Health Care

- Adjusting the law on mandatory health insurance to the interests of the patient, developing complementary laws and normative acts to assure transparency and competitive-

ness in pricing medical services and selecting providers of such services, defining the status and funding methods of medical facilities under the conditions of mandatory health insurance.

- Revising the methods of developing and managing the healthcare system budget, defining the roles of the state and local public authorities in guaranteeing fair access to quality healthcare services, and establishing a sustainable funding system based on national and regional programs that are assessed based on relevant and measurable indicators.
- Ensuring the independence of the system for assessment and accreditation of medical and pharmaceutical facilities, implementing quality standards, eliminating monopolies, and developing an environment encouraging free competition in training professionals and providing services in health care.
- Developing the primary health care system, strengthening the financial and administrative autonomy of healthcare facilities, creating medical centers of a new type oriented toward the provision of primary health care services at the patients' homes or places of residence. Modernizing medical university, postgraduate, and college curricula to train professionals for primary health care.
- Fostering the development of the private sector in health care; encouraging citizens to participate directly in solving healthcare issues; and implementing administrative structures to allow patients to choose their medical facilities and doctors freely.
- Improving the remuneration system for the public health care employees by implementing the principles of remuneration being based on the quality of healthcare services provided; eliminating direct financial relationships between doctors and patients.

Social Protection

- Reevaluating the role of the Parliament and government in creating a legal and normative framework required for a stable and effective operation of the social protection system, eliminating intervention of political factors in managing social protection funds, and ceasing decision making that undermines the fiscal sustainability of the system.
- Delimiting responsibilities and eliminating overlaps in the management of the social protection system; preventing the involvement of governmental agencies and not authorized public associations in the management of funds meant for the social protection of citizens.
- Revising adequately the current legal and normative framework to achieve a strict observance of the fundamental principles of the public social protection system: uniqueness, equality, social solidarity, compulsory and contributions-based nature, distribution, and autonomy of social protection institutions.
- Redistributing rationally the social protection contributions between employers and employees, gradually reaching equal shares to secure the interest and responsibility of both parties in the effective operation of the social protection system and to prevent tax evasion. Creating and developing non-state pension funds, especially professional funds.
- Ensuring the increased accountability of decision makers for the administration, funding, and effectiveness of the public social protection system. Developing sectoral strategies to permit the efficient use of available resources in order to respond more effectively to the needs of the people and social groups who are truly disadvantaged. Correcting the discrepancies between the lengths of the contributions payment periods, amounts of contributions, and magnitude of pensions of the privi-

leged categories of citizens. Eliminating discrepancies between rural and urban communities in terms of the level and quality of social protection.

- Implementing urgently a system of individual recordkeeping for contributors and beneficiaries of the public social insurance system; its integration into the national information systems.

Looking Ahead: Three Prospective Scenarios for the Republic of Moldova

Three Scenarios for the Future of Moldova

The issue of governance and its links to human development has emerged as a key framework to understand complex transition processes, and to promote agendas for action. As was mentioned in the 2002 Human Development Report, an increase in a country's material resources and means is only one of the essential conditions for achieving higher levels of human development. Equally important, if not more, is the collective capacity to transform means into valued outcomes. As the case of the Republic of Moldova has confirmed, a critical element in this process is the quality of governance. As substantial public and private resources are being made available to support strategies for human development, there is an obligation to ensure that those resources yield adequate results for the benefit of the poor and the vulnerable.

In as much as good governance can help enhance human development, the lack of adequate governance can erode capabilities to meet even the basic subsistence needs for large segments of the population. The policies that have been pursued in the Republic of Moldova over the last decade have gradually and more explicitly begun to recognize human development. Independence has created conditions for promoting an authentic human development framework, empha-

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In attaining the goal of a more inclusive human development and stronger governance in the Republic of Moldova, one of the most difficult tasks will be to overcome the institutional, social, economic and external constraints

At this critical juncture of its transition process, there are three prospective scenarios for the Republic of Moldova. The first one would involve the current situation sliding down into a permanent state of conflict and a concurrent deterioration of human development indicators

A second more optimistic scenario is sustaining the current situation indefinitely, oscillating periodically between declining economic and human development trends and recovery

The third and more appropriate perspective scenario for the Republic of Moldova would be to move the process of transition into a different stage, characterized mainly by a gradual but steady progress in both governance and human development indicators

sizing diversified forms of ownership, market-oriented policies and the expansion and improvement of public services.

These achievements cannot deny that the transition has been and still is a complex process and that so far it has created more costs than benefits for the society as a whole. At the same time there is an official commitment by the government to achieve an improvement in the quality of life in the Republic of Moldova over the next few years. Similarly, even though good governance as a concept is still evolving, it is widely recognized that irrespective of how one defines it, good governance does not preclude civil society. In attaining the goal of a more inclusive human development and stronger governance in the Republic of Moldova, one of the most difficult tasks will be to overcome the institutional, social, economic and external constraints that are limiting a more optimal use of resources for human development. Such task is more challenging, as it needs to be fulfilled in the context of internal conflict disputes and stagnant economic situation. Consequently, good governance will be called to play a decisive role in consolidating and deepening the reform process, towards the country that the Republic of Moldova aspires to be.

At this critical juncture of its transition process, there are three prospective scenarios for the Republic of Moldova. The first one would involve the current situation sliding down into a permanent state of conflict and a concurrent deterioration of human development indicators. The ultimate result of this scenario would involve fragmentation of the political system with a dramatic reduction of institutional legitimacy and performance, coupled with social disintegration leading to potential violent conflicts over control of territories. In this scenario any kind of political or party agreement would become impossible and the possibility of reform will suffer.

A second more optimistic scenario is sustaining the current situation indefi-

nately, oscillating periodically between declining economic and human development trends and recovery. This scenario would be characterized by some isolated improvements as well as limited reforms mainly sponsored by donors. The government would take a leading role in all decisions, and the essential problems demanding solution would not be tackled. In this scenario, there would not be any serious political reform, albeit a few restricted partisan agreements leading to cosmetic changes. Social tension will remain, with short, sporadic, localized conflicts in certain sectors controlled by a substantive degree of force. A structural resolution of limited social demands would be delayed. In the medium and long terms, neither of these two scenarios is highly desirable, as both lead towards less good governance and human development.

The third and more appropriate perspective scenario for the Republic of Moldova would be to move the process of transition into a different stage, characterized mainly by a gradual but steady progress in both governance and human development indicators. In this scenario the quality and degree of transparency of public administration would improve, gradually but progressively. There would be political will for an orderly and sequential reform, in coordination with active civil society groups. The reform of the governance system and institutions would be given explicit priority, resources and time. The party system would be committed to a new style of political leadership, emphasizing less corruptive structures and the realization of electoral promises. The collective capabilities of managing conflict in the government and in society would be strengthened. And, there would be cooperation between the state and society in different areas and at different levels.

There is no doubt that the third scenario represents the most likely option for the Republic of Moldova. It would involve a comprehensive strat-

egy and a collaborative effort by the state, civil society and external actors. Based on the analysis in the chapters and sections above, such a strategy must include at least five key policy areas:

- ♦ **Accelerating institutional reforms**, including further improvement of the legal framework, clarification of the rules, and regulatory frameworks. Of course improving the legal system alone will not guarantee a better business and investment climate. Thus another key institutional reform would be effective law enforcement. At the same time, wider participation of the public in social, economic, and political life must be promoted. However, public participation will only be effective if it is organized in an open, equitable and transparent manner. Thus a priority must be to accelerate public administration reform and to implement grassroots democracy.
- ♦ **Furthering economic restructuring**, to increase the levels of efficiency and competitiveness of the whole economy. In parallel the financial sector in the Republic of Moldova requires profound reform. An integral part of the Economic restructuring measures must be presented in the eventual action plan for European integration.
- ♦ **Further reforming education and training**, to nourish a new productive structure and reinforce human development strategies. As in other sectors, clearly defining the roles and responsibilities of governmental and non-governmental actors must be an integral part of the reform. The government must define a clear set of national service standards for basic education that can be guaranteed to every pupil and specify a minimum performance level for each school. Moreover, the basic education curriculum could be further modernized by moving away from static learning methodologies into a more modern dynamic and flexible education system that

encourages creative and innovative thinking and makes use of the latest information technologies.

- ♦ **Expanding and improving public services**, with the state evolving into a facilitator rather than a direct provider of services. Education and health services as well as in-service training, supervision and quality assurance mechanisms must be enhanced both at the national and municipality local levels. More precise information on the health and educational status of the population, particularly on disparities between the village, commune, town, and municipality should be made available. Government spending on education, health and social protection must be increased. Efforts should also be made to improve the effectiveness and efficiency of intra-sectoral allocations, with a focus on more disadvantaged and isolated regions.
- ♦ **Promoting rural development**, to boost agricultural production as well as promote diversification and non-farm business activities. This would be essential for ensuring food security, increasing incomes and reducing people vulnerability in rural areas.

Without strengthening and deepening the reform process, both good governance and human development will continue to suffer and the Republic of Moldova's aspirations for the future might not be realized. There are three distinct perspective scenarios for the future of the Republic of Moldova. Not explicitly choosing the most appropriate one as a goal might put at risk the small but important accomplishments of the last decade. Transitions are difficult processes, and steering a transition process to favor good governance and human development appears even more challenging. But developing and implementing reforms that would contribute to a new more dynamic production pattern, as well as to human development, is an opportunity that cannot be denied.

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Annexes

The Human Development Index and Other Human Development Measures

Since it first appeared in the first *Human Development Report* in 1990, the Human Development Index (HDI) has been rather successful in serving as an alternative measure of development, supplementing economic indicators. This index measures a country's achievements in three aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined gross primary, secondary, and tertiary enrolment ratio; and standard of living, as measured by Gross Domestic Product (GDP) per capita (in US\$ Purchasing Power Parity-PPP). All three are used to construct an index between 0 (low) and 1 (high), and on which annual country rankings are based on.

In general, it is considered that HDI is not able to capture all country-specific realities and short-term impact with regard to newly implemented policies. This has led international and national analysts to attempt to refine the concept and its measurement tools by further research and the incorporation of different perspectives. As part of these efforts, during the last decade global HDR and many NHDRs have introduced several additional indices that go beyond the uniform composite measure of longevity, educational attainment, and standard of living variables. For example:

- **The Gender-related Development Index (GDI)**, which was formulated in the mid-1990s to factor gender inequality in life expectancy, educational attainment, and standard of living into an index.
- **The Gender Empowerment Measure (GEM)**, as a measure of the relative participation of women and men in political and economic activities.
- **The Human Poverty Index (HPI)** to measure deprivation in longevity, knowledge, and a decent standard of living.

Monitoring human development is important for assessment, policymaking and enhancing opportunities for people. The HDI and other human development indicators can be considered useful tools to measure and compare human development progress and setbacks across countries. These indicators also have potential to promote and encourage policy change. The need to continue to refine their methodology, statistical sophistication and disaggregation, to better monitor changes within countries, has been recognized by the majority of the members of the global human development community.

