



Republic of Moldova **2007**

State of the Country Report



Expert Grup
CENTRU ANALITIC INDEPENDENT

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Main acronyms and abbreviations

ACC	– Audiovisual Coordinating Council
APA	– Academy of Public Administration
ASM	– Academy of Sciences of Moldova
ATP	– Autonomous Trade Preferences
ATU Gagauzia	– Autonomous Territorial Unit Gagauzia
BPO	– Barometer of Public Opinion
CCECC	– Centre for Combating Economic Crime and Corruption
CEC	– Central Electoral Commission
CFE	– CFE Treaty
CIS	– Commonwealth of Independent States
CoE	– Council of Europe
CPA	– Central Public Administration
CPT	– European Committee for the Prevention of Torture
CRLPCE	– Congress of Regional and Local Powers of the Council of Europe
USD	– United States Dollar cent
DFID	– UK Department for International Development
EBRD	– European Bank for Reconstruction and Development
ECHR	– European Court for Human Rights
EGPRSP	– Economic Growth and Poverty Reduction Strategy Paper
ENP	– European Neighbourhood Policy
EQF	– European Qualifications Framework
EU	– European Union
EUBAM	– European Union Border Assistance Mission
EURMAP	– European Union – Republic of Moldova Action Plan
FNPA	– Fund of Natural Protected Areas
GDP	– Gross Domestic Product

GSP	– General System of Preferences
GUAM	– Organisation for Democracy and Economic Development of Georgia, Ukraine, Azerbaijan, and Moldova
ICT	– Information and Communication Technologies
IDI	– Index of Digital Infrastructure
IEI	– Index of External Image
IES	– Index of Economic Situation
IES	– Index of Environmental Status
IFI	– International Financial Institutions
IGT	– Index of General Trust
IHR	– Index of Human Resources
IMF	– International Monetary Fund
IPAP	– Individual Partnership Actions Plan
IPI	– Index of Physical Infrastructure
IPP	– Index of Political Participation
IPS	– Index of Personal Security
IRD	– Index of Demographic Risks
IRD	– Index of Regional Development
IRO	– Index of Rights Observance
ISC	– Index of Social Cohesion
ISO	– International Standards Organisation
IT	– Information Technology
LPA	– Local Public Administration
MAC	– Maximally Admissible Concentration
MCHR	– Moldovan Centre for Human Rights
MDL	– Moldovan Leu
MENR	– Ministry of Ecology and Natural Resources
MET	– Ministry of Economy and Trade

MEY	– Ministry of Education and Youth
MFAEI	– Ministry of Foreign Affairs and European Integration
MID	– Ministry of Informational Development
MIEPO	– Moldovan Investment and Exports Promotion Organisation
MLPA	– Ministry of Local Public Administration
MTC	– State company MoldTeleCom
MTEF	– Medium Term Expenditure Framework
MTRM	– Ministry of Transports and Road Management
NAAPBD	– National Army Plan of Building and Development
NAEC	– National Agency for Energy Conservation
NARE	– Non–Agricultural Rural Economy
NARTI	– National Agency for Regulation in Telecommunications and Informatics
NATO	– North Atlantic Treaty Organisation
NBM	– National Bank of Moldova
NBS	– National Bureau of Statistics
NCU	– National Coordination Unit
NDP	– National Development Plan
NEF	– National Ecological Fund
NERA	– National Energy Regulatory Agency
NGO	– Non–Governmental Organisation
NHIC	– National Health Insurance Company
NPHRP	– National Plan for Human Rights Protection
NPP	– Nitrogen, Phosphorus, Potassium
PNTD	– Plan for National Territory Development
NPUW	– National Plan for Use of Industrial and Domestic Waste
NSIO	– National Social Insurance Office
OSCE	– Organisation for Security and Co–operation in Europe

- OSCE/ODIHR** – OSCE Office for Democratic Institutions and Human Rights
- PFP** – Partnership for Peace
- POPs** – Persistent Organic Pollutants
- R&D** – Activities or sector of technological Research & Development
- RES** – Renewable Energy Sources
- SCI** – State of the Country Index
- SCSTD** – Supreme Council for Science and Technological Development
- SDC** – Swiss Agency for Development and Cooperation
- SDR** – Strategic Defence Review
- SEDI** – Socio–Economic Development Indicator
- SIDA** – Swedish International Development Agency
- SIPA** – Social Insurance Personal Account
- SME** – Small and Medium Enterprises
- SRA** – State Road Administration
- TPP** – Thermal Power Plant
- UN** – United Nations
- UNDP** – United Nations Development Programme
- UNICEF** – United Nations Children’s Fund
- USAID** – United States Agency for International Development
- USD** – United States Dollar
- VAT** – Value Added Tax
- WTO** – World Trade Organisation



Introduction

Development and modernization of the Republic of Moldova is an issue, which has constantly been on the agenda of authorities, civil society and international community in the recent years. During this period, the country has been flooded by a large number of strategies, concept papers and other strategy papers, both national and sectoral, inspired either locally or internationally. Apparently, this activity was also supported by a higher degree of society's „participation” in the development of these documents and by a broader opening of the public institutions towards the society's contribution to the design of the national development policies. Despite all these political efforts, there was quite limited progress in initiating some public debates on trends and policies affecting the national development in a long-term perspective.

At the same time, the strategy papers that were developed were not always correlated with each other, often repeated or contradicted each other, and lacked a coherent and integrated approach to the economic development and social modernization objectives. In fact, in terms of the practical impact, the participation of the civil society in the design, improvement and implementation of development policies is still rather limited, for some objective or subjective reasons.

The project „State of the Country Report 2007: civil society's contribution to the development policies and good governance in the Republic of Moldova”, implemented by the Independent Analytical Centre EXPERT-GRUP with the contribution of the representatives of a number of analytical and educational institutions attempted to provide some solutions to the problems specific of the process of design of development policies in the Republic of Moldova. This initiative was funded by the Eurasia Foundation, the UK Department for International Development (DFID) and the Balkan Trust for Democracy. The main objective of this project was to provide local decision makers, civil society and international community with a reliable analytical tool, which would help understand and evaluate the trends in the key development areas, im-

prove the quality of development policies and raise the efficiency of setting the development objectives. This State of the Country Report is the result of these efforts, which will hopefully contribute to elucidation of challenges, progress and involutions relating to the country development.

The authors did not intend to write just ANOTHER report or ONE MORE report. The experts who coordinated and contributed to this process have tried to provide the State of the Country Report with a number of distinct traits, which would make it different from other analytical reports developed in the Republic of Moldova.

This publication is meant to provide an integrated vision upon the development of the Republic of Moldova. Unlike other reports, the State of the Country Report combines a sectoral approach with a plenary vision on the modernization and development process and perspectives in the Republic of Moldova. At the same time, the working process and the final outcome of the project has contributed, and will hopefully further contribute, to the information of the process of development and evaluation of the governmental programmes and plans in various areas (National Development Plan 2008-2011, Economic Growth and Poverty Reduction Strategy Paper, EU-Moldova Action Plan).

Secondly, the State of the Country Report is based on a particular analytical approach. Proceeding from the diagnosis of the current state of affairs in the analysed sectors, the major concern of the authors was to assess the major risks in the short-term perspective and to provide recommendations, as accurate as possible, to eliminate or mitigate these risks. At the same time, most sectors were subjected to expert assessment with regard to the chain of recent developments – current situation – perspectives, as well as in terms of public perceptions. The expert assessments used the following scale: - 2 (totally negative assessment), -1 (mostly negative assessment), 0 (neutral assessment), +1 (mostly positive assessment), +2 (totally positive assessment).

The public perceptions were quantified by means of some Sectoral Perception Indicators, which were subsequently integrated into a State of the Country Index (SCI). In order to obtain the data required for quantification, the sociological survey „Republic of Moldova 2007: state of the country and of the people” was conducted. The survey results are illustrated in the following section of this Report¹. Another section explains the methodology used to calculate the SCI.

According to the results of the survey „Republic of Moldova 2007: state of the country and of the people”, the negative attitudes to the state of the Republic of Moldova prevail upon the positive ones. For 2007, the SCI was estimated at 7,5. Theoretically, the SCI can fit between -100 and +100. The closer is the SCI to +100, the stronger is the public confidence in the state of the country and vice versa: a SCI, which is closer to -100 reflects a total lack of citizens’ confidence in the state of the country.

While estimating the SCI for 2007, the authors of the Report intend to make this exercise annually in order to track the changes in the public perception of various aspects of the country development. This is the third peculiarity of this Report. EXPERT-GRUP intends to turn the preparation of the State of the Country Reports into a constant process, which would employ the most competent experts in areas subjected to analysis. The annual publication of the State of the Country Reports will allow to monitor and evaluate the progress of the Republic of Moldova in areas crucial for its development and modernization. For this very purpose, the State of the Country Report will offer its own system of quantitative and qualitative indicators to assess the development process in Moldova.

The fourth characteristic of the State of the Country Report is its consistent participatory component. This Report is the result of efforts of a large group of civil society representatives, renowned for their expertise in the areas covered. Those 38 experts who contributed to the State of the Country Report represent 12 NGOs, 8 universities, and 5 experts are independent consultants. Moreover, while preparing the State of the Country Report, the

team members contributed to the process of development and public discussions of the National Development Plan (2008-2011), which at that time (March-September 2007) was in the working stage. These contributions were made both as direct comments and suggestions, also on aspects which in preliminary versions of the Plan were not reflected well enough as compared with the final version, and as logistic activities and organisation of events. In order to support the public discussions on the National Development Plan (NDP), under the project „State of the Country Report 2007: civil society’s contribution to the development policies and good governance in the Republic of Moldova”, the implementation team organized 4 regional round tables (in Basarabeasca, Comrat, Criuleni, Floresti) in July 2007, attended by over 200 citizens, where various aspects of the NDP were discussed: prevention and eradication of corruption, social protection and inclusion, quality and access to educational services and improvement of the business environment. Apart from the immediate usefulness for the process of the NDP preparation, the round tables allowed to identify the “popular” attitudes to the development processes, which had a great impact on the analysis in this Report. In the same participatory context and with the same purposes (to contribute to the NDP and to share experience and information), an International Conference „National Development Plan – a new stage in the development of the Republic of Moldova” was organized on 27-28 September 2008. The conference gathered over 70 participants from the Republic of Moldova, Bulgaria, Czech Republic, Estonia, Lithuania, Poland, Romania, Russian Federation, Ukraine and Hungary. Discussions held at the conference allowed to identify some interesting aspects of the international practice, which also greatly contributed to the State of the Country Report 2007 .

The State of the Country Report, worked out in the same participatory framework, offers an impartial vision on the development process. As a product of a broad coalition of independent experts, the Report addresses the most difficult issues of the development process, and is a professionally built and politically impartial tool, which can be useful in the process of development of transparent and effective public policies.

¹ The detailed results of the sociological survey „Republic of Moldova 2007: the state of the country and of the people”, including disaggregation by various criteria (age, area of residence etc.) are available on the web-site of the Independent Analytical Centre EXPERT-GRUP www.expert-grup.org.

The Report attempted to address a number of key areas relevant to the national development processes. It includes 9 main chapters, each one designed to cover a strategic area and address problems of major importance for the society. Each chapter is divided into sections with a more or less homogeneous structure (diagnosis – risks – current policies – recommendations). At the same time, almost each chapter contains a special issue, which outlines particularly risky aspects for the country development process, or just relevant ones, to make the uninformed reader understand better the opportunities and challenges faced by the Republic of Moldova throughout its modernization.

- 1) Chapter „Development of human capital” analyses the living standards, vocational education, public health and social protection policies, while the special issue is child protection.
 - 2) Chapter 2 „Demography: a latent threat” reveals the crisis of birth and death rates, the crisis of traditional family, emigration and internal migration, and the special issue included in this chapter is the social impact of women’s emigration.
 - 3) Chapter 3 is entitled „The need for an economic leap” and addresses problems of the real economy, financial, foreign trade and labour market sectors. The special issue in this chapter is the foreign development assistance provided to the Republic of Moldova.
 - 4) In Chapter „Advancement of democracy and good governance” the authors look at the political culture and participation specific to the Republic of Moldova, analyze the extent of protection of human rights and functioning of justice, assess the main problems in the public administration system and the level of civil society’s consolidation. The general local elections held in 2007 are the special issue of this chapter.
 - 5) Chapter 5 „Promotion of an effective foreign policy” starts with the identification of the image projected by the Republic of Moldova abroad, summarises our country’s relationships with Romania, Ukraine and European Union. The authors analyze the major developments, the current situation and the short-term priorities in order to provide for military security of the country. Relationships with the Russian Federation, which essentially deteriorated in the last years, are analyzed as a special issue.
 - 6) Chapter 6 has a suggestive title „Environment and natural resources: let’s think of the future”.
- Ecology is almost totally ignored in the public policy process in the Republic of Moldova. In this chapter the authors review the country’s owned and used natural resources, analyze the impact of the human activity on the environment and assess the efficiency of waste utilization and its recycling (an essential aspect not only to maintain a healthy society, but also to save the natural resources). Two special issues were included in this chapter: „Soil degradation” and „Protection of natural areas”.
- 7) Chapter 7 is entitled „Modernization of physical infrastructure”. In this chapter the authors focused on those elements of traditional physical infrastructure, which, on the one hand, are in the worst condition, and, on the other hand, are of critical importance for the development and prosperity of the country: motor transport, energy system and public utilities.
 - 8) Chapter 8 analyzes how Moldova advances „Towards a society based on knowledge and technologies”. This chapter looks at the level of development of digital infrastructure (information technology and telecommunications) and the processes of technological research and development and innovations in the country. The special issue of this chapter is IT training in the Moldovan educational system.
 - 9) In Chapter 9, the authors look at „Regional Moldova”, trying to identify economical and social risks faced by the communities located in most disadvantaged areas, analyze how rural Moldova differs from urban Moldova (and conclude that, in fact, many urban areas do not differ essentially from rural areas in terms of development of their infrastructure, economy and living standards) and highlight the major challenges and opportunities in the development of the Gagauz Territorial Administrative Unit (GTAU). The Transnistrian economy is the special issue of this chapter.

The Report ends with a series of conclusions, which go beyond the analytical policy framework as such. These conclusions attempt to summarise the existentialist challenges and opportunities of the Republic of Moldova, which should be taken into account first of all by the current and future generations of policy-makers. The understanding and the management of these challenges and opportunities is imperative for the Republic of Moldova to prevent its failure as a state, and to affirm itself as a genuine country, where people would like to live, where their children would like to live, and to whose prosperity they would like to contribute.

Experts' assessments of state of the country areas



Experts made assessments based on their own experience and knowledge in areas subjected to analysis. Assessments were made using the following scale:

- 2: totally negative assessment
- 1: mostly negative assessment
- 0: neutral assessment
- +1: mostly positive assessment
- +2: totally positive assessment.

Area subjected to assessment	Recent developments (2004-2006)	Current situation (2007)	Perspectives (2008-2009)
Living standards	+1	0	+1
Vocational education	0	+1	0
Health system	+1	+1	0
Social protection policies	0	0	-1
Natural increase	-2	-1	-2
Family cohesion	-2	-1	0
Emigration	-2	-1	0
Internal migration	-1	-1	0
Real economy	+1	+1	+1
Financial sector	+1	+1	+1
Foreign trade	-1	-1	0
Labour market	-1	-1	0
Political culture	+1	0	0
Human rights	+1	0	0
Functioning of justice	+1	0	+1
Public administration	0	-1	0
Development of civil society	+1	+1	+1
Country's external image	-1	-1	0
Relations of the Republic of Moldova with Romania	-2	-1	-1
Relations of the Republic of Moldova with Ukraine	0	+1	+1
Relations of the Republic of Moldova with the European Union	+1	+1	+1
Military security	+1	+1	+1
Use of natural resources	0	0	0
Human impact on the environment	-1	-1	0
Waste management	+1	0	0
Road transport	-1	0	+1
Energy	0	0	0
Public utilities sector	-1	-1	+1
Information and communication technologies sector	+1	0	+1
Technological research and development sector	+1	0	0
Situation in disadvantaged areas	-1	-1	-1
Rural development	-1	-2	-1
Urban development	-1	-1	-1
Development of ATU Gagauzia	-1	+1	+1



Results of the survey „Republic of Moldova 2007: state of the country and of the people”

Methodological issues

- **Sample size:** 1094 persons aged 18 and above.
- **Sample:** stratified, probabilistic, two-stage.
- **Stratification criteria:** 12 geographic regions, matching the administrative territorial units, which existed prior to the repeated division by rayons, (urban-rural) residential area, size of urban areas (two types), number of voters in rural areas (two types of rural areas).
- **Sampling:** urban strata sizes and totals by region (former judets) were calculated proportionally to the number of people according to data reported by the Department of Statistics of the Republic of Moldova. Rural strata sizes were calculated proportionally to the number of voters;
- **Randomization stages:**
 - I. *Residential area:* within the adjusted strata, the selected (72) residential areas were identified randomly, using a table with random numbers.
 - II. *Household:* the maximum number of interviews conducted in a sampling unit was 12. Households where interviews were conducted were selected using a random path method, with a statistical step.
 - III. *Person:* when there were more adult persons in selected families, interviewees were identified using the method of the earliest birthday.
- **Representativeness:** the sample is representative for the adult population of the Republic of Moldova, allowing for a maximum error of $\pm 3\%$.
- **Data collection period:** 25 August – 3 September 2007. Interviews were conducted at respondents’ home, by operators of the CBS AXA network. The questionnaire was drafted in Romanian and Russian, so that respondents could choose their preferred version.
- **Checks:** The quality of data collection and the actual conduct of interviews were checked

by CBS AXA controllers – almost 15% of the „waybills’. The comparative statistical control method was used.

- **Data entry and processing:** the collected data were processed in SPSS 15.

Distribution of general answers

1. What feelings do you have in connection with the fact of being citizens of the Republic of Moldova?

I am very proud	36.6%
I am rather proud	36.1%
I don't feel anything	12.4%
I am rather sorry	7.2%
I am definitely sorry	3.6%
NR/DNK	4.1%

2. Should you have the opportunity to leave Moldova for good, together with your family, in order to start a new life in a more prosperous country, what would you choose to do?

I would never leave	37.2%
I would rather not leave	15.7%
It's hard to say what I would do	10.5%
I would rather leave	15.2%
I would definitely leave	19.4%
NR/DNK	2.0%

3. Would you like your children or grandchildren to live in the Republic of Moldova?

Definitely yes	43.1%
Rather yes	16.0%
It's hard to say	14.3%
Rather no	11.8%
Definitely no	14.7%

4. How do you appreciate the Republic of Moldova in general, as a place of living?

Very good	7.0%
Good	42.1%
It's hard to say	19.2%
Bad	22.0%
Very bad	8.4%
NR/DNK	1.3%

5. How did your living standards change in the last year?

Became much better	1.9%
Became better	18.0%
Did not change	48.7%
Became worse	22.7%
Became much worse	6.4%
NR/DNK	2.2%

6. To what extent do you agree with the affirmation that education in our society can ensure one's success in life (finding a job, higher salary, etc.)?

I fully agree	15.9%
I rather agree	24.4%
It's hard to say	19.0%
I rather disagree	25.0%
I fully disagree	9.3%
NR/DNK	6.3%

7. How do you appreciate your health status?

Very good	5.3%
Good	45.6%
It's hard to say	15.3%
Bad	24.7%
Very bad	7.9%
NR/DNK	1.2%

8. If you, or your close relatives were in a difficult situation (due to a sickness, loss of a job, natural etc.), do you believe you could count on full support from the state?

Definitely yes	3.1%
Rather yes	12.1%
It's hard to say	15.4%
Rather no	37.2%
Definitely no	28.6%
NR/DNK	3.6%

9. Think about the conditions, which determine the decision of young families to have children, what is your opinion about those conditions today, in comparison with last year?

They are much better	1.4%
They are a little better	17.5%
They didn't change	25.5%
They are a little worse	32.7%
They are much worse	14.4%
NR/DNK	8.5%

10. Compared to the situation 10 years ago, what do you think about the family relations in the Republic of Moldova today?

Families are much more united	2.5%
Families seem to be slightly more united	13.5%
There is no difference	16.6%
Family relations seem to be worse	39.7%
An acute deterioration of family relations is observed	22.0%
NR/DNK	5.7%

11. If you had the opportunity to emigrate to work abroad in the next 3 months, would you accept it?

Definitely yes	26.7%
Rather yes	14.7%
It's hard to say	12.0%
Rather no	15.3%
Definitely no	31.3%

12. (Question for residents in rural areas) If you got the opportunity, would you move from your locality to an urban locality

Definitely yes	20.2%
Rather yes	10.0%
It's hard to say	13.8%
Rather no	15.2%
Definitely no	40.8%

13. In comparison with the situation in the previous year, how has your income changed?

Increased considerably	3.0%
Increased slightly	21.2%
Did not change	38.2%
Decreased slightly	23.6%
Decreased considerably	11.7%
NR/DNK	2.3%

14. In comparison with the situation in the previous year, is it easier or more difficult today to find a well-paid job in the Republic of Moldova?

It is much easier	1.8%
It is slightly easier	12.4%
Nothing has changed	19.4%
It is slightly more difficult	33.0%
It is much more difficult	26.5%
NR/DNK	7.0%

15. What level of trust do you have in the banking system of our country?

I trust it fully	6.7%
I trust it partially	26.1%
It's hard to say	16.4%
I almost don't trust it	18.3%
I don't trust it at all	23.2%
NR/DNK	9.3%

16. Have you got a feeling that in our country there is a common goal, or a common idea of national development that would unite all the citizens of the country?

Yes, there is definitely such a goal or idea	6.1%
I think that there is rather such a goal or idea	18.9%
It's hard to say	23.7%
I think that there is no rather such a goal or idea	26.3%
No, there definitely isn't such a goal or idea	14.6%
NR/DNK	10.4%

17. How do you evaluate the relations between people of different ethnicities living in the Republic of Moldova?

Very good	22.0%
Generally, good	45.1%
It's hard to say	10.4%
Generally, bad	13.2%
Very bad	4.5%
NR/DNK	4.9%

18. Do you believe that by participating in the elections you can influence the situation in the country in the direction favourable to you?

Definitely yes	12.3%
Rather yes	25.6%
It's hard to say	14.7%
Rather no	26.8%
Definitely no	15.9%
NR/DNK	4.8%

19. Do you believe that ordinary citizens can directly, or through initiative groups, influence decision-making in your locality?

Yes, always	8.5%
Yes, frequently	24.5%
It's hard to say	28.4%
Seldom	23.0%
Never	11.9%
NR/DNK	3.7%

20. To what extent do state policies reflect your interests and expectations?

They fully reflect them	1.4%
They rather reflect them	14.8%
It's hard to say	22.5%
They rather do not reflect them	33.9%
They do not reflect them at all	20.0%
NR/DNK	7.4%

21. How much trust do you have in the local public administration in your locality?

I fully trust them	7.4%
Rather yes	29.7%
It's hard to say	18.0%
Rather no	23.8%
I don't trust them at all	16.6%
NR/DNK	4.5%

22. Do you believe that, in general, your rights are respected in our society?

Yes, fully	3.5%
Rather yes	20.5%
It's hard to say	15.0%
Rather no	38.4%
Definitely, no	18.8%
NR/DNK	3.7%

23. In case your legitimate rights are violated, do you believe that justice in our country would restore to you those rights?

Definitely yes	4.1%
Rather yes	15.8%
I am not sure	23.9%
Rather no	29.9%
Definitely no	20.7%
NR/DNK	5.6%

24. Do you think that our country succeeds in defending and promoting its interests in the world?

Definitely, yes	6.5%
Rather, yes	26.7%
It's hard to say	18.4%
Rather, no	27.6%
Definitely, no	13.8%
NR/DNK	7.0%

25. What, in your opinion, is the image of our country in the world:

Very good	3.6%
Rather good	22.4%
Neutral	30.0%
Rather bad	25.4%
Very bad	12.2%
NR/DNK	6.4%

26. Do you believe that your personal and your family security is ensured in our country?

Definitely, yes	5.6%
Rather, yes	25.2%
I am not sure	28.3%
Rather, no	22.9%
Definitely, no	12.5%
NR/DNK	5.5%

27. To what extent, in your opinion, is our country prepared to face natural or technogene calamities (for example, droughts, floods, fire)?

It is fully prepared	2.9%
It is rather prepared	11.4%
It's hard to say	14.7%
It is rather not prepared	31.1%
It is not prepared at all	34.6%
NR/DNK	5.3%

28. To what extent do you have access to a water supply system ?

I don't have full access to this service	46.6%
I have some problems with the access to this service	8.0%
It's hard to say	1.5%
I am most often satisfied with this service	10.3%
I have full access to this service	33.6%

29. To what extent do you have access to hot water?

I don't have full access to this service	75.5%
I have some problems with the access to this service	8.3%
It's hard to say	2.2%
I am most often satisfied with this service	4.9%
I have full access to this service	9.0%

30. To what extent do you have access to a sewage system?

I don't have full access to this service	61.4%
I have some problems with the access to this service	7.2%
It's hard to say	2.1%
I am most often satisfied with this service	7.7%
I have full access to this service	21.6%

31. To what extent do you have access to the natural gas network?

I don't have full access to this service	43.4%
I have some problems with the access to this service	5.5%
It's hard to say	2.0%
I am most often satisfied with this service	13.0%
I have full access to this service	36.1%

32. To what extent do you have access to public transport ?

I don't have full access to this service	8.0%
I have some problems with the access to this service	16.9%
It's hard to say	7.8%
I am most often satisfied with this service	31.4%
I have full access to this service	35.9%

33. To what extent do you have access to roads?

I don't have full access to this service	8.8%
I have some problems with the access to this service	35.7%
It's hard to say	12.5%
I am most often satisfied with this service	24.8%
I have full access to this service	18.2%

34. To what extent do you have access to electric power?

I don't have full access to this service	2.2%
I have some problems with the access to this service	2.2%
It's hard to say	.3%
I am most often satisfied with this service	15.1%
I have full access to this service	80.2%

35. To what extent do you have access to thermal energy?

I don't have full access to this service	61.2%
I have some problems with the access to this service	9.7%
It's hard to say	5.3%
I am most often satisfied with this service	8.2%
I have full access to this service	15.7%

36. To what extent do you have access to Internet?

I don't have full access to this service	84.7%
I have some problems with the access to this service	3.3%
It's hard to say	2.3%
I am most often satisfied with this service	3.0%
I have full access to this service	6.6%

37. To what extent do you have access to landline telephony?

I don't have full access to this service	14.1%
I have some problems with the access to this service	2.2%
It's hard to say	.7%
I am most often satisfied with this service	13.9%
I have full access to this service	69.1%

38. To what extent do you have access to mobile telephony?

I don't have full access to this service	52.8%
I have some problems with the access to this service	5.0%
It's hard to say	2.1%
I am most often satisfied with this service	10.6%
I have full access to this service	29.5%

39. To what extent do you have access to computer?

I don't have full access to this service	78.3%
I have some problems with the access to this service	3.0%
It's hard to say	2.4%
I am most often satisfied with this service	3.8%
I have full access to this service	12.5%

40. To what extent do you have access to broadcasted or cable television?

I don't have full access to this service	24.4%
I have some problems with the access to this service	6.3%
It's hard to say	2.6%
I am most often satisfied with this service	14.6%
I have full access to this service	52.1%

41. Are you satisfied with the quality of environment?

I am fully satisfied	7.9%
Rather yes	34.0%
It's hard to say	20.3%
Rather no	27.4%
I am fully dissatisfied	7.3%
NR/DNK	3.1%

42. How do you appreciate the evolution of environment quality in the last 3 years?

It improved considerably	2.2%
It improved slightly	17.5%
It did not change	33.7%
It worsened slightly	25.5%
It worsened considerably	14.9%
NR/DNK	6.2%

43. How, in your opinion, is the quality of life changing in rural areas of the Republic of Moldova?

The quality of life in rural areas is rapidly approaching the quality of life in urban areas	5.8%
The quality of life in rural areas is slowly approaching the quality of life in urban areas	25.6%
It doesn't change	19.9%
The quality of life in rural areas is slowly worsening as compared to the quality of life in urban areas	26.5%
The quality of life in rural areas is rapidly worsening as compared to the quality of life in urban areas	13.0%
NR/DNK	9.1%

State of the Country Index



Methodology of calculation

The Independent Analytical Centre EXPERT-GRUP has developed the methodology of calculating the State of the Country Index (SCI), which shall be measured annually, based on the information obtained from the public opinion polls. The first questioning was held in August-September 2007 by CBS-AXA sociologic company on a sample of 1094 respondents, aged 18 and above, the error margin constituting 3%. The questionnaire consists of 43 questions, each having five options for an answer (see previous Section). The questions are grouped in 13 blocks, identifying the public attitudes towards diverse aspects relevant for understanding the level of the country development. The concrete wording of response options differ from question to question, but the intensity of expressed public attitudes is situated in each case on the following scale:

absolutely positive (++) ⇒ **moderately positive (+)** ⇒ **neutral (0)** ⇒ **moderately negative (-)** ⇒ **absolutely negative (- -)**

For each of the 43 questions, an individual indicator Q_x is calculated, which taken separately, expresses the public trust or approval with respect to specific economic, political or social aspects important for the citizens. The individual indicators are calculated according to the general formula:

$$Q_x = F_x^{(++)} + 0,5 \cdot F_x^{(+)} - 0,5 \cdot F_x^{(-)} - F_x^{(- -)}$$

where $F_x^{(++)}$, $F_x^{(+)}$, $F_x^{(-)}$ and $F_x^{(- -)}$ are, respectively, the frequencies (expressed in percentages) of absolutely positive, positive, negative and absolutely negative responses accumulated by X question. Namely, the answers on the negative side of the scale are deducted from the answers on the positive side of the scale, and in order to attribute more weight to the extreme responses, those are weighted with 1, while the intermediary ones – with 0,5. The neutral answers, as well as non-answers are ignored. The sign „+” of the individual indicator Q_x reflects trust

prevailing over distrust, the sign „-” denotes the opposite situation.