Calculating Human Development Indicators for the Republic of Moldova

The Republic of Moldova disposes of current data that can be used to calculate the HDI, GDI and GEM at the national level. In this Report for the first time there was an attempt to calculate the GDI and GEM for 1999, 2000, 2001 and 2002, using for this purpose the UNDP methodology presented in the Global Human Development Report for 2002. Due to a lack of statistical data, at present it is not possible to calculate the HPI for the Republic of Moldova.

Calculating the Human Development Index (HDI)

The HDI is based on three indicators: longevity, educational attainment and living standard. The longevity is measured by life expectancy at birth. The educational attainment is the weighted arithmetic average of the adult literacy

rate (two-thirds weight) and the average ratio at all levels of education (one-third weight). As a measure for the living standard the HDI uses the per-capita GDP in US dollars, calculated taking into account the purchasing power parity (PPP).

The basic inputs for the calculation of the HDI for the Republic of Moldova are presented below. For example, the components of the HDI for the Republic of Moldova are:

<i>Life expectancy</i>	= 68.13 years
<i>Adult literacy rate</i>	= 96.4%
<i>Combined enrolment ratio</i>	= 70.7%
<i>Per-capita GDP at the purchasing power parity</i>	= US\$2,428

Each component is being compared with the following fixed minimum and maximum values established by UNDP: 25 and 85 years respectively for life expectancy; 0 and 100% for adult literacy rate; 0 and 100% for the combined enrolment; US\$100 to US\$40,000 for GDP per capita. Before the HDI itself is calculated, an index needs to be created for each of these dimensions. To calculate these dimensions the minimum and maximum values are used to calculate using the following general formula:

$$\text{Dimension Index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

Using the formula, the following results are attained:

Life expectancy index:

$$(68.13 - 25) / (85 - 25) = \mathbf{0.719};$$

Adult literacy index:

$$(96.4 - 0.0) / (100.0 - 0.0) = \mathbf{0.964}.$$

Combined gross enrolment index:

$$(70.7 - 0.0) / (100.0 - 0.0) = \mathbf{0.707}.$$

Educational attainment index, calculated on the basis of two previous indices:

$$(2 \times 0.964 + 0.707) / 3 = \mathbf{0.878}.$$

The GDP per capita index is calculated using adjusted GDP per capita (PPP US\$). In the HDI income serves as a surrogate of all the dimensions of human development not reflected in a long and healthy life and in knowledge. Income is adjusted because achieving a respectable level of human development does not require unlimited income. Accordingly the logarithm of income is used.

GDP per capita index:

$$(\log 2428 - \log 100) / (\log 40000 - \log 100) = \mathbf{0.532}.$$

The **Human Development Index**, calculated as an average of the three main indices with equal weight, is as follows:

$$(0.719 + 0.878 + 0.532) / 3 = \mathbf{0.710}.$$

Calculating the Gender-related Development Index (GDI)

The gender-related development index (GDI) uses the same basic elements as the HDI but adjusts indices of life expectancy, educational attainment and income to reflect the inequalities between male and female population.

The calculation of the GDI involves three steps.

First, female and male indices in each dimension are calculated according to this general formula:

$$\text{Dimension Index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

Second, the female and male indices in each dimension are combined in a way that penalizes differences in achievement between men and women. The resulting index, referred to as the *Equally distributed index*, is calculated according to this general formula:

$$\text{Equally distributed index} = \{[\text{female population share} (\text{female index}^{1-\epsilon})] + [\text{male population share} (\text{male index}^{1-\epsilon})]\}^{1/(1-\epsilon)},$$

where ϵ measures the aversion to inequality. In the GDI $\epsilon = 2$ (the average of values for men and women). Thus, the equally distributed index becomes:

$$\text{Equally distributed index} = \{[\text{female population share} (\text{female index}^{-1})] + [\text{male population share} (\text{male index}^{-1})]\}^{-1}.$$

Third, the GDI is calculated by combining the three equally distributed indices in an unweighed average.

Below are the relevant calculations for the Republic of Moldova.

Calculating the *Equally distributed life expectancy index*:

FEMALE	MALE
Life expectancy: 71.77 years	Life expectancy: 64.4 years
LEI = $(71.71 - 27.5) / (87.5 - 27.5) = 0.738$	LEI = $(64.40 - 22.5) / (82.5 - 22.5) = 0.698$

Next, the female and male indices are combined to create the equally distributed life expectancy index, using the general formula for equally distributed indices:

FEMALE	MALE
Population share: 0.521	Population share: 0.479
LEI: 0.738	LEI: 0.698

Equally distributed life expectancy index:

$$\{[0.521 (0.738^{-1})] + [0.479 (0.698^{-1})]\}^{-1} = \mathbf{0.718}.$$

Calculating the *Equally distributed education index*:

FEMALE	MALE
Adult literacy rate: 94.5%	Adult literacy rate: 98.6%
Adult literacy index: 0.945	Adult literacy index: 0.986
Gross enrolment ratio: 72.2%	Gross enrolment ratio: 67.6%
Gross enrolment index: 0.722	Gross enrolment index: 0.676
Education index:	Education index:
$2/3 (0.945) + 1/3 (0.722) = 0.871$	$2/3 (0.986) + 1/3 (0.676) = 0.883$
Population share: 0.521	Population share: 0.479

Equally distributed education index:

$$\{[0.521 (0.871^{-1})] + [0.479 (0.883^{-1})]\}^{-1} = \mathbf{0.877}.$$

Calculating the *Equally distributed income index* is rather complex. The values of GDP per capita in PPP US dollars are calculated taking into account the female and male earned income. These incomes in their turn are estimated by using the ratio of the female wage to the male wage and the female and male percentage shares of the economically active population. Where data on the wage ratio are not available, a standard value of 75% is used. The female and male per capita income (PPP US dollars) is calculated similarly to the HDI and used to calculate the equally distributed income index.

Total GDP (PPP US dollars) is calculated by multiplying the total population by GDP per capita (PPP US dollars).

Total population: 3623 (thousand)
 GDP per capita (PPP US dollars): 2428
 Total GDP (PPP US dollars) (Y): $3623 \times 2428 = 8796644$ (thousand)
 Ratio of female to male non-agricultural wage (W_f/W_m) = 75%
 Female percentage share of economically active population (EA_f): 50.76%
 Male percentage share of economically active population (EA_m): 49.24%

Female share of the wage bill (S_f):

$$(S_f) = \frac{W_f/W_m(EA_f)}{[W_f/W_m(EA_f)] + EA_m} = \frac{0.75(50.76)}{[0.75(50.76)] + 49.24} = 0.436$$

Female and male GDP (PPP US dollars):

Female share of wage bill (S_f) = 0.436
 Total GDP (PPP US dollars) (Y) = 8796644 (thousand)
 Female population (N_f) = 1888 (thousand)
 Estimated female GDP (PPP US dollars)
 $(Y_f) = S_f(Y)/N_f = 0.436(8796644) / 1888 = 2031$

Male population (N_m) = 1735 (thousand)
 Estimated male GDP (PPP US dollars)
 $(Y_m) = [Y - S_f(Y)] / N_m = [8796644 - 0.436(8796644)] / 1735 = 2860$

Calculating the income the same way as the HDI, the *Equally distributed income index for female* is:

$$(\log 2031 - \log 100) / (\log 40000 - \log 100) = 0.503.$$

Equally distributed income index for male is:

$$(\log 2860 - \log 100) / (\log 40000 - \log 100) = 0.560.$$

Income equally distributed index:

$$\{[\text{female population share} \times (\text{estimated female earned income (PPP US dollars)})^{-1}] + [\text{male population share} (\text{estimated male earned income (PPP US dollars)})^{-1}]\}^{-1} = \{[0.521(0.503^{-1})] + [0.479(0.560^{-1})]\}^{-1} = \mathbf{0.529}.$$

Gender-related Development Index (GDI) is calculated as a sum of the three component indices: the equally distributed life expectancy index, the equally distributed education index and the equally distributed income index:

$$1/3 (0.718 + 0.877 + 0.529) = \mathbf{0.708}.$$

Calculating the Gender Empowerment Measure (GEM)

The Gender Empowerment Measure (or in other words the women's participation index) focuses on women's opportunities rather than their capabilities. The GEM captures gender inequality between men and women in three key areas:

- Political participation and decision-making power, as measured by women's and men's percentage shares of parliamentary seats;
- Economic participation and decision-making power, as measured by women's and men's percentage shares of positions as senior officials and managers and women's and men's percentage shares of professional and technical positions;
- Power over economic resources, as measured by women's and men's estimated earned income (PPP US\$).

For the first two dimensions, the methodology of population-weighted average is used $(1 - \epsilon)$ in order to get "an equally distributed equivalent percentage" (EDEP) for male and female together. Each variable is then indexed by dividing the EDEP by 50%.

The value of income variable (power over economic resources) is calculated similarly to the GDI the only difference being that the unadjusted value of GDP is used.

Those three indices - political and economic participation and decision-making and control over economic resources are added in order to calculate the final value of the GEM.

Below are the relevant calculations for the Republic of Moldova.

The *Share of the political participation* (parliamentary representation) is calculated using the female and male percentage shares (15.8% female and 84.2% male) of parliamentary representation. The calculation leads to the following values:

$$\{[0.521 (15.8^{-1})] + [0.479 (84.2^{-1})]\}^{-1} = 25.86 \text{ (EDEP \%)}.$$

Index of political decision-making: $25.86 / 50 = \mathbf{0.517}$.

The *Index of decision-making power in economic field* is calculated on the basis of women's and men's percentage shares of senior officials and managers positions (40.2% women and 59.8% men) and another for women's and men's percentage shares of professional and technical positions (60.3% women and 39.7% men). The two variables were calculated as follows:

Indexed EDEP for positions as senior officials and managers:

$$\{[0.521 (40.2^{-1})] + [0.479 (59.8^{-1})]\}^{-1} = 47.69;$$

$$47.69 / 50 = 0.954.$$

Indexed EDEP for specialists with scientific and intellectual professions:

$$\{[0.521 (60.3^{-1})] + [0.479 (39.7^{-1})]\}^{-1} = 48.30$$

$$48.30 / 50 = 0.966.$$

Index of decision-making in the economy: $(0.954 + 0.966) / 2 = \mathbf{0.960}$.

Index of earned income is calculated using female percentage in the total population (52.1%), the economically active population (50.76%), ratio of the female non-agricultural wage to the male non-agricultural wage (75%) and the unadjusted GDP per capita (US\$ PPP 2428). Using the same formula as for calculation of the GDI the result is as follows:

GDP per capita for women (PPP US dollars)	= 2031;
GDP per capita for men (PPP US dollars)	= 2860.

These two variables are used for calculation of specific indices: GDP per capita for women and men (PPP).

Index of GDP per capita for women (PPP):	$(2031 - 100) / (40000 - 100) = 0.048;$
Index of GDP per capita for men (PPP):	$(2860 - 100) / (40000 - 100) = 0.069.$

The **Equally distributed income index** is calculated as follows:

$$\{[0.521 (0.048^{-1})] + [0.479 (0.069^{-1})]\}^{-1} = \mathbf{0.056}.$$

The **Gender Empowerment Index** is calculated as an average of the three indices: political participation, economic participation and equally distributed income:

$$(0.517 + 0.960 + 0.056) / 3 = \mathbf{0.511}$$

Selected Definitions of Some Human Development Indicators

Total consumer expenditure of households includes amounts spent on food and consumable industrial products, on services and the equivalent of human consumption of food and industrial products from households own resources.

Household is a group of two or more persons that dwell together in a usual way, are, generally, relatives and manage the house together. Persons that live and run the house alone are considered to be one-person household.

Adult population literacy rate is the share of persons of 15 and more years of age that attended or finished school or can write and read not having finished school, out of the total population of 15 and more years of age.

Education coverage rate is the number of students enrolled at an educational level, without regard to whether they belong or not to the age group that corresponds to the level, as a percent of total population of the respective age group (education level I corresponds to the age group of 7-10 years, II to 11-17 years and III to 18-22 years). As a whole, all three levels correspond to the age group of 7-22 years.

Conjectural fertility rate is the average number of children that a woman during the fertile period would give birth to, if the current fertility pattern were to continue.

Preschool education is the first stage of training organized in education, corresponding to the level 0 of International Standard Classification of Education (ISCE).

Primary education is 1st level education (ISCE 1), which main function is to ensure baseline elements of education.

Secondary education is 2nd level education that includes stage 1 - gymnasium (ISCE 2), based on at least 4 years of training and stage 2 (ISCE 3) that ensures general or specific education.

Higher education is 3rd level education (ISCE 5,6,7), in which the condition for admittance is the completion of secondary education.

Dwelling is a construction unit formed of one or more rooms meant for living, usually, with dependences or other areas, independent from the functional point of view, with a separate entrance and used, usually, by a sole household.

Active population from the economic point of view are persons able to work that constitute the labor force available for the production of goods and services in the national economy (during the respective period). It consists of the active employed population and the unemployed.

Employed population are persons of 15 and more years of age that undertake an economic or social activity of goods or services production, for at least an hour during the respective period, with a goal of receiving revenue in the form of wage, remuneration in kind or other benefits.

Inactive population from the economic point of view are persons, regardless of age, who do not undertake a social or economic activity and are found in one of the following situations: are students, pensioners, housekeepers, supported by the state or maintain themselves due to the revenue other than those from work (lease, rent, etc.).

Gross domestic product (GDP) is the main synthetic indicator of the National Account System that compares the final results of activity undertaken by resident units of production of goods and services.

GDP per capita calculated at the purchasing power parity - utilization of official exchange rates of conversion of national currency into US dollars cannot measure relative internal purchasing power of currencies. Thus, the United Nations Project of International Measurements suggested a calculation of the real GDP on a comparable scale at the international level, using as a factor of comparison purchasing power parity. The Republic of Moldova participated at the multilateral works of comparison for 1993 and 1996 within the framework of the Programme of European Comparison (project implemented by DSAS together with, Eurostat; National Committee for Statistics of Romania and Cen-

tral Office for Statistics of Austria). On the basis of the results of those works, calculation was made of GDP per capita at PPP over 1993-1999. For 1993-1995 PPP was recomputed due to the methodology changes introduced in 1996.

Correlation of demographic dependence is the correlation between the population determined as dependent (under 15 and over 65 years of age) and population of working age (between 15 and 64 years).

Correlation of economic dependence is the inactive and unemployed population per 1,000 persons actively employed.

Labor force renewal rate is the population under 15 years correlated to one third of population between 15 and 59 years of age.

Infant mortality rate is the number of deceased under 1 year per 1,000 live births.

Maternal mortality rate is the number of women deceased while giving birth per 100,000 newborns.

Unemployment rate is the correlation between number of unemployed and active population (the unemployed plus population employed).

Life expectancy at birth represents the number of years a newborn could live if current mortality rate lingers.

Natural increase is the number of live births minus the number of deceased.

Registered unemployed are persons able to work, of working age, who have no workplace, no other legal income and are registered at employment agencies as persons in search of jobs and who prove their wish to work.

Dole beneficiaries are persons inscribed at employment agencies (registered unemployed), beneficiaries of public funds (dole or welfare recipients).

Unemployed according to the ILO classification (ILO) are persons over 15 years of age, who during the respective period meet the following conditions: do not have a job and do not undertake any for-profit activity; are in search of a job, having used for the last 4 weeks different methods of finding it; and are able to begin work in the next 15 days, if they could immediately find a job.

Participation in labor force rate of the population of working age (15-64 years) is the correlation between the active population of working age and the total population of working age.

Underemployed persons are persons that have a job (are employed), but have worked independently of their will less than a usual working term and search for a full-time activity or a supplementary activity or are available in the next 15 days for such activity.

Discouraged persons are inactive persons, able to work in the next 15 days, who have declared that they are in search of a job, but undertook nothing regarding this goal for the period of 4 weeks or do not search for a job due to the following reasons: they believed there were no vacant jobs or did not know where to search; they do not consider themselves to be prepared from the professional point of view; and they believe they will not find any job due to their age or have failed in finding it.

Available revenue of household includes all pecuniary and in-kind revenue obtained from different types of activity.

Consumer expenditure corresponds to pecuniary and in-kind expenditure on consumer necessities of a household: food, clothes, dwelling, health, culture and recreation, etc.

Selected Indices of Human Development for the Republic of Moldova

The information represents data without the left bank of the Nistru River and city of Bender, unless specified otherwise.

Table A.1. Human Development Index (HDI)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Gross domestic product (GDP) per capita in:										
- lei, current prices	505	1313	1798	2167	2441	2498	3379	4402	5247	6227
- US dollars at purchasing power parity*	2935	2975	2105	2100	2188	2020	1955	2112	2296	2428
Adult population literacy degree (%)	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4	96.4
Education coverage gross degree (%)**	71.7	70.2	71.1	71.8	73.0	73.2	71.7	70.3	70.4	70.7
Life expectancy at birth (years)	67.5	66.1	65.8	66.7	66.6	67.8	67.4	67.6	68.2	68.1
Index of:										
- gross domestic product	0.564	0.566	0.508	0.508	0.515	0.502	0.496	0.509	0.523	0.532
- education	0.881	0.877	0.880	0.882	0.886	0.887	0.880	0.878	0.877	0.878
- life expectancy	0.708	0.685	0.680	0.695	0.693	0.713	0.707	0.710	0.720	0.719
Human Development Index (HDI)	0.718	0.709	0.689	0.695	0.698	0.701	0.694	0.699	0.707	0.710

* Estimated on the basis of the European Comparing Program results of 1996.

** Age of 7-22 years.

Table A.2. Gender-related Development Index (GDI)

	1999	2000	2001	2002
Life expectancy	67.4	67.6	68.2	68.1
- Women	71.0	71.2	71.7	71.77
- Men	63.7	63.9	64.5	64.4
Adult population literacy degree (%)	96.4	96.4	96.4	96.4
- Women	94.5	94.5	94.5	94.5
- Men	98.6	98.6	98.6	98.6
Education coverage gross degree (%)	71.2	70.7	70.4	70.7
- Women	72.4	72.1	72.4	72.2
- Men	70.1	68.9	68.5	67.6
Gross domestic product per capita in US\$ PPP	1955	2112	2296	2428
- Women	1646	1734	1895	2031
- Men	2455	2523	2733	2860
Gender-related Development Index (GDI)	0.694	0.697	0.705	0.708

Table A.3. Gender Empowerment Indicators in the Republic of Moldova

	1999	2000	2001	2002
Parliamentary participation (%)	7.9	7.9	12.9	15.8
Leaders and senior officials in public administration and economic and social units (%)	36.6	33.2	37.5	40.2
Intellectual and scientific jobs	61.3	63.1	62.4	60.3
Percentage of women in the total population	52.1	52.1	52.1	52.1
Percentage of women in the total of active population	49.3	49.96	50.11	50.76
GDP per capita in US\$ PPP	1955	2112	2296	2428
- Women	1646	1734	1895	2031
- Men	2455	2523	2733	2860
Index of women's participation in social life	0.428	0.414	0.473	0.511

Table A.4. Demographic Profile

	1995	1996	1997	1998	1999	2000	2001	2002
Total population as of 1 January (thou persons)	4347.9	4334.4	4320.0	4304.7	4293.0	4281.5	4264.3	4247.7
Population without Transnistria and city of Bender (thou persons)	3678.4	3671.8	3663.7	3655.0	3649.3	3643.5	3634.5	3627.2
Annual natality rate (%)	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4
Birth-rate (per 1000 inhabitants)	13.0	12.0	12.5	11.3	10.6	10.2	10.0	9.9
Mortality rate (per 1000 inhabitants)	12.2	11.5	11.8	10.9	11.3	11.3	11.0	11.6
Natality rate (per 1000 inhabitants)	0.8	0.5	0.7	0.4	-0.7	-1.1	-1.0	-1.7
Life expectancy at birth (years)	65.8	66.7	66.6	67.8	67.4	67.6	68.2	68.1
Nuptiality rate (per 1000 inhabitants)	7.5	6.0	6.1	6.0	6.5	6.0	5.8	6.0
Divorce rate (per 1000 inhabitants)	3.4	3.1	2.8	2.8	2.4	2.7	3.0	3.5
Infant mortality rate (per 1000 live-born)	21.2	20.2	19.8	17.5	18.2	18.3	16.3	14.7
Mortality:								
- infant (per 1000 live births)	21.2	20.2	19.8	17.5	18.2	18.3	16.3	14.7
- 0-4 years (per 1000 live births)	27.4	26.2	25.9	22.9	23.9	23.3	20.3	18.2
- maternal (per 10000 births)	40.8	40.2	48.3	36.3	28.6	27.1	43.9	28.0
Share of live births (%)	6.1	6.1	6.3	6.4	7.2	6.6	5.4	4.4
Conjunctural fertility rate	1.76	1.60	1.66	1.49	1.37	1.29	1.25	1.22
Abortions rate per one live-born	1.0	0.9	0.7	0.7	0.6	0.7	0.4	0.4
Share of population of 0-15 years (%)	28.6	28.1	27.6	27.4	26.7	25.7	24.8	23.8
Share of population of 65 years and more (%)	9.0	9.0	9.1	9.3	9.4	9.4	9.6	9.6
Demographic dependence correlation (%)	60.1	59.1	57.9	58.0	56.3	54.1	52.1	50.2
Number of immigrants (thou persons)	5.4	4.7	5.5	4.8	6.3	9.1	6.4	6.6