Example. The 1st question of the questionnaire, „What are your feelings in relation to the fact that you are citizens of the Republic of Moldova?”, was answered by 36,6% of the interviewed with „very proud”, 36,1% - „rather proud”, 12,4% - „no feelings”, 7,2% - „rather regret” and 3,6% - „certainly regret”. Using the above formula, the individual indicator Q_1 shall be calculated as follows:

$$Q_1 = 36,6 + 0,5 \cdot 36,1 - 0,5 \cdot 7,2 - 3,6 = 47,5$$

Sign „+” before the indicator shows that positive attitudes towards having Moldovan citizenship essentially prevail over the negative ones. Theoretically, each individual indicator Q_x can get values within the segment [-100; +100]. The sense of indicators for a few important cases:

- $Q_x = -100$: 100% of the answers to a given question were absolutely negative, i.e. there is a totally negative public attitude (of distrust, disapproval etc.) with regards to the respective subject; evidently, the probability of this case is very low;
- $Q_x = -50$: negative public attitudes prevail, that is the society displays rather distrust or disapproval of citizens in relation to the respective subject;
- $Q_x = 0$: neutral public attitudes prevail, or opposite public attitudes compensate each other;
- $Q_x = +50$: positive public attitudes prevail, so there is a certain degree of trust or approval of the public in relation to the respective subject;
- $Q_x = +100$: 100% of the provided answers to the respective question were absolutely positive; in that case there is full trust or approval of citizens with regards to the respective subject; it is obvious that, as in the case of the negative extreme, the probability of the extreme positive case is also very small.

Calculation of indices

Table 1 shows the value of individual indicators of perception for each of

the 43 questions of the public opinion poll. As one may see in the table, the negative public perceptions prevail over the positive ones in 28 questions, and the positive attitudes prevail over the negative ones in 15 questions proposed to the citizens. In this context, we should note that the highest value (+84,5) was obtained by question 34 indicator regarding access to electricity, and the lowest value (-78,3) was

got by the individual index of question 36, regarding access to Internet. It is important that all the questions of the „general trust” block have obtained positive indicators, while the indicators of all the questions from the large blocks „economic situation” and „political participation” obtained negative values.

Table 1

Table 1 Individual indices of perception of the country development status

	Qx
„General trust” block of questions	
1. What feelings do you have in connection with the fact of being citizens of the Republic of Moldova?	+47.5
2. Should you have the opportunity to leave Moldova for good, together with your family, in order to start a new life in a more prosperous country, what would you choose to do?	+18.0
3. Would you like your children or grandchildren to live in the Republic of Moldova?	+30.5
4. How do you appreciate the Republic of Moldova in general, as a place of living?	+8.7
„Development of human resources” block of questions	
5. How did your living standards change in the last year?	-6.9
6. To what extent do you agree with the affirmation that education in our society can ensure one's success in life (finding a job, higher salary, etc.)?	+6.3
7. How do you appreciate your health status?	+7.9
8. If you, or your close relatives were in a difficult situation, do you believe you could count on full support from the state?	-38.0
„Demographic situation and perspectives” block of questions	
9. Think about the conditions, which determine the decision of young families to have children, what is your opinion about those conditions today, in comparison with last year?	-20.6
10. Compared to the situation 10 years ago, what do you think about the family relations in the Republic of Moldova today?	-32.6
11. If you had the opportunity to emigrate to work abroad in the next 3 months, would you accept it?	+4.9
12. (Question for residents in rural areas) If you got the opportunity, would you move from your locality to an urban locality?	+23.2
„Economic situation” block of questions	
13. In comparison with the situation in the previous year, how has your income changed?	-9.9
14. In comparison with the situation in the previous year, is it easier or more difficult today to find a well-paid job in the Republic of Moldova?	-35
15. What level of trust do you have in the banking system of our country?	-12.6
„Social cohesion” block of questions	
16. Have you got a feeling that in our country there is a common goal, or a common idea of national development that would unite all the citizens of the country?	-12.2
17. How do you evaluate the relations between people of different ethnicities living in the Republic of Moldova?	+33.5
„Political participation” block of questions	
18. Do you believe that by participating in the elections you can influence the situation in the country in the direction, which is favourable to you?	-4.2
19. Do you believe that ordinary citizens can directly, or through initiative groups, influence decision-making in your locality?	-2.7
20. To what extent do state policies reflect your interests and expectations?	-28.2
21. How much trust do you have in the local public administration in your locality?	-6.3
„Observance of the rights” block of questions	
22. Do you believe that, in general, your rights are respected in our society?	-24.3
23. In case your legitimate rights are violated, do you believe that justice in our country would restore to you those rights?	-23.7

„Foreign policy and image“ block of question	
24.	Do you think that our country succeeds in defending and promoting its interests in the world? -7.8
25.	What, in your opinion, is the image of our country in the world? -10.1
„Personal security“ block of questions	
26.	Do you believe that your personal and your family security is ensured in our country? -5.8
27.	To what extent, in your opinion, is our country prepared to face natural or technogene calamities (for example, droughts, floods, big fires)? -41.6
„Development of physical infrastructure“ block of questions	
28.	To what extent do you have access to a water supply system? -11.9
29.	To what extent do you have access to hot water? -68.2
30.	To what extent do you have access to a sewage system? -39.6
31.	To what extent do you have access to the natural gas network? -3.6
32.	To what extent do you have access to public transport? +35.2
33.	To what extent do you have access to roads? +4.0
34.	To what extent do you have access to electric power? +84.5
35.	To what extent do you have access to thermal energy? -46.3
„Development of digital infrastructure“ block of questions	
36.	To what extent do you have access to Internet? -78.3
37.	To what extent do you have access to landline telephony? +60.9
38.	To what extent do you have access to mobile telephony? -20.5
39.	To what extent do you have access to computer? -65.4
40.	To what extent do you have access to broadcasted or cable television? +31.9
„Environment“ block of questions	
41.	Are you satisfied with the quality of the environment? +3.9
42.	How do you appreciate the evolution of quality of environment in the last 3 years? -16.7
„Regional development“ block of questions	
43.	How, in your opinion, is life quality changing in the rural areas of the Republic of Moldova? -7.7

The 43 individual indicators have been put together in 13 sector indicators of perception, calculated (with one exception) as

simple arithmetic averages of the individual indicators from each block of questions (**Table 2**).

Blocks of questions	Name of sector indicator	Acronym	Modality of calculation	Calculated value
1. „general trust“	Index of General Trust	IGT	Arithmetic average Q1 - Q4	+26,2
2. „human resources development“	Index of Human Resources	IHR	Arithmetic average Q5 - Q8	-7,7
3. „demographic situation and perspectives“	Index of Demographic Risks	IDR	Arithmetic average Q9 - Q12	-6,3
4. „economic situation“	Index of Economic Situation	IES	Arithmetic average Q13 - Q15	-19,2
5. „social cohesion“	Index of Social Cohesion	ISC	Arithmetic average Q16, Q17	+10,7
6. „political participation“	Index of Political Participation	IPP	Arithmetic average Q18 - Q21	-10,4
7. „rights observance“	Index of Rights Observance	IRO	Arithmetic average Q22, Q23	-24,0
8. „foreign policy and image“	Index of Abroad Image	IEI	Arithmetic average Q24, Q25	-9,0
9. „personal security“	Index of Personal Security	IPS	Arithmetic average Q26, Q27	-23,7
10. „physical infrastructure development“	Index of Physical Infrastructure	IPI	Arithmetic average Q28 - Q35	-5,7
11. „digital infrastructure development“	Index of Digital Infrastructure	IDI	Arithmetic average Q36 - Q40	-14,3
12. „environment“	Index of Environmental status	IES	Arithmetic average Q41, Q42	-6,4
13. „regional development“	Index of Regional Development	IRD	Equals Q43	-7,7

Thus, using these indicators, one may affirm that in the society, a general positive trust in the country prevails, and social cohesion is still at quite a high level. Those could be important assets, which politicians should take into consideration and use to construct messages and approaches of efficient public policies.

The Index of Human Resources (IHR) has obtained negative values, because of the lack of trust among citizens in the state's capacity to provide social protection in case of major difficulties (disease, losing job etc.) and worsening of living conditions of the population. Fortunately, the majority of the citizens consider that their health is good, and that education is still an important asset, which can ensure personal success in the Moldovan society. Those aspects are reviewed in detail in the chapter **DEVELOPMENT OF HUMAN CAPITAL**.

As a result of worsening conditions favourable for child birth and less cohesion in families, the Index of Demographic Risks (IDR) has got negative values, -6,3 (see chapter **DEMOGRAPHY: A LATENT THREAT**). At the same time, a big number of persons wish to stay in the country, at least in the short term. Also, the majority of rural residents say that they would not choose to live in an urban area, even while having such an opportunity. Therefore, there are prerequisites, that at least in the short run, the migration pressures on the urban areas will not rise. At the same time, the majority of youth born in rural areas would nevertheless like to leave their own localities. Evidently, this creates major risks in the long run.

All the components of the Index of Economic Situation (IES) have registered negative values, including IES: -19,2. Most of the citizens consider that their incomes have fallen in real terms in the last year and that today it is more difficult to find a well-paid job, than a year ago. A surprising aspect is the persistence of population's lack of confidence in the banking system. This is somehow in contradiction with the objective process of development and consolidation of the banking system, that has been taking place in the last years (see section **BANKING SYSTEM**). Those negative attitudes can be explained, probably, by the persistence of memories about the collapse

in the banking system at the beginning of 1990s. The distrust for banks is manifested mainly in the rural areas, which is explained by the fact that, at this stage, banks are providing services, which are first of all used by localities and activities close to the urban economies.

The Index of Political Participation (IPP) has negative values, -10,4 – first of all, because of the major distance between the state policies and the citizens' interests and expectations (see question 20). At the same time, the public manifests no more confidence in the local level authorities, either, and does not believe that rank and file citizens can change things, either through their participation in the elections, or through initiative groups. The implication of those dispositions in the public is reflected to a full extent in the section **CULTURE AND POLITICAL PARTICIPATION**. The citizen-government estrangement also favoured the lack of some communication channels and feedback from citizen to civil servant; it determined the formation of a relatively closed and inefficient class of civil servants, of which many are rather politically obedient, than advocates of the public interest (section **PUBLIC ADMINISTRATION**). The lack of confidence in their own force and the social and political absenteeism of the citizens determined also the formation of a weak civil society (section **CIVIL SOCIETY**). In the same chapter – **ADVANCEMENT OF DEMOCRACY AND GOOD GOVERNANCE** – there is an analysis of the factors, which have determined the negative value of the Index of Rights Observance (-24,0). Most of the citizens interviewed during the survey consider that their rights are not respected in our society (question 22, the aspect being elucidated in section **HUMAN RIGHTS**), and in case if those rights are violated, justice would not be able, in their opinion, to restore them in their rights (question 23, see causes in section **JUSTICE**).

Chapter 5, **PROMOTION OF EFFECTIVE FOREIGN POLICY**, reviews a number of factors that have led to the formation of an unfavourable external image of the Republic of Moldova, which impedes on the establishment of normal relations with our neighbours and with the main international

actors. The deficiencies in the external communication have created negative perceptions in the public with respect to our foreign policy, which is shown by the negative value (-9,0) of the Index of Abroad Image.

Personal security is an aspect, which has not been analysed in detail in this Report. This shortcoming will be put right in the future editions of the State of the Country Report. At the same time, in order to be able to define progress in this respect, the authors included in the questionnaire of the Survey „Republic of Moldova 2007: state of country and people” relevant questions for finding out public attitudes. Citizens were asked if they personally or their families feel secure in the Moldovan society and if the country, as a whole, is prepared to cope with major circumstances that may affect personal safety (technogene and natural calamities). The individual indicator for the first question is moderately negative (-5,8), while the second one was strongly negative (-41,6), being, probably, to a big extent the result of the way in which the Government managed the consequences of the severe drought in the summer of 2007.

In chapter **MODERNIZATION OF PHYSICAL INFRASTRUCTURE**, the authors tried to make an objective analysis of the situation and perspectives of the roads, energy sector and public utilities. At the same time, we asked the citizens about the level of their access to eight public services (water supply, hot water, sewage systems, natural gas network, public transport, roads, electric power and thermal energy). The positive responses prevailed only in case of public transport, roads and electricity, the rest being significantly negative. As a result, the perceived Index of Physical Infrastructure Development (IPI) was moderately negative (-5,7).

Technologies and knowledge are indispensable ingredients for a nation to be

internationally competitive (see chapter on **SOCIETY BASED ON KNOWLEDGE AND TECHNOLOGY**). In the approach of the author of this Report, the level of digital infrastructure penetration is an indicator of technologies and knowledge development and application in the economic and social activity. The survey shows a relatively high level of coverage by landline telephony and cable and broadcasted television, but very low for mobile telephony, computer and Internet. As a result, the perceived Index of Digital Infrastructure Development (IDI) got negative values (-14,3).

Though the public seems to be, in general, satisfied by the quality of the environment (question 41), it nevertheless perceives negative evolutions of the environment in the last 3 years. The veracity of those perceptions is confirmed by the analysis in chapter **ENVIRONMENT AND NATURAL RESOURCES: LET’S THINK ABOUT THE FUTURE**. The Index of the State of Environment (ISE) got the negative value (-7,7).

The sign of regional development in the Republic of Moldova is, in our opinion, the life quality in the rural areas. The majority of the interviewed citizens consider that the discrepancy of life standards in rural areas, compared to urban areas, is increasing. This shows an unbalanced and unsustainable process of regional development in our country (see also chapter **REGIONAL MOLDOVA**).

In conclusion, the State of the Country Index (SCI) was calculated as a simple arithmetic average of the 13 Sector Indicators. For year 2007, SCI got a moderately negative value (-7,5). The biggest negative influence on the SCI was due to the lack of respect for human rights, the feeling of personal insecurity and absence of qualitative economic growth, that would reflect on the level of income and growing number of well-paid jobs.



Executive summary

Development of human capital

In the first decade of transition, the incidence of poverty in the Republic of Moldova grew at the highest pace among Eastern European and Central Asian countries. The process reversed in 2000, but starting with 2004 the overall poverty rate stopped declining, because of the spread of poverty in the rural areas. In 2006, the overall incidence of poverty reached 30%. Reduced profitability in agriculture, low rate of job creation outside the agricultural sector and the inefficient social protection system are major causes of poverty. If action is not taken to ensure sustainable economic growth, investments in Development of human capital, consolidation of the social protection system and improvement of poverty monitoring, a return to poverty indicators similar to those of the last decade is possible.

The educational area is one of the vulnerable points specific to all governances of the Republic of Moldova, from the declaration of its independence. The main trend, characterising this period, is creating the own educational system by differentiation from the Soviet educational system, and intensive cooperation with the educational systems from the neighbouring and West European countries, or with international institutions, activating in this area. Thus, an ample structural and functional reform of the educational system was initiated. The reform is still underway now. At the same time, as in other areas in this period, counter-reform actions are also taking place. At present, declaratively at least, the educational reforms are directed towards development in the context of the Republic of Moldova integration into Europe. The educational system of the Republic of Moldova, though, has not yet managed to fit in the European educational context, even if reform practices and actions are being implemented in multitude aspects. In this context, in this first edition of the State of the Country Report, we consider that for section „Education” a priority is the secondary vocational education level,

since it is namely the secondary vocational education that can be seen as the most vulnerable point in the educational system of the Republic of Moldova. Even though it is closest to the labour force market, the secondary vocational education fails to meet the real needs of the economy in the Republic of Moldova. In the transition period, educational reforms focused rather on the primary, general secondary and higher education. The secondary vocational level, as a first accessible form of vocational training, was not seen as a priority and of interest for the economic development of the Republic of Moldova. Because of this lack of interest, not only the labour market had suffered losses, but also the educational system itself, as it became disproportionate in the aspect related to qualitative vocational training.

The health care system shows a slow progress of reforms. Public allocations for health are growing, but per capita they are still very low. Health indicators, such as maternal and infantile mortality, have improved, but they are lagging behind the European Union level. As for the socially conditioned diseases, such as HIV/AIDS or tuberculosis, the proposed indicators were not reached. The financing of those areas is based mainly on budget sources and external donations. The inequitable access of different categories of population to qualitative health care services still persists. Management of financial, human resources and fixed assets require more efficiency in the health system as a whole. The state took concrete commitments to implement policies and programmes in order to improve the situation in this area. The Ministry of Health plays an important role in initiating policies and programmes with detailed action plans, which refer, practically, to all the priority aspects of public health.

The social protection area, at present, is undergoing a reform process. Population aging and emigration generate financial instability of the social security system in the Republic of Moldova. At the same time, the

Government has initiated a number of reforms meant to develop the social services system for various categories of population. But political will to implement consistently the politically risky reforms seems to be missing (reform of pension system and nominative compensations policy). The social protection area faces insufficiency of financial resources required for developing an efficient framework of social services and benefits in order to provide support to disadvantaged groups. In this connection, it is necessary to take actions with respect to reforming the conditions of retirement, redistribution of social security funds, and in the field of consolidation of social assistance services' capacities.

Children are a social group that suffered disproportionately much after the failed economic and social reforms. In the Republic of Moldova, children have started to mature quite early, as a consequence of the economic hardships and the fact that many of them have to take responsibilities, not matching their powers, while being too young for that. Many children are brought up in families fallen apart after divorce or emigration of one or both parents. Their inadequate socialization will essentially reduce the quality of human resources in the future.

Demography: a latent threat

The actual demographic realities in the Republic of Moldova can be defined as a demographic crisis or latent de-population. During 1997-2007, the present population of the Republic of Moldova (without the Transnistrian region), has fallen by 2,1%, in the rural areas by 0,5%, and in the urban areas by 4,3%. The decreasing population is determined by the reduced birth rate, by emigration and higher mortality, while their complex interaction has catalysed even more the de-population phenomenon.

Disintegration of the family institution, as a basic cell of the society, added essentially to those realities. Thus, one may notice acceleration in the tempo of compression of the typical Moldovan family. If in 30 years (1959-1989), the average number of persons in a family went down from 3,8 to 3,4 persons, in the following 18 years (1990-2007), the number of persons decreased, practi-

cally, by the same, reaching 3,1 persons. Among young families, there is a persistent tendency to postpone child birth, as a reaction to the unfavourable social economic environment. Another tendency, which is becoming poignant, is the growing number of children born outside marriage.

Intensive labour force emigration complicated even more the demographic situation, already weakened by the natural mechanisms (birth rate – mortality). The key determinant of emigration is still the income gap between the Republic of Moldova and the countries, receiving Moldovan emigrants. Despite the fact that the real salary in Moldovan economy is growing, the difference between the level of labour remuneration is still too wide to reverse the emigrants' flow. Furthermore, establishment of social safety nets allows to lower the emigration risks and costs and facilitates new cases of emigration. Over one third of interviewed emigrants declared that the decision to emigrate had been mostly determined by the fact that they had some acquaintances in the destination countries. Women emigration has especially negative social implications, which manifest through families disintegration and by an increasing number of young children, growing up without their mothers.

Internal migration also influences the demographic processes in the country. Though less intensive than in the past, the internal rural-urban migration shapes additional pressures on the urban environment, which is unprepared from the economic and social point of view to provide jobs and living conditions to all the people, willing to move to cities. The external migration outlet has reduced, but not annihilated the pressures resulting from internal migration. Still, the pressures will not be eliminated, as long as the living standards in rural areas are by far outrun by the ones in urban areas. Unfortunately, political thinking in the Republic of Moldova still dwells on the stereotype inherited from the Soviet period, that rural population would have less needs with respect to living conditions, cultural life, income level, quality of education and health services. This stereotype determines making some policy decisions, which put rural residents in an unfavourable position (for

example, public investments' allocation are made for projects, of which urban residents will benefit first of all).

The need for an economic leap

In 2000s, the Republic of Moldova experienced relatively intensive economic growth and discovered unsuspected capacities of economic resistance to external shocks (the wine crisis and rising price for gas imported from Russia in 2006) and internal ones (the drought in 2007). Despite this arithmetically impressive growth and numerous economic reforms implementation, the Republic of Moldova has failed to achieve a robust, inclusive and qualitative economic growth. The macroeconomic stability was undermined by the acceleration of inflationist pressures in 2006-2007. The evolution of economic sectors is uneven, where one may notice the slow modernization of economy through the tertiary sector extension and relative shrinking of the primary sector. This modernization was accompanied by the elimination of a big number of citizens from economic processes and by widening of social and economic inequalities. Regrettably, the attitude of the government and public servants to private business remains a „predatory” one, and a mutually advantageous alliance between the governance and the private sector for a sustainable development and modernization of the country has not yet been achieved.

The financial sector contributed, to a certain extent, but as it seems, took more advantage of the economic growth in the real sector. But the financial consolidation of the banking system and the more and more intensive development of the sector non-banking segments (capital market, insurances, leasing services, microfinancing) will facilitate the movement of financial resources and, thus, will be able to consolidate the basis of economic expansion. The coming in 2006-2007 of external competitors will intensify competition, practically, throughout all the financial sector segments, with beneficial effects on the quality and price of financial services.

One of the key factors of Republic of Moldova development is foreign trade, as the small domestic market can not ensure

growth of resident companies' production capacities. The Moldovan exports' growth and re-orientation towards European Union (EU) markets constitute an obvious necessity for mitigating the trade deficit and generating the Gross Domestic Product (GDP) growth. At the same time, the commercial expansion capacities are mainly limited, not as much by tariff and technical barriers, as rather by internal deficiencies, linked to the utmost extent to the so-called quality infrastructure.

Bearing in mind the derived nature of the labour market, the latter mirrors entirely the Moldovan economy successes and failures. Therefore, the decline of employment indicators conveys the precarious situation not so much of the labour market, but also of the national economy as a whole. Despite the essential contribution of state promoted policies, aimed at improving the situation in the area of employment, the situation remains critical. In this case, the only solution is the development of new goods and services' markets, which would lead to a healthier national economy on the one hand, and on the other hand – to an improvement of the employment situation.

Technical assistance plays an extremely important role in the development of the Republic of Moldova. Such assistance was started being provided back in the years following independence proclamation. Subsequently, the importance of technical assistance has gradually increased. Externally, the international donors' community is very concerned with coordinating efforts, harmonization of the provided assistance with the recipient countries' priorities, ensuring a bigger role of national governments in drafting those development priorities. Internally, we note a series of efforts to establish certain priorities of the country development, which resulted in the development of some national strategic documents (in 2004 – EGPRSP, in 2007 – NDP) agreed with the donors' community. In the future, the importance of assistance will continue to grow, and the National Development Plan, in concordance with the Paris Declaration on Effectiveness of Development Aid (2005), can become a platform for provision of assistance. At the same time, the increasing role of technical assistance in the process of Republic of Moldova development also re-

quires a lot more rigorous evaluation of the size, areas of use and impact of the technical assistance on the country development.

Advancement of democracy and good governance

Good governance supposes the existence of a political process, aimed at achieving three fundamental objectives of society: national security in its whole complexity; economic development, and ensuring the fundamental rights and freedoms of citizens. In the Republic of Moldova, the level of political culture does not secure a good functioning of new democratic institutions. Transition and modernization processes underway in our country have been accompanied by certain shocks, amplified by the collateral factors: „identity crisis” and the Transnistrian conflict, while external influences also have not always been propitious to building the political culture. Those factors contributed to fragmenting the Moldovan society in ethnic, linguistic, regional etc segments.

The Republic of Moldova has achieved certain successes in modernizing democratic institutions in accordance with European standards. However, the modernization of the society as a whole could not, objectively, be synchronised with the rapid modernization of institutions. The reason is that, in order to fit in an European context, public and civil society institutions have been modernized based on borrowed models and standards, that demonstrated their efficiency in the environment with a corresponding political culture. But the Republic of Moldova demonstrates a mainly archaic or parish/flock political culture, putting up a lot of resistance to modernization. The respective feature is found in the conduct of political elites, electoral preferences of citizens and in the level of citizen participation in public matters administration.

The deficient functioning of democratic institutions is also attested by the limited respect for human rights in the Republic of Moldova. Though at policy level, some progress has been made in the recent years, practical results are modest in comparison with other countries in the region. Unfortunately, the authorities not always manage to imple-

ment adequately the adopted legislative acts. The reason of this would be, among others, ignoring or not using the administrative capacities of the government, and civil society opinions. Also, human rights often appear as having a „low priority” for the government, and in those conditions, the external actors are the ones who promote the observance of human rights in Moldova.

The judicial power, similar to the legislative and executive powers, constitutes one of the fundamental pillars of a democratic society. The fundamental purpose of this institution is to effect justice in the name of law, ensuring the state and constitutional order of the country against any violation. At the same time, justice is effected in view of defending and realizing the fundamental rights and freedoms of citizens and their associations, of enterprises, institutions and organisations. In view of this basic purpose realization, the judicial authorities effect the act of justice. Effecting the act of justice is conditioned by a number of factors, which influence them, both positively and negatively. In the present report, we outline the main factors that influence the act of effecting justice and propose some recommendations, aimed at making more effective the judicial authority activities, enhancing responsibility and independence, so that to ensure the efficient functioning of justice and, respectively, of the entire democratic system.

Consolidation of good governance and democratic institutions depends directly on public administration. The presence of civil servants in the state apparatus does not identify with public administration. We can speak of real administration, when all social life sectors are organized and run so, as to ensure decent living to the population, with qualitative services. Such an administration is created through the joint effort of the political power, which adopts administrative regulations, and the executive power, which carries out administration through the highly professional civil servants, capable to respond to the needs of society by appropriate behaviour. All those, combined with the enhancement of administrative technology, de-politicization of public servants’ management, using the system based on merits and civil servants’ career, will strengthen good

governance. In the process of European integration, the quality of public administration plays a decisive role. Therefore, the Republic of Moldova as one of the countries striving towards such integration, has to solve several problems related to: development of administrative regulations, de-politicization of administration, civil servants' training, their selection and promotion based on merits, ensuring conditions for their activity and career. Failure to solve those problems in the following 5-7 years would compromise the European integration programme and would deepen the economic and social crisis in which our country is today.

The level of non-governmental sector development is another criterion of political culture maturation. Unfortunately, the non-governmental sector in the Republic of Moldova is so far in process of consolidation. In 17 years of democratic experience, it has not been succeeded to build a sustainable non-governmental sector, which would impose itself as an incontestable actor and full-fledged partner in public affairs.

In addition, another important indicator for evaluating political culture and quality of the governance process are the elections. Thus, we feel that the impartial evaluation of the local elections of 2007 is very opportune and necessary. Unfortunately, we find that local elections 2007 are characterised by recoil in comparison with previous elections, which was also found by OSCE.

Promotion of effective foreign policy

Moldova's image in the world has not yet been well defined, but according to the main indicators for the country, calculated by international institutions and organisations, the Republic of Moldova is placed among other mediocre countries, without big perspectives. The evolution of those indicators in the period 2004-2006 presents a relative worsening. Compared to the majority of neighbouring countries from the region, Moldova is in the position of a stagnant, obscure and irresolute country. A specially important role on the country image is played by the Transnistrian conflict. This partially frozen conflict creates an image of Moldova, as a weak, vulnerable and uncertain state.

The evolution of relations between the Republic of Moldova and EU have registered a visible progress, especially due to signing in 2005 of the EU – Republic of Moldova Action Plan. As well as the Cooperation and Partnership Agreement signed by the Republic of Moldova and EU in 1994, the Action Plan does not provide a clear perspective of accession into EU in a predictable future. Negotiation and establishing new contractual relations with EU is conditioned by the good implementation of the Action Plan by the Republic of Moldova. Regrettably, at the current stage, the Action Plan implementation by the Republic of Moldova is deficient.

Eliminating arrears would constitute a strong argument for the Republic of Moldova in view of determining EU to accept in the next 3-5 years the inevitability of negotiation and establishment of new contractual relations. In the contrary case, the idea of European integration can be compromised internally, and externally the Republic of Moldova risks to face gradual lessening of political support from EU, vanishing of any long term perspective of European integration and its transformation in a buffer state, with irresolute foreign policy, fragile democratic institutions and a stagnant economy.

Along with its appearance as a subject of international law, the Republic of Moldova had to undertake a number of actions in view of fortification and legitimisation of its statehood. In this context, the main stake for any independent state is establishing and maintaining efficient partnership and cooperation relations with the neighbour countries. For example, our relations with Romania, in the last few years only, have undergone diametrically opposite evolutions: a period of „cordial Entente” in 2004-2006, followed by a radical departure and extraordinary chilling of the two states' relations. We think, that the big mistake of the Moldovan authorities is the fact that they did not wish to build *sustainable* relations with the neighbour country (regardless of the emotive aspect of those relations), but instead preferred to tie them to electoral and political internal interests, and often conversely proportional to the relations with the Russian Federation. However, political rationality dictates good and pragmatic re-

lations with both states, taking into account, at least, the geographic reality and historical factors.