Table A.5. Health

	1995	1996	1997	1998	1999	2000	2001*	2002*
Mortality rate (per 1000 inhabitants) by causes:								
- circulatory system	568.62	576.56	612.43	575.63	623.41	631.99	618.14	654.78
- malignant cancers	131.81	134.0	130.9	131.89	127.36	126.55	129.94	134.72
- respiratory system diseases	78.3	70.37	72.91	65.93	71.17	69.44	64.61	74.37
Infant mortality rate (per 1000 live births)	21.2	20.2	19.8	17.5	18.2	18.3	16.3	14.7
Maternal mortality rate (per 1000 births)	40.8	40.2	48.3	36.3	28.6	27.1	43.9	28.0
New cases of active tuberculosis (per 100 thou inhabitants)	54.5	58.8	58.9	67.9	61.8	59.9	83.1	83.6
AIDS cases (per 100 thou inhabitants)	0.05	0.02	0.2	0.1	0.1	0.1	0.2	0.5
Population per doctor	252	250	261	263	273	281	282	282
Population per sanitary institution	96	100	102	105	119	124	131	131
Hospital beds (per 1000 inhabitants)	12.2	12.1	11.6	11.2	8.2	7.6	6.9	6.8
Public expenditures on health and social assistance,								
- total expenditures in GDP, %	6.4	7.4	11.1	8.3	6.7	6.8	5.5	6.5
- current expenditures in GDP, %	7.4	7.6	6.4	5.0	3.3	3.2	3.2	4.1
Persons placed in hospitals:								
- total, thou	939	858	831	786	647	585	533	586
- per 100 places	21.6	19.8	19.3	18.3	15.1	13.7	14.7	16.2
Visits to doctor:								
- total	35	36	36	36	25	23	23	25
- per one inhabitant	8.2	8.3	8.4	8.3	5.9	5.3	6.2	6.8
Number of private sanitary institution:								
- medical institutions of ambulatory or out-patients' clinic type that offer medical help to the population	30	13	11	10	216	310	350	365
- hospitals	—	—	1	4	5	8	10	10
- institutions of medical attendants	1	4	7	12	9	16	23	18
- drug-stores	18	344	371	431	423	553	612	588

* For year 2002 data do not include Transnistria and city of Bender.

Table A.6. Education

	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003
Institutions (total)	1674	1696	1706	1737	1746	1760	1780	1778
Population of school age, thou	766.5	778.0	786.5	788.1	770.9	753.0	746.7	738.1
Teachers, thou	57.1	55.3	55.2	53.6	53.1	51.9	52.2	51.1
Schools, gymnasiums, lyceums								
Day-time schools, gymnasiums, lyceums	1515	1530	1536	1549	1558	1566	1577	1580
Pupils, thou	642.8	649.5	652.7	650.7	643.1	629.3	618.4	603.4
Teachers, thou	46.5	44.8	45.0	44.8	43.2	42.3	42.5	41.6
Evening schools	11	10	9	7	7	7	7	7
Pupils, thou	3.1	2.9	2.7	2.5	2.1	1.9	1.9	1.8
Teachers, thou	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Secondary professional education institutions								
Number of educational institutions	78	81	80	87	81	80	82	83
Pupils, thou	34.8	34.0	32.7	32.5	23.0	22.8	23.0	22.7
Teachers, thou	3.5	3.4	3.2	1.6	2.5	2.3	2.3	2.2
Colleges								
Number of colleges	50	51	53	56	57	60	67	63
Students, thou	31.0	33.3	32.8	29.7	25.4	19.9	17.0	15.2
Teachers, thou	2.6	2.5	2.3	2.4	2.2	1.9	2.0	1.7
Higher university education institutions								
Number of higher university education institutions	20	24	28	38	43	47	47	45
Students, thou	54.8	58.3	65.6	72.7	77.3	79.1	86.4	95.0
Teachers, thou	4.3	4.4	4.6	4.7	5.1	5.3	5.3	5.5
Accounted for 10000 inhabitants								
Pupils in schools	1794	1813	1796	1790	1770	1737	1710	1670
Pupils in secondary professional education institutions	97	94	89	89	63	63	63	63
Students in colleges	86	93	90	81	70	55	47	42
Students in higher university education institutions	152	162	180	199	212	217	238	262
Education coverage gross rate (%) in:								
• primary education	98	99	99	97	96	101	96	99.5
• gymnasium education	94	93	90	88	90	90	89	92.2
• secondary education (cycle II)	46	47	48	49	42	41	44	47.1
• higher education	37	39	40	42	42	39	41	40.7
Share of public expenditure for education								
• total expenditure in GDP, %	8.9	10.3	10.0	7.0	4.7	4.5	4.9	5.6
• current expenditure in GDP, %	9.3	11.1	10.4	7.8	6.1	5.4	5.4	5.6
• in the general consolidated budget, %	24.2	28.3	24.7	21.2	16.4	16.8	21.4	23.9

Table A.7. Culture

	1995	1996	1997	1998	1999	2000	2001	2002
Number of book and brochure titles	1016	921	1104	1200	1174	1300	1715	1890
- per 1,000 inhabitants	28.2	25.6	30.2	32.9	32.2	35.8	47.3	52.2
Number of readers registered in libraries, thou	1174.9	1113.1	1104.2	1112.5	1043.6	1045.8	1331.7	1456.6
- per 1,000 inhabitants	326.0	309.3	302.2	304.6	286.2	287.4	367.1	402.6
Books and magazines given out, thou	22540.6	21461.5	21740.8	22169.3	21080.8	21236.9	21623.1	22839.1
- per 1,000 inhabitants	6254.9	5963.4	5950.4	6070.2	5781.3	5835.9	5955.4	6304.9
Museum visitors, thou	663.7	686.8	752.0	628.1	557.3	510.5	537.4	655.8
- per 1,000 inhabitants	184.2	190.8	205.8	172.0	152.8	140.3	148.0	181.0
Movies at cinemas	55674	29257	20290	11308	4032	6743	8505	9545
- per 1,000 inhabitants	15.5	8.1	5.6	3.1	1.1	1.9	2.3	2.6
Cinema-goers, thou	981.0	576.4	292.9	162.3	57.3	22.2	16.7	14.8 ^{*)}
- per 1,000 inhabitants	272.2	160.2	80.2	44.4	15.7	6.1	4.6	4.1
Shows or concerts (theater, philharmonic society, independent collectives)	2301	2236	1985	1823	1438	1490	1614	1926
- per 1,000 inhabitants	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.5
Theater or concert goers (theater, philharmonic society, independent collectives), thou	548.9	559.7	436.1	404.8	279.8	288.0	286.3	426.1
- per 1,000 inhabitants	152.3	155.5	119.4	110.8	76.7	79.1	78.9	117.6

^{*)} In addition to this, 522.6 thousand cinema-goers were registered at 4 non-state cinemas

Table A.8. Violence and Criminality

	1995	1996	1997	1998	1999	2000	2001	2002
Persons condemned definitively:								
- total *	14599	13532	13895	13754	14606	15968	17138	18837
- per 100,000 inhabitants	397	369	380	377	401	439	472	520
Share in total condemned persons (%) of								
- women	10	10	9	9	8	8	...	...
- minors	12	12	11	12	11	11	11	11
- previously condemned	24	10	8	10	9	9	...	...
Persons serving sentence in penitentiary institutions:								
- total	6693	6790	6398	6743	6421	6402	7061	7525
- per 100,000 inhabitants	182	185	175	185	176	176	194	208
Number of crimes (per 100,000 inhabitants)	999	908	1042	945	1037	1050	1042	1002
Robberies and plunders (per 100,000 inhabitants)	80	72	89	77	88	81	71	65
Larceny (per 100,000 inhabitants)	622	538	594	543	582	587	571	509
Number of rapes (per 100,000 women)	12	14	12	12	13	11	10	6

* Years 1995-2000 – condemned definitively; years 2001-2002 – condemned by courts of first instance.

Table A.9. Employment

	1999	2000	2001	2002
Population employed, thou persons	1495	1515	1499	1505
- of which women	755	767	762	774
Share of employed in private sector, %	66.8	69.9	71.1	71.6
Share of employed (%) in:				
- agriculture, total	48.9	50.6	51.0	49.6
of which private sector	90.7	93.2	96.2	98.4
- industry, total	10.7	10.6	11.0	11.4
of which private sector	49.8	50.0	53.7	55.6
- construction, total	2.9	2.9	2.9	3.1
of which private sector	55.7	64.8	69.1	75.8
- services, total	37.6	35.2	35.1	35.9
of which private sector	33.8	38.7	40.1	41.4
Share of employed in public services, % in				
- health-care	5.4	4.9	4.7	4.8
- education	9.2	6.7	6.7	7.0
- public administration	3.3	4.2	4.4	4.4
Number of employees, thou persons	932	951	899	892
Employees' share of employed, %	62.3	62.8	60.0	59.3
Share of employees in private sector in population employed in this sector, %	48.7	45.6	43.7	43.7
Share of women among employees, %	49.8	49.9	50.0	51.2
Correlation of economic dependency, %	1443	1408	1428	1413
Employment rate (15 years and older), %	54.5	54.8	53.7	53.3
Labor force renewal rate *, %	120.0	113.8	107.5	101.2

* Beginning of the year.

Source: Labor Force Survey Questionnaires.

Table A.10. Enrollment in Labor Force

	1999	2000	2001	2002
Active population's share of total population, %	46.1	45.4	44.4	44.5
- women	43.6	43.5	42.7	43.3
Enrollment rate of population of working age (15-60 years), %	69.0	66.7	64.4	63.2
- women	65.5	64.2	62.6	62.4
Enrollment rate of the young people (15-24 years), %	42.2	36.4	33.3	31.6
- women	37.8	33.2	30.7	30.2
Enrollment rate of elderly people (over 50 years), %	39.2	42.4	43.3	45.6
- women	32.1	35.8	36.1	38.2
Structure of the active population by professional status *, %				
- total	100.0	100.0	100.0	100.0
of which:				
- employees	66.8	63.2	60.2	59.2
- patrons	0.5	0.5	0.5	0.7
- self-employed	22.6	27.1	29.1	30.5
- family workers without wage	6.0	6.6	7.3	7.1

* Classification of the unemployed was done by professional status at the last workplace.

Source: Labor Force Survey Questionnaires.

Table A.11. Unemployment

Registered unemployed *								
	1995	1996	1997	1998	1999	2000	2001	2002
Number of unemployed (persons)	24543	23426	27973	32021	34918	28873	27646	24019
Unemployment rate (%)	1.4	1.5	1.5	1.9	2.3	2.3	2.2	2.1
Share of dole beneficiaries among total registered unemployed (%)	32.5	29.8	26.7	25.2	32.6	23.0	19.7	14.6
Correlation between the average dole and average wage (%)	37.9	34.2	37.3	31.7	33.2	29.4	24.6	19.1
Number of the unemployed inscribed in retraining programs	2139	3356	3506	4244	2640	3532	1482	3470

ILO unemployed **

	1999	2000	2001	2002
Number of unemployed	187231	140085	117701	109850
Unemployment rate (%)				
- total	11.1	8.5	7.3	6.8
- male	13.3	9.7	8.7	8.1
- female	8.9	7.2	5.9	5.5
Youth unemployment rate (%) (15-24 years)				
Incidence of long-term unemployment (share of total number) (%):	22.3	15.8	16.3	15.2
- 6 months and more	17.8	14.3	15.7	11.6
men	17.3	13.8	14.9	11.2
women	18.6	15.1	16.8	12.2
- 12 months and more	33.1	22.0	19.2	19.8
men	32.9	22.5	17.4	18.2
women	33.3	21.2	21.8	21.9
- 24 months and more	41.1	38.4	38.8	38.8
men	41.9	41.0	40.5	40.1
women	39.9	34.9	36.4	35.9
Share of persons underemployed in active population (%)	0.4	5.5	5.5	5.5
- women	0.5	5.1	5.2	5.0
Share of discouraged persons in active population (%)	5.0	5.5	5.9	4.8
- women	4.7	5.2	6.1	4.7

* Unemployed registered at the Labor Force Offices, at the end of the year.

** According to the criteria of the International Labor Organization.

Source: Labor Force Survey Questionnaires.

Table A.12. Human Potential of Women

	1995	1996	1997	1998	1999	2000	2001	2002
Life expectancy at birth (years)	69.7	70.4	70.3	71.4	71.0	71.2	71.7	71.71
Year 1994 = 100%	99.9	100.9	100.7	102.3	101.7	102.0	102.6	102.8
Conjunctural fertility indicator	1.8	1.6	1.7	1.5	1.4	1.3	1.2	1.2
Year 1994 = 100%	92.3	82.1	87.2	76.9	71.8	66.2	64.1	62.1
Maternal mortality rate (per 100,000 born)	40.8	40.2	48.3	36.3	28.6	27.1	43.9	28.0
Education coverage gross rate (%):								
- primary	97	99	98.8	100.0	100.1	99.4	99.5	99.5
- secondary *	77	76	74.4	74.3	72.6	72.1	73.0	74.3
Dynamics of education coverage gross rate, year 1994 = 100(%):								
- primary	99	101	101	102	102	101	101	97
- secondary *	101	99	97	97	95	94	96	95
Female students per 100,000 inhabitants **:								
- number	2381	2547	2692	2804	2817	2723	2851	3047
- year 1994 = 100%	105	112	119	124	124	120	126	135

* General secondary education (gymnasiums, lyceums, secondary schools) and vocational education.

** Short-term (colleges) and universities.

Table A.13. Female – Male Disparity

	1995	1996	1997	1998	1999	2000	2001	2002
Life expectancy at birth (years),	65.8	66.7	66.6	67.8	67.4	67.6	68.2	68.13
- women	69.7	70.4	70.3	71.4	71.0	71.2	71.7	71.77
- men	61.8	62.9	62.9	64.0	63.7	63.9	64.5	64.4
Secondary education coverage gross rate (cycle II) (%) *								
- women	44	45	47	47	42	43	46	50
- men	48	49	49	50	41	40	42	45
Higher education coverage gross rate (%) **								
- women	42	43	46	48	48	44	46	49
- men	33	34	35	36	36	34	34	36

* gymnasiums not included (16-18 years)

** short-term (colleges) and universities (19-22 years)

Table A.14. Structure of Revenue and Expenditure of Households

%

	Year	Household, total	Household from:	
			urban localities	rural localities
Available revenue	2001	100	100	100
	2002	100	100	100
Wage revenue	2001	37.8	60.9	19.3
	2002	37.0	59.8	18.5
Revenue from agricultural activity	2001	31.9	3.7	54.3
	2002	29.9	3.7	51.2
Revenue from individual activity	2001	2.7	4.2	1.7
	2002	2.6	4.1	1.4
Public services	2001	11.8	10.7	12.7
	2002	14.4	12.7	15.8
Other revenues	2001	15.8	20.4	12.0
	2002	16.1	19.7	13.1
Consumer expenditure	2001	100	100	100
	2002	100	100	100
Food and beverages	2001	64.2	55.5	70.8
	2002	62.0	53.0	69.2
Clothes and shoes	2001	7.6	8.5	7.0
	2002	8.2	9.0	7.5
Dwelling and commodities	2001	13.5	16.3	11.4
	2002	14.8	17.2	12.9
Medication and medical care	2001	3.9	4.0	3.8
	2002	4.0	4.2	3.8
Transport and communications	2001	5.1	6.5	4.1
	2002	4.9	6.8	3.5
Education	2001	0.5	0.8	0.3
	2002	0.9	1.6	0.4
Recreational activity	2001	2.3	4.0	1.0
	2002	1.7	2.7	0.8
Hotels, restaurants, canteens etc.	2001	0.7	1.5	0.1
	2002	0.8	1.5	0.1
Other expenditures	2001	2.2	3.0	1.5
	2002	2.7	4.0	1.8

Table A.15. The Structure of Consumption Expenditure of Households, by quintiles of consumption expenditures

%

	Year	Households situated in quintile:				
		I	II	III	IV	V
Consumer expenditure	2001	100	100	100	100	100
	2002	100	100	100	100	100
of which:						
- food and beverages	2001	85.1	82.0	77.3	71.4	49.3
	2002	81.9	78.4	73.7	66.2	48.5
- clothes and shoes	2001	1.8	3.1	4.7	6.4	11.1
	2002	2.5	3.4	4.6	7.2	12.0
- dwelling and commodities	2001	8.3	8.9	10.0	11.8	17.3
	2002	9.7	10.6	12.2	13.6	18.2
- medication and medical care	2001	1.5	1.6	2.2	3.0	5.8
	2002	1.6	2.4	2.6	4.0	5.2
- transportation and communications	2001	1.5	2.2	3.0	4.0	7.6
	2002	1.9	2.7	3.6	4.8	6.5
- education	2001	0.1	0.1	0.2	0.2	0.9
	2002	0.2	0.2	0.3	0.4	1.8
- recreational activity	2001	0.5	0.8	1.0	1.1	3.9
	2002	0.6	0.5	1.2	1.2	2.5
- hotels, restaurants, canteens, etc.	2001	0.0	0.1	0.1	0.3	1.3
	2002	0.0	0.1	0.1	0.4	1.4
- other expenditure	2001	1.0	1.1	1.5	1.9	2.9
	2002	1.6	1.7	1.7	2.2	3.9

Table A.16. Consumer Expenditure of Households, by location

	Monthly average per one person, lei					Compared to the national average level (%)				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
National average	125.5	140.5	192.1	248.8	325.8	1.000	1.000	1.000	1.000	1.000
Households from:										
- urban areas	157.4	183.9	239.8	294.3	395.1	1.254	1.309	1.248	1.183	1.213
- rural areas	107.3	114.7	163.2	222.9	285.5	0.855	0.816	0.849	0.896	0.876

Table A.17. The Structure of Consumer Expenditure of Households, by quintiles of consumer expenditures in rural and urban areas

	Year	Urban area		Rural area	
		Quintile I	Quintile V	Quintile I	Quintile V
		%			
Consumer expenditure	2001	100	100	100	100
	2002	100	100	100	100
of which:					
- food and beverages	2001	83.2	44.5	86.0	55.1
	2002	76.1	43.3	83.7	55.5
- clothes and shoes	2001	1.6	11.8	1.9	10.3
	2002	2.1	12.2	2.6	11.8
- dwelling and commodities	2001	9.6	17.6	7.8	16.8
	2002	13.1	18.1	8.6	18.3
- medication and medical care	2001	1.4	5.1	1.6	6.6
	2002	1.5	5.0	1.7	5.5
- transport and communications	2001	2.2	8.0	1.2	7.0
	2002	3.8	8.0	1.3	4.5
- education	2001	0.2	1.1	0.0	0.7
	2002	0.3	2.3	0.1	0.9
- recreational activity	2001	0.5	6.0	0.5	1.3
	2002	0.8	3.7	0.6	0.9
- hotels, restaurants, canteens etc.	2001	0.0	2.2	0.0	0.1
	2002	0.0	2.3	0.0	0.3
- other expenditure	2001	1.3	3.6	0.9	2.0
	2002	2.3	5.1	1.4	2.3

Table A.18. Distribution of Consumption Expenditure of the Population, by quintiles of consumption expenditures

		Total					Share of food and nonalcoholic beverages in total consumer expenditure				
		1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
		%									
Consumer expenditure - total		100	100	100	100	100	65.7	64.7	64.0	60.4	58.4
By quintiles											
I		5.9	6.2	6.7	6.6	6.8	86.8	85.6	84.0	80.9	77.6
II		10.6	10.6	11.1	10.9	11.1	81.3	81.5	80.2	77.2	73.8
III		15.2	14.9	15.3	15.1	15.6	77.4	77.0	76.7	72.9	69.4
IV		22.1	21.3	21.5	21.5	22.2	71.5	70.8	69.4	67.1	62.4
V		46.2	46.9	45.4	46.0	44.3	52.8	51.4	50.2	46.2	45.7

Table A.19. Evaluation of minimal level of living in 2002 (monthly average, per capita, lei)

	Quarter I	Quarter II	Quarter III	Quarter IV	2002
Total	571.8	566.7	452.3	495.8	538.4
Urban	677.8	641.4	500.7	560.6	614.8
Rural	498.5	515.1	418.9	450.9	485.6

Table A.20. Weight of persons below the minimal level of existence in 2002

	%
Disadvantaged persons in the total number of households	80.9
of which in:	
- urban areas	73.4
- rural areas	85.2
Disadvantaged persons in the total number of total households	80.9
of which:	
farmers	88.5
agricultural sector employees	89.1
non-agricultural sector employees	68.6
entrepreneurs	65.4
pensioners	87.7
others	79.8
Disadvantaged persons in the total number of households	80.9
of which with:	
higher or higher incomplete education	54.7
secondary education	73.6
secondary general education	81.9
secondary incomplete education	88.1
primary education	85.7
primary incomplete and without education	85.4
Disadvantaged persons in the total number of households	80.9
of which of age group:	
0 – 10	84.0
11 – 24	80.5
25 – 34	77.5
35 – 54	77.8
55 – 59	76.1
60 and more	86.5

Table A.21. Distribution of persons below the minimal level of existence in 2002

	%
Disadvantaged persons - total	100.0
of which:	
- urban	33.4
- rural	66.6
Disadvantaged persons - total	100.0
of which:	
farmers	22.7
agricultural sector employees	16.1
non-agricultural sector employees	28.9
entrepreneurs	1.8
pensioners	28.3
others	2.1
Disadvantaged persons	100.0
of which with:	
higher or higher incomplete education	5.8
secondary education	11.6
secondary general education	27.1
secondary incomplete education	21.1
primary education	16.6
primary incomplete and without education	17.7
Disadvantaged persons in households	100.0
of which of age group:	
0 – 10	13.8
11 – 24	20.8
25 – 34	10.5
35 – 54	29.1
55 – 59	3.7
60 and more	22.1