The relations between the Republic of Moldova and Ukraine are apparently free of the emotional load characteristic to the relations with Romania and the Russian Federation. The problems in the areas of energy, economy, historical issues (division of the Union assets, drawing the borderline) did not acquire a marked political dimension. But this does not mean, that there are no contradictions between the two states, as for example, the case of settling the Transnistrian conflict. However, in the case of Moldovan-Ukrainian relations, an extremely positive role was played by the European factor, both through the political approach between Ukraine and European Union, and through the pro-West parties coming to rule the neighbour country. The trilateral cooperation in securing the Moldovan-Ukrainian border, in our opinion, is the most eloquent manifestation of this cooperation. The joint participation in other regional and pan-European initiatives will, undoubtedly, help to consolidate relations between the two states. Despite all this, the relations between Chisinau and the neighbour capitals will continue to be coloured by contradictory rhetoric and behaviour, and risky for the full and effective accomplishment of the real potential of Moldovan foreign policy.

In spite of the expectations related to the end of the cold war, the role of military forces has not decreased considerably. The function of counteracting military threats through the possibility of using armed forces is still one of the most important in a modern state. At the same time, a change of military doctrines and concepts of military building is necessary due to the need to correspond to the considerable change in the structure of dangers and threats and to the dynamics of geopolitical shifts. The level of the Armed Forces' fight possibilities and fight potential is determined by the conditions of the geopolitical situation in the region, the existing danger and probability of an armed conflict beginning. Also, one should take into consideration the economic possibilities of the state, regarding the Armed Forces' maintenance costs. The geopolitical situation in the region where the Republic of Moldova

is situated can be characterised, in general, as a stable one. The Republic of Moldova is surrounded by friendly countries – Romania and Ukraine – countries, which officially do not have claims on Moldovan territory, and Romania is member of the North Atlantic Alliance. In the following 5-10 years, a military threat may emerge only from the presence of the self-proclaimed Transnistrian republic with the military troops of the Russian Federation. At the same time, the reality is that at present, the fight potential of joint military forces of Transnistria and the group of Russian forces constitute some 1500 units, and the correlation between the parties is 1:1,2. In the presence of such a correlation of forces, there is no big possibility of aggression, while an eventual military conflict, if started, would be a useless adventure for all involved parties.

The relations of the Republic of Moldova with the Russian Federation have also gone through contradictory evolutions in the past few years, since the failed attempt to sign the „Kozak” memorandum, and the cooling of relations with very important economic repercussions, before a new rapprochement between the two states. At the same time, the oscillation of Moldovan-Russian relations do not reflect just a re-thinking of the external vector of the Republic of Moldova, but rather the lack of genuine and pragmatic policy, regarding this state. Evidently, a new approach to the Russian Federation should first of all address the settlement of the Transnistrian conflict, and also to take into account some „dependencies” that we have on the Russian Federation. At the same time, without this pragmatic approach, the Moldovan-Russian relations will continue to be an instability factor in the process of the Republic of Moldova development.

Environment and natural resources: thinking about the future

Natural resources are an indispensable component of the natural environment and development of the country. The importance of natural resources is highlighted by the issues faced by the country, as a consequence of their irrational use, growing consumption of resources, exhaustion and diminution of

some types of resources' quality. The Republic of Moldova has a significant potential of natural resources, but its utilization is not adequate, because of institutional, legislative, social-economic and educational factors.

Despite essential reduction of emissions and discharges, the ecologic situation in most localities of the country is tense. The most significant impact of human activity is the excessive pollution of small rivers and phreatic waters, air, illicit deforestation, and the barbarous attitude of the population in the protected natural zones and communal forests. In order to solve those problems, projects are implemented in water supply and sewage, control of atmospheric emissions from mobile sources and planting trees in localities. Economic mechanisms to protect natural resources are applied, including charges for use and pollution and sanctions for legislation breaches. However, one does not find an essential improvement of environmental and population health factors. Serious investments in the drinking water supply and sewage infrastructure are required, more rigorous measures are needed to supervise sources of impact and affected environmental factors, as well as the application of more severe sanctions to persons in charge and monitoring of the environmental situation.

Increasing production and consumption are accompanied by the similar growth of waste stocks. The most stringent issues of waste management in the Republic of Moldova are the presence of large stocks of obsolete and forbidden pesticides, stored in deteriorated warehouses, the faulty elimination, without separate collection and processing works, of solid waste, unauthorized waste sites, storing animal dejections within the build up area and in immediate proximity to drinking water sources, excessive accumulation and insufficient treatment of organic waste from the biologic treatment stations and of toxic industrial waste. The waste causes multitude problems, both social and economic, linked especially to the massive pollution of the environment factors, with grave consequences on health and life quality. Despite government, environmental and health authorities and ecologic NGOs' efforts, the absolute majority of accumulated household waste are not managed in accor-

dance with the established regulations and norms. A big part of legislative provisions have a declarative nature and lack institutional, financial and human resources coverage. The population and economic agents are not economically, neither positively (by subsidies), nor negatively (by sanctions), motivated for avoiding, reducing and adequate treatment of waste, and compensation for damage is mostly superficial.

Soils are one of the main natural resources of the Republic of Moldova, but their qualities and fertility are degrading fast. In the structure of the country land fund, the share of agricultural lands is inadmissibly big (75%), while the share of forest fund is 2-3 times lower, than the optimum. The environmental imbalance between the natural and anthropic eco-systems amplifies soils' degradation and the processes of agricultural land desertification. The confuse strategy of land reform implementation has failed to create conditions for enhancing soils' fertility, sustainable use of land, growth of agricultural production, therefore, exercising a negative impact on the country economy. Neglecting advanced technologies, and soils degradation resulted in a dwindling vegetal production by nearly 50%, compared to 1990s. Currently, in the Republic of Moldova, over 20 forms of soil degradation can be found, but 5 of those have an especially serious impact (soils' erosion, de-humidification, draining of nutrient elements, salinization and compacting).

The small surface area of protected natural zones (nearly 4,6% of the territory) places the Republic of Moldova on one of the lowest places among European countries. Even many formally protected natural areas, actually, do not have clearly delimited territory, and the local population manifests indifference to them, in the best case. Though local public authorities have vast competences in management of natural areas, most often those are not covered by clear regulations and methodologies, and corresponding financial resources. The low level of reservation management implementation causes a number of negative effects, such as non-application of some nature preservation mechanisms and missed opportunities to attract funds for local bio-diversity preservation. Among priority recommendations

is a clear delimitation of the plots occupied by natural areas, public information on the functioning regime, access and stay in the delimited territory, promotion of natural areas as eco-tourism destinations and ecologic education, and intensification of cross-border cooperation in the field of joint aggregation and protection of regional natural areas in order to restore bio-diversity.

Modernization of physical infrastructure

Neglecting the importance of roads for the economic and social life has led in the past 15 years to really miserable financing of the branch, for which reason today, 67% of the national roads length and 81% of the local ones are in bad or very bad shape. The arrear of road financing accumulated in this period exceeds 10 billion MDL. The transport companies suffer annual losses of over 1 billion MDL. The negative impact reflects on the entire national economy. Lack of investments' justification and use of outdated technologies considerably lowers the efficiency of allocated financial means' utilization. The local roads were left to the discretion of territory public administration, while the financial means devoted to them are accumulated by the line Ministry. The situation can be improved only by implementing new policies in the planning and execution of roads' rehabilitation and maintenance works.

The Republic of Moldova is a country, practically lacking its own energy resources, importing about 95% of fuel, and the import of electricity is 70-75% of the gross consumption, which creates major economic, social and political risks. The state energy security varies in the „red” area (visible vulnerability). There is a stringent need for new capacities of electricity production, while the investment climate in the country remains unattractive. The promotion of distributed sources of energy, with low and medium capacities, environmentally friendly and competitive on the local market (co-generation installations, wind/eolian, solar-thermal) is a priority.

Thus, the key concerns of the state, regarding the current state and perspective in the field of energy, shall be the following:

country energy security, energy saving and energy efficiency, promotion of regenerating energy sources, tariff policy and energy market, improvement of investment climate and development of energy infrastructure.

Water supply, sewage and thermal energy services play a major role in ensuring progress of economic activity and providing decent living conditions to the population. The deteriorated infrastructure and existing regulatory framework are the main causes of the appalling situation in those sectors in the Republic of Moldova. The inappropriate quality and the low coverage with those services have an extremely unfavourable impact not only on the living conditions of citizens, but is also a catalyser in spreading poverty and an impediment to the economic development of localities. The most important limitations from the legal framework on those services are connected to the approval of tariffs, regulation of relations between suppliers and consumers and the social protection of persons with low income. In order to give an impulse to those services' development in the immediately following period, the Government would have to eliminate those weaknesses.

Towards a society based on knowledge and technologies

The sector of information and communication technologies (ICT) in the Republic of Moldova has a strong pace of development. The production volume in this sector expressed in figures amounted to 4,5 billion MDL in 2006, which constitutes a growth of 23,5%, compared to 2005. Investments in the sector increased by 23,3% during the same year, reaching 1,5 billion MDL. The ICT sector share in the country GDP is currently 10,2%. The projection for 2007 is also optimistic in view of subsequent growth. The achievements as of 2006 and beginning of 2007 (issuance of a licence to the third GSM operator, EBRD planned investments in a telecommunications company with mixed capital from the Republic of Moldova, WiMAX plans regarding „Telecomunicatii Radio”) signal that expectations can come true. However, the important growth in the sector expressed in two digits, does not fully reflect the status of affairs

in the ICT sector. This dynamics is due to land and mobile telephony, which prevails in the structure of financial statements and investments in the sector. The factor that generated the growth in the sector will be falling in 2008. Therefore, there is a need to create corresponding conditions for the development of ICT products and services with high added value and growth perspectives. Three conditions should be met in order to satisfy those requirements. First of all, Moldova need to overcome the increasing deficit of technical and managerial staff in the country. Secondly, it is necessary to protect competition in the telecommunications sector. Finally, the Government has to assume the role of an animator of the sector development, through transparent public procurements and by establishing a genuine public-private partnership.

Since independence proclamation of the Republic of Moldova, the research and development sector in the country has been in continuous decline. From 2004, one can attest a modest revival of the sector. Unfortunately, the performances of our research are extremely weak, sector administration is centralized, which poses a risk of group interests' promotion to the damage of the scientific value. The research units' capacities have suffered a lot, which lead to a reduced possibility of researchers to respond to the requests of industries or public institutions. The modality and criteria of staff training were slightly modified, but are still quite strongly based on the Soviet principle of training. Financing of the technological research and development sector is almost fully from the budget, the private funds invested in research are insignificant, which contributes to maintaining the gap between the priorities of the academic research sector and the national economy. In the last years, a number of legislative amendments have been introduced, concerning the research-development sector, the volume of budget financing was increased for the sector, but without a well thought, concrete methodology, closely linked to the country needs and possibilities, the short term effect of the reforms initiated in the last few years may have minimum positive value, and in the long term, can render the country's research sector uncompetitive and in-

efficient for meeting the economic needs of the country.

In the period of centralized economy, a candidate to any vacant position would only have to satisfy high qualification requirements in the professional area. Today the situation has changed. Most of the candidates to a vacant position, especially in industry and services, are required to have fundamental knowledge in information technologies, which means not just using the computer, but also some skills of handling applicative programmes in the professional field. Those global changes in requirements to future specialists, coming on the labour market, impose essential changes in the information technologies training provided in the educational system of the Republic of Moldova.

Regional Moldova

In the majority of European countries, policies of disadvantaged areas represent a distinct component of regional development policies. The Republic of Moldova is confronted with a territorially lopsided social economic development, significant disproportion being created between Chisinau and Balti, on the one hand, and the rest of the country territory, on the other. And in the rest of the country territory there are quite problematic areas. The disadvantaged areas have not been addressed until present by coherent and consistent public policies. In order to reduce the territorial imbalances, it is necessary to introduce direct financial transfers for development. Building local autonomy is another indispensable element for those areas to escape the state of underdevelopment.

The major problems faced by rural communities bear a universal character and are long term. Governmental policies in the recent period included a wide range of fields related to rural development, national programmes and strategies being developed (EGPRSP, National Programme „Moldovan Village”, the Strategy of agricultural and food sector development for 2006-2015), and a set of legislative and normative acts. But the inadequate application of the legislation in force and use of obsolete administrative instruments considerably limit the effect of

governmental actions. Therefore, most of the rural areas are in a state of continuous degradation, some of them are close to disappearing. In order to end the actual tendencies in the rural areas, the governmental actions should focus on two dimensions: creation of a legislative-normative and institutional framework in conformity with the European principles of rural development and the exact compliance with that framework. Improvement of the situation in villages can be achieved only through consistent and long term public policies of strengthening a real local authority, supporting disadvantaged rural population, stimulating family farms and developing non-agricultural activities, creating an adequate infrastructure. The attempt to improve the current state through „fast assault” actions and by using outdated administrative methods will have a negative effect for the rural communities, both in the short and in the long term.

Ruralization of lifestyle and living environment, small towns degradation and the obvious tendency of over-concentrating resources in the capital have marked the urban development process in the period after independence. As a result, the Republic of Moldova is still the least urbanized European state, affected by the phenomenon of de-urbanization, loss of regional development poles, reduction of the basis and capacity of promoting de-centralization and local autonomy, and on the background of relative wealth – the passive and inefficient character of Chisinau governance. Urban development went missing for a long time in the government policies. During the past 5 years, the Government has acknowledged that in the transition period not enough attention was paid to the regional aspect of the reforms, but it remains passive in overcoming that situation. Without regional dynamic urban centres, the Government efforts of regional development will be fruitless. There are no possibilities to remedy the situation in the short term. In 2 years at most, the Government should set up the political, financial and legal instruments for supporting the long term urban development. Subsequently, already in a systematic and strategic framework, the Government will operate the required policies to ensure

a sustainable process of urbanization. A positive and visible impact will become possible after at least 5-7 years of strategic interventions and sustained efforts.

The economic and social development in the Gagauz Autonomous Territorial Unit is the product of regional and extra-regional factors, both economic and political in nature. Those factors' correlation determined an economic evolution of the region, which is under the line of its actual potential. Despite the fact that the average monthly salary in the region is growing every year, still in the autonomous unit the average monthly salary is 30% lower than the national average, a situation also complicated by wage arrears at the enterprises from the region. The existing jobs in the region are insufficient for specialists with high qualification, and the education system is not adapted for supplying the labour force required on the market. Because of high unemployment, the percentage of emigrant population is big, especially concerning being youth emigration, which in this region is much more intense than in the rest of the country. The region social sphere does not differ much from the economic one. Medical facilities lack beds for socially disadvantaged groups. Services for low-income population groups are not sufficiently diverse, and the size of the social benefits does not cover the subsistence minimum. Housing is not provided to the population, and the majority of localities suffer from lack of access to quality drinking water.

The Transnistrian region has been in the spotlight of national and international authorities for 15 years. Until now, there are still unused possibilities that can be applied by the Chisinau authorities, coherent and consistent measures that would provide an impulse to economic development in the region. Evidently, the proposed recommendations can be implemented only along with its de-militarization and democratization, but there are possibilities of economic co-operation development even in the present context. Authorities should use and improve the actual possibilities for increasing transparency and legitimacy of Transnistrian enterprises activities, in parallel with promoting European values among the population of the region.

HUMAN CAPITAL

1

*Development of
human capital*

“

Capital and natural resources are passive factors of production. Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations, and carry forward national development.”

Prof. Frederick Harbison, Princeton University





Development of human capital

This Chapter discusses essential aspects related to the development of human capital, which at the early stage of economic transition has worsened in the context of generally falling living standards. Presently, the situation is improving, but the lack of some economic opportunities accessible to all determines high social inequality. The Chapter reviews the situation in the area of vocational education in Moldova. The human capital capacity to produce economic value, social involvement and cultural integration depends greatly on the health level. From this aspect, the situation in the Republic of Moldova manifests clear tendencies of improvement, but the risks posed on public health are still quite high. The transition to market economy determined the social and economic marginalization of many people, who lack required capacities to activate in an economic system, where the state is less present. This makes it indispensable to draft principally new social protection policies, that would be to an equal extent financially sustainable, operationally efficient and socially equitable. In this context, special attention should be paid to the situation of children, that suffered disproportionately much due to the difficulties of economic transition and consequences of social changes.

1.1. Living standards

Diagnosis

The first decade of transition in the Republic of Moldova was marked by a strong decline in production and living standards. In parallel with the falling GDP and available revenues, there was an increase in income and consumption inequalities, and poverty rate. In the first three years of independence, poverty in Moldova had the fastest growth pace and reached one of its highest levels among European and Central Asian countries in transition. The maximum poverty was registered after the economic crisis in Russia in 1998, when over 53% of population was living with a daily income of less than 2,15 USD. In the CIS countries group, only Tajikistan was confronted with a more difficult situation than in the Republic of Moldova¹. In 2000, Moldovan economy returned to a positive trajectory, helped by the economic growth in the countries of the region, remittances from Moldovan emigrants and macroeconomic stabilization². Absolute and extreme poverty reduced dramatically till 2004, but in 2005 increased moderately, even with a positive economic growth tempo (Figure 1).

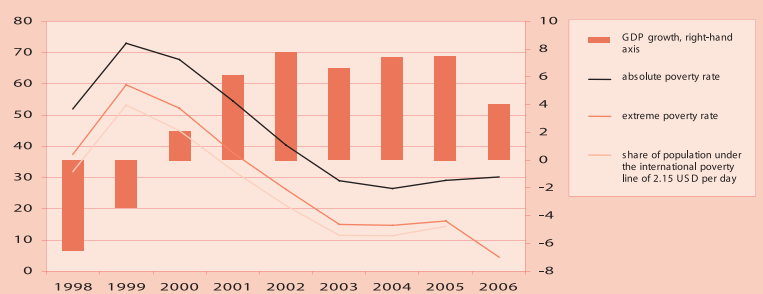
Remittances from abroad are an important factor in poverty reduction in the Republic of Moldova. But the majority of remittances are directed to the wealthiest quintal of the population, only 3,1% of transfers going to the poorest quintal³.

EVOLUTIONS: +1

SITUATION: 0

PERSPECTIVES: +1

Figure 1 GDP growth and poverty rates



Note: poverty data for 2006 are not comparable with prior data
Source: EGPRSP, Annual EGPRSP Implementation Evaluation Report (2006)

Households receiving remittances, even those from the higher income quintal, are very dependent on those sources of

¹ „Making transition work for everyone: Poverty and Inequality in Europe and Central Asia”, 2000
² „National Human Development Report 2006: quality of economic growth and its impact on human development”, UNDP Moldova, Chisinau, 2006.
³ „Moldova: Poverty Update”, World Bank, Report no.35618-MD, June 12, 2006, .

income. The remittances' reduction could have negative effects of the living standards of many families.

Table 3 Absolute and extreme poverty rates, by residence

	2001		2002		2003		2004		2005		2006**	
	Abs.	Ext.	Abs.	Ext.	Abs.	Ext.	Abs.	Ext.	Abs.	Ext.	Abs.	Ext.
Total	54,6	38,0	40,4	26,2	29,0	15,0	26,5	14,7	29,1	16,1	30,2	4,5
Cities*	30,0	17,2	16,5	8,5	12,8	5,3	6,9	2,9	5,9	2,3	20,6	3,5
Towns	73,1	56,5	46,8	33,9	42,4	23,4	34,9	17,5	34,2	17,8	30,1	5,0
Villages	58,2	40,3	45,1	30,2	31,1	16,2	31,2	18,0	36,0	20,5	34,1	4,7

Note: * - the cities are Chisinau and Balti municipalities; ** - because of methodological changes, the data for 2006 are not comparable with the previous series.

Source: Annual EGPRSP Implementation Evaluation Report (2006)

Table 4 Distribution of disposable income and consumption expenditures

	Consumption						
	2000	2001	2002	2003	2004	2005	2006*
Total	100	100	100	100	100	100	
Quintile I	6,8	6,5	6,8	7,5	7,2	6,7	
Quintile II	11,2	10,7	11,1	11,6	11,6	11,1	
Quintile III	15,3	15,0	15,6	15,7	15,7	15,4	
Quintile IV	21,5	21,6	22,2	21,6	21,5	21,7	
Quintile V	45,2	46,2	44,3	43,6	43,3	45,0	
Gini Coefficient	0,380	0,388	0,372	0,356	0,361	0,378	0,315

Note: * - Due to methodological changes, data for 2006 are not comparable with the previous series.

Source: 2005 Poverty and Policy Impact Report

The increase in poverty incidence in 2005 did not affect the entire population of the country, but it manifested mainly in rural areas. Taking into account that more than half of the country population live in the rural areas, this increase had a negative effect on poverty rates at the country level, even though in urban areas poverty incidence was falling (*Table 3*). According to data for 2006, poverty still has high rates in the rural areas. The main poverty factors in rural areas are:

➤ **Low productivity in the agrarian sector and limited employment opportunities outside the agricultural sector in rural areas.** Gross added value in agriculture is decreasing, going down by 4,1% in 2006, compared to 2005, and this in the context where population engaged in agriculture accounts for 33,6% of the total employed population (see also chapter **REAL ECONOMY**). In 2006, the average monthly salary in agriculture, hunting economy and forestry constituted 53,5% of the economy-wide average monthly salary, compared to 61,7% in 2000⁴. A significant part of the rural

population is employed outside the formal sector, mainly in unremunerated activities of working the land, which are not market-oriented.

➤ **Large number of children in rural families.** According to 2004 census data, the average number of children under 18 years old in families living in rural areas was 1,7, compared to 1,4 – in families from the urban areas. Statistical data demonstrate that the probability of sinking under the poverty line is bigger with more children in the family. In 2005, the absolute and extreme poverty rates in families with 4 and more children were twice as high as in families with 1 and 2 children, and 1,5 times higher than in families with 3 children.

➤ **Lower level of education specific to the rural areas, compared to the urban ones.** Poverty rates differ significantly, depending on the educational level of the household head. Incidence of poverty in households, where the head of the family has higher education is about 4 times lower than in the families where their head has just general secondary and special education, and 6 times lower than in families where the head has incomplete secondary and primary education.

Along with poverty increase, the inequality of incomes and consumption also became more acute. From an apparently inexistent inequality in the Soviet period, the Gini coefficient for consumption expenditures reached the value of 0,378 in 2005, being higher than in 2003 (*Table 4*). It is symptomatic that over 80% of quintal 1 is formed of people from rural areas⁵. Inequality manifests also through reduced access to and poor quality of public services. Access to healthcare services remains unequal, though after the introduction of compulsory health insurance, the situation has improved insignificantly. Education quality is falling, and inequalities (poor/rich, urban/rural, centre/outlying regions) are maintained. Persons falling in quintal 5 by income distribution are investing 14 times more in education, than persons from the poorest quintal. According to the data of the sociological survey „Republic of Moldova 2007: State of the Country”, carried out for the purpose of this report, there are extreme inequalities, including in the access to infrastructure services (water supply, hot water, thermal energy, sewage, see *Table 5*). In the rural areas, some of those services are almost inexistent, and differences in quality between the capital and the other towns are huge (section **PUBLIC UTILITIES**).

⁴ Remuneration of employees, informative notes for various years, National Bureau of Statistics of the Republic of Moldova, <http://www.statistica.md/dates.php?lang=ro&t=106>.

⁵ „Report on Poverty and Impact of Policies”, Minister of Economy and Trade, 2005.

The fact that under the poverty line there are households, where the family head is formally employed, denotes that not the lack of jobs, but rather the inadequate remuneration (section **LABOUR MARKET**) is the essential reason of poverty. Though age and gender are not essential causes of poverty, certain differences are manifested. For young families, the limited access to credits is a factor that favours poverty, and for pensioners, the lack of adequate social services is the main risk. Also, poverty does not have a stable character, the in and out rates being quite high.

Risks

Further, the main risks, which favour poverty incidence growth in the Republic of Moldova, are outlined:

- **Slow pace of economic growth.** Though economic growth has not contributed to poverty reduction in the last years, the two processes are highly correlated. The decline in the industrial production, along with the recession in agricultural production in 2007, can affect not just the rural residents' living standards, but also the living standard of the urban ones, employed in the industrial and services' sectors.
- **Economy dependence on climatic conditions and natural calamities, as a result of the agrarian structure of the economy.** The welfare of over one third of the employed population is in direct relation with the agricultural production. High fluctuations in the agricultural harvest, depending of the climatic conditions, explain the high in and out poverty rates. The drought of 2007 can have serious consequences on small agricultural households, which lacked the possibility to irrigate the owned plots and could not collect the required resources for the agricultural works in 2008.
- **The deep gap between the rural and the urban areas' level of development.** Insufficient public investments in the rural regions' infrastructure will keep limiting the possibilities of private investment in non-agricultural fields. In the long term, lessening the reliance on agriculture is the only chance of sustainable rural development and reducing poverty rates. Obviously, in the field of agriculture also, the under-developed infrastructure compromises the shift from subsistence activities to market activities.
- **Low rate of savings and investments.** Naturally, the most significant part of remittances from abroad are destined for consumption. Though

remittances can not be considered important sources to be directly invested, their deposits in commercial banks could increase available sources for financing economy. Nevertheless, only 5% of the remittances are lodged in banks and over 7% of the withdrawn amounts are invested. This reduces the economic growth opportunities for the country as a whole.

Table 5 Distribution of general answers to the question „To what extent do you have access the following communal and public services”, %

	Water supply	Hot water	Sewage system	Gas	Public transport	Roads	Electricity	Thermal energy
I do not have any access to this service	46,6	75,5	61,4	43,4	8,0	8,8	2,2	61,2
I have certain problems with the access to this service	8,0	8,3	7,2	5,5	16,9	35,7	2,2	9,7
It is hard to say	1,5	2,2	2,1	2,0	7,8	12,5	,3	5,3
Often I am satisfied by this service	10,3	4,9	7,7	13,0	31,4	24,8	15,1	8,2
I have full access to this service	33,6	9,0	21,6	36,1	35,9	18,2	80,2	15,7
Total	100	100	100	100	100	100	100	100

Source: Sociological Survey „Republic of Moldova 2007: state of the country and of the people”

- **Continuing growth of inequality.** In the long term, this may affect the GDP growth rate, because of lowering individual incentives for employment and worsening quality of human capital, resulting from the reduced access to education and health care services. Political instability, triggered by economic and social inequality, can also undermine the effectiveness of economic growth policies.
- **The important role of social benefits in the incomes' structure.** In 2005, the social benefits constituted 18% of the population incomes, and for the rural residents – 21,6%. The growth of this figure points out to the high dependence between the welfare level and social transfers. In case of a major economic crisis or budget difficulties, the reduction of social transfers would affect many households, and poverty rate would go up.
- **Pension system is not sustainable due to the weak connection between contributions and allocations.** The low level of farmers' contributions undermines the fiscal sustainability of the pension system (see more details in **SOCIAL PROTECTION POLICIES**). Maintaining the actual pension system will strengthen tendencies of hiding the incomes with the purpose of fiscal savings, including the social security contribution.
- **Vulnerability to external shocks and excessive reliance on a few partner-countries.** Telling examples are the Russian economic crisis of 1998 and the restrictions imposed by Russia on the imports of Moldovan wine in 2006. Both affected strongly the economic growth of Moldova.
- **High inflation rate.** Though Moldova's National Bank makes efforts to annihilate inflationist

tendencies, so far the success has been moderate (section **REAL ECONOMY**). Since 2000 till present, only 2 years have registered a consumption prices' inflation under 10%. High inflation affects first of all the poor population, contributes to macroeconomic instability and reduces investments.

- ▀ **Growing price of energy resources.** Next to food products, the energy resources represent a second component in the population consumption structure. The lack of own resources makes Moldova dependent on the import of energy resources, and their constantly growing price contributes to higher prices of final goods and intensifying poverty risks.

Governmental policies

By 2004, Moldova made important progress in eradicating extreme poverty and hunger (the first Millennium Development Goal). Reduction by 50%, compared to the situation in 2000, of population share with a daily income under 2,15 USD was achieved before 2015. But this is mainly not due to Government actions, as especially to remittances, which constitute a growing source of income for a considerable part of the population. The Government contributed to poverty reduction by increasing social transfers, especially for the elderly people. But poverty reduction on the account of remittances and social transfers is not sustainable, being vulnerable to any internal and external shocks, which have been manifesting starting with 2004. Poverty reduction policies should be based on strengthening sustainable economic growth, that would allow that welfare would not depend so much on social transfers and climatic conditions.

Main poverty reduction policies in the Republic of Moldova are presented in the Economic Growth and Poverty Reduction Paper for 2004-2006, based on the Millennium Development Goals, and in the Medium Term Expenditure Framework (MTEF 2008-2010). The documents establish consolidation of economic growth and prevention of inequality growth, as main directions for poverty reduction actions. Consolidation of economic growth implies higher public and private investments in the economy and in Development of human capital. MTEF for 2008-2010 provides for the prioritization of investments in two sectors of economic

infrastructure: water and sewage, and roads development. In the policies on prevention of inequality growth, the Government pursues to develop an efficient system of social services and benefits, ensure access of most vulnerable groups of the population to basic social services and prevention of social exclusion. The EGPRSP objectives are also specified in the EU – Republic of Moldova Action Plan. Besides the budget resources, some EGPRSP and EURMAP actions are financed under the programme „Poverty Reduction Support Credit”, financed by the World Bank. They are: i) improvement of investment climate, ii) improvement of public resources' efficiency and management and iii) consolidation of the pension's system and social assistance.