**Table A.22. Weight of persons
below the minimal level of
existence in 2002**

	%
Disadvantaged households in total households	79.1
of which from area:	
- urban	72.1
- rural	83.7
Disadvantaged households in total households	79.1
of which from region:	
- Center	60.7
- South	85.7
- North	83.7
Disadvantaged households in total households	79.1
of which:	
farmers	86.3
agricultural sector employees	88.0
non-agricultural sector employees	63.3
entrepreneurs	60.3
pensioners	87.6
others	76.7
Disadvantaged households in total households	79.1
of which head of the family has:	
higher of higher incomplete education	53.2
secondary professional education	73.8
secondary general education	80.4
secondary incomplete education	88.3
primary education	88.0
primary incomplete or without education	92.8
Disadvantaged households in total households	79.1
of which with:	
1 person	77.6
2 persons	76.6
3 persons	76.5
4 persons	82.8
5 persons	88.7
6 and more persons	93.9
Disadvantaged households in total households	79.1
of which with children younger than 18 years:	
1 child	78.6
2 children	83.2
3 children	91.2
4 and more children	93.9
without children	77.2
Disadvantaged households in total households	79.1
of which with employed members:	
1 persons	72.5
2 persons	75.2
3 and more persons	84.0
no employees	87.1

Table A.23. Distribution of persons below the minimal level of existence in 2002

	%
Disadvantaged households in total households	100.0
of which from area:	
- urban	36.4
- rural	63.6
Disadvantaged households in total households	100.0
of which from region:	
- Center	16.7
- South	19.8
- North	63.6
Disadvantaged households in total households	100.0
of which:	
farmers	18.5
agricultural sector employees	12.5
non-agricultural sector employees	24.9
entrepreneurs	1.4
pensioners	40.2
others	2.5
Disadvantaged households in total households	100.0
of which head of the family has:	
higher of higher incomplete education	8.0
secondary professional education	16.4
secondary general education	35.1
secondary incomplete education	23.3
primary education	11.4
primary incomplete or without education	5.8
Disadvantaged households in total households	100.0
of which with:	
1 person	26.1
2 persons	28.0
3 persons	18.8
4 persons	16.9
5 persons	7.1
6 and more persons	3.2
Disadvantaged households in total households	100.0
of which with children younger than 18 years:	
1 child	21.6
2 children	15.6
3 children	4.3
4 and more children	1.2
without children	57.3
Disadvantaged households in total households	100.0
of which with employed members:	
1 persons	24.8
2 persons	30.8
3 and more persons	8.4
no employees	36.0

Table A.24. Sources and Utilization of Gross Domestic Product

	1995	1996	1997	1998	1999	2000	2001	2002
Gross domestic product (mln lei, current prices)	6480	7798	8917	9122	12322	16020	19052	22556
Share of Gross Domestic Product in gross added value (%) in:								
- agriculture, forestry, fishing	29.3	27.5	26.0	25.8	24.9	25.4	22.4	21.0
- industry and construction	28.5	26.9	25.0	19.9	20.3	19.0	21.8	20.2
- services	30.9	33.2	35.0	39.0	44.1	43.1	43.9	46.1
Share in gross domestic product (%):								
Final consumption (total)	82.9	94.3	97.4	100.9	90.0	103.1	101.1	103.3
- of households	55.8	67.2	67.5	75.4	74.2	87.6	86.0	82.0
- of public administration	25.9	26.0	28.8	24.7	15.3	14.7	14.4	20.3
- of private administration	1.2	1.1	1.1	0.8	0.5	0.8	0.7	1.0
Gross formation of fixed capital	16.0	19.8	19.9	22.1	18.4	15.4	16.7	16.3
Export	60.1	55.3	53.2	45.0	52.3	49.6	50.1	52.5
Import	67.9	73.9	74.4	71.8	65.2	76.6	74.5	77.4
Gross savings mln. lei	1206	1031	930	513	2385	2106	3224	3617
Total revenue of consolidated budget, mln. lei	2002	2074	2942	2722	3100	4102	4325	5194
State budget expenditure, mln. lei	1409	1472	2725	2322	2853	3364	2938	3556
Share of private sector in gross domestic product	56	58	56	53	56	60	57	50.7

Table A.25. Revenue, Consumption and Social Expenditure

	1995	1996	1997	1998	1999	2000	2001	2002
Gross domestic product per inhabitant in:								
- lei, current prices	1798	2167	2441	2498	3379	4402	5247	6227
- US dollars, at the purchasing power parity	2105	2100	2188	2020	1955	2112	2296	2428
Share of available gross revenue of households in GDP (%),	69	70	69	65	67	74	77	83
Average monthly nominal wage, lei	143.2	187.1	219.8	250.4	304.6	407.9	543.7	691.5
- Public property	150.3	203.0	234.4	263.9	297.6	380.3	506.2	663.8
- Private property	122.4	151.0	174.3	194.4	256.6	374.1	467.0	585.3
- Mixed property (public and private)	207.8	280.9	354.8	432.7	525.1	692.0	817.6	993.8
- Property of enterprises with foreign investments	238.2	342.7	361.3	572.7	763.4	864.8	1061.6	1295.4
Index of real wage:								
- (year 1994 = 100%)	101.5	108	113	119	104	106	129	156
- comparing to the previous year	101.5	106	105	106	88	102	121	121
Minimal wage (lei)	18	18	18	18	18	18	100	100
Share of expenditure of law-enforcement bodies								
- total expenditures in GDP, %	3.6	4.8	5.5	4.7	4.3	4.1	4.0	4.7
- current expenditures in GDP, %	6.7	5.8	7.0	5.9	5.4	5.9	5.9	9.6
- in general consolidated budget, %	9.8	13.2	13.6	14.2	15.0	15.5	17.6	17.8
Share of public expenditure on education								
- total expenditures in GDP, %	8.9	10.3	10.0	7.0	4.7	4.5	4.9	5.5
- current expenditures in GDP, %	9.3	11.1	10.4	7.8	6.1	5.4	5.6	6.8
- in general consolidated budget, %	24.2	28.3	24.7	21.2	16.4	16.8	21.4	21.0
Share of public expenditure on health-care and social assistance								
- total expenditures in GDP, %	6.4	7.4	11.1	8.3	6.7	6.8	5.5	6.4
- current expenditures in GDP, %	7.4	7.6	6.4	5.0	3.3	3.2	3.2	5.2
- in general consolidated budget, %	17.6	20.3	27.5	24.9	23.6	25.4	24.2	24.3
Average annual consumption per inhabitant (kg)								
- meat and meat products recalculated in meat (including lard and meat products in kind)	23.0	25.3	25.0	26.7	24.5	23.6	24.0	25.6
- milk and dairy-products (recalculated in milk)	165.2	161.4	154.5	155.4	145.0	152.8	154.6	167.3
- eggs (units)	107.2	116.0	121.1	121.9	132.3	132.7	138.8	158.1
- sugar	21.0	22.5	21.2	...	...	...	...	...
- bakery (bread and flour pastes recalculated in flour, flour, cereals and legumes)	135.0	126.9	134.9	133.9	133.1	133.9	139.4	140.6
- potatoes	67.8	71.0	68.8	65.1	61.5	53.4	65.4	67.7
- vegetables and legumes	86.3	64.8	69.0	112.5	109.0	83.1	103.5	99.4
- fruits, berries and grapes (without processing into wine)	59.7	59.3	77.5	47.7	27.2	31.8	33.0	38.0

Table A.26. Evolution of economic results

	1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product annual growth rate (%)	98.6	94.1	101.6	93.5	96.6	102.1	106.1	107.8
Gross Domestic Product annual growth rate per capita (%)	98.8	94.2	100.1	93.5	96.8	102.3	106.3	108.1
Average annual inflation rate (%)	30	24	12	8	39	31	10	5
Export (%) in GDP	60.1	55.3	53.2	45.0	52.3	49.6	50.1	52.5
Total revenue (%) in GDP	30.9	26.6	33.0	29.8	25.2	25.6	22.7	23.0
Excess / deficit of budget (%) in GDP	-5.8	-9.7	-7.5	-3.4	-3.2	-1.0	0.0	-0.5

Table A.27. Revenue and Expenditure of Consolidated Budget

	1995	1996	1997	1998	1999	2000	2001	2002
Revenue - total (mln. lei)	2002.0	2074.2	2941.7	2721.9	3100.3	4102.4	4324.8	5084.4
Share of total revenue (%):	100	100	100	100	100	100	100	100
4 tax on entrepreneurial activity income	19.9	17.3	8.3	6.6	7.5	6.7	8.1	8.4
1 income tax	10.1	10.6	9.6	8.2	7.1	6.4	8.0	9.2
1 land tax	4.6	5.6	4.3	3.1	4.5	3.9	3.8	3.7
- real estate tax	0.6	0.7	1.0	0.8	0.8	0.7	0.6	0.6
- excise taxes	28.8	29.6	32.3	41.3	30.3	32.7	34.6	40.0
- added value tax	9.5	9.5	13.6	13.8	14.3	16.0	15.7	12.9
- foreign economic activity income	2.6	4.6	4.3	4.0	7.4	5.6	5.4	6.6
- other taxes, levy and receipt	23.9	22.1	26.6	22.2	28.1	28.9	23.8	18.6
Share of total revenues in GDP (%)	30.9	26.6	33.0	29.8	25.2	25.6	22.7	22.5
Expenditure - total (mln. lei)	2376.0	2827.0	3608.4	3027.1	3495.3	4268.8	4325.8	5194.1
Share of total expenditure (%)	100	100	100	100	100	100	100	100
Economic expenditure	6.8	8.7	8.1	9.3	8.8	8.6	7.4	8.0
Expenditure on foreign economic activity	4.7	...	1.1	1.2	1.6	1.6	1.8	1.9
Social expenditure - total	47.6	54.9	55.4	48.8	42.5	44.2	47.7	54.2
of which:								
- education	24.2	28.3	24.7	21.2	16.4	16.8	21.3	23.9
- health-care	15.8	18.4	14.9	13.0	10.2	11.1	12.5	15.3
- social assistance	1.8	1.9	12.6	11.9	13.3	14.4	11.7	12.4
On maintenance of law-enforcement bodies, authorities and state administration	9.6	12.4	13.6	14.2	15.0	15.5	17.6	20.4
Capital investments	5.9	5.3	6.5	6.8	3.2	4.3	4.8	5.0
Other measures	25.4	18.7	15.3	19.7	28.9	25.8	20.7	10.5
Share of total expenditure in GDP (%)	36.7	36.2	40.5	33.2	28.6	26.6	22.7	23.0
Excess(+), deficit (-) (mln. lei)	-374.0	-752.8	-666.7	-305.2	-395.0	-166.4	-1.0	-109.7
- in % compared with GDP	-5.8	-9.6	-7.5	-3.3	-3.2	-1.0	-0.0	-0.5

Table A.28. Revenue and Expenditure of Social Insurance State Budget

	1995	1996	1997	1998	1999	2000	2001	2002
Revenues - total (mln. lei)	662.2	764.7	1323.2	920.5	907.8	1343.3	1604.3	2015.1
Share of the following revenue in total revenue (%):								
- social insurance	81.0	92.1	27.0	84.7	86.1	74.8	81.0	80.9
- budget allocations	6.7	3.1	23.1	14.9	13.7	24.9	18.7	18.4
Share of total revenue in GDP (%)	10.2	9.8	14.8	10.1	7.4	8.4	8.4	9.1
Expenditure - total (mln. lei)	651.1	766.2	1317.3	911.9	888.6	1342.4	1373.3	1899.6
Share of the following expenditure in total expenditure (%):								
- payment of pensions	78.7	77.0	64.1	71.7	81.2	67.3	67.9	69.5
including for pension age	75.3	59.6	40.3	31.6	54.3	62.1	62.2	62.1
- payment of rewards and compensations	15.9	13.9	9.4	19.8	13.7	18.4	25.6	23.5
including for temporary work incapacity	7.7	7.3	4.4	6.3	6.3	4.5	5.0	4.5
- payment of dole	0.8	0.5	0.4	0.5	0.9	1.5	1.2	0.4
Share of total expenditure in GDP (%)	10.0	9.8	14.8	10.0	7.3	8.4	7.2	8.4
Excess (+), deficit (-), mln. lei	+11.1	-1.5	+5.9	+8.6	+19.2	+0.9	+231	+115.5
Excess / deficit of budget (%) in GDP	+0.17	-0.02	+0.07	+0.09	+0.16	+0.006	+1.21	+0.51

Table A.29. Foreign Trade of Goods

	1995	1996	1997	1998	1999	2000	2001	2002
Rate of coverage of imports by exports (%)	88.7	74.1	74.6	61.7	79.0	60.7	63.6	62.0
Share of exports in GDP (%)	51.7	47.0	45.3	36.6	40.1	36.6	38.6	39.8
Share of commercial balance deficit in GDP (%)	6.6	16.4	15.4	23.1	10.5	23.7	22.2	24.4
Commercial balance, mln. US dollars	-95.2	-277.3	-297.2	-391.8	-123.0	-304.9	-326.5	-394.7

	1995-1999	2000-2001	2001-2002
Average annual rate of export increase (%)	-1.2	+11.1	+16.9
Average annual rate of import increase (%)	+1.8	+23.7	+15.7

Table A.30. Urbanization

	1995	1996	1997	1998	1999	2000	2001	2002
Share of urban population (%)	46.4	46.2	46.2	46.2	46.0	46.0	45.4	45.3
Urban population growth rate (%)	-0.2	-0.6	-0.4	-0.4	-0.5	-0.4	-1.8	-0.4
The largest city: Chisinau								
- number of population (thou persons)	661.5	661.9	664.7	663.2	663.6	663.4	662.0	662.0
- growth rate (%)	0	+0.1	+0.4	-0.2	+0.1	0	-0.2	0

	1960	1995	2000	2001	2002
Share of urban population (%)	23.2	46.4	46.0	45.4	45.3

	1960-1995	1995-2000	1995-2001	1995-2002
Urban population's average annual growth rate (%)	3.0	-0.48	-0.81	-0.76

	1970-1995	1995-2000	1995-2001	1995-2005
Population's average annual growth rate (%)				
Municipality of Chisinau	2.5	0.05	0.01	0.01

Table A.31. Rural – Urban Disparity

	1995	1996	1997	1998	1999	2000	2001	2002
Share of rural population, in the entire Republic (%)	53.6	53.8	53.8	53.8	54.0	54.0	54.6	54.7
Share of rural population (%) without Transnistria and city of Bender	...	...	57.8	57.9	58.0	58.0	58.7	58.6
Life expectancy at birth (years)								
- total	65.8	66.7	66.6	67.8	67.4	67.6	68.2	68.1
- rural	64.6	66.0	65.9	67.3	66.8	66.8	67.3	67.1
- urban	67.3	67.5	67.6	68.4	68.4	68.8	69.6	69.7
Share of population of 0-15 years age (%)								
- rural	30.5	30.1	29.6	29.4	28.6	27.8	26.7	25.8
- urban	26.3	25.7	25.1	24.7	23.9	22.9	22.0	21.0
Share of population over 65 years (%)								
- rural	10.7	10.7	10.8	10.9	11.0	11.0	11.1	11.0
- urban	7.0	7.0	7.1	7.0	7.1	7.1	7.6	7.5
Correlation of demographic dependence (%)								
- rural	70.1	69.1	68.0	67.6	65.6	63.3	60.5	58.3
- urban	49.9	48.7	47.4	46.4	44.8	42.9	41.4	39.9
Natality rate								
- total (%)	13.0	12.0	12.5	11.3	10.6	10.2	10.0	9.9
- rural	14.9	13.8	14.2	12.8	11.9	11.4	11.2	10.8
- urban	10.8	9.8	10.1	9.3	8.7	8.4	8.4	8.5
Fertility rate								
- total (%)	1.8	1.6	1.7	1.5	1.4	1.3	1.2	1.2
- rural	2.2	2.0	2.1	1.8	1.6	1.5	1.4	1.3
- urban	1.3	1.2	1.2	1.1	1.0	1.0	1.0	1.0
Infant mortality rate								
- total (%)	21.2	20.2	19.8	17.5	18.2	18.3	16.3	14.7
- rural	22.3	21.1	21.3	16.0	16.9	17.8	16.0	14.4
- urban	19.5	18.7	16.8	20.5	20.7	19.3	16.9	15.1
Total average area per inhabitant (m ²)								
- total	19.9	20.1	20.0	20.4	20.7	20.8	20.9	21.0
- rural	16.9	17.0	17.3	17.7	18.2	18.8	18.9	19.0
- urban	22.2	22.4	22.0	22.4	22.4	22.3	22.3	22.5
Average total area per inhabitant (m ²) as of 31st December								
- total	14.0	14.1	14.0	14.3	14.5	14.5	14.6	14.7
- rural	10.9	11.0	11.2	11.4	11.8	12.2	12.3	12.3
- urban	16.4	16.5	16.1	16.3	16.3	16.3	16.2	16.4
Unemployment rate								
- total	...	...	...	...	11.1	8.5	7.3	6.8
- rural	...	...	...	...	19.1	15.7	13.8	12.1
- urban	...	...	...	...	5.4	3.4	2.7	3.0

Table A.32. Energy Consumption

	1995	1996	1997	1998	1999	2000	2001	2002
Primary resources of hydroelectric energy (thou tons c.c.)	28	28	28	27	30	19	24	39
Energy consumption (thou tons c.c.)								
of which consumption of population	5085	5045	4725	4218	3320	2647	2479	2701
Annual average consumption of energy per inhabitant (kg c.c.)	528	713	808	697	610	602	610	681
GDP (lei, current prices) per one kg c.c. consumed	1411	1402	1314	1155	910	727	683	746
Share of import in energy consumption (%)	1.27	1.55	1.89	2.16	3.68	6.05	7.69	8.16
Annual average consumption of electric energy per inhabitant (KWh)	100.5	93.6	100.7	93.3	93.1	95.8	96.6	94.4
GDP (lei, current prices) per one KWh consumed	579	652	516	307	178	156	579	619
	3.10	3.32	4.81	8.13	18.99	28.27	9.07	9.83

Table A.33. Natural Resources, as of 1 January

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total area (thou ha)	3385.1	3385.3	3384.5	3384.4	3384.4	3384.4	3384.2	3384.3	3384.4
Share of forest area (%) * (%)	12.6	12.6	12.5	12.5	12.5	12.5	12.5	12.5	12.6
Share of arable area (%)	52.0	52.4	52.7	53.1	53.5	53.6	53.8	54.4	54.4
Share of arable area arranged for irrigation in arable area (%)	15.3	15.3	15.2	15.1	15.0	14.9	15.0	14.1	14.1
Share of public owned area (%)	43.1	32.1	32.8	33.3	33.5	34.4	36.6	44.8	44.9

* Forests, plantations of bushes, protective forest plantations

Table A.34. Environment

	1995	1996	1997	1998	1999	2000	2001	2002
Use of pesticides on agricultural lands (kg/ha)	1.5	1.3	1.4	1.3	1.1	1.1	1.1	1.0
Total expenditure on environment protection (mln. lei, current prices)	...	92	103	94	112	136	158	158

Table A.35. Impact of Economic Activity on Environment and Natural Resources

	1995	1996	1997	1998	1999	2000	2001	2002
Volume of water received from water resources (mln.m ³)	2005	1891	1513	1263	999	918	874	866
Water consumption (mln.m ³)	1889	1766	1412	1176	920	849	797	792
Consumption of water in systems of closed and consecutive circuit (mln.m ³)	558	502	510	453	396	369	367	368
Volume of polluted residual water elimination (mln.m ³)	15	12	11	12	10	9	13	19
Including into Nistru River (mln.m ³)	10	8	8	10	3	3	11	18
Emissions of harmful substances into air - total (thou tons)	279	138	250	205	130	134	138	148
of which								
- by stationary impurification sources	41	37	34	31	20	15	15	17
- by auto transport	238	100	216	174	110	119	123	131
Forest cutting (principal cuts and regarding forests renewal) (tho.m ³)	128	117	189	197	198	202	192	234

Table A.36. Progress Towards of Millennium Development Goals

Goal 1. Eradicate extreme poverty and hunger		1997	1998	1999	2000	2001	2002
Proportion of population with revenue below \$2.15 per day (PPP), %		...	59.7	70.3	64.5	52.4	39.8

Goal 2. Achieve universal primary education

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Net enrolment ratio in primary education	...	...	...	...	...	...	...	...	87.0	87.0	86.8	83.9
Literacy rate of 15-24 year old (According to 1989 census)	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Employees in research and development activities*:									
- Total number of employees	10879	8688	8238	8217	7515	6543	5889	5356	5102
- Researchers and technicians	7356	5837	5718	5591	5290	4477	4101	3586	3216
- Researchers and technicians per 1000 inhabitants	2.04	1.62	1.59	1.53	1.45	1.23	1.13	0.99	0.89
7-15 year old not-enrolled children (%)	5	4	4	7	8	7	6	8	9

* Main jobs (technical-scientific)

Goal 3. Promote gender equality and empower women

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Ratio of girls to boys in primary, secondary and tertiary education (%)	...	...	...	...	...	...	99.3	100.4	100.3	101.7	102.4	102.7
Ratio of illiterate females to males of 15-24 year olds, % (According to 1989 census)	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9
Share of women in wage employment in the non-agricultural sector (%)	...	...	...	...	...	...	...	...	52.9	52.8	52.7	53.7
Proportion of seats held by women in national parliament				5	5	5	5	9	8	8	13	16

Goal 4. Reduce child mortality

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Under-five mortality rate (0-4 year per 1000 live births)	25.2	25.0	24.5	27.6	28.8	27.4	26.2	25.9	22.9	23.9	23.3	20.3	18.2
Infant mortality rate (per 1000 live births)	19.0	19.8	18.4	21.5	22.6	21.2	20.2	19.8	17.5	18.2	18.3	16.3	14.7
Proportion of 1 year old children* immunized against measles (%)	93.8	2.7	91.8	92.0	95.0	98.0	98.4	98.9	99.2	98.8	99.2	99.4	99.1

* until 2 year old

Goal 5. Improve maternal health

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Maternal mortality ratio (per 100000 born children)	53.2	48.4	51.3	51.8	25.8	40.8	40.2	48.3	36.3	28.6	27.1	43.9	28.0
Proportion of births attended by skilled health personnel (%)	100	100	100	100	100	100	100	98	98	98	98	99	99

Goal 6. Combat HIV/AIDS, malaria and other diseases

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number of new cases of HIV/AIDS	3	7	55	407	413	157	176	134	206
Prevalence and death rates associated with tuberculosis (deceased per 100000 inhabitants)	10.48	9.77	12.22	11.2	12.13	14.95	16.93	15.01	15.71

Goal 7. Ensure environmental sustainability

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Proportion of land area covered by forest, thousand ha (beginning of the year)	332.9	373.9	373.4	373.7	371.2	379.8	369.9	371.4	373.5	371.8	372.3	373.7	375.8
GDP (lei, current prices) per one kg of consumed c.f. (conventional fuel)	...	...	...	...	1.27	1.55	1.89	2.16	3.68	6.05	7.69	8.16	...
Carbon oxide emissions (per capita, from stationary and mobile sources), kg per capita	95	55	35	27	46	22	42	36	22	23	25	26	...