Though some steps to achieve the EGPRSP aims have been implemented, the full implementation of all provisions has not been accomplished, and thus, the EGPRSP implementation term was extended till the end of 2007. It is not the first time, when strategic documents implementation is postponed or extended due to the low implementation capacity of authorities (see more in section **PUBLIC ADMINISTRATION**).

Some measures were taken to improve the business and investment climate, but the process is slow, and the implementation of the second stage of the regulatory reform was postponed till the end of 2007. Several normative acts on supporting the agricultural sector were developed. Despite all this, they did not essentially contribute to poverty reduction, because subsidies programmes were focused on larger farms. Some of the Government actions were even to the farmers' disadvantage. For example, the regulation that imposed the sale of wheat, flour and other goods going for export to be done through the universal commodities' exchange, rather favoured the buyers, than the agricultural producers/farmers. The New Concept of the subsidies' system of agricultural workers for 2007-2015 eliminates discriminatory restrictions, based on the surface area of the plot and organisational-legal form of the agricultural enterprise, but in practice things are changing slowly.

The actions undertaken in the area of regional development and rural development were more in terms of programmes and

normative acts, than concrete actions. For instance, the National Programme „Moldovan Village” (2005-2015) repeats many of the objectives included in other strategic documents. In December 2006, the Law on regional development was passed. But the economic effect of those documents is not yet felt due to deficiencies in strategic planning and implementation. The EGPRSP implementation Evaluation Report from 2006 does not show the impact of government policies on poverty reduction, through specific actions that would have led to higher incomes or new jobs creation. The available incomes of the population, nominal salaries and pensions rose faster than the subsistence minimum, but this happened just in the case of certain groups of the population, for which reason it did not contribute essentially to poverty reduction. Promises of salary raise in the budget sector have been carried out since 2007, but it will have a minor effect on the poorest quintal.

Unusual progress was not attested with regards to new jobs creation, either. On the contrary, the number of employees at enterprises with more than 20 jobs went down in 2006, the same tendencies continuing in 2007. This is due, to a big extent, to the restructuring of enterprises, especially the ones in the field of wine production, following the crisis in 2006. Neither does the services' sector, where growth is more intensive, than in other sectors, provide any important employment opportunities.

Social assistance programmes do not meet the country priorities, either. Moldova has a vast social protection system, covering half of the population (see more details in **SOCIAL PROTECTION POLICIES**). But nominative compensations, allocated according to the „categories” principles, have a moderate effect on poverty reduction. Only social pensions and child allowances cover to a greater extent the poorer quintal of the population, but because of their small size, they have no significant effect. Till now, more has been said, than done with respect to re-targeting social benefits and introducing a poverty allowance. Major impediments are linked to the accurate estimation of population incomes. In this sense, the Regulation on calculation of the net standardised income quantum, obtained by the farms and

households, obtained from phyto- and/or animal⁶ goods production or sale, was adopted, but its application will involve political risks, which the actual governance does not seem to be prepared to take.

The changes in the tax policies for 2008 maintained the principle of physical persons' taxation in conformity with the double taxation grid. But following those changes, the lowest-income employees have no benefit whatsoever, the personal income tax rates being decreased only for the large incomes. Moreover, after all modifications in the fiscal policies (increasing compulsory state social security contributions and compulsory health insurance, paid by the employee), persons with a low income become even more vulnerable.

Thus, the Government adopted a number of strategies, laws and regulations meant to reduce poverty through diverse actions. But they fail to have the desired effect on poverty, either because of the low implementation capacity, or due to the deficit of resources required for financing the proposed programmes. Therefore, the population remains dependent on social transfers, remittances and agricultural incomes, which are falling and are not always able to provide the subsistence minimum.

Recommendations

The high correlation between poverty incidence and social and economic phenomena in the country compels the establishment of some clear priorities in view of poverty reduction. One of those priorities is creating conditions for raising the level of employment and labour remuneration, in particular in the agricultural sector. Clearly, agriculture will remain, in the medium term, a key sector of the national economy, on whose productivity the wellbeing of a significant part of the population will depend. Therefore, the following is necessary for supporting economic growth:

- ▮ **Reduction of economic activities' regulations.** This should lead to higher labour productivity in agriculture, indispensable for enhancing the incomes in the informal sector, as well as for creating new jobs in the formal non-agricultural

⁶ Decision of the Government of the Republic of Moldova no.514 as of 10.05.2007.

sector. In particular, it is necessary to introduce some amendments in the Labour Code, to allow more flexibility in labour relations. One should promote employment based on labour contracts with a pre-defined term, which contributes to better productivity, as shown by international practices. Procedures of keeping employees' records need to be simplified, individual and collective lay-off procedures need to become more flexible, but the employees' rights should be secured in case of such lay-off.

- ▶ **Public resources investment in physical infrastructure development crucial for the development of agriculture.** Modern transport and irrigation systems are primordial conditions for the shift from subsistence agriculture to market-oriented production and private investments stimulation.
- ▶ **Development of the „small” agricultural processing industry.** Stimulating the creation of small units of industrial processing of agricultural products in rural areas will contribute to the creation of new jobs in rural areas and will provide possibilities of marketing products adherent to agriculture in the respective localities.
- ▶ **Stimulating the introduction of European quality standards.** Introduction of quality standards is an issue, which should be addressed independently, with companies' own resources. At the same time, the Government has to provide information to the agricultural and industrial producers about the European quality standards for agricultural production and food products
- ▶ **Encouraging population to invest incomes from remittances.** Remittances are an important source of income. Clearly, by their nature, those incomes are destined for consumption rather than investment, that is why the political intervention is limited, if any. But in the future, a big number of emigrants will finally return home and will have no other economic opportunities than starting a small business. In order to encourage the allocation of those resources in economy, it is required that the Government ensures a general framework propitious for the development of SME.

Taking into account that health, general education and vocational training are indispensable assets for avoiding or coming out of poverty, it is necessary to create favourable conditions for the poor people to invest in their human capital.

- ▶ In order to encourage poor population to invest in health and education, part of the social allocations should be distributed, in relation to the use of preventive health care measures and to school attendance and graduation by children.

- ▶ Improvement of education quality, especially in the rural space, is necessary for ensuring in the future better economic opportunities to rural children.
- ▶ At the same time, it is necessary to improve the water supply and sewage in the rural areas to prevent infectious diseases.

Taking into account that part of the poor people will not be able to use economic opportunities, inevitably, it is required to consolidate the social protection network.

- ▶ The pension system reform should continue by unifying the citizens' pensions calculation system. Thus, there will be established a connection between contributions and allocations, which will make the pension system more sustainable.
- ▶ Mechanisms for providing social assistance should rely on the principle of allocations according to the needs, and not according to social merits or categories, which is only wasting resources, deficient as they are.
- ▶ At the same time, the network of social services provided to persons in difficulty has to be considerably expanded, including with the support of non-profit organisations specialized in social policies delivery.
- ▶ Local authorities ought to increase significantly their capacities to identify social issues, develop and implement, evaluate and monitor social policies at the local level.
- ▶ In the long term, it is necessary to reduce extreme poverty to a minimum, through introducing poverty allowances and setting up a more developed social services' network.
- ▶ It is required to start the shift from the Pay-As-You-Go retirement system to the system of pensions with various sources of financing: social security contributions at a lower level, paid by the employer, and contributions to compulsory and optional pension funds, paid by all citizens. This would contribute to an increased sustainability of the pension system and, in time, to reducing the budget expenditures for pensions' payment.

The system of poverty monitoring and policies impact assessment must be improved at the national level, as well.

- ▶ A means testing mechanism should be implemented in all the localities of the republic for the most accurate calculation of poverty rates, for allocation of nominative compensations according to the need and introduction of the poverty allowance.

- Despite all political risks, the rural residents' income testing should be conducted in line with the new Regulations on the calculation of the net standardised income quantum, obtained by farms and households, obtained from the production and sale of phyto and/or animal production.
- This would imply creating new positions in the local public administration, adequate equipment and significant enhancement of the local financial autonomy.
- One should avoid the situations, where changes in the poverty calculation methodology render the indicators' temporal series incomparable. In

case of methodology modification, it is necessary to use in parallel, during one more year at least, both the new methodology and the old one, in order to enable to follow and adjust indicators' evolution.

- It is necessary to consolidate the statistical data collection and dissemination system. Currently, the publication of poverty data is done with delays, data is not sufficiently disaggregated and is not accompanied by the necessary documentation to enable the interested governmental and non-governmental users to conduct independently a poverty analysis.



1.2. Vocational education

EVOLUTIONS: 0
SITUATION: +1
PERSPECTIVES: 0

Diagnosis

Of all the levels of the educational system, the most deplorable situation is at the level of the secondary vocational education. In order to be able to capitalize at maximum the current domestic and foreign economic opportunities, the Republic of Moldova needs to avail of a well-trained labour force, namely in technical fields. In 2004, the empowered governmental authorities have admitted this fact, having initiated and implemented a governmental programme to promote the vocational education. Due to some endemic factors, the situation is unfavourable for the reconstruction of the union economic system and to constitute a fundamental economy based on market mechanisms. In the educational system, the secondary vocational segment did not manage so far to overcome the crisis and get adapted to the new requirements and rigors of the labour market. Having registered a low productivity, this educational segment is attractive neither for direct potential beneficiaries (graduates of the lower secondary education), nor for employers (see **LABOUR MARKET**).

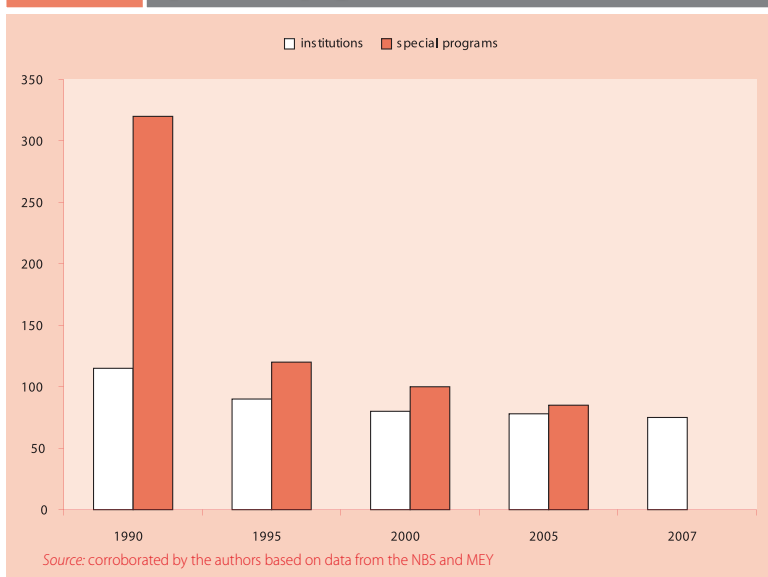
1990 (*Figure 2*). Of those 75 secondary vocational institutions, 2 institutions are of professional lyceums type, 50 are vocational schools, and 23 institutions are industrial schools (6 of them operate under penitentiary institutions). As an experiment, in 2007 vocational schools Nos. 2 and 3 from the municipality of Chisinau were reorganized in vocational lyceums. Of all the institutions of the secondary vocational education only 2 industrial schools are private, which in the schooling year 2006-2007 trained 239 students (1% of the total).

Decreasing number of institutions is due to the fact that the demand for this type of professional training has declined about 4 times. As shown in the *Figure 3*, in the period of 1990-1995, the number of enrolled students has decreased by over 50%, the trend having continued in the following 5 years too. For the period of 2000-2006 there was set a plafond of the number of enrolled candidates.

A particularly worrisome aspect is the increased rate of the school quitting rate after the graduation of the lower secondary level. According to the National Strategy for Occupational Policies on the Labour Market, on yearly basis approximately 15 thousand graduates do not choose to continue their studies to get a professional qualification. According to appreciations of the empowered authorities, the largest share of the graduates of the 9th grades who quit the educational process are employed on the labour market, without getting any qualification, whereas some of them emigrate to get employed illegally. Moreover, some employers prefer illegal employment of the young who do not have any qualification. One of the explanations of the massive quitting is the fact that the parents of the students who quit the educational system have left in search for labour aboard of the Republic of Moldova and, and consequently, they lose any motivation to continue their studies and to obtain a professional qualifications (see **EMIGRATION**).

In terms of curricula, the secondary vocational system did not manage to get adapted to requirements of the direct

Figure 2 Number of secondary vocational institutions and of the specialization programmes



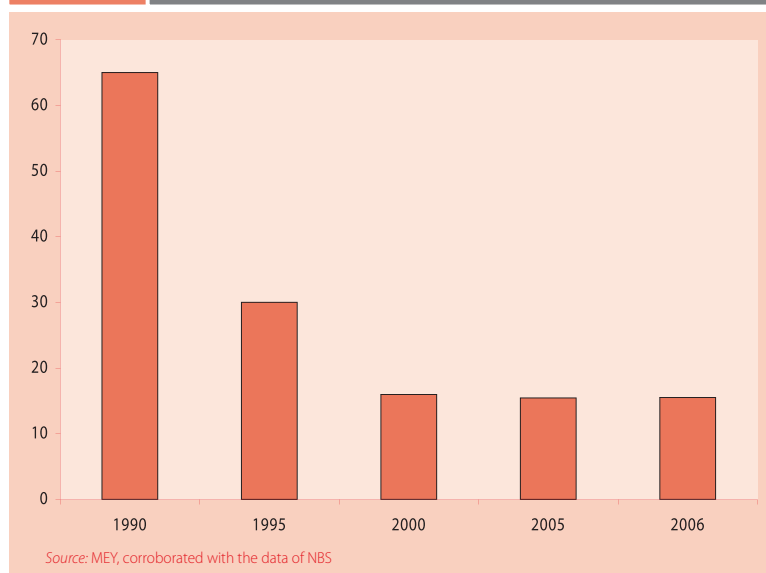
In the schooling year of 2007-2008 there were 75 secondary vocational institutions, being on decline by 40 institutions versus

beneficiaries of the labour market. In this regard, the supply of specializations is declining continuously, whereas the quality of educational services continues to be low. If in 1990 the supply of the secondary vocational training institutions comprised approximately 350 specializations, in 2005 the secondary vocational training institutions used to offer only 85 specializations⁷. In 1990, the secondary vocational training system was acting in compliance with the union practices and requirements – meeting the requirements of the centralized labour market of the respective period. The current system of secondary vocational training did not manage to adjust to the new requirements of the labour market. Some institutions have preferred to cease the specialization programmes that were not backed-up by demand, without opening other more attractive specialization programmes and professional training to be demanded on the market. The majority of the specialization programmes are based on an outdated curriculum, in technological terms. The institutions at secondary vocational level have not been able to generate new trends of development of communities they perform in, being dominated by the priorities of both central and local governmental authorities. The curricular programmes are not established in close link with the agents of the labour market, being on a way that is centralized and close to cooperation with the employers. Consequently, the labour market has focused on employment of the specialists with higher education.

Even if on the labour market there is a trend of raising demand of qualified specialists, particularly in agriculture and constructions, given that the number of graduates is low, and the quality of studies is improper, the employment rate thereof by the labour market continues to be low. The statistical data shows that most unemployed are registered among the labourers with only either lower-secondary background or secondary vocational background⁸. This category of youth find it very difficult to get involved on the labour market, to get integrated and to adapt to specific conditions. Finally, they are disappointed by the qualifications they have, a fact which is reflected negatively upon their life and that of the society as a whole.

The necessary infrastructure and logistics for the curricular activity is not adapted to learning programme and by the professional practice. Consequently, the learning activity is running improperly, whereas the outcomes of the educational process do not comply with the needs of the labour market. The students are deprived of favourable conditions for studies, internships, integration, adaptation, living, leisure, and health care protection. Some governmental reports use the argument that currently the infrastructure of the secondary vocational educational system is used at only 65% of its capacity⁹.

Figure 3 Students enrolled in vocational secondary institutions in the period of 1990–2006, thousand persons



However, the problem does not consist in the fact that the existent infrastructure is not used 100%, rather, by the fact that it is dysfunctional. There are no adequately endowed laboratories and technological classrooms in the fields of specialization, libraries have a shortage of textbooks and compendia that are strictly necessary for the educational process, the accommodation spaces do not offer respective hygienic conditions and do not observe the minimum criteria of comfortable living.

⁷ According to the communiqué „Ministry of Education and Youth launches the informational campaign to promote the secondary vocational education”, dated July 21, 2006, available in electronic version on: <http://www.edu.md/files/unsorted/SPCampanie.doc>, retrieved on July 20, 2007.

⁸ Based on the Concept of the state policy regarding training personnel with secondary vocational, secondary professional and higher education for the national economy of the Republic of Moldova, page 10. The document is available in electronic format on: http://www.mec.md/Files/0/Conceptie_Guvern.doc.

⁹ For example, in the schooling year of 2006–2007 in the secondary professional institutional system studied in all 23636 students, whereas the total capacity is evaluated at 36250 students.

An extremely important aspect, which is actually missing on the agenda of the public debates, refers to the lack of services and programmes of counselling and professional orientation. The counselling and professional orientation needs to be accessible and applicable throughout the entire level of the lower secondary level. Actually, this needs to start even from the pre-school level and to continue throughout the primary level of education. Without an integrated system of counselling and professional orientation, the educational system is actually amorphous versus the trends in the society. The professional culture is left on the account of the family, decisions related to professional future of the children being made according to some traditional patterns. This way, the educational milieu promotes mainly specializations that are specific to tertiary level of professional training (doctors, managers, engineers, programmers, economists, political sciences, teachers), without promoting professional qualifications indispensable to a market economy at the development phase the country goes through now (crane operators, clothiers, cooks, plasterers, builders, plumbers, etc.). These professional qualifications are considered outdated by the children, schoolteachers and parents, whereas those who choose these lines of professional training to some extent are isolated from the rest of the school collectivity. Consequently, the educational system encourages this way of action and contributes to perpetuation of the curricular deficit in the field of professional orientation and counselling.

Risks

In the last two years, the governmental policy is more consistent in terms of promoting the secondary-vocational level. However, without reforms in curricular field, infrastructure, of the way of remunerating teachers and secondary staff, the labour market will prefer to base itself further on contingents of specialists with tertiary education, which needs secondary-vocational training. In this context, the students' cohort will orient mostly towards tertiary education, passing via the secondary level, of 2nd phase, and a good deal of them will quit the educational process in favour of getting an unqualified job.

Without development of an integrated curriculum of counselling and professional orientation, initiated back at the pre-school level and continued during the primary and secondary levels, will perpetuate the traditional pattern of opting for a certain specialization or professional qualification. There will prevail specializations which are specific to tertiary level of professional training and with a higher degree of marketability. The new legal framework envisions creation of a counselling system and professional orientation, but application of this framework needs to be based on the "from the grass-roots" approach. The role of decisional centre is to work out a normative framework but this needs to comply with the direct needs of the suppliers of educational services and of professional training. The phenomenon of plafond setting shows that the low number of options is determined by the fact that the students have few chances of social manifestation and of respective employment. At the same time, the governmental institutions and the private environment does not guarantee ways of veridical employment and does not develop inter-institutional partnerships on whose base the employers might have the possibility to select the future employees since the period of studies. In this sense, the trend of setting limits to the number of candidates and pupils enrolled can occur in the years to come, even if the governmental authorities will implement media campaigns and orientation of potential beneficiaries.

The rigid, centralized and opaque attitude of the governmental authorities with regard to reform of the vocational secondary educational system makes the actors of the labour market avoid the direct participation and assume responsibility. The subject is interesting only for some international institutions and several expertise domestic institutions, who have carried out researches and who take active part in monitoring the situation as such. The governmental authorities, however, criticize these evaluations and hesitate to apply above-mentioned recommendations. In a way, the labour market behaves rationally. The employers do not intervene in the policy process, because anyway the suggestions are not taken in consideration. Consequently, the employers prefer to operate with cohorts of graduates who do

not comply with the qualities that are necessary on the labour market. Should this state of affairs persist, the economic growth will remain under potential, whereas absorption of the advanced technologies will be delayed (see chapter **HEADING TOWARDS A KNOWLEDGE BASED ECONOMY**).

Another risky aspect is the big time gap between the period of employment and the period of starting to supply the effective service for which the graduate has been formally qualified. Given that the employers have to cultivate elementary practical skills, they bear considerable losses. Normally, a qualified graduate has to get integrated immediately in the activity. In this case, the losses on adaptation of the employed graduate are minimal, and the employer rather concentrates on the aspect of continuous education. The lack of dual schools¹⁰ will be reflected negatively upon the economic growth of the Republic of Moldova.

Promotion of secondary vocational education based only on some numerical performance indicators (for ex., enrolment rate) will perpetuate the situation that of this level will benefit myriads of people who did not have remarkable results in the process of lower-secondary education. An imminent risk of the limitation of continuity of professional training is the amplification of the social segregation process by levels of studies, professional categories and by origin of residential area. For example, in the schooling year of 2006-2007 the share of enrolled students who are from rural area has been of 73,4%, this way amplifying the preconceived idea that this level is predestined for the rural area and those who do not meet the educational requirements for the secondary level of the 2nd phase (lyceum).

In case that the Government of the Republic of Moldova will promote a rigid policy of selection and orientation of candidates towards the secondary vocational educational level, grounded on the principle of enrolment plan, the private sector will be reluctant to create non-state institutions of professional training. If in the following years the reform at the tertiary level will not be implemented based on rigors established in the Bologna process, the tertiary system will continue to function based on the prin-

ciple of the „sponge” of student cohorts, to the detriment of the precursory levels: secondary vocational and post-secondary vocational. In Moldova the situation when licentiates run activities which normally should be executed by the graduates of the secondary vocational level has been reached. This way we witness a regress of professional competencies, which in the near future might amplify and even develop certain consequences on other educational levels.

Governmental policies

The level of secondary vocational education has been disregarded by the empowered governmental institutions, focused mostly on the reform of the primary educational system and secondary of the 1st and 2nd levels. Inconsistency and incoherence of the policies promoted by the governmental empowered authorities have contributed to perpetuation of the deplorable state of the system. Only in 2004, the Government of the Republic of Moldova approved the Concept of development of the secondary vocational education¹¹. The document makes a summary analysis of the state of affairs and enounces the principles on the development lines of the respective level. However, the document is deficient as strategic vision, as implementation plan and financial coverage.

In July 2005 there was published the draft Code of laws in educational sector, whose part and parcel is the Law on non-university vocational education¹². During one year the draft laws have been intensely debated and analyzed by experts at both national and international levels (for ex., by the group of experts on educational policies of the Council of Europe). Versus the current law on education, the new draft law provides a series of innovative aspects. For example, at secondary professional level the accent is laid on the principle of modular training focused on competences, on the principle of

¹⁰ Dual institutions are those types of institutions where the theoretical activity is running in the schooling-institutional framework, whereas practical activity runs directly in context of professional activity (for ex., directly at the lathe in the plant, directly at the weaving or sowing machine at the factory, etc.). This system of professional training is well developed in Germany, and in the last years, the model has been successfully applied in the countries of the Visegrad Group (Poland, Czech Republic, Slovakia, Hungary).

¹¹ Decision of the Government of the Republic of Moldova no.1334 of 03.12.2004.

¹² In adapted version of the package of laws in the field of educational sector, this legislative component is entitled „Law on secondary professional and post-secondary professional education”.

correlations between the exigencies of the job and educational curricula or even on the principles of continuity and consecutiveness in the professional training. Nevertheless, the draft law is grounded mostly on the interests of the governmental institutions, on the grounds of enrolment plan, and cancel the competencies of the institutional milieu for both for- and non-profit sectors.

The Government of the Republic of Moldova has approved the draft Concept of modernizing the educational system of the Republic of Moldova¹³. The respective paper establishes the conceptual and methodological framework of educational system development in the Republic of Moldova in the context of European integration. In the field of professional training of secondary vocational level, the Concept enounces six strategic priorities, related to curricular aspects of the counselling framework and professional orientation. In line with this document, the Government has submitted to the Parliament the package of laws in the field of education. In the period of September 2006 – August 2007 the package of laws and the Concept remained, however, blocked in the Parliament. More over, the President of the Republic of Moldova has enounced in several contexts that it will suggest a new draft law by which it will regulate the entire educational system. Thus, on the background of an institutional incoherence and of an interference of some unauthorized political institutions, the new legal framework cannot be examined and voted by the legislative institution.

Starting from 2005, the Government of the Republic of Moldova has instituted the planned mechanism of enrolment in the secondary vocational training institutions. Thus, for the respective year the enrolment plafond was established at 15030 of enrolled candidates. In the same year for the secondary vocational level opted 17020 candidates, and after the contest there were enrolled 15424 students, which has outpaced the established plafond by 394 pupils. The enrolment plan has been applied and in 2006 it

was even extended upon the tertiary level of studies, having comprised in this plan also the offers of the private institutions of tertiary education. By this method it has actually been resumed the soviet model of enrolment. Thus, in 2006 the plafond was increased by 2680 places versus that established in 2005, and for 2007 – by 1325 more places versus the one established in 2006. The number of places increased in simultaneously with the declined number of places for the tertiary level and based on an aggressive campaign for information of graduates and children with the view to orient them towards the secondary vocational level. However, in the period of plafond established and of the latitude of the informational campaign, for this level of studies in 2006 opted a contingent of candidates slightly less than in 2005, by 876 candidates more, but in general, less versus the period of 2000–2004 (for ex., by 728 candidates less versus 2003). In comparison with the tertiary level one could consider that the method is inefficient, unfair and discriminatory. The governmental authorities do not admit this, but the leadership of the legislative has criticized this method of enrolment¹⁴.

In conclusion, the current governmental intervention is grounded on the coercive-punitive principle, and this fact discourages the graduates to opt for the professional background. Intervention is concentrated on the number of enrolled students – without taking into account the interests of the direct beneficiaries (first of all employers), as well as the real needs and the quality rigors imposed by the labour market.

Recommendations

The set of recommendations which follows is applicable for the whole educational system. Through that all, they bear direct references upon the secondary-professional level – as integral part of the educational system.

- ▮ **Public and legislative debate and adoption of the package of laws in the field of education.** There must be taken into account evaluations and recommendation of the experts exposed in the frame of multiple studies and analyses of educational policies. The legislative body needs to organize an extended round table in order to consult the representatives of the community

¹³ Decision of the Government of the Republic of Moldova no.981 of 25.08.2006.

¹⁴ See the speech of the chairman of the Parliament of the Republic of Moldova, Mr. Marian Lupu in the meeting with the rector of tertiary educational institutions and representatives of branch trade unions: Source: <http://www.almamater.md/news/2797/index.html>, last accessed on 07.08.2007.

of public policies in the educational field and representatives of the educational system beneficiaries. Only such a format of consulting will allow clarification and alleviating the negative impact and of the institutional shock regarding the new legal framework in the field of education. At the same time, a transparent framework of decision making regarding legal regulations of the educational system can serve as starting point for extending this practice in other fields of vital importance.

- ▣ **Develop a specialized and integrated system of counselling and professional orientation.** This system, actually, needs to be applicable at the levels of the entire educational system from the Republic of Moldova. On the basis of the system there will be counsellors and centres of information problems and professional orientation which will activate in the framework of secondary educational institutions of the phases I and II, by the secondary vocational level, of the tertiary level and the framework of some NGOs from the educational and youth domains. One of the possible directions of policies can be initiation of some master programmes with counselling theme and professional orientation. Another possible direction might be creation of a financial fund aimed at professional training and orientation, in which every employee can allocate a certain financial amount to support through programmes and projects an informational, counselling and professional orientation system.
- ▣ **Adapt curriculum to the requirements of potential employers.** Among the political directions can be itemized adoption of a curricula decentralization policy, creation and development of inter-institutional partnerships between the institution of professional training and potential employer, simplification of curricula of encyclopaedic information and concentration on subjects pertaining to direct applicability of information learned in the daily activity, laying the stress on on-going evaluation and not on the final one and practicing methods of non-formal education (team work, resource management, communication and presentation abilities etc.). This will make the educational process more interactive and more dynamic, the activity of the institutions will be concentrated on the aspect of

the quality of professional training rather than on the number of graduates, whereas the employers will be able to know their forthcoming employed in advance. The period of accommodation at the work place of a graduate will be diminished considerably, this way raising the interest of the employers to recruit young people.

- ▣ **Continue the public campaign of graduates' information.** Communication needs to be concentrated on a message of formation of a professional culture and to be focused also on the cohorts of graduates from the previous years who quit the educational process and do not have so far a professional qualification. In this way, the rate of school quitting will diminish, the institutions will orient towards the specializations that for the time being are in demand on the labour market and the labour force penury in the fields of search will diminish.
- ▣ **Harmonize the domestic secondary-professional system with the practices applied in the community space.** In order to reach this objective it is possible by participation in the specialized programmes and projects for the professional-vocational education at both community and regional levels and to which Moldova has access. The participation can be materialized in terms of studies and study tours for exchange of experience with the neighbour states or with those that recently acceded to EU, intensify mobility of pupils and teaching staff and establish agreements on thematic cooperation with similar institutions of the EU states.
- ▣ **Prospect for some long-term priorities to develop the educational system.** Among the directions of policies recommended can also be mentioned development of dual schools system, creation of a specialized programme of funding, based on projects, of the initiatives pertaining to sustainable development of the professional-vocational education, development of ways of continuity of the process of professional training to the tertiary level for the graduates of the secondary vocational level who have capacities and opt for such a programme and for development of a governmental policy with the assumption of long life learning.