Goal 8. Develop a Global Partnership for Development

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Unemployment rate of 15-24 year olds	...	...	...	...	...	...	...	...	22.3	15.8	16.3	15.2
Number of telephone posts in the public network or with access to it, per 100 people	13.2	13.5	13.7	14.3	14.5	15.2	16.0	15.7	15.8	16.6	18.1	19.9

Note: 1991 - 1997 — including Transnistria.
1998 - 2002 — without Transnistria.

Selected Indices of Human Development in the Republic of Moldova at the Local Level

Table B.1. Employment of unemployed registered at the Labor Force Offices of the Republic of Moldova as of 1 January 2003

	Number of unemployed persons		of which inscribed in retraining programs
	total	of which women	
Total	24019	12262	3470
Mun. Chisinau	3418	2187	750
<i>Districts:</i>			
Balti	3048	1802	330
Cahul	1566	739	250
Chisinau	3398	1462	503
Edinet	1599	688	205
Lapusna	1784	968	369
Orhei	1486	681	271
Soroca	1984	893	217
Taraclia	173	123	67
Tighina	2634	1354	170
Ungheni	1957	783	154
TAU Gagauzia	972	582	184

Table B.2. Health

	Infant mortality rate (per 1000 alive newborns)	Mortality at the age of 0-4 years, (per 1000 alive newborns)	Maternal mortality rate (per 100000 alive newborns)	Mortality rate due to medical causes (per 100000 inhabitants)	
				circulatory system diseases	malignant cancers
Total	14.7	18.2	33.6	654.78	134.72
Mun. Chisinau	12.5	15.0	-	421.46	136.81
<i>Districts:</i>					
Balti	15.9	18.1	21.0	672.58	140.89
Cahul	15.6	18.6	-	585.28	128.90
Chisinau	15.3	19.7	24.3	666.14	140.13
Edinet	13.5	16.4	-	1029.96	155.85
Lapusna	16.8	20.7	135.7	603.90	112.76
Orhei	12.3	17.4	32.3	701.11	121.95
Soroca	15.2	19.9	156.0	865.65	141.25
Taraclia	19.1	24.0	-	839.34	148.63
Tighina	17.7	20.4	-	741.88	139.40
Ungheni	15.4	21.1	-	657.84	112.84
TAU Gagauzia	12.2	14.6	60.7	607.98	136.44

Table B.3. Social instability phenomenon

	Number of suicides per 100000 inhabitants	Number of divorces per 100 marriages	Newborns born out of wedlock per 100 newborns
Total	16.09	58.6	22.9
Mun. Chisinau	12.71	72.8	21.3
<i>Districts:</i>			
Balti	15.15	57.6	22.2
Cahul	22.53	54.2	29.8
Chisinau	16.47	40.2	20.0
Edinet	17.12	50.9	21.5
Lapusna	22.05	45.6	25.1
Orhei	11.96	53.0	27.9
Soroca	19.97	56.9	27.5
Taraclia	13.11	48.5	18.2
Tighina	18.3	48.0	17.8
Ungheni	15.74	56.4	24.4
TAU Gagauzia	14.46	78.2	15.4

Table B.4. Demographic profile

	Population (thousand persons)	Annual population growth rate (%) 1999-2002	Birth rate (per 1000 inhabi- tants)	Mortality rate (per 1000 inhabi- tants)	Infant mortality (per 1000 alive newborns)
Entire Republic, as of 01.01.2003	3617.7	-0.20	9.9	11.6	14.7
Mun. Chisinau	779.4	-0.05	8.4	8.1	12.5
<i>Districts:</i>					
Balti	500.9	-0.25	9.5	11.9	15.9
Cahul	190.8	0.0	11.0	10.9	15.6
Chisinau	382.4	0.0	10.8	11.7	15.3
Edinet	279.1	-0.70	8.7	16.2	13.5
Lapusna	276.3	-0.50	10.7	11.4	16.8
Orhei	300.4	-0.30	10.3	12.4	12.3
Soroca	274.6	-0.45	9.3	13.9	15.2
Taraclia	45.6	-0.45	9.1	13.9	19.1
Tighina	169.0	-0.10	11.0	12.6	17.7
Ungheni	260.3	0.15	11.5	11.8	15.4
TAU Gagauzia	158.9	-0.35	10.4	11.6	12.2

**Table B.5. Total number
of educational institutions
2002/2003**

	Schools, Gymnasiums, Lyceums		Institu- tions of secondary professional education	Colleges	Higher education institutions
	Day time	Evening time			
Total	1580*	7	83	63	45
Mun. Chisinau	191	4	26	35	39
<i>Districts:</i>					
Balti	213	1	13	7	3
Cahul	103	-	3	3	2
Chisinau	164	-	5	-	-
Edinet	140	-	7	6	-
Lapusna	137	-	5	1	-
Orhei	172	-	4	3	-
Soroca	162	2	9	3	-
Taraclia	21	-	1	-	-
Tighina	74	-	4	2	-
Ungheni	143	-	3	-	-
TAU Gagauzia	56	-	3	3	1

* Including 4 schools on the left bank of the Nistru financed from the state budget of the Republic of Moldova.

**Table B.6. Provision
the population with
medical-sanitary specialists
and medical assistance beds
in 2002 per territories**

	Doctors of all profiles	Medical attendants	Hospital beds	per 10000 inhabitants		
				doctors	Medical attendants	beds
Total	12822	27519	24443	35.4	76.1	67.6
Total Ministry of Health	11224	25384	22194	31.0	70.2	61.3
Mun. Chisinau	2682	4440	2979	34.4	57.0	38.2
<i>Districts:</i>						
Balti	1189	3222	2257	23.7	64.3	45.0
Cahul	303	1172	912	15.9	61.4	47.8
Chisinau	569	1552	700	14.9	40.6	18.3
Edinet	631	1873	1055	22.6	67.1	37.8
Lapusna	387	1318	1105	14.0	47.7	40.0
Orhei	499	1646	1090	16.6	54.8	36.3
Soroca	595	1683	1285	21.7	61.3	46.8
Taraclia	86	285	279	18.9	62.5	61.2
Tighina	288	1118	810	17.0	66.2	47.9
Ungheni	428	1396	1009	16.4	53.6	38.8
TAU Gagauzia	363	1192	895	22.8	75.0	56.3
Republican level institutions	3204	4487	7818	x	x	x
Other ministries and departments	1598	2135	2249	x	x	x

**Table B.7. Public libraries,
cultural institutions in 2002
per territories**

	Number of libraries	Number of seats in reading rooms and concert halls		Number of cultural institutions	Libraries resources (books and journals)	
		Total, thousands	Average per 100 inhabitants		Total, thousands	Average per 100 inhabitants
Total	1372	18284.8	505	1245	364.1	101
Mun. Chisinau	47	3976.2	510	38	10.4	13
<i>Districts:</i>						
Balti	212	2525.9	504	191	53.2	106
Cahul	90	1017.1	533	89	26.1	137
Chisinau	156	1654.6	433	131	44.8	117
Edinet	131	1650.1	591	133	43.6	156
Lapusna	152	1528.8	553	118	34.6	125
Orhei	170	1465.3	488	167	44.4	148
Soroca	133	1553.0	566	143	38.9	142
Taraclia	23	225.7	495	23	7.4	161
Tighina	84	728.9	431	63	18.4	109
Ungheni	128	1307.8	502	122	29.8	115
TAU Gagauzia	46	651.4	410	27	12.5	79

**Table B.8. Natural resources
as of 1 January 2003***

	Total surface, ha	% from the total surface		
		In private property	Agricultural lands	Forest areas
Total	3384357	55.1	74.9	12.6
Mun. Chisinau	56350	44.2	57.6	14.7
<i>Districts:</i>				
Balti	414594	59.6	78.0	9.6
Cahul	241314	64.6	76.2	11.6
Chisinau	340364	55.9	67.0	18.8
Edinet	314610	66.4	79.4	9.7
Lapusna	344078	57.6	72.0	17.6
Orhei	316295	58.0	70.1	16.9
Soroca	295341	69.0	81.3	6.8
Taraclia	67369	74.8	82.6	6.8
Tighina	240806	67.3	78.8	9.7
Ungheni	232069	48.5	62.8	21.2
TAU Gagauzia	184845	67.6	80.2	8.4
Territories on the left bank of the Nistru	336322	-	78.6	8.5

	Arable lands	Perennial fields	% from agricultural lands		Grasslands and hay fields
			Of which		
			Orchards	Vineyards	
Total	72.7	11.9	5.4	6.0	15.1
Mun. Chisinau	65.5	23.3	9.9	12.9	10.4
<i>Districts:</i>					
Balti	71.6	6.8	4.6	1.5	20.8
Cahul	70.9	15.4	3.1	12.0	13.5
Chisinau	69.7	17.3	6.8	10.1	12.7
Edinet	78.8	6.6	6.3	0.2	14.3
Lapusna	63.9	17.0	4.7	11.6	19.1
Orhei	72.7	10.6	5.6	4.6	16.0
Soroca	79.1	6.2	5.3	0.7	14.3
Taraclia	70.3	16.1	2.6	12.9	13.6
Tighina	75.4	12.1	5.0	6.7	12.3
Ungheni	59.1	19.0	7.9	10.8	21.7
TAU Gagauzia	71.8	14.5	3.2	11.2	13.3
Territories on the left bank of the Nistru	82.3	9.3	7	2	8.3

* The entire Republic of Moldova