1.3. Health system

EVOLUTIONS: +1 **Diagnosis**

SITUATION: +1

PERSPECTIVES: 0

Health is an indispensable asset in order people could use their full potential. According to the main health indicators, the Republic of Moldova has reached certain successes compared to CIS states, but still lag behind the EU countries. On the background of labour force exodus (**EMIGRATION**), Moldova registers also a high death rate of working age population. In 2005-2006 this indicator reached 29% from the total number of deceased persons. Maternal mortality and infantile mortality, two basic indicators of the health system development level, continue to be much higher compared to the states in the European Union, including Baltic countries (**Figure 4**).

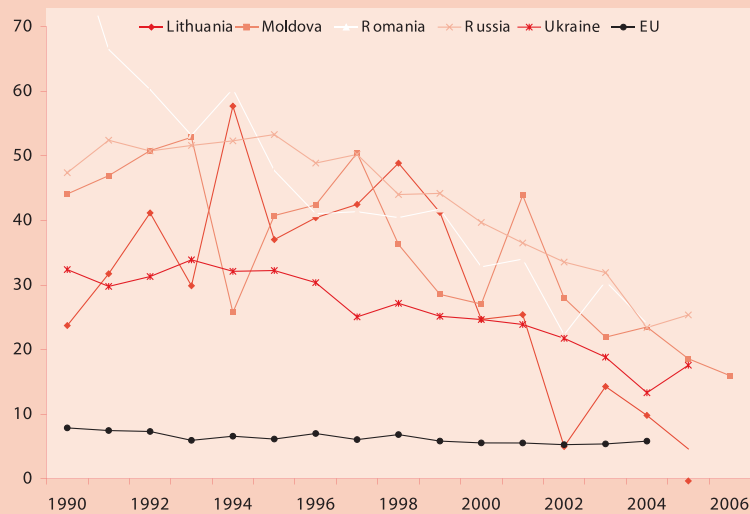
(compared to 56,3% - 2005). Another peculiarity of the Republic of Moldova is the negative trend in evolution of socially-conditioned diseases, like tuberculosis (**Figure 5**). The activities of the National Programme on Tuberculosis Control ensured the decrease of the global incidence rate from 30,2% in 2000 to 12,6% in 2004 and even an easy reversion of the dynamics in 2006. However, on the whole, the number of chronic patients has significantly increased during 2001-2006 and at the same time - the multi-drug-resistant forms of Tuberculosis. Thus, despite the efforts made, it is still problematic to achieve the Millennium Development Goal no. 6, envisaging the decrease by 50% of the global incidence of Tuberculosis by 2015.

During 1995-2006 a series of important reforms took place in the health sector. Alongside with the implementation of mandatory health insurance system, the financing of the health sector improved significantly. The primary health system got extended and today it comprises 979 institutions. At the same time, the number of hospitals was reduced from 265 in 1995 to 65 in 2002, which hasn't change so far.

The management process of municipal and rayon public medico-sanitary institutions was decentralized, responsibility being passed from the Ministry of Health to local public authorities. Their competencies include allocation of financial means for construction, reconstruction and capital repairing of buildings, procurement of equipment, sanitary transportation means and medicaments to carry out the National Programmes, contribution to create conditions for the accreditation of public medico-sanitary institutions¹⁵. However, it can not be ascertained that the local public administration authorities have fully taken over the responsibility for correct management of funds transferred to their balance and a great part of hospital managers can not face the exigencies of the health system. The income structure of the public medico-sanitary institutions for 2007 shows that only 4,3% of the resources are provided by

Figure 4

Comparison of maternal mortality rate per 100 thousand live births



Source: "Activity of the health system", Scientific Practical Centre of Public Health and Sanitary Management, 2006

In the Republic of Moldova, the health indicators with reduced values, characteristic for the poorly developed countries, are combined with the prevalence of diseases, characteristic for highly developed countries. Mortality caused by chronic diseases like cardiovascular diseases ("civilization diseases") is twice higher than in the 10 new EU member states and takes up to 55,8% in the population mortality structure for 2006

¹⁵ Law of the Republic of Moldova no.123-XV of 18.03.2003 (repealed in 2006).

the local public authorities, exceeding a little bit the resources provided by donors as humanitarian aid (2,7%). After the legislative amendments regarding the local public administration, operated in 2006, public medico-sanitary institutions found themselves in an uncertain situation, the local administrations actually do not have any responsibility for the management of rayon hospital funds¹⁶. In the context of the internal resource deficit, a great part of expenditures meant for the rehabilitation of primary health care institutions were covered by World Bank investments. In July 2007, the Government of the Republic of Moldova and the International Development Association concluded the agreement on funding of the Health Services and Social Assistance Project, Moldova.

According to the Law on mandatory health insurance¹⁷, the citizens of the Republic of Moldova got equal possibilities in obtaining timely and quality health care within the limits of the provisions of the Unified Programme (basic package of health care services). However, a higher achievement of the objective related to universal access and adequate quality of health services faces a series of impediments: deficit of primary healthcare personnel in rural areas, old medical equipment in rayon hospitals, inadequate conditions of buildings, continuation of problems related to the financing of medico-sanitary institutions and insufficient implementation of information technologies. As a result, the coverage rates for primary health care services constitute less than 65% in some rayons (Cantemir, Rezina, Falesti, Cimislia).

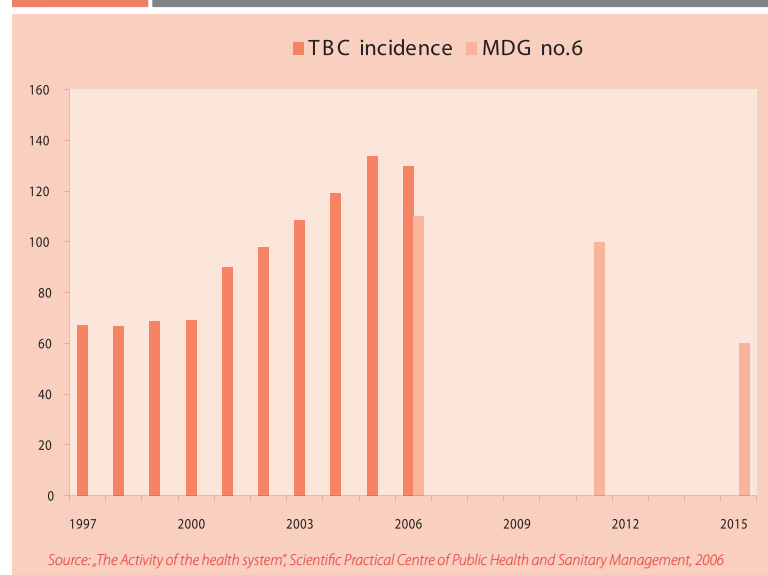
Presently, a great part of the total number of insured population (75%) does not have access to health care at home, included in the Unified Programme¹⁸. The National Health Insurance Company does not ensure the provision of such services because of the absence of commissioning criteria and of a regulation on functioning of home care providers and it also lacks a costing regulation (see also **SOCIAL PROTECTION POLICIES**). It is estimated that about 25000 suffering patients lack palliative care at home every year, more than 60% of them live in rural areas¹⁹. At present, home care services are preponderantly offered by NGOs funded

exclusively by foreign donations²⁰. A veritable public-private partnership in the health protection system is not established so far.

There are about 120.000 persons with mental disabilities (3% of the population, percentage situated within the European averages) registered in the Republic of Moldova. A slow but constant tendency is observed with regard to the increase of morbidity, especially in the contingent of young people. The modern system of health care in case of psychic diseases envisages development of community centres for mental health, but these just begin to appear in our country.

Figure 5

Global incidence of tuberculosis in the Republic of Moldova (1997-2006) per 100 thousand persons



The system of patients' referral makes more complicate the planned admission in specialized departments (endocrinology, neurology, rheumatology, cardiology), where the waiting list is about 3-6 months. Patients can be hospitalized only in cases of emergency. Thus appears a vicious circle, where lack of access to planned admission leads to disease worsening, situation which requires emergent admission and which in turn makes the absence of beds for planned

¹⁶ Laws of the Republic of Moldova no.436, no.437 and no.438.

¹⁷ Law of the Republic of Moldova no.1585 of 30.04.1998.

¹⁸ Decision of the Government of the Republic of Moldova no.1480 of 25.12.2006 on the approval of the Unified Programme of mandatory health insurance for 2007

¹⁹ "Assessment of palliative care needs in the Republic of Moldova", Soros-Moldova Foundation, 2007.

²⁰ http://www.cordaidpartners.com/English/Health_and_Wellbeing/Projects/Project_details/Reform_of_community_care_systems_in_republic_of_Moldavia.aspx?mld=10537&rid=76.

admission more acute. Thus the risk of complications increases and appear conditions for non-formal payments within the system.

During the last years the absolute number of doctors and medical personnel of medium level continued to increase. However the positive dynamic is based on the personnel from republican health care institutions, while provision of health personnel to the municipal and rayon institutions indicates a certain involution, stimulating a series of negative social phenomena (see **URBAN MOLDOVA, INTERNAL MIGRATION**). In the municipal hospitals we have today 47,5 medical personnel of medium level per 10 thousand inhabitants, compared to 60,7 medical personnel per 10 thousand inhabitants in 2002. It appeared a slight decreasing tendency of the number of family doctors (2031 persons in 2006 compared to 2066 in 2005)²¹, determined also by specialists' leaving.

Risks

Poor performances in improvement of main health indicators, especially of infantile and maternal mortality, worsen the negative demographic rate. Although not reaching epidemic proportions, the evolution of such diseases like AIDS and Tuberculosis is alarming²², creating significant economic and social risks. Their spreading could cause a decrease of the economic growth rate and an increase of health expenditures, generated by activities related to care provided to suffering people. The dependency ratio could increase, undermining the financial stability of the social protection system, especially in the conditions when fertility is already very low (section **BIRTH RATE AND MORTALITY RATE CRISIS**). At the same time, this could lead to the increase of the number and level of poverty of single-parent households and of those lead by old people which take care of orphan children, whose parents deceased because of AIDS.

Despite the registered progresses in the Republic of Moldova during the past years,

the health protection system's functioning could be affected by a series of risks. It is not excluded that during the following 3-4 years, the Republic of Moldova would face a deficit of medical personnel. Essential improvement of medical personnel remuneration in the neighbour countries makes these countries very attractive destinations for emigration of doctors and nurses from Moldova. After Romania's accession to the EU, many doctors from this country had already left the health system to work in western countries.

The mandatory health insurance system implies also a series of risks related to non-collection of contributions to the mandatory health insurance in the set quantum and terms. The accessibility of services for poor people continues to be low, because of mandatory payment of services which are not included in the Unified Programme of mandatory health insurance (see **LIVING STANDARDS**). Absence of real competitiveness for the service providers and non-application, except for primary health care, of a performance incentive system, by stipulating it in the contracts with NHIC, constitute essential causes for low quality of health services. More than 60% of the funds continue to be used for the maintenance of hospitals which services often include treatment of minor pathologic conditions²³. At the same time, curative health care services continue to be preponderantly financed in the disadvantage of preventive medicine programmes.

At present, the pressure of public medical-sanitary institutions increases in order to revise the tariffs for health care services which were "frozen" during 2004-2007²⁴. This situation creates inevitably premises for increase of contributions to mandatory health insurance and of the health insurance policy's price, the financial consequences are to be endured by the population.

Governmental policies

A certain influence on the promotion capacities of health policies had the double reformation during 2004-2006 of the Ministry of Health. The last reorganisation operated in November 2007 offered the ministry a structure to correspond to the priority activity directions. After the Government approved the National Health Policy²⁵ in

²¹ "Health of the population of the Republic of Moldova in 2006", National Scientific Practical Centre of Preventive Medicine, Chisinau, 2007.

²² "Prevention of AIDS crisis in Eastern Europe and Central Asia", World Bank, 2003.

²³ Expertise of inpatient health care quality provided to insured persons, *Curierul medical (Medical Courier)*, no. 5, p. 56-60, Chisinau 2007

²⁴ Order of the Ministry of Health of the Republic of Moldova no.76/2004.

²⁵ National Health Policy, <http://ms.gov.md>.

2006, the Ministry of Health forwarded to the Parliament for approval the draft Health System Development Strategy for 2007-2012 with an action plan, focused on directions like increase of the Ministry's capacities in terms of policies and regulations, health promotion; making more efficient the use of available resources; improvement of health services quality and efficacy.

The Public Health Reform Project in Moldova²⁶ implemented under the control of the Ministry of Health by the consortium of EPOS Health Consultants/GVG/HMTC and funded by the European Union has continued the process of health system decentralization by increasing the Centres of Family Doctors' autonomy level in pilot regions. Based on the preliminary project's results and at the insistence of the World Bank, the Government engaged to ensure separation of primary health care centres from rayon hospitals from 1 January 2008. This would contribute to increase the responsibility of family doctors and local authorities for resource management.

In order to keep the medical personnel within the system in 2006 a series of facilities were introduced 'for young specialists with medical background, employed (especially in rural areas, where the situation is very difficult, see chapter **RURAL MOLDOVA**) according to the repartition made by the Ministry²⁷. As a result of provision of these facilities, about 80% of the graduates of residential studies in 2006 accepted to be employed according to the Ministry's repartition scheme.

In order to increase the quality of health services and to make them more efficient, the Government approved in 2005-2006 a series of national programmes. The National Programme on control and prevention of Tuberculosis for 2006-2010 has as objective the stabilization of Tuberculosis epidemic situation. Presently, the Automated Information System for monitoring and evidence of patients with Tuberculosis is being tested at the national level. However, the logistics and social information and education activities remain to be underdeveloped and without a financial coverage.

The National Programme on Control and Prevention of Diabetes Mellitus "Mold-

Diab" for 2006-2010²⁸ puts more stress on the prevention activities in early detection of diabetes. Today, laboratory investigations for diabetic patients are free of charge. There have been developed treatment standards, which can be applied in medical practice.

The National Programme for Prevention and Control of HIV/AIDS and STIs (sexually transmitted infections) for 2006-2010 envisaged to continue implementation of Global Fund grant for fighting AIDS, Tuberculosis and Malaria for 2003-2008. There have been strengthened the capacities for diagnostic, treatment and prevention of the abovementioned infections, implemented educational programmes for general population, young people and groups of people with an increased infection risk. In this context, it is worth mentioning the beginning of a good cooperation between governmental institutions and civil society (see **CIVIL SOCIETY**).

Activities of the National Programme on control of viral hepatitis for 2006-2010 are partially covered by the Immunisation Programme including children up to 17 years old. As a result of implementation of actions to fight viral hepatitis, the morbidity reduced by 2,4 times, including the morbidity caused by viral hepatitis A (by 3 times). The Republic of Moldova has achieved the objectives set by World Health Organisation for significant decrease of morbidity caused by hepatitis B. In order to carry out the immunisation programme, the Ministry of Health issued an order with a detailed activity plan for 2006-2010 and distributed it to all public medico-sanitary and preventive medicine institutions.

The National Programme on blood transfusion safety and self provision of sanguine preparations for 2007-2011 was also adopted and it is being in the initial implementation phase, the National Programme on healthy lifestyle promotion for 2007-

²⁶ <http://www.healthreform.md/ru/>.

²⁷ These facilities include free of charge dwelling, provided by the authority of local public administration for the period of activity in that locality or coverage of renting expenses; unique indemnities provided by the Ministry in the amount of 30 thousand MDL for doctors and 24 thousand MDL for medical personnel of medium level, which are paid by 7,5 thousand and 6 thousand respectively after the expiration of the first month and further at the end of each year of activity; monthly compensation provided by the Ministry for the cost for 30 KW of electrical power, one cubic meter of wood and a ton of coal per year.

²⁸ Decision of the Government of the Republic of Moldova no.439 of 26.04.2006.

2015, the National Programme on eradication of disturbances caused by iodine deficit until 2010 and a series of other special programmes. The Programme on promotion of quality perinatal health care services for 2003-2007, focused on most difficult fields of perinatal health care – to apply the technologies suggested by the programme, to reduce maternal, perinatal and early neonatal mortality rate by 30%, the mortality-and-birth rate²⁹ from 7,2 to 5 per 1000 of newborns during 2003-2007.

Recently the National Programme on healthy lifestyle promotion for the period of 2007-2015 was approved. A promising start for the improvement of situation in the field could be considered the event that took place on 11 May 2007, when the Parliament ratified the Framework Convention on Tobacco Control, taking over the responsibility for its implementation in order to protect health of population. The Concept on optimization and modernization of the hospital sector and specialized health care is under development³⁰.

The improvement of health system legal framework continues to align to the international norms. The Law on patient rights and responsibilities³¹ and the Law on medical practice³² were adopted. But because of delay in adopting other laws and regulations which would ensure functioning of the stipulated provisions, the respective documents can not be fully applied. The Regulation of the individual Commission for medical professional expertise and Instructions on the patients' participation in taking decisions meant to increase and improve patient protection are under development. In this context, according to doctors' opinion, a lack of balance has been produced in favour of pa-

tients. The much waited laws on malpraxis³³ and the doctors' league could re-establish this balance, although their implementation will take some time.

Taking into account the necessity to improve people's access to health services, the Government included in the National Development Plan (2008-2011) the aspect of extending the coverage of population from rural area and poor people with mandatory health insurance by reducing contributions of people from rural areas. There exist certain non-clarities with regard to the achievement of this objective, related to the fact that about 40% of working age population from rural areas are not formally employed.

There began a series of activities on improvement of the situation in the field of mental health. The Republic of Moldova adhered to the Declaration on Mental Health, signed by the European countries in 2003 and engaged to align to modern standards of psychiatric health care. However, a well defined plan appeared only in 2007 at the same time when the National Programme on mental health was approved³⁴. A network of mental health community centres is going to be established within this programme. The Programme will be implemented with allocations from the state budget (500 mln. MDL for the period 2007-2011), and about 30% of the necessary funds are to be covered by international donors³⁵.

Recommendations

In order to efficiently carry out the National Health Policy we consider that it is necessary to implement a series of short-term and long-term policy recommendations:

➤ **Clear delimitation of competences** of the state institutions and local public administration for efficient management of sanitary system and effective transfer of competences, attributions and responsibilities from the Ministry of Health to local public administration. Increase of local public administration responsibility for management of public health problems at local level can be ensured only if a performance evaluation mechanism would be applied into practice. Community NGOs shall be actively involved in monitoring of performances. At the same time, it is necessary to strengthen the control capacity of the Ministry of Health over the public health objectives, activities and structures.

²⁹ Mortality rate is equal to the ratio between number of dead births and number of live births during a certain period (as usually, one year) on a certain territory.

³⁰ The decision of the College of the Ministry of Health of 02.03.2006 "On the activity of the Ministry of Health in 2005 and strategic development directions for 2006".

³¹ Law of the Republic of Moldova no.263 of 30.12.2005.

³² Law of the Republic of Moldova no.264 of 23.12.2005

³³ The notion of malpraxis implies incorrect or inadvertent treatment applied to a patient, which can cause him/her prejudices related to the degree of affection of the physical or psychical capacity, consequence of some gaps of professional training, lack of experience, therapeutic or diagnostic abilities.

³⁴ National Mental Health Programme for 2007-2011 launched at 11.05.2007.

³⁵ With financial support of Swiss Agency for Development and Cooperation on 24 May 2007 in Ungheni took place the inauguration of the Community Mental Health Centre, the second one after the first one was established in Buiucani sector, municipality of Chisinau.



- ▀ **Development of a set of standards** to make the management of health system resources efficient. An important direction in this sense is to ensure decisional and financial transparency, which implies informatization of the system of health care institutions, development of Ministry of Health portal and urgent implementation of clinical protocols and treatment practical guides. A first step would be the implementation of Integrated Healthcare Information System (its cost estimated at \$83 mil. for the period of 2007-2009). Improvement of the quality of health services can be ensured on the basis of some national standards for quality management. Achievement of these objectives implies combining the training of qualified managers for the health system with the use of already existent potential of specialists trained in the field of public health and their placement in key jobs.
- ▀ **Extension of mandatory health insurance** to increase the access to quality health services is timely only in the conditions of continuous monitoring of the process in order to not compromise the system's financial sustainability. Development of voluntary health insurances within NHIC in parallel with strengthening the company's capacity for management of contracts with medico-sanitary institutions will enlarge the range and quality of health care services.
- ▀ **To keep the medical personnel within the system** it is necessary to increase their salaries, to apply incentive methods (higher compensations at repartition, bonuses to the salary, adequate working conditions), operated depending on personal efforts.
- ▀ **Increase of competitiveness for health care services** could be achieved by supporting the development of private health sector and adopting the Law on private health care.
- ▀ **Health and healthy lifestyle promotion actions** should be based on much bigger resources, as well as on large involvement from the behalf of nongovernmental entities.
- ▀ **Convergence with the EU health standards shall also impose the increase of the GDP percent allocated to the health sector.** Pressures on public finances will decrease only together with the introduction of voluntary health insurances on a large-scale. At the same time it is necessary to create a reserve health fund, meant for major emergency cases and to co-fund priority projects in the health system.



1.4. Social protection policies

EVOLUTIONS: 0
SITUATION: 0
PERSPECTIVES: -1

Diagnosis

The social protection system contains two main elements: the social insurance system and social assistance. The efficiency of pension system is estimated according to the replacement rate, defined as relation between the average value of pension and average value of the calculated salary. This indicator decreased from 60,4% in 1993 to 20,9% in 2000. After recalculation of pensions in 2002, the average pension increased by 2,7 times, **replacement rate** in 2003 reaching 30,5%. However, the progress has not been sustainable, the indicator decreasing to 30,1% in 2005 and 26,9% in 2006.

and employed persons was 1:2,4, in 2007 it represented 1:2,0

Non-uniformity of contributions for different sectors is the second factor undermining the financial stability and social equity of the pension system. The legislation on state social insurances is quite complex, including differentiated insurance tariffs for different categories of payers: employees, employers and self-employed persons³⁶. Insurance contribution tariffs are differentiated according to different categories of payers, and their values are fixed by the Parliament every year. In 2005 a special category of payers was created – employers from the agricultural production field – which transfer contributions for employed persons based on individual work agreements. However, this stimulated even more the employment on the “black labour market” in agriculture, diminishing the contributions to the social insurance budget in the agrarian sector. Employees from the agrarian sector, contributing to the state social insurance budget with only 8%, benefit of pensions and indemnities in proportion of 40% from the total budget. Inequity of social insurance redistribution also refers to privileged pensions “for some categories of citizens”. In 2004, the Law on state social insurance pensions was completed with a separate chapter to regulate pensions for Parliament deputies, members of the Government and which, reaching pensioning age, can benefit from a pension in the amount of 75% of the average monthly income. Thus, the average pension for age limit is 8,7 times smaller than that of former deputies, public servants, members of the Government, etc.

With regard to social protection exercised through social allocations meant to support different categories of people in difficult situations, the allocation principle constitutes its main deficiency. Allocations are provided based on request, the income testing mechanism is poorly developed and legislation in the field is dispersed. A single beneficiary of social assistance can benefit concomitantly of 11 types of social services. This situation is conditioned both by lack of

	2003	2004	2005	2006	2007*
Employed population, thousand persons	1505,1	1356,5	1316,0	1318,7	1271,0
Total number of pensioners, thousand persons	634,5	627,6	620,7	618,3	621,4
Relationship between employed population and number of pensioners	2,4	2,2	2,1	2,1	2,0

Note: * - first semester;
 Source: NBS and NSIO

According to the data of the expertise of pension system from the Republic of Moldova (MSPFC, 2007) in 2006 the system was characterized by a budgetary deficit of 30,4%. The deficit was generated by overlapping of certain influences, but the most important were the negative demographic evolutions (see **DEMOGRAPHY: A LATENT THREAT**) and inequality of social insurance contributions.

Population ageing and emigration undermines the social insurance system. Both phenomena lead to the worsening of the ratio between the number of employed population and number of pensioners (**Table 1**), because the less the number of employed persons is and the bigger the number of pensioners is, the lower is the stability of the pension system. During 2002-2006 the number of employed population decreased with 15,6% and the total number of pensioners decreased with 2,1%. Whether in 2002 the relationship between pensioners

³⁶ The category of self-employed persons include: physical entities, land owners, individual enterprisers, patent owners, attorneys, notaries, persons which concluded individual insurance contracts.

a unified database of social assistance beneficiaries and imperfection of the mechanism to redirect allowances toward the most disadvantaged categories.

In 1994, the relevant ministry started to develop the national social assistance system. The profession of social assistant was introduced in the nomenclature of professions in 1998, but it was only in 2006 when the first actions were undertaken to employ social assistants at local level. The institutional framework in the field of family and child protection is poor and fragmented. Four different ministries are responsible for child protection (Ministry of Health and Social Protection, Ministry of Education, Ministry of Justice and Ministry of Interior), while no integrated executive structure is in place to be responsible for child and family protection (see also **SPECIAL TOPIC: CHILD PROTECTION IN MOLDOVA**).

With 85% of the local budgets' expenditures directed toward maintenance of education institutions from the locality, we cannot speak about investments in social assistance services at the community level. All community services appeared with the support of international organisations and charity foundations. In these conditions, the incapacity to anticipate and the vulnerability of the national social protection system to the new social problems are obvious. Among them we have the growing incidence of drug addiction and HIV/AIDS, situation of children in residential care (about 11.600 children³⁷) or not being in the care of their parents as a result of their emigration. It is estimated that about 35 thousand children in the Republic of Moldova have both parents abroad, and 75 thousand children – one parent³⁸. As the traditional functions of family are weakened by social problems (emigration, violence, abandon, pauperization, etc., see also **FAMILY CRISIS**), social protection system should interfere to reduce the impact and to prevent the mutation of new social problems.

Risks

▀ The contents of social protection system reform strategies and programmes meets the majority of problems and aspirations of disadvantaged people. But the highest risks derive from the extremely deficient implementation of the development strategies.

- ▀ Population emigration and ageing considerably affects social insurance budget financial stability. The present-day social insurance system offers to beneficiaries a reduced level of insurance. If the current conditions for social insurance distribution and organisation are maintained, the substitution rate shall drop further on with an average of 0,5% – 1,0% per each 1-2 years. According to forecasts, there shall be registered a significant increase, by about 14% annually, for the difference between the calculated average salary and the average value of the established pension³⁹.
- ▀ Inequality maintenance in social insurances redistribution for some categories of employees amplifies the inequity feeling and the social pressure on employed population and reduces the motivation of contributing to state social insurance budget.
- ▀ Perseverance of the complicated system with no individual record and fragmented in diverse forms of social assistance and service for social compensations amplifies the vulnerability of the families that are indeed in need and decreases the real value of the granted support.
- ▀ The trend to set up more social assistance services may provoke deficit of resources within local public administration for maintaining and developing these services. Besides, for many local budgets the increase of the existent expenditures with 150–250 thousand MDL annually is a real luxury.
- ▀ The reduced capacity of the social assistance services' funding and administration from public sources at local level generates inequality among localities in regards to services' assurance, community centres for (re)integration and support granted to disadvantaged children, families and solitary elderly people.

Governmental policies

The first social reform launched in the Republic of Moldova in 1994 aimed to equitably index the social insurances. In 1998 the Government launched the Strategy for Pension Insurance System Reform with the purpose to set up a new social insurance system that would be financially stable and

³⁷ "Situation of institutionalized children", developed by the Food Security Programme of the European Commission together with "Every Child", Chisinau, 2005.

³⁸ "Situation of children left without parental care as a result of emigration", UNICEF, Chisinau, 2006.

³⁹ The average is calculated based on the results of pension system evolution modelling, see „Republic of Moldova's Pension System: actuarial expertise”, Ministry of Social Protection, Family and Child of the Republic of Moldova, Chisinau, 2007.

socially equitable, encouraging contribution and discouraging distribution. The Strategy provided for increase of retirement age, promotion of private social insurance systems, cancellation of retirement advantageous conditions and other elements, the majority of which were stopped in 2002. As a result only a part of the strategy provisions were implemented. It was managed to reduce the debts owed to insured persons and to eliminate the phenomenon of pensions payment holdback. These achievements were obtained mainly due to the organisation of disciplinary payments towards the social insurance budget. Besides, based on the strategy provisions there was implemented the mechanism for individual record of tax payers and social insurance contributions thus allowing to ensure a link between contributions and payments.

In 2004 there was a try to merge retirement conditions by eliminating the advantageous conditions for some categories of citizens, but the effect was limited. The pension system continues to remain unequal for different categories of persons. The merging of the retirement conditions is obstructed by decision makers as the decision to set up a single pension system is first of all a political one. Reform tergiversation induces tax payers' dissatisfaction as they are rather burdened by the reduced substitution rate. For the purpose of reducing the inequalities specific to the retirement system in agriculture, in 2006 the Government approved the Strategy for Retirement System Reform in Agriculture⁴⁰. The Strategy provides for application of farmers' individual contribution share and partial subsidies from state budget. The given solution was a short term one. The most efficient mechanism for the entire social insurance system is the individual contribution (purchase of social insurances) of employees from all sectors.

For the purpose of improving the financial stability of the state social insurance system and to set up a single system for age-

limit pensions for all categories of employees, there was developed the Plan for ensuring the financial stability of the state social insurance budget⁴¹. However, the given plan did not induce essential changes and the system remained to be differentiated and unstable. The Government is not capable to manage the risks implied by this system, risks related to possible social protests and political pressures from agrarian sector employees and public servants. Besides, when implementing this plan, the employees from profitable sectors might lose their motivation to pay fully their contributions to the state social insurance budget.

No significant progress is achieved in settlement of private pensions funds either. The economic instability, the lack of interest manifested by the pension funds with foreign capital towards the Republic of Moldova and the poor capacities of the government to mediate the relations between private funds and pensions' beneficiaries reduce considerably the possibility to implement in the nearest future other social insurance mechanisms, even though there are recent examples of such reforms in the neighbouring countries⁴².

Intending to rationalize the mechanism for nominative compensations' provision, the Ministry of Social Protection, Family and Child has initiated the implementation of the Pilot-Project for testing the mechanism of nominative compensations' granting⁴³. The goal of the project is to perform a trial test in Soroca, Orhei, Leova Rayons and Riscani rayon from Chisinau municipality of incomes reported by families with the help of some "filters". When applying the filters, it was managed to exclude 19% of people out of the initial number of beneficiaries for nominative compensations, thus proving that there are reserves in regards to the equitable provision of compensations.

The international experience proved that the development of the social services meant for child have to be reoriented from the traditional institutions for care provision towards the assistance and support offered to family and community. The state is no longer the only responsible, although it still provides resources for the residential institutions with a high number of children. We cannot talk about state inactivity

⁴⁰ Decision of the Government of the Republic of Moldova no.1219 of 23.10.2006.

⁴¹ Developed within the Strategy for Pension Insurance System Reform dated from 23.09.1998, approved by the Administration Board of the National House for Social Insurance.

⁴² Recently Romania introduced a multi-pylon pension system that combines state system, private administration and auxiliary pension funds.

⁴³ Decision of the Government of the Republic of Moldova no.1119 of 27.10.2005.

as there were actually passed and approved laws, strategies and action plans that were favouring child's care in the family. But, for the time being, the practical aspect is left for international and non-governmental organisations to deal with (details in **SPECIAL TOPIC: CHILD PROTECTION**).

Institutional capacities building in social assistance field was a priority both: for the public field and the association sector. Up till recently, the social services network was lacking the most important link – the social assistant at community level. With UNICEF's representative in Moldova, the Ministry of Social Protection, Family and Child has organized the process for community social assistances' recruitment that are to work within mayoralty offices. At the present moment 530 social assistants are employed, but there are a lot of constraints that may affect the capacity of the social assistants' network. The recruitment of social assistants was performed in emergency regime by neglecting employment procedures. The majority of social assistants employed at community level do not have special training in the given field.

For social assistants to carry out efficiently their professional tasks, it is necessary to organize an initial training process at national level based on a standard-model approved by the MSPFC. All in all, there is a need of 1200 units of social assistants at community level. In this context, the Ministry of Education and Youth reduced the number of university places for the faculty of social assistants at university level. The hasty approval of some important decisions in the educational policy has become already a tradition for the Republic of Moldova, as mentioned already in the section **VOCATIONAL EDUCATION**. This fact proves that there is no mechanism for inter-ministry activities coordination. Another constraint for the good functioning of the network is the wage of the social assistant. At the present moment the wage of a social assistant counts for 540 MDL – just 100 MDL more than the average pension in the country – a fact that does not motivate at all for professional activity loyalty.

Recommendations

For the purpose of ensuring financial stability and security of the social insurance system there should be accelerated the process for implementing the Strategy for Pension System Reform and namely:

- **Increase of taxpayers number by ensuring the individual record for all categories of employees, including the ones from agriculture.** So as to lessen the discrepancies between the contributions of the agriculture employees and the insurances they benefit from, it is necessary to introduce individual record codes for every taxpayer (SIPA) and the obligatory scheme for social insurance of agriculture employees. At the same time, it is indispensable to develop a mechanism for individualized testing of incomes, living standards of all categories of citizens, thus inducing a possibility to rationalize the social insurance redistribution system.
- **Merge of retirement mechanisms for all categories of employees so as to diminish inequitable distribution.** It is important to reduce discrepancies between pensions provided to public servants, member of parliament, etc. and simple citizens. These actions should improve taxpayers' trust and confidence in retirement system.
- **Increase of citizens' retirement age represents the most efficient method for mitigating the substitution rate decrease.** Stabilization of social insurance system and increase of medium term payments may be achieved by increasing the retirement age up to 65 years old for men and women. This fact should allow increase of substitution rate in average with 1,0–1,6% annually. While the retirement age increases, the number of employed persons also increases and this shall give a possibility to increase the majority of social insurance forms and respectively to improve the living standards of social insurance beneficiaries. In the same context, the delay of retirement age shall offer an opportunity to really increase the pension without affecting the financial stability of the social insurance system.
- **Complete the present-day pension system with private pension funds.** It is recommended to have a pension system based on three pylons⁴⁴: the first one representing the existent state insurance system; the second – private administration of a part from employee's contribution to scheme 1, the contribution could be of 2% from the gross monthly wage; and the third pylon is set up from optional pensions funds, where the employee or the employer may pay a part from the salary income.

⁴⁴ Such pension auxiliary systems were implemented in the majority of countries from Central and Eastern Europe.

- ▶ **For the purpose of increasing the substitution rate, there should be introduced a single share of social insurance contributions for all categories of citizens.** This change may increase the substitution rate for medium term with 6-8%.
- ▶ **Assurance of compensating effect upon categories of citizens in need through nominative compensations and other social services imposes their integration in family support programmes.** The granted support should be oriented towards family's specific needs, decreasing thus the number of institutionalized children and impoverished families.
- ▶ **For the purpose of avoiding the excessive institutionalization of social assistance services, it is necessary to assess the needs of local communities in regards to creation of new services at local level.** It is necessary to have a horizontal cooperation between public administration authorities and donors so as to avoid creation of services that afterwards cannot be efficiently managed by local public administration.
- ▶ **Methodical and institutional improvement of the training framework for social assistants employed at local level.** For the social assistants from local level to become social protection key-stakeholders, it is necessary to revise their wage category. It is also necessary for each social assistant unit to have a well-balanced working programme so as to direct his/her efforts towards different categories of beneficiaries and not only towards elderly people.
- ▶ **For saving public resources, it is necessary to have legislative and institutional modifications so as to make possible for local authorities to procure services offered by NGOs.** This fact shall enhance social protection system capacity to react efficiently to social problems.
- ▶ **Approve and implement quality standards for social services offered to different categories of beneficiaries.** For achieving the given purpose, it is necessary to urge the approval process of the Law on Accreditation and Evaluation in Social Assistance Field. At the same time, these standards will be efficient only when the mechanism for evaluation and accreditation is used equally by public institutions and nongovernmental organisations.

1.5. Special topic: Child Protection in Moldova

Ratifying the UN Convention on the Rights of the Child⁴⁵, the Republic of Moldova has committed itself to promote child rights and to develop a national policy for child protection against all forms of physical or mental violence, injury or abuse, neglect or negligent treatment, maltreatment or exploitation, including sexual abuse, while in the care of parent(s), legal guardian(s) or any other person who has the care of the child⁴⁶. For ensuring full implementation of international provisions and observing children's rights, it is necessary to set up a single system for child protection based on the four principles provided for in the Convention:

- *Child's best interest* – all actions in regards to the child shall take into account the totality of his/her superior interests.
- *Non-discrimination*– all rights are applicable to children with no exception and the state shall ensure children's protection from any form of discrimination.
- *Survival and development* – every child has the right to life; states parties shall ensure children's development, harnessing their potential to the maximum extend possible.
- *Child's participation* – every child has the right to express his/her own opinion that has to be taken into consideration in any procedure or issue affecting him/her.

A number of documents were passed in the field of child and family protection policies. The most relevant are the Concept⁴⁷ and National Strategy on Child and Family Protection⁴⁸, the National Action Plan in Human Rights field⁴⁹, the National Strategy and Action Plan "Education for all"⁵⁰, the EU – Republic of Moldova Action Plan⁵¹, the Strategy and the Action Plan for the child residential care system reform for 2007 - 2012⁵². In spite of all efforts undertaken for policy making, the present-day system for child protection in the Republic of Moldova is fragmented, inefficient with a poor approach towards prevention services⁵³. Prevention and care in the family or family-related environment are the optimal forms for protection of children left with no parental care; nevertheless institutionaliza-

tion continues to remain the main protection form for such children in the Republic of Moldova. Family support and family-related environment services are underdeveloped, and state funding is either limited or missing at all. Presently, over 12 thousand of children from the country are placed within 67 residential institutions. Unsatisfactory living conditions represent the main cause for child's entering the protection system, 85% of institutionalized children are coming from socially vulnerable families having one or both parents alive.

An essential drawback of the child protection system is the lack of independent monitoring structures for child rights' protection and promotion. This drawback was noted within the Final Observation of the Committee on the Rights of the Child in 2002, where the Republic of Moldova is recommended to establish the function of "child's advocate", either within the Centre for Human Rights or as an independent institution⁵⁴.

The constant reform of local public administration system has determined the instability and the slow development rhythm of the institutional framework for child protection both: at central and local levels. At rayon level, child protection structure is insignificant, covering just 2-3 specialists that deal with child and family protection. Child protection responsibilities were not clearly segregated at central level either.

There are maintained financial mechanisms that do not promote and do not sup-

⁴⁵ Decision of the Parliament of the Republic of Moldova no.408-XII of 12.12.1990, which entered into force on 25.02.1993

⁴⁶ Article 19 of the UN Convention on the Rights of the Child.

⁴⁷ Decision of the Government of the Republic of Moldova no.51 of 23.01.2002.

⁴⁸ Decision of the Government of the Republic of Moldova no.727 of 16.06.2003.

⁴⁹ Decision of the Parliament of the Republic of Moldova no.415-XV of 24.10.2003

⁵⁰ Decision of the Government of the Republic of Moldova no.410 of 04.04.2003 and no.527 of 21.05.2004.

⁵¹ Decision of the Government of the Republic of Moldova no.356 of 22.04.2005.

⁵² Decision of the Government of the Republic of Moldova no.784 of 09.07.2007.

⁵³ Speech of the President of the Republic of Moldova, Mr. Vladimir Voronin, during the National Conference „Social Dimensions of the Child Protection System in the Republic of Moldova” of 29.05.2006.

⁵⁴ Final observations of the Committee on the Rights of the Child: Republic of Moldova, CRC/C/15/Add.192 of 4.10.2002, Point13.

port development of community services for family protection. The existent financial system does not encourage community social services referring, as those who initiate placement process do not have financial responsibilities (local authorities may offer the child within the residential institution direct funding from the state budget).

Local public authorities lack experience in management and organisation of social services for family and child. This situation is caused by the fact that up till now social services were offered and led in a centralized way. Because of low salaries, the field of social assistance and protection of the child is not attractive for specialists (social assistants, psychologists, speech therapists etc.).

The establishment of the Ministry of Social Protection, Family and Child⁵⁵ as a central body for child protection should be mentioned as a positive aspect in social policies implementation in child protection field. Thus, the state took into account the recommendation of the UN Committee on the Rights of the Child⁵⁶. As a result, there should be revised the need to have an existent Permanent Secretariat of the National Council for Child Rights Protection, given the fact that the structure is rather obsolete and inefficient.

It is worth mentioning the recent remarkable change of attitude in social assistants' recruitment⁵⁷. According to the new Regulation, the social assistants employees are performing their work activities on the territory of the mayoralty for which they were selected. This would allow optimizing the efficiency by concentrating financial and human resources and fulfilling the National Strategy on Child and Family Protection in regards to decentralization of social services for child and family at village and commune level. The social assistance activity shall be carried out as close as possible to the environment in which the child is developing, within his/her family and his/her commu-

nity of origin. Depending on encountered social problems, the local councils shall be supported for setting up different alternative services like: day-care centres (including for children with disabilities), professional parental assistance services, counselling services (including parents' counselling), services for abandon prevention and child keeping in his/her own family. But for the time being, the state did not assured the conditions and the mechanisms for carrying out the partnership with the civil society, first of all for concession of social services. Only when establishing such measures, it would be possible to set up an efficient system with a range of diverse services that would be in line with the needs of the children and the families from the community and ensure the non-selective enforcement of the principles provided for in the UN Convention on the Rights of the Children.

A recommendation (ignored for the time being) of the UN Committee on the Rights of the Child refers to the establishment of an efficient mechanism for receiving and presenting claims of children from within the care system⁵⁸. Another drawback deals with the lack of a registered and permanently updated database on children places in the residential institutions, as well as of an evaluation and monitoring mechanism of children being under protection system.

Although progress was registered for policy making, the implementation and the improvement of normative and legislative acts and standards provided for by these policies is really lamentable. The Assessment Report on „Implementation of the National Action Plan in Human Rights field”⁵⁹ shows univocally that the majority of objectives suggested for 2004 – 2006 were not fulfilled. The same situation goes for the National Strategy on Child and Family Protection approved in 2003. The implementation of the last was to be carried out through a National Action Plan that unfortunately is not yet developed.

The most bizarre thing refers to Government's indolence in regards to the regulation of guardianship bodies' organisation and functioning – institutions responsible for child rights protection. Thus the Regulation of Guardianship Bodies developed in 1972 is still in force, as long as it does not

⁵⁵ Law of the Republic of Moldova no.357 of 24.11.2006 for the amendment of article 24 of the Law no.64 of 31.05.1990 on Government.

⁵⁶ Final observations of the Committee on the Rights of the Child: Republic of Moldova, CRC/C/15/Add.192 of 4.10.2002, Points 10, 11.

⁵⁷ Decision of the Government of the Republic of Moldova no. 24 of 10.01.2007 for approval of the Regulation on social assistants' recruitment procedures.

⁵⁸ Final observations of the Committee on the Rights of the Child: Republic of Moldova, CRC/C/15/Add.192 of 4.10.2002, Point 30 letter (f).

⁵⁹ UNDP, Chisinau, December 2006.

infringe the legal provisions adopted after Republic of Moldova's proclamation as an independent state.

The Family Code of the Republic of Moldova⁶⁰ represents the basic law – obsolete and very rigid – that establishes the protection forms for children left with no parental care. Recently, there was set up a working group covering representatives from central and local authorities, UNICEF, civil society and academia environment for developing a draft law for amending and completing the Family Code. The suggested amendments focus on child development and upbringing mainly in the family, substantial reduction of children places in residential institutions, organisation of good functioning for services dealing with prevention of child separation from parents, active involvement of civil society in child protection activity for children left with no parental care, clear definition when to attribute to a child the status of “*child left with no parental care*”, fulfilment of the objectives suggested in the National Plan for Human Rights Protection (NPHRP) and the harmonization of the Code's provisions with the international norms and standards.

The legislation from the given field and the present funding mechanism stimulates children's placement in residential institutions. The financial and material resources continue to be mainly focused on the institutions and the children placed within these intuitions and less on children at risk to be abandoned or children in difficult situations⁶¹. The calculations show that residential care is a rather costly care form as compared with the prevention services based on family and community support. The funding of the social institutions is made from the state budget in a centralized way and implies costs from 12 up to 39 thousand MDL per year for every child⁶².

This happens because local public authorities, though having duties and competences in the field of protection of the child from the locality, do not have financial resources and initiate placement of children at risk in institutions with national funding. For overcoming these lacks, it is necessary to fully reform the entire system of residential care, as well as to amend the law on local public finances.

The approval of the minimum quality standards for care, education and socialization of children from the residential institutions is very welcome⁶³, as they emphasize the priority assurance of a family environment for children left with no parental care as against protection through residential placement. The National Strategy and the Action Plan regarding the reform of the residential system for children care approved recently provide for a decrease with up to 50% of the number of children from residential institutions, as well as the reorganization of these institutions.

The essential recommendations for straightening out the situation in child social protection system from Moldova refer to the harmonization of the national legislation with the provisions of the UN Convention on the Rights of the Child, administrative decentralization, enhancement of the institutional and financial framework and establishment of some mechanisms for cooperation with civil society.


- Development and approval of operational mechanisms (criteria for admission into the child protection system, minimum quality standards, etc.) for preventing children's separation from their families, except for the situations when keeping the child in the family endangers his/her development and wellbeing.
- It is necessary to regulate explicitly parents', state's and local community's role in children's development and upbringing, taking into account children's superior interests and subsidiary responsibility of the local community.
- There should be regulated the way in which the state assures families with social and psychological support, as well as services for parental skills' development for the parents to be able to offer the best possible care to their children.
- For each child there should exist an individual care plan defining the objectives and the duration of the placement by taking into account child's opinion. The individual care plan should be revised periodically and should include an adequate support when the child exits the protection system so as to integrated him/her in normal social life.

⁶⁰ Organic Law, no.1316 of 26.10.2000, in force since 26.04.2001.

⁶¹ Speech of the President of the Republic of Moldova, Mr. Vladimir Voronin, during the National Conference „Social Dimensions of the Child Protection System in the Republic of Moldova” of 29.05.2006.

⁶² Ibidem.

⁶³ Decision of the Government of the Republic of Moldova no.432 of 20.04.2007.

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- ▶ The mechanisms for submission and examination of claims from children under protection system should be further on developed for the child to feel himself/herself in safety and free to express his/her own opinion.
 - ▶ Development and approval of the law on subsistence minimum that would ensure a guaranteed minimum income to any family or person with an income less than the minimum consumption needs. The lack of such a normative act is a violation of person's right to decent living.
 - ▶ Alongside with the central public administration reform, it is necessary to enhance local public administrations through clear segregation of functions and responsibilities between central and local authorities, taking into account the principle of local autonomy and financial independence increase for local public authorities as well as their subsidizing from national budget through inter-budgetary transfers.
 - ▶ Establishment of the "child's advocate" institution as an independent body for monitoring child rights' observance.
 - ▶ It is necessary to develop new financial mechanisms with public finances' reorientation towards local authorities alongside the transfer of some duties from state central authorities' competence to local public administration authorities elected within administrative-territorial units of level I and II. At the same time, the new financial mechanisms should encourage the development of family support services and family-type and close-to-family-environment protection forms.
 - ▶ For the purpose of increasing the quality of rendered services, the system personnel should be trained professionally on compulsory basis and attend periodically training recycling courses. It is also necessary to increase the salaries, contributing to staff motivation and employment of personnel with higher education.
 - ▶ Establishment of a viable partnership with civil society means concession of services and collaboration with non-commercial and private organisations, favouring the development of a competitive market for social services providers.
 - ▶ At communication level, it is necessary to develop a complex communication strategy in child protection field for increasing the visibility of obstacles encountered in child protection sector with the aim to enhance the good practices and attitudes in the field.

PEOPLE

2

*Demography:
a latent threat*

**“
Life is long, if you know
how to live it.”**

Seneca, Roman philosopher





Demography: a latent threat

The conclusions of this chapter fully justify its name: the demographic developments are indeed a latent threat for the Republic of Moldova. So far, the demographic risks have not been considered seriously and no instruments have been developed for their management. The changes in people's reproductive behaviour, coupled with a high death rate, fostered a negative growth rate over the past decade. The natural factors were accompanied by the negative socio-economic factors, which generated a huge emigration and intensified the depopulation process. The long-term emigration further damaged the family institution, including in the rural areas, intensifying the trend to increase the divorce rate and leaving many children to be raised in disintegrated families. The country's demographic picture is not full without the phenomenon of internal rural-urban migration. Being a natural feature of the social and economic modernization, the internal migration further depresses the potential of demographic reproduction.

2.1. The birth and mortality crisis

“Demographic crisis” and “latent depopulation” are terms, frequently used to describe the current demographic realities of the Republic of Moldova. The decreasing number of people is determined by the low birth rate, emigration and increased death rate, and the complex interaction of these factors accelerated even more the depopulation phenomenon. If on 1 January 1997 the number of people present⁶⁴ in the Republic of Moldova (excluding the Transnistrian region) amounted to 3657.3 thousand people, then on 1 January 2007 the number of inhabitants amounted to 3581.1 thousand (**Figure 6**). During one decade only, the number of inhabitants decreased by 2.1%, in rural areas – by 0.5% and in urban areas – by 4.3%.

Like in other ex-soviet countries, the depopulation is generated by a complex combination of two categories of factors⁶⁵. *First*, the Republic of Moldova is experiencing a demographic transition, which started earlier than the economic transition and is characteristic for all European countries. The demographic transition is also manifested through a diminished birth rate, which started to drop significantly in mid 1980's. *Second*, the demographic processes were influenced by the difficulties specific for a period of economic transformations. It is difficult to estimate the quantitative effect of the transition on the demographic indi-

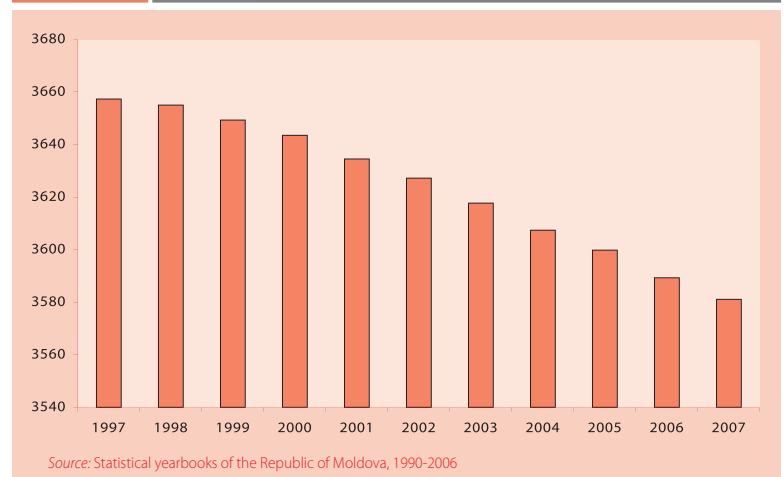
ces, but it seems that the peak was reached in mid 1990's. During that period the life expectancy was lowest, the worsening of the situation being especially noticeable for men (**Figure 7**).

According to the census data and civil status statistics, the natural increase has

EVOLUTIONS: -2
SITUATION: -1
PERSPECTIVES: -2

Figure 6

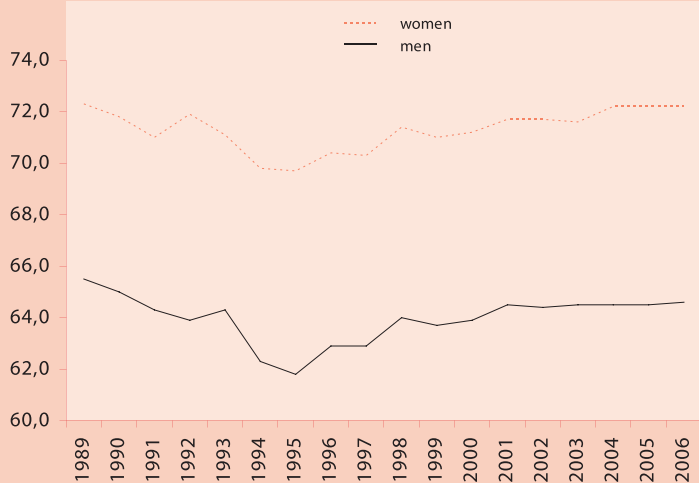
Evolution of the number of people present in the Republic of Moldova, thousand people (excluding Transnistria)



⁶⁴ The methodology, used by the Moldovan National Bureau of Statistics, differentiates between the present population and permanent population. The present population consists of the people, who are physically present on the territory of the Republic of Moldova at the moment of the census or annual calculations, including the temporary domiciled people. The permanent population consists of the people, who have permanent residence in the Republic of Moldova, including those who are not temporarily in the country.

⁶⁵ Centre for Demography and Human Ecology /Центр демографии и экологии человека Института народнохозяйственного прогнозирования РАН/ „Страны СНГ переживают демографический кризис”, 2005.

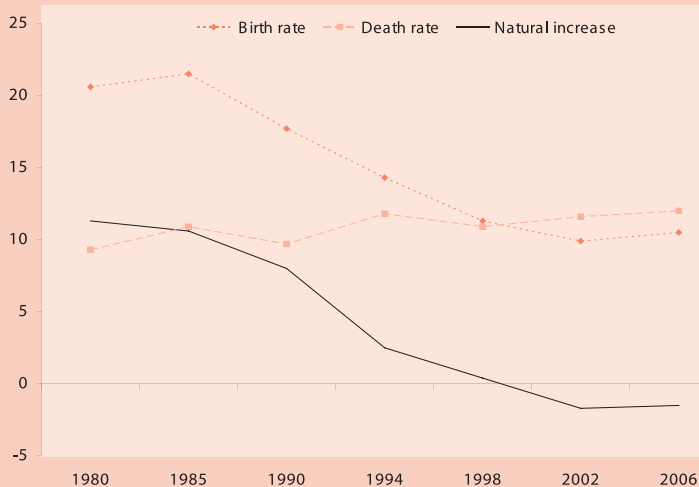
Figure 7 Evolution of life expectancy in the Republic of Moldova, years



Source: Statistical yearbooks of the Republic of Moldova, 1990-2006

been constantly decreasing over the past 16 years, from 8.0‰ in 1990 down to 1.5 ‰ in 2006 (Figure 8). This was caused by the diminution of the birth rate, couple with the increase in the death rate. In general, a **restricted demographic reproduction type** was established since 1999, with deep transformations in people's demographic structure and numeric evolution. It is especially alarming that the rural areas, regarded till recently as the main source of the demographic potential, also reached the incapacity of demographic reproduction (Figure 9).

Figure 8 Evolution of the main indices of people's reproduction



Source: Statistical yearbooks of the Republic of Moldova, 1990-2006

⁶⁶ The population aging index (or coefficient) is calculated as the number of people aged 60 years or more to 100 inhabitants. According to Bojo-Garnier scale, a population is regarded as aged if this index reaches 12%. When it reaches 15%, the situation is regarded as critical.

So far, the birth rate in the Republic of Moldova is a bit higher than in other transition countries from Europe and Caucasus (10.5‰ against 9.8‰, as of 2004). Thus, the negative growth rate is explained by the very high death rates, even for the group of transition countries. The main cause of death are the disorders of the circulatory system, specific mainly for women (65.1% of cases, against the 48.3% for men). The accidents, poisonings and traumas are another important cause of death, especially among men (12.8%). In addition, the Republic of Moldova has the highest infant mortality rates. Though the infant mortality rate has decreased significantly, from 22.4 cases per 1000 live births in 1994 down to 11.8 cases in 2006, this indicator is still high, if compared with the European average (6-7 cases per 1000 live births). For more details see **PUBLIC HEALTH** section.

Though the natural depopulation (manifested by the death rate exceeding the birth rate) is a key factor of the depopulation process, the influence of emigration, as a factor of mechanical depopulation, becomes more and more visible, further undermining the people's reproduction process (**EMIGRATION** section). The internal rural-urban migration, which started 25-30 years ago and is still intense, contributes to the diminution of the demographic reproductive potential by involving the groups of reproductive age (see **INTERNAL MIGRATION**).

In parallel with the natural depopulation and emigration, and mainly due to these, a strong trend of population aging is noticed (Figure 10). If according to 1989 general census data, the average people's age was 31.8 years, than in 2004 it was 35.3 years. The ratio between generations is diminishing to the favour of the elderly, and this process accelerated since 2000.

The population aging index has exceeded the critical limit over 15%⁶⁶. Thus the demographic ageing takes place both "horizontally" – less numerous new generations, and "vertically" – higher average lifetime of people. If compared with 1997, the share of young people, under 14 years of age, decreased by 18.1%, or 283.4 thousand people. In addition, the share of people over 65 years of age increased from 9.3 to 10.2%,

or 29.5 thousand people. This phenomenon could not be reversed in the short and medium term, even if the birth rate is improved.

Risks

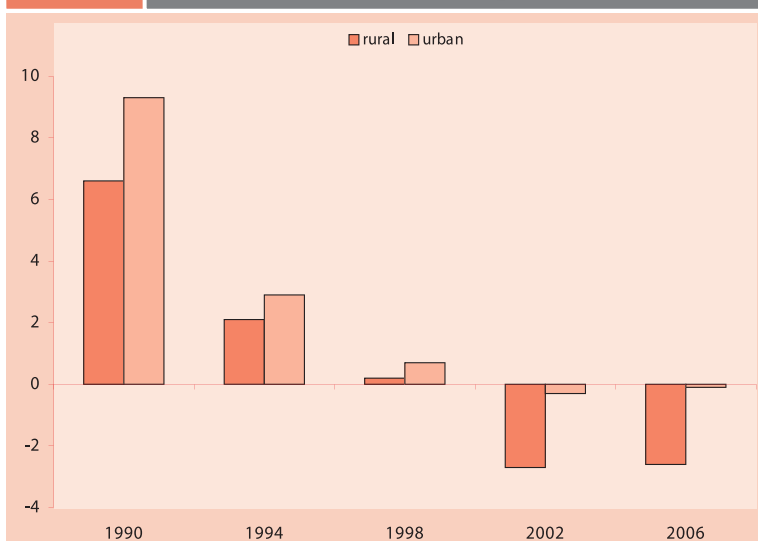
Though most of the European countries encounter demographic problems, the high speed and deepness of this phenomenon in the Republic of Moldova poses huge risks in the long run. According to UN forecasts, by 2050 the number of people in our country could drop down to 2.8 million inhabitants⁶⁷. Once started, it is very difficult to reverse the demographic crisis. Its long term implications are very serious, as people are the main resource of our country. The external demographic pressures will also increase in the long run. The Republic of Moldova is actively entering a new phase, and it cannot be considered an area with demographic reserves any more. On the contrary, the shortage of human potential will become more acute and the people's genetic fund will be endangered. The shortage of human resources is already felt in some economic sectors, as well as in a number of geographic areas.

The age structure of the population is also marked by an alert demographic aging process. The structure of adults by age and gender also changed significantly. The number of people over 80 years of age continues to increase, with important social and economic implications. If the "younger" groups of the elderly are still economically active and can earn their living, the "very old" people, especially women, depend on others. This will increase the expenditures for providing social support to the elderly. The situation will worsen by 2010-2015, when the generations born during 1948-1950 will reach the retirement age, their number being 2-3 times bigger than of the previous generations. The continuously increasing number of elderly people will need state support under the social protection system (see **SOCIAL PROTECTION POLICIES**). This problem is worsen even more unless the occupational and social policies are adjusted to the increasing lifetime period and the labour productivity increases quickly (**LABOUR MARKET** section).

Governmental policies

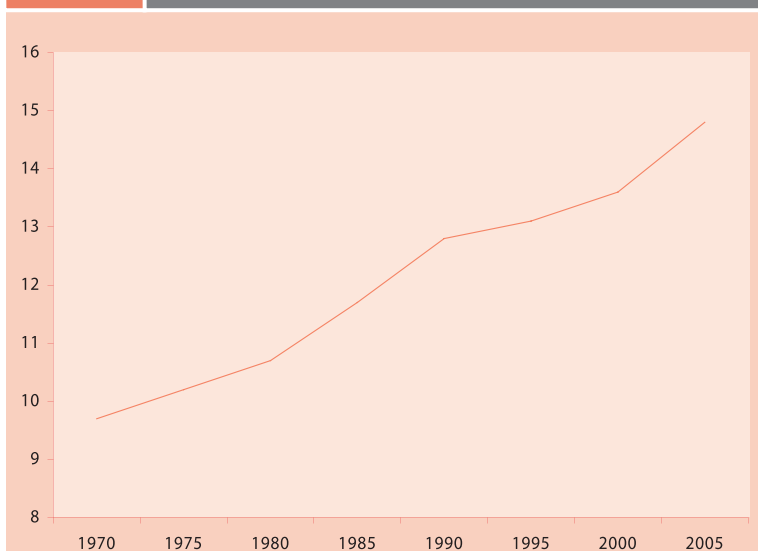
It is difficult to develop a pro-natal-ity demographic policy in a country with a shortage of financial resources, as the demographic policies are very costly. The involution of demographic indices cannot be corrected unless the main social and economic parameters – level of revenues, access to health services, equality of changes – are improved. It is not surprising that the Republic of Moldova doesn't have a proper demographic policy and still used the fi-

Figure 9 Evolution of the natural increase by areas of residence, ‰



Source: Statistical yearbooks of the Republic of Moldova, 1990-2006

Figure 10 Population aging index



Source: Statistical yearbooks of the Republic of Moldova, 1995, 2006

⁶⁷ „World Population Prospects: the 2006 Revision Population Database”, UN Population Division.

nancial instruments inherited from the old political system, which don't meet the new demographic challenges any more. At present, the monthly child allowances don't cover even 30% of the real expenditures for the maintenance of a child. The monthly child allowances, offered for children till 1.5-3.0 years, barely cover 10% of the minimum consumer basket.

Recommendations

- It is not possible to develop demographic policies without fundamental researches and demographic forecasts for medium and long term. For this, it is necessary to establish a university centre or NGO, specialized in demographic issues that would make complex researches of the demographic phenomena. At the same time, it is necessary to assure a transparent functioning of the National Committee for People and Development.
- The desire to make a career and the tough conditions on the labour market made many young women to postpone or even give up on having children. Therefore, in parallel with promoting the women's reproductive role in the society, it is necessary to assure a social and economic equity, firstly equality of salaries and changes of professional promotion between men and women. After the delivery, women should have the possibility to return to the same function, with the previous or even higher salary. The state should cover the share of the salary that is not temporarily assured by the labour productivity.
- In the short run, the growth rate can be brought to positive values only if the death rate is reduced under the birth rate. As the birth rate will continue to drop in the nearest future, the death rate should decrease rapidly as to compensate the negative effects. This is possible by improving the health care system and educating an appropriate attitude of people for their health and lives, especially in young people.
- The diminution of the infant death rate has a high potential to reduce the overall death rate. At present, the infant death rate is twice as big as the European average. In particular, the infant death rate induced by infectious and breathing diseases is especially high. To improve this situation it is not enough only to enhance the mother and child health system, by monitoring the health status during the pre- and post-natal period, but it is also necessary to recover the bad environmental situation (see section HUMAN IMPACT ON ENVIRONMENT).
- A large share of deaths of infants and children under the age of 5 is caused by the insufficient knowledge of mothers. As pregnant women are not properly informed about possible risks and the lifestyle they should have during pregnancy, many children die under the age of 5 because of congenital malformations. One quarter of infant deaths occur out of the hospital. It is also suggestive the fact that the Republic of Moldova has one of the highest infant death rate through accidents and poisonings.
- It is necessary to adopt a pro-nataly demographic policy and introduce higher financial allowances for families that give birth to two or more children. It is not recommendable to differentiate the allowances by the living environment or other criteria in order to avoid any possible speculations. The monthly child benefits, offered till the age of 1.5 years, should at least equal the annual average salary, both in the public and private sectors. Starting with the second birth, the monthly benefits should be doubled and offered till the age of 3 years.
- Moldova should get prepared to cope with a more acute ageing of its population. This trend will request that the health care system be adjusted to the needs of the elderly. The pension system will also need to be reformed. The sustainability of this system is endangered by the high number of emigrants, who might return back home when they get older. The increasing demographic pressure on the economically active population will call for higher income taxes. To outweigh somehow these negative trends, it is necessary to extend as much as possible the duration of the economically active life of the elderly and set up a life-long training and education system.
- In spite of the decreasing birth rate in the rural areas, there are still some reserves there for the long term reproduction of people. This will not be possible unless the demographic indicators improve in the rural areas, rural areas become more attractive for young people in economic terms and the social infrastructure for proper life (health care, cultural and educational institutions) is established. Hence, the long-term demographic policy could have chances only in the context of a sustainable rural development.

2.2. Family crisis

Diagnosis

The family is the primary unit of a human society, having a fundamental economic, social, and demographic importance. Its main functions are to assure the human continuity, form and develop the intellectual, moral, spiritual and physical skills of the young generation, convey the adults' life experience and maintain the accumulated wealth. In the Republic of Moldova, the economic and demographic transition has caused essential transformation to the family institution. If there are high gaps between the local death and birth rates and the European ones, then there is a convergence in case of families - malefic indeed - towards the "European model" of families, a trend which poses a demographic disadvantage for the country.

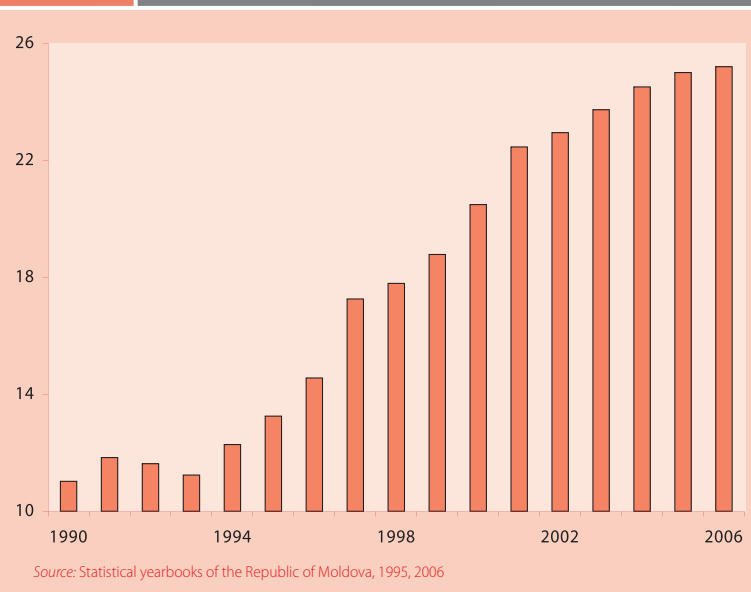
Thus, the process of family shrinking has accelerated. If in 30 years (1959-1989), the average number of persons in a family went down from 3,8 to 3,4 persons, in the following 18 years (1990-2007), the number of persons decreased, practically, by the same, reaching 3,1 persons. In 1970 the number of two-people families accounted for 26%, whereas in 2004 this share reached 31%. The share of families with one or two children is also increasing. Thus, if in 1989 such families accounted for over 83% of all families, then in 2004 they accounted for 86.5%. This is accounted for by a persistent tendency to postpone child birth, as a reaction to the unfavourable social economic environment. The public perceptions confirm this assertion: 33% of citizens believe that at present the conditions that might stimulate young people to give birth to children are "a little more unfavourable" if compared with one year ago, and 14% claim they are "much more unfavourable"⁶⁸.

The second tendency, which is becoming poignant, is the growing number of children born outside marriage (*Figure 11*). Obviously, the number of unmarried mothers is not increasing highly, as in the current socio-economic context the decision to give birth to a child in a one-parent family would be very difficult to explain. The dynamics in

the number of children of unwed parents reveal the essential changes in the lifestyle during the pre-marriage period, the extramarital relationships becoming more popular⁶⁹. At the 2004 census, 57 thousand men and 60 thousand women reported being "unofficially married". The fact that children are born not by unmarried mothers, but in unofficial marriages doesn't mean that the family relationships are strong, but the opposite. The erosion of the family relationships is also observed in the public perceptions. Over 39% of citizens declare that "the family relationships seem to have worsened during the past decade", and 22% - that "the family relationships have severely deteriorated"⁷⁰.

EVOLUTIONS: -2
SITUATION: -1
PERSPECTIVES: 0

Figure 11 Children of unwed parents, % of total children born



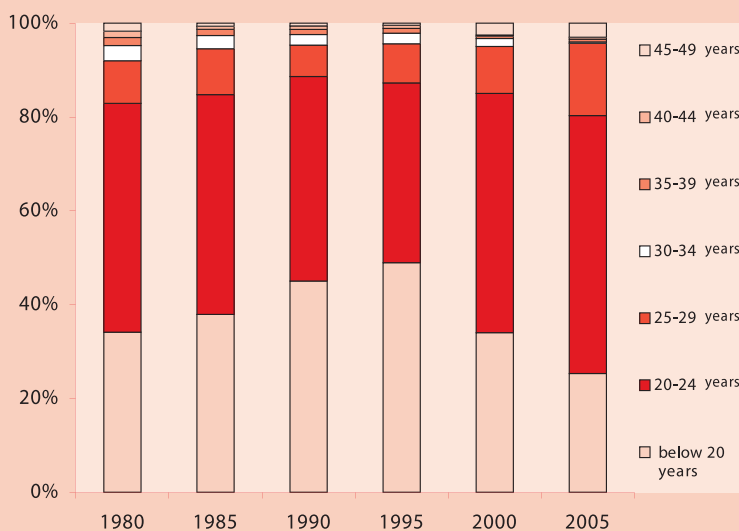
Another important development is the increase of the marriage age. If in 1990, 35% of women were getting married under the age of 20 years, then in 2006 this share dropped down to 25%. Conversely, the share of marriages at the age of 25-29 years increased significantly (*Figure 12*). The long term consequence of this change is the low-

⁶⁸ "Republic of Moldova 2007: State of the Country and of the People" sociological survey.

⁶⁹ The extramarital relationships represent a socio-demographic process, characterized by the refusal of people to legalize their relationships, due to certain reasons (economic, social, moral). From the perspective of social moral, the extramarital relationships reveal a degrading society, with multilateral and lasting effects.

⁷⁰ "Republic of Moldova 2007: State of the Country and of the People" sociological survey.

Figure 12 Trends in the marriage rate by age (women) during 1979–2005



Source: Statistical yearbooks of the Republic of Moldova, 1995, 2006

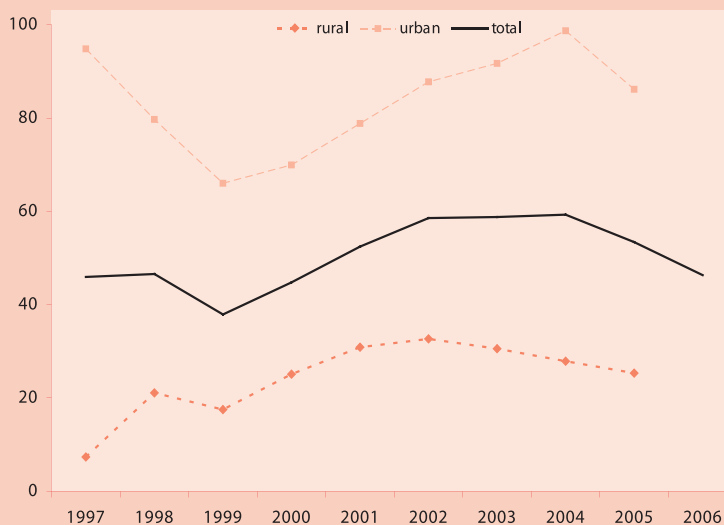
er probability of having the second or third child in the family. Even the birth of the first child is later than the marriage, being frequently delayed by up to 3-5 years. This has a three-sided effect: 1) higher probability of an early divorce in a childless family; 2) more risks during the child delivery, caused by the mother's older age; and 3) lower probability of having the second child, as the mother's age at the birth of the first child determines the number of children in the family. Over 70% of the families, where the mother had

21-27 years when giving birth to the first child, have two and more children, and the older the mother at the first birth, the lower the probability of having the second child.

If the aforementioned elements could be interpreted as manifestations of the social modernization, the real family crisis is the ease of divorces. From this point of view, Moldova has joined long ago the Western patterns. During 1990-2004 the gross divorce rate increased almost twice. One fourth of divorces take place in the families that had been married for less than 5 years. It is worrisome the accelerated divorce rate in the rural areas, where the traditional conservative attitudes towards the family don't prevail any more. However, it is worth mentioning that during the past two years this trend has slowed down, the general divorce rate dropping from 59.3 cases per 100 marriages in 2004 to 46.5 cases in 2006 (*Figure 13*).

The divorces of families with minor children account for one third of all divorces. As a result of family break-down, thousands of minor children remain without one of their parents, though the absolute number of such children is decreasing (*Figure 14*). At present, about 15% of children live only with their mother, though their father is still alive, and 5% of children live only with their father, though their mother is still alive (the emigrants' children are not included here).

Figure 13 Evolution of the general divorce rate



Source: Statistical yearbooks of the Republic of Moldova, 1995, 2006

⁷¹ http://www.unicef.org/infobycountry/media_39036.html.

tion (see **SPECIAL TOPIC: WOMEN AND EMIGRATION**). The emigration impacts negatively the education and moral-psychological state of children. According to the Demographic and Health Study in the Republic of Moldova, carried out in 2005, 76% of the mothers of children under the age of 15, who don't live in the same household with their children, are abroad, and only 24% of them live in another household in Moldova. The emigration also led to an increase in the number of institutionalized children.

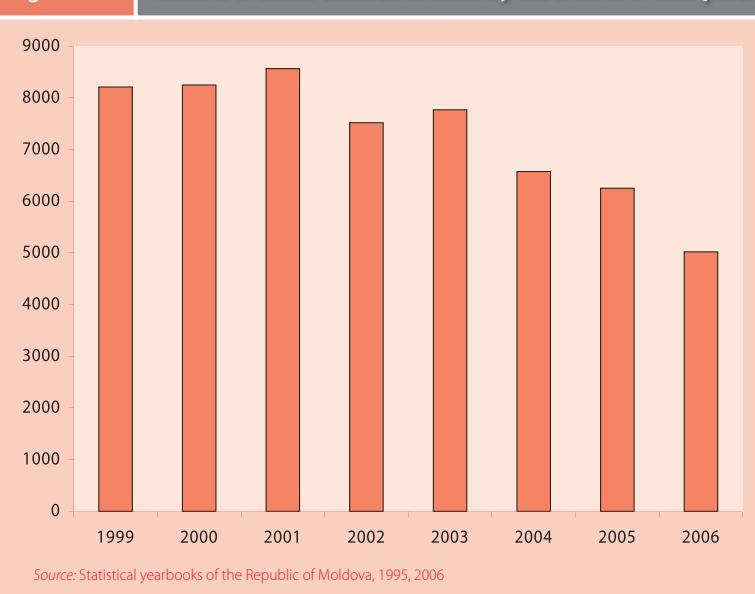
Risks

The demographic indicators and public opinion polls reveal an acute erosion of the family values in the Moldovan society. This process cannot be justified only by the difficulties of the economic transition, experienced by the Republic of Moldova. In the 1990's, the most difficult period of the transition, the divorce growth rate was not as high as after 2000. This phenomenon is mainly explained by factors related to the conjecture (intensification of emigration) and transition (continuous demographic modernization).

The highest risk, posed by the divorces, is that the young people lose their trust in the family life and don't see the need to form their own family. The lower sustainability of families induces a diminution of the birth rate. The studies confirm that only one third of the second marriages have children. Though decreasing, the number of children affected by their parents' divorce is still high. Thus, the emigration has disastrous effects on the sustainability of families. The lengthy absence of one spouse, especially of the wife, increases the risk of real separation, if not formal divorce (see **SPECIAL TOPIC: WOMEN AND EMIGRATION**). The lengthy absence of one of the parents leaves emotional and moral traces over the children, influencing negatively their socialization. Moreover, the researches and observations confirm that half of the children, educated in one-parent families, cannot form sustainable families of their own, divorcing themselves subsequently.

The domestic violence is another substantial risk that undermines the family

Figure 14 Number of minor children affected by the divorce of their parents



Demography: a latent threat

cohesion, as the main element of the society. The violence between parents or from parents has a negative impact on the child's emotional development. Moreover, the studies reveal that there is a high likelihood that the children born in violent families will replicate these behavioural models in their own families.

Governmental policies

The family protection and strengthening policies are at the initial development stage in the Republic of Moldova. The young families are practically not supported by the State. In 2003, the Republic of Moldova Government approved a family and child protection strategy, but it is not implemented appropriately. The central and local governments, NGOs and other important entities practically don't react to the increasing rate of divorces, and the family and child protection strategy doesn't stipulate a clear position in this respect.

The Law on Domestic Violence Prevention and Combating was passed in 2007. This law provides for legal protection and creation of support services and shelters for victims of domestic violence. At the same time, the rehabilitation centres for victims of domestic violence are supposed to be financed by the local governments that neither understand univocally the real implications of this problems, nor have enough financial resources to set up the needed infrastructure.

Recommendations

- ▶ ***The willingness of young people to have children is an absolutely individual decision, mainly determined by the socio-economic conditions.*** However, this doesn't exclude the need to promote the traditional family values and the model of a family, consisting of husband, wife and at least two children. At the same time, it is necessary to get rid of the social stereotype that numerous families are "faulty" families.
- ▶ ***It is necessary to develop the birth recording methodology.*** This is needed to be able to delimit the number of children, born by really unwed mothers from the number of children, born in "unofficial marriages".
- ▶ ***The divorce is a strictly personal decision, but it is also an extreme way of settling the family problems, where the public authorities cannot get directly involved and provide support.*** At the same time, more refined intervention forms are allowed and needed, in order to prevent, where possible, the family break-down, especially if the family concerned has minor children.

The local governments, in tandem with specialized NGOs, should use the instruments of information, counselling and educations to approach the families at risk. The cooperation with the main stakeholders (NGOs, school, church, and mass-media) can provide the needed channels of communication and information.

- ▶ ***It is necessary to secure a higher involvement of the local governments and police in the prevention of domestic violence.*** Many cases of violence are not even hidden, being widely known and tolerated at the community level. Tolerance of the domestic violence against children and wives should be eradicated from the (non-)culture of our nation.
- ▶ ***It is necessary to establish a social support infrastructure for the children, abandoned by the parents that have left for abroad.*** Such support centres should be established in every community, either by the local governments or local NGOs. These support centres should be entitled to conclude child care contracts with the emigrating parents, thus covering a part of the expenditures of these institutions.

2.3. Emigration

Diagnosis

The emigration is determining the demographic processes in the Republic of Moldova. The development of this phenomenon depends on the “attraction/rejection” factors, which are mainly of economic nature. The key determinant of emigration is still the income gap between the Republic of Moldova and the countries, receiving Moldovan emigrants. Despite the fact that the real salary in Moldovan economy is growing, the difference between the level of labour remuneration is still too wide to reverse the emigrants’ flow. Furthermore, establishment of social safety nets allows to lower the emigration risks and costs and facilitates new cases of emigration. Over one third of interviewed emigrants declared that the decision to emigrate had been mostly determined by the fact that they had some acquaintances in the destination countries.

Different sources estimate the number of Moldovan emigrants between 300 and 600 thousand people. Even the estimations made on the basis of thorough sociological surveys should be interpreted with certain precaution. The emigration is mainly an illegal phenomenon. In addition, as they either receive or send money back home, many respondents tend to hide the real information about emigration. At the same time, given that the emigration phenomenon has already reached a great extent, it is very likely that many families have emigrated for good, and simply don’t get into the sample of interviewees.

Regardless of the real number of emigrants, it seems that the emigration process hasn’t yet depleted its potential. If they had the opportunity, about 27% of Moldovan citizens would emigrate “for sure” within three months, and 15% - would “rather” emigrate⁷². Emigration will also persist in the nearest future because, unlike the first waves of emigrants, driven by the desire to earn a minimum revenue, at present more and more young people emigrate, looking for the same economic and social opportunities as the ones enjoyed by European citizens. The

existing surveys, that confirm these trends, suggest that in 2004-2006 the number of emigrants increased by at least 20%⁷³. At the same time, because of the extreme dependence of the economy on the weather conditions (see the impact of the 2007 drought, analyzed in **REAL ECONOMY** section), there is a possibility for the emigration to increase among the people who have never intended to emigrate before.

At present, the emigration of the Moldovan population is quite diversified in terms of its form, type and social segments included. If prior to early 1990’s of the XX century the emigration was mainly oriented towards the East, then at present the Western direction tends to become more important. The people that emigrate to the East tend to be concentrated in several metropolises in Russia and Ukraine, which poses some political risks (see **SPECIAL TOPIC: RECONSIDERING THE RELATIONSHIP WITH RUSSIA**). In the West, the emigrants are spread in several Mediterranean countries. Though Moldovans form diasporas in all countries of destination, the absorption of Moldovan people into the local population is becoming more dominating.

Through the remittances, the emigration served as an important survival instruments, directly saving the poor population that remained without any sources of livelihood (see **LIVING STANDARDS**). At the same time, the emigration is influencing the demographic situation. The most negative consequence is the definitive disintegration of many families through formal or informal divorce (when one of the spouses has emigrated for a long period or time or for good). At the same time, due to emigration there is an increase in the number of children, who live separated from one or both parents. The family, as a fundamental social institution, was deeply shaken by the emigration (this situation is described in **FAMILY CRISIS**).

EVOLUTIONS: -2

SITUATION: -1

PERSPECTIVES: 0

Demography: a latent threat

⁷² “Republic of Moldova 2007: State of the Country and of the People” sociological survey.

⁷³ Labour Force Survey of the National Bureau of Statistics and the surveys conducted by the sociological company CBS AXA in 2004-2006.

The fact that over 40% of all emigrants are women is crucially important from a demographic perspective. Moreover, women tend to emigrate for longer periods of time than men. Women have a bigger share in the cohort of emigrants that leave for a longer period of time on the Western direction, reaching 60%. It is also relevant the fact that about 65% of the emigrants come from rural areas, thus diminishing the country's demographic reproduction potential.

Figure 15 Number of people declared as working or looking for a job abroad, thousands



Though emigration is specific for the entire country, the survey suggest that in some regions this phenomenon is especially intense, and the social consequences are severer. According to some data, in Gagauzia there are 25 emigrants per 100 inhabitants. Perhaps it is not by chance that this region has the highest divorce rate in the country, the statistical data revealing over 80 divorces per 100 marriages in 2006. In 2003 the divorce rate exceeded 100%, with 1620 official marriages and 1936 divorces!

Risks

The main emigration-related demographic risk is the disruption of the people's reproductive potential and the erosion of the family institution. The State doesn't make any consistent steps to organize the legal emigration. The illegal emigration deprives our citizens of any social, political or economic right. The emigration stimulates

the depopulation process through the departure of young people. At the same time, the emigration has other types of demographic effects, being associated with the trafficking in human beings. The high extent of the trafficking of women leaves deep moral and psychological traces on victims (see the iconic effects of trafficking in **HOW WE ARE SEEN IN THE WORLD**). As a rule, the trafficked women are not willing to establish their own family. One in three trafficked women is divorced or doesn't want to establish a family. Only 10% of them would like to have a family at a certain point in the future, as revealed by the studies conducted by the International Organisation for Migration.

Governmental policies

The Republic of Moldova Government doesn't have any instruments to influence directly the emigration processes. The Government should mainly intervene in the legalization of the emigrants, who are already abroad, in order to bring them under social and legal protection and provide appropriate information to people wishing to emigrate. The Government should also approach very firmly the illegal phenomena associated with emigration, firstly the trafficking in human beings. The trends of intensifying the immigration control policies by the EU countries will only strengthen even more the illegal emigration from Moldova and will not impact significantly the total flows of emigrants. Unfortunately, the 2008-2011 National Development Plan doesn't clearly reflect any method for combating the trafficking and illegal migration. It stipulates only some general issues, without indicating any way of stopping this phenomenon. It stipulates neither the aspects and methods of financial sustainability of social insurance policies nor any concrete economic opportunities for the vulnerable segments of the population.

Recommendations

- Obviously, in the long run the emigration will cease only when modern living and working conditions are ensured, similarly to those seen by Moldovan people in European countries. Or, emigration is not a problem in itself, it is the result of other problems. Through its policies, the

Government should aim not only at reversing or ceasing the emigration, but also at creating an environment of economic and social opportunities, where citizens could use their entire creative potential. The fact that the Moldovan citizens are ready to assume huge risks related to the illegal emigration prove that these people actually want to control their own life and show remarkable courage in this respect. These abilities of assuming risks and responsibilities should be channelled in such a way to enable them to start up private economic initiatives in the country.

- At the same time, the Government and NGOs should inform better the population about the personal (trafficking, harassment, lack of social and legal protection) and social risks (family disintegration, child abandonment) associated with the illegal emigration. On the other hand, the national NGOs that have enough human and technical resources, in cooperation with some foreign ones, should start a campaign of identifying and informing the parents, who are abroad, about the situation of their children. This

will help the family reintegration, either in the Republic of Moldova or abroad. The family reintegration outweigh the financial costs of such an international informational campaign.

- Using efficient legal and police instruments, the Government should limit as much as possible the chances of national and transnational criminal groups of traffickers to attract Moldova citizens in illegal emigration schemes. The activities should mainly focus on the monitoring of the activity of ghost travel agencies and dubious employment agencies.
- The Government should get more involved in the extension of the overseas employment possibilities, on a clearly defined contract basis, and regulate the social and legal protection of Moldovan citizens. The wide international collaboration on legal employment of Moldovan citizens should be one of the main leverages of the emigration policy. Our citizens should feel themselves protected abroad, an issue which currently is not ensured at all.



- EVOLUTIONS: -1
- SITUATION: -1
- PERSPECTIVES: 0

2.4. Internal migration

Diagnosis

The internal migration has an important role for the territorial distribution of people in the Republic of Moldova. This phenomenon is mainly manifested through the movement of people on urban-urban (from small towns to Chisinau and Balti) and rural-urban directions. Though prior to early 1990's the intense rural-urban migration was determined by the accelerated economic development of urban localities and industrialization, in the period of economic reforms this process continued due to the accelerated economic and social degradation of rural localities. Thus, though 53% of the country's inhabitants are living in rural localities, the rural health care facilities employ only 14-15% of health staff. As revealed by some investigations, 65% of rural inhabitants go shopping in big cities, and 15% - in the rayon centres. The production means in agriculture are 2.5-3.0 times lower than in other economic sectors, specific for rural areas. Political thinking in the Republic of Moldova still dwells on the stereotype inherited from the Soviet period, that rural population would have less needs with respect to living conditions, cultural life, income level, quality of education and health services. This stereotype determines making some policy decisions, which put rural residents in an un favourable position (for example, public investments' allocation are made for projects, of which urban residents will benefit first of all).

The rural-urban migration is also a consequence of the demographic policies, pursued during the soviet period. During that period, the demographic modernization trends were inhibited to prevent the alteration of the agricultural appendix, attributed to the Republic of Moldova in the economic soviet system. When the administrative barriers were removed, the rural-urban migration intensified. The business mobility is mainly affected by the labour force migration, which tend to migrate to places with more attractive jobs. It is not a surprise the fact that the migration mainly

takes places as the movement of the young people from rural to urban localities for employment or education purposes, followed by permanent employment and settlement there, where the economic life is progressing (**REAL ECONOMY** section). The educational level of rural young people is increasing, but they cannot use it appropriately because of the narrow range of skills and crafts, demanded in the rural areas. A large share of the young people, who are studying in secondary specialized or higher educational institutions in towns and cities, cannot and don't want to go back to their native village, as they know from the very beginning that they will not be able to find a job according to the specialty or craft they have acquired. If they do so, the education would be an economically unjustified investment in their human capital.

Most young rural families passed to the modern reproductive pattern, with 1-2 children in the family. Though a big part of these families have retained their love for land and agriculture, they also undergo significant economic, social, and mental changes. Therefore we could expect for the rural-urban migration to become more intense when the economic development of urban localities enhances, providing more employment opportunities.

At present there isn't any complex and updated statistical data about the internal migration, which would allow to monitor the time trends and analyze thoroughly this phenomenon. Though the consistent statistical data are lacking, the available data reveal that the internal migration phenomenon is still very intense, though it was significantly substituted by the emigration. The 2004 census reveals that during two years prior to the census, the internal migration balance was positive only for Chisinau municipality (+38.8 thousand people), Balti municipality (+4.5 thousand people) and Cahul rayon (+0.9 thousand people). In all other rayons, including Transnistria, the migration balance was negative.

Risks

The internal rural-urban migration is a natural and integral feature of the demographic modernization. However, in the current context of the Republic of Moldova, the internal migration poses a major risk of small rural localities degradation, whose young people are massively leaving (this issue is described in **RURAL MOLDOVA** chapter). Some small villages even risk to disappear during 1-2 generations. The high and lengthy intensity of emigration depleted the rural demographic potential. The rural areas is not a “reserve of labour force” any more. On the contrary, it has a severe shortage of qualified labour force, and the remaining one is aging.

Other risks are generated by the high concentration of people in the two big cities, Chisinau and Balti. One in four citizens lives in the capital city, but over 70% of the generations come from rural areas. The agglomeration and concentration in one place put pressure on the urban sector and environment (see **THE HUMAN IMPACT ON THE ENVIRONMENT**). The urban extension leads to land-related conflicts, which could develop into social conflicts, especially in the localities adjacent to the capital city.

At the same time, many small and medium-size towns lose their population and risk to become unpopulated during several generations. Many small urban localities are losing their role of socio-economic rayon centres and have preserved only the local administrative function. In particular, the population of Cantemir town decreased by 40%, if compared to 1989, of Orhei and Soroca - by 20%. If these trends continue, the economic development gaps between the centre and peripheral areas will broaden, leading to a more intense process of migration and emigration. At the same time, the faulty functionality of small town could paralyze even more the economic life in the adjacent rural localities, which depend on the small towns as sales markets for their agricultural products.

Governmental policies

The analysis of the relevant Government policies for this issue is quite simple, as currently we don't have any policies that would approach explicitly the management of risks, posed by the internal migration of people. Neither the central Government, nor the local ones have a clear vision on the future of the small rural localities (see **RURAL MOLDOVA**). Without such a vision, there wasn't developed any strategy to manage the risks related to the migration of people from rural localities. In addition, we don't have any viable urban policies aimed at enhancing the attractiveness of small towns of the Republic of Moldova, thus reducing the risks, posed by the over-agglomeration of cities (**RURAL MOLDOVA**).

Recommendations

- ▀ The territorial movement of people is always following the movement of capital and territorial location of production. Therefore the migration policies should be based on economic and tax instruments to encourage the movement of capital to the peripheral areas of the country.
- ▀ It is crucially important to retain the young people in rural localities, in order to keep their viability. This obviously implies creation of better paid job opportunities by developing the non-agricultural rural economy (development of the “small” light and food industry, and the service sector). In addition, it is necessary to provide financial subsidies and other types of facilities to encourage the young specialists, especially doctors, teachers and social workers, to settle in rural localities after graduation. As shown in **PUBLIC HEALTH** section, young people react to such policies.
- ▀ Another indispensable condition for the preservation of the viability of rural localities is the development of some functional young family support schemes, by creating advantageous socio-economic conditions (plot of land to build a house, preferential credits).

2.5. Special topic: women and emigration

The social, economic and demographic impact of women working abroad is more and more obvious in the Moldovan society. The share of women in the migration flows is continuously increasing. If in 2004 women accounted for 34%⁷⁴ of all emigrants, then in 2006 women held 41% of emigrants⁷⁵. The emigrant women account for about 35% of all active women, which represents a significant portion of the labour force. The fact that this portion has left the domestic labour market generates a shortage of staff in the sectors, traditionally dominated by women (education, health sector, agriculture).

Most of the emigrant women are aged between 30 and 40 years, mainly coming from rural localities. Most of them are or have been married and have children, therefore their departure distorts the family life, especially from the child rearing perspective. Most women emigrate to European countries, usually for a long period of time. About 60% of women stay in the countries of destination longer than 1.5 years⁷⁶.

Thus, the emigration of women doesn't only diminish the labour force, employed in the national economy, but also diminish the contingent of women of reproductive age, who could ensure the reproduction of new generations. The emigration, even temporary or seasonal, minimizes the possibility of having a child. For example, to keep their place of employment, both in Russia and European countries, the emigrants are entitled to leave for 3 months at most. Therefore emigrant women are forced to postpone the birth of their children. Moreover, being abroad for several years, many women are tempted to settle there for good and even get married. This group of women has an important role in the emigrational networks. Being integrated in the local society through

marriage, they have access to certain information and services, providing thus an important support for the new emigrants.

The illegally emigrated women face an increased morbidity risk, but cannot refer to healthcare providers or specialized NGOs. Their illegal status enhances their dependence on the employer, increasing the risk of occasional forced sexual relations. The emigration of women has an important part in the continuously increasing divorce rate that has been growing almost constantly since 1999 (see **FAMILY CRISIS**).

Women's emigration represents a wide range of social and economic problems that on long term will have even stronger consequences on the demographical structure and social relationships. A great part of the children are brought up in a new Moldovan family model – the family with emigrated parents – their socialization framework being essentially modified. Over 11% of children aged between 10-18 have their mother away, 16% of the children of the same age have their father away, and 5% of the children have both parents gone abroad⁷⁷. Even more concerning is the fact that many of the children that have their mother abroad are of relatively young age, 10-14 years old.

A part of the women settled down abroad take their children in the emigration countries, but in most cases this is very difficult, sometime even impossible. Therefore, mother's going away from the family creates among children new representations of the family life, as compared to the ones of their parents. Many fathers that stayed at home are not ready to fulfil double parental responsibilities. Moreover, they often do not want to fulfil these obligations because in the traditional culture, especially in rural areas, bringing up and educating children and housekeeping were perceived as women's responsibilities. The lack of mother care affects the child's personality, health, education and moral formation. In educational institutions the problem of emigrants' children, especially those of "successful" emigrants that remit their children solid amounts of money is amplified, these often adopting a com-

⁷⁴ "Transfers of Money from the Moldovan Citizens, Working Abroad", conducted by the sociological company CBS AXA for the International Organization for Migration, International Monetary Fund, and the European Commission Food Security Programme, December 2004.

⁷⁵ Data of the International Organization for Migration, http://www.iom.md/materials/migrants_day2006_ro.pdf.

⁷⁶ "Recent Trends in Emigration and Remittances in the Republic of Moldova", sociological company CBS AXA, for the International Organization for Migration, 2006.

⁷⁷ „Health and Development of Youth: Knowledge, Attitudes and Practices of Youth Evaluation Study”, The Association Health for Youth, 2005.

modity-oriented behaviour. This behaviour often results in irregular school attendance and failure, sometimes ending up in school drop out.

Another major risk faced by women, especially young, that attempt to emigrate illegally is their exposure to trafficking in human beings for sexual exploitation purposes, with destructive effects on physical and psychological health of the victims and their future social relationships. So far the organisations specialized in assisting trafficked victims have assisted over 2000 female victims from Moldova, most of them in need of psychological and medical assistance⁷⁸.

Recommendations

The changes caused by the women's emigration need certain interventions to decrease the social impact of the phenomenon:

- ▣ Development of an emigration policy that would cover the relevant areas and aspects for this phenomenon. The emigration policy should include a special section on women's emigration, taking account of woman's major part in perpetuating the nation and in bringing up and educating children.
- ▣ Taking into account the character of women's emigration on long terms, control measures are needed at the level of local public authorities that would monitor how these women fulfil their parental obligations.
- ▣ The labour force emigration policy should be correlated with the social protection one. A model would be the development of a social insurance system, alternative to the Government one.
- ▣ Tools to ensure the security of Moldovan citizens outside the country are needed, through strengthening the capacity of diplomatic missions and supporting the diasporas.
- ▣ The bilateral relations with countries of destination in the networks of trafficking in human beings should be enhanced in order to make the prevention measures more efficient.
- ▣ The health care services should be developed, and an as easy as possible access to various children raising services should be ensured (day-nursery, other pre-school institutions), these being necessary to motivate people to bring up their children in the country, and eliminate the risks of deficient development of young children of mothers that emigrate.
- ▣ Measures of information and education, specific to families in which the mother is away, are needed. These measures can be implemented by schools or other educational agencies. Also it is necessary to transfer some parental responsibilities to institutions or natural persons on the basis of a contract, concluded between the parents and the natural persons or legal entities that are delegated with these responsibilities.
- ▣ Continuous information and educational programmes regarding the risks and opportunities of migration, balancing the changes that came up in the family as a result of parents' migration is welcome. The civil society, mass-media and Government institutions, especially the educational ones, are the agencies responsible for such programmes.

⁷⁸ „Trafficking in Human Beings in Moldova. Comments, Trends, Recommendations”, La Strada Informational Centre, 2005.

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*The need for an
economic leap*

“ We don't have the money, so we have to think. ”

Lord Rutherford, British scientist





The need for an economic leap

The first part of chapter IV reviews the essential developments in the real economy, in relation to which the State hasn't univocally defined its role. In the banking sector, the positive trends from the past two years were mainly determined by the entrance of foreign competitors and are favourable for the entire financial sector. The Republic of Moldova's commercial performances are also analyzed in this chapter, or, namely the foreign trade reveals the true competitive advantages and weaknesses of the economy. Further, the authors analyze the local labour market, which is obviously a derivate of the general economic situation. The chapter closes with an extremely topical subject for the Republic of Moldova – Foreign development assistance – an area where there is still a lot to be done in order to improve the allocation and use of funds.

3.1. Real economy

Diagnosis

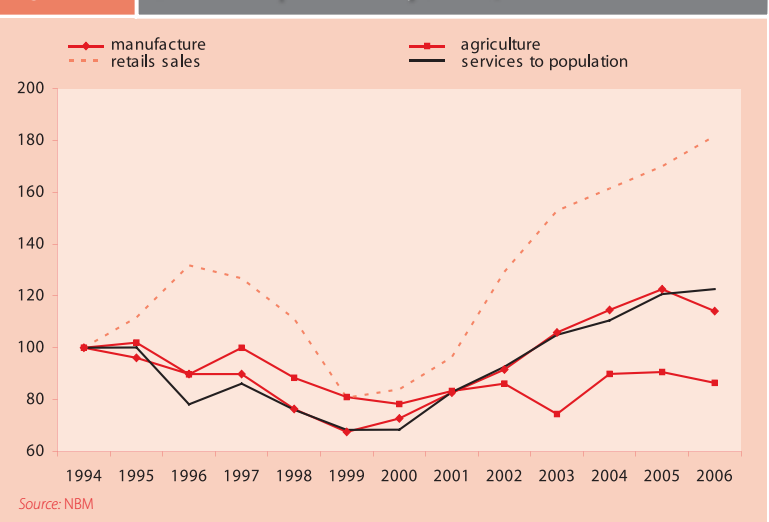
After almost a decade of severe economic recession and seven years of economic growth, in 2006 Moldova's GDP was equal to only 50% of the amount registered in the pre-reform period (1989-1990)⁷⁹. If an annual growth levelled to the average in 2000-2006 (5.8%) is maintained in the future, recovery of the production level from the pre-transition period will be possible only in 2018-2019. However, the economic recession was so severe that not even the doubling of the growth rate would make recovery possible sooner than 2013-2014⁸⁰. Such a long-drawn and severe decline may, to a certain extent, be explained by geographical and structural factors (landlocked country, lack of own energy sources, economy's high dependence on unstable weather conditions) and by the impact of some external shocks. Still, the main causes that withheld and keep withholding the economic growth are related to policies. None of the Moldovan Governments has managed to adopt reforms that would have unchained the real potential of the Moldovan private sector. Thus, the economy has adapted very slowly to its real competitive advantages and still has branches that are based on imaginary advantages, taken from the soviet economy.

The development of economic sectors is irregular, with a slow modernization of the economy through expansion of the ter-

tiary sector and relative compression of the primary one. The statistical data indicate a strong growth of the service sector, where the real production is twice as big as in 1994 (in **Figure 16** the sector's growth is estimated on the basis of retail sales and services provided to the population)⁸¹. This expansion was to

EVOLUTIONS: +1
SITUATION: +1
PERSPECTIVES: +1

Figure 16 Evolution of production by sectors, 1994=100%



⁷⁹ These results do not change significantly if instead of the absolute amount of GDP we use the per capita expression. The situation is also not much different even if we take into account the fact that starting with 1992 the official statistics do not include Transnistria, while the data from 1990 did. Although we do not have conclusive statistical data, the economic recession from the Eastern part of the country was generally as severe and long-drawn as in the rest of the country (see special topic: ECONOMY OF TRANSNISTRIA, chapter REGIONAL MOLDOVA).

⁸⁰ Here we ignore on purpose the fact that reaching and keeping an economic growth rate of 10-11% is a very difficult task, if not impossible for the fractured Moldovan economy.

⁸¹ The data are temporarily consistent and diversified in the national statistic sector, and separated by sectors since 1994.

a great extent the result of the opening for private capital through liberalization and privatization.

The industry has gone through a slower process of privatization and reorganisation, which nevertheless lead to recovery by 2003 of the 1994 production level. But the industrial recession of 2006-2007 has shown that the industrial reorganisation and modernization hasn't yet finalized, the adjustment to the external shocks in 2006 being accompanied by high costs. The transition of companies to operating in a competitive environment hasn't been finalized neither in the private sector, nor in the public sector, where it stagnated even more.

The "millstone" of the Moldovan economy is the agricultural sector. Although much better endowed with natural production factors than most of the countries in the region, the performances of Moldovan agriculture are much under the potential. Besides the weather factors, the normal sector development is compromised by the insufficient capitalization, failure to comply with the agricultural technologies, underdevelopment of the institutional and physical agricultural business support infrastructure and inefficient subsidizing policies.

The services and industry show a good performance and relatively advanced adaptation and innovation capacity. But the big industrial producers and service providers are located only in several urban centres. These sectors have relatively scanty connections with the rural agricultural sector that is a generator of under-paid jobs, dominated by subsistence occupations.

On the background of an anaemic internal supply, the aggregate demand grows with a galloping rhythm. The estimations show that the amount of aggregate demand has reached the level of the pre-reform period, and the two big urban centres (Chisinau and Balti) have apparently even exceeded this level. If compared with 1994, in 2006 the consumption expenditures were 2.5 times bigger and the investments in fixed capital were higher by 90%. The estimations prove again an anaemic development of the consumption expenditures in the rural areas and a very rapid one in the urban environment. In parallel, the investments in fix capital increased rapidly in the activity

sectors specific for the urban environment, whereas the investments in agriculture increased very slowly.

Risks

In spite of the dominating opinion that the consumption-based economic growth would be a negative phenomenon, the authors of this report believe this is not a problem in itself. On the contrary, a dynamically increasing consumption is a positive element that should burst the internal demand. The major challenges for the Moldovan economy stem from the inability of the internal producers to meet such a high and continuously diversifying demand, therefore the imports are increasing dramatically (**FOREIGN TRADE** section).

The lack of appropriately qualified labour force is one of the major risks, encountered by the Moldovan companies. The educational system of the Republic of Moldova is not able to train competitive labour force that would meet the criteria requested by employers on the domestic labour market, not to mention the external one (**VOCA-TIONAL EDUCATION** and **LABOUR MARKET** sections). It is not a surprise the fact that most of the Moldovan emigrants, who were employed legally abroad, have jobs that request lower professional skills than their formal education. But even if the emigrants have good professional training and experience, they cannot make use of these advantages, as Moldovan diplomas are not recognized in the European countries.

The difficult access to credit resources, needed for investments and working capital, is another essential risk that impacted the business environment. After some foreign banks entered the local banking system, the competition in this sector enhanced and this made the financial services more accessible (**FINANCIAL SECTOR**). The problem of access to credits is related not only to the offer side, but also to the demand side. In spite of the excess liquidity in the banking sector, it is difficult to place the resources because most of the credit applicants don't know how to draft and implement economically justified business plans.

In spite of the improvements that occurred during 2005-2007 in the local business

environment, the state institutions still have an attitude of “predator” in their relationship with the business and private companies. Corruption and administrative cheating are still widely spread phenomena, and the official or “voluntarily assumed” competences of the control bodies exceed enormously the normal limits. It is not a surprise that, after a strong enthusiasm in 2005, the regulatory reform practically stagnated in 2007, and the Parliament postponed twice the completion of the second stage of this reform (publicly known as “Guillotine II”). The licensing and authorization of economic activities is one of the most difficult aspects of the Moldovan business environment.

The service sector became the driving force of the Moldovan economy, demonstrating not only the strongest, but also the most sustainable economic growth since 2000. Its expansion was mainly determined by the augmentation of the people’s purchasing power and the development of the corporate sector. At the same time, the competitiveness of services provided in many economic branches is compromised by their instable or doubtful quality. The consumer rights are poorly protected in the Republic of Moldova (see the cases in **JUSTICE** chapter), therefore the consumer – service provider feedback frequently doesn’t have any corrective impact on the quality of services.

The industrial companies also encounter the quality problem. The inappropriate quality was the main argument, and relevant to a great extent, brought by the Russian Federation, which banned in March 2006 the imports of alcoholic beverages from the Republic of Moldova. For the Russian Federation it would have been much more difficult to take these actions, fully based on political grounds, if the Moldovan wines had an appropriate quality. Because of the quality problems, the food industry companies might not be able to export to the European market, even when the Autonomous Trade Preferences are enforced (see **FOREIGN TRADE**).

The poor vertical integration between the food industry and agriculture undermines the performance of both to the same extent, reducing even more the competitiveness of Moldovan products on the European markets. Moreover, the competitiveness of

the Moldovan agriculture is also eroded by the vulnerability of this sector. Obviously, in any world country the agricultural sectors depend to a certain extent on the weather conditions. However, in the Republic of Moldova there is almost a total dependence in this respect. Due to the extreme drought of 2007 the agriculture incurred total losses estimated at over EUR 1 billion, which affected the welfare of over 2 million rural inhabitants. If the weather changes are permanent, they could destroy this sector and compromise the country’s economic and food security.

The macroeconomic developments pose a separate set of risks for the Moldovan companies. The price evolution is especially worrisome, that have increased highly in the second half of 2007. The wholesale and retail companies are the only ones that benefit, in the short run, from the high inflation of the consumption prices. Most of the other sectors are affected adversely by the increase in the production costs, associated with the augmentation of the consumption prices and decreased efficiency of their investment projects.

Governmental policies

Rhetorically, the State has adopted a policy, favourable for the development of the real sector of the economy. This policy is expressed in the National Development Plan, developed by the Government and approved by the Parliament in 2007. The main objective of the NDP is to create appropriate conditions for the enhancement of the people’s life by strengthening the basis for a robust, sustainable and inclusive economic growth. The NDP stipulates 5 priorities, all of them having important economic implications: strengthening the rule of law, regulation of the Transnistrian dispute, enhancement of the national economy competitiveness, development of the human capital and ensuring a balanced regional development.

In spite of the liberal rhetoric declarations, in reality the Government hasn’t clarified univocally its role in the economy and doesn’t have a full understanding of the model of the country’s long term economic development. The lack of this understanding is reflected by the plenty of regulatory

acts, guidelines and orders that run against the presented liberal speeches. Relatively recent examples of such decisions are the (verbal) ban, imposed in 2007 by Moldova-Vin Agency, on the bulk exports of wine, the control over the exports of grapes, installed by the same Agency, the Government Decision (later annulled) on exports of cereals exclusively through the Universal Commodity Exchange of Moldova, favouring the large farms, to the disadvantage of the small ones, when allocating the subsidies, and others. It is likely that such actions will continue, as the authorities have given up on the central administration reform.

Any market economy has faults and excesses, which need to be corrected by targeted interventions in a transparent public policy framework. The mature economies have regulatory agencies, independent from the Government, which work for the public interest that is not necessarily identified with the Government or “State” interest. In the Republic of Moldova, the existing regulatory agencies, though theoretically independent from the Government, are still very dependent financially and institutionally, and suffer from a shortage of qualified human resources, therefore being forced to promote the “State” interests, many times to the disadvantage of the interests of producers or consumers. The dependence of the National Agency for Energy Regulation, National Agency for Telecommunication and Information Regulation, and the National Agency for Competition Protection on the Government impacts very negatively the promotion of the public interest.

The development of the industrial sector is mainly determined by the lack of a clear policy of restructuring and privatization. The Government is still very present in this sector, or, according to the official data, the enterprises “monitored” by the Ministry of Industry and Infrastructure hold about 60% of the non-food industrial products⁸². The Government has developed a series of long-term branch development programmes (Food Industry Development Strategy, Light Industry Development Strategy, Elec-

tronics Development Strategy, Machinery and Equipment Industry Development Programme, Glass and Cardboard Branch Development Programme). “Modernization” and “innovations” are the leitmotifs of these planning papers. At the same time, it is difficult to believe that industrial modernization will be possible as long as these sectors are dominated by old management and marketing models and are not opened for foreign investments. The development of a number of industrial branches is undermined by the wrong price and tariff policy, pursued merely for electoral purposes, without any significant implications on the social protection. These effects are very noticeable in the case of public services (see **ENERGY SECTOR** and **PUBLIC UTILITIES** sections).

The goal of the agricultural policy is to support and encourage the optimization and establishment of technologically and economically efficient farms and land consolidation. At the same time, the Government has its own understanding of the meaning of “technologically and economically efficient farms”, believing that only the big enterprises (with a big size and turnover) can meet these criteria. It is obvious that in agriculture the technological and economic efficiency doesn’t depend only on the scale of activities, but also on other factors, not taken into account by the Government, which can show only if all agricultural entities are treated equally. As a consequence, the agricultural subsidizing system is channelling the resources towards the inefficient agricultural entities, which frequently operate at a loss. Simulating the “establishment of optimal farms”, the Government has practically ignored a number of areas, where its direct intervention is crucially necessary: recovery of the irrigation infrastructure, ensure the dissemination of information and access to consultancy services, strengthen the sector of commercial services provided to agriculture, adjustment of cultures, crop rotation and agricultural technologies to the new climatic challenges.

The Government didn’t manage either to promote insistently the enhancement of the general business environment for the entrepreneurial activity. Because of some institutional barriers and narrow corporate interests, a number of reforms initiated in

⁸² The situation in the areas, monitored by the Ministry of Industry and Infrastructure in January-June 2007, <http://mii.gov.md/libview.php?l=ro&idc=98&id=128>.

this area were abandoned or postponed: reform of the regulatory framework of entrepreneurial activity, public procurement system, metrology, standardization, testing and certification system, liberalization of the energy and telecommunications system, etc.

Consistent macroeconomic policies, oriented towards the stabilization of the general business environment, are crucially important for the development of the real economy. The dual monetary policy, promoted by the National Bank of Moldova till 2006, failed to ensure any significant results, with inflation exceeding the 10 percent ceiling almost every year, and the “optimal” exchange rate being constantly the apple of discord between producers and exporters, on the one hand, and importers and consumers, on the other. In late 2007 the National Bank announced important changes in its monetary policy, intending to implement the official inflation targeting strategy during the next 2-3 years⁸³. These modification will generate important changes in the Moldovan economy, firstly and essential enhancement of the NBM role and reduction of the role of the economic ministries.

Recommendations

- For the private sector to make a full use of its potential, the Government should understand that businesses are its allies, not enemies, in the process of the country’s modernization and development. This change of attitudes should be reflected not only in the policy documents, but also in the day-to-day behaviour of the high-ranking public officers. Completion of the central public administration reform and diminution of the administrative and political interferences are essential for the full use of the private sector’s potential.
- In the short run, the Government should mainly invest in the development of the vocational training sector and ensure the decentralization and integration of the vocational training system with the industrial sector. It is also necessary to integrate the national vocational educational system in European academic exchange and collaboration projects. The priority allocation of financial and human resources in the development of higher education to the disadvantage of technical vocational education is not justified by
- the current real comparative advantages and investment opportunities of Moldova.
- The secondary and higher educational system should develop the students’ entrepreneurial skills and abilities, to enable a part of them not only to fill the vacancies but also create new jobs after graduation from universities, colleges and polyvalent schools, using the acquired mix of vocational and economic knowledge.
- The financial sector should be further developed, both through the penetration of new foreign banks and the development of the non-banking segment of the financial sector. This will naturally lead to cheaper credits and a diversified portfolio of banking services. At the same time, a consistent economic education of credit users, mainly the representatives of small and micro enterprises, is needed as to ensure an efficient use of the available financial resources.
- Taking into account the phenomenal corruption that affects the functioning of the economic system and the entire Moldovan society, it is possible to eliminate the institutional and bureaucratic barriers, hindering the development of economic units, only by reducing to the lowest possible extent the “personalized” interactions between the business and Government. This would be possible only with an intensive use of IT (for example, electronic systems for public procurements, submittal of applications for registration, licensing and disband of a company) and transparent functioning of regulatory institutions.
- The development of the service sector will highly depend on the protection of consumer rights and change of the tariff policy of the Government. To protect the consumer rights it is not necessary to set up new agencies, but to ensure the functioning of, compliance with, and enforcement of the relevant legislation by the justice system. The tariff policies need to be reviewed in such a way as to give up definitely on the cross-subsidizing systems, barter arrangements. The tariff policies proved to be inconsistent, if used as a social protection instrument. It is necessary to approve and review the tariff bands, in order to cover the real production costs, avoid any inaccuracies, and assure economy of scales for consumers (i.e. for people who consume more to have to pay relatively less).

⁸³ Official communiquéé of the NBM of 15.11.2007, link www.bnm.md/md/docs/pr/71_6723.prf.

- ▶ As for the industrial sector, most of the state controlled enterprises need to be restructured and privatized. The continuation of Government “monitoring” of the companies specialized in electronics, production of equipment and machinery, production of precision equipment and medical devices, etc. will definitely erode the competitiveness of these enterprises and broaden the technological gap with the foreign competitors.
- ▶ The agricultural subsidizing policy needs to give up favouring the big farms and use the principle of favouring the efficient and innovative enterprises, able to get integrated in

vertical value chains with their clients and suppliers. The Government policy in agriculture should not focus on controlling the completion of agricultural works at rayon and community level, but on providing the necessary infrastructure for agricultural extension (access roads, advanced irrigation systems, greenhouses and solariums, anti-hail systems and protection systems against other weather disruptions, storages and cold-storing facilities, development of agricultural insurance system, facilitation of concluding contracts with external partners, etc.).

3.2. Financial sector

Diagnosis

The banking sector dominates the Moldovan financial system. Till 2006, the banking sector represented an environment of insignificant competition, with a little diversified range of products and high commissions for mediation services. Thus, the lack of access to credit resources was a key-problem for a great part of the Moldovan producers (see **REAL ECONOMY**). The entrance of external operators on the market starting with 2006 has intensified the competition in the sector and will be favourable for the banks' clients. Indeed, after 2004-2006, when the bank margin practically hadn't changed, an essential decrease was observed in 2007, indicating an intensification of the banks' fight for clients (*Figure 17*).

The aggregate assets of the Moldovan banking system currently account for 51.1% of the GDP, a relatively low level as compared with the Central-European countries (*Figure 18*), but the growth potential is high. The structure of the banking system remains concentrated, 66% of the bank assets being held by 5 banks⁸⁴, but the situation might change in the future as a result of an increase of foreign investments in banks that are not among the top 5 ones. Foreign participation in the banking sector is present by three banks, holding 100% of the shares, but direct penetration through branches of foreign banks is not yet present in the local banking sector⁸⁵.

Since 2002 the activity indicators of the banking sector have improved. In 2007 only, the bank assets increased by 32%, and the bank deposits - by 29%⁸⁶. The increase in the credit amount by almost 40%, registered in 2006⁸⁷ is mainly influenced by the significant increase of real estate credits (a growth of 2.1 times), and consumption credit (+64%)⁸⁸. On this background, the decrease of bank margin proves an improvement of bank efficiency. For comparison, if in 2000 the bank margin amounted to 8.67 percentage points for national currency and 11.57 for foreign currency, in October 2007 this indicator was 3.40 for Moldovan MDL and 4.69 for foreign currency⁸⁹. The regulatory and legislative framework in the banking sector is generally ad-

equated to the international practice, although the monitoring and control practice suffers from certain procedural ambiguities, and the monitor's rights are not clearly stipulated⁹⁰.

With a capitalization of only USD 1 billion, the capital market currently has an insignificant role in the financial system, but demonstrates an expansion trend. The number of companies listed at the stock exchange grows, the number of operations, size of transactions and prices to a series of transactional actions growing concurrently. Of special interest on the stock market are the holdings of shares of the banking sector, accounting for 83% of the market transactions, and those of the food industry⁹¹.

Similarly to the capital market, the insurance market is a limited sector with a slow development and products in the stage of being developed. The amount of resources gathered from the insurance sector remains insignificant for the country's economy accounting

EVOLUTIONS: +1

SITUATION: +1

PERSPECTIVES: +1

The need for an economic leap

Figure 17 Modification of bank margin on transactions in national and foreign currency, percentage points



⁸⁴ „Republic of Moldova: Financial System Stability Assessment”, IMF, IMF Country Report No. 05/64, February 2005.

⁸⁵ „Financial indicators in the banking system”, NBM, www.bnm.md

⁸⁶ The assets, capital and bonds in the banking system, NBM, www.bnm.md.

⁸⁷ Annual Report 2006, NBM, www.bnm.md.

⁸⁸ Ibidem.

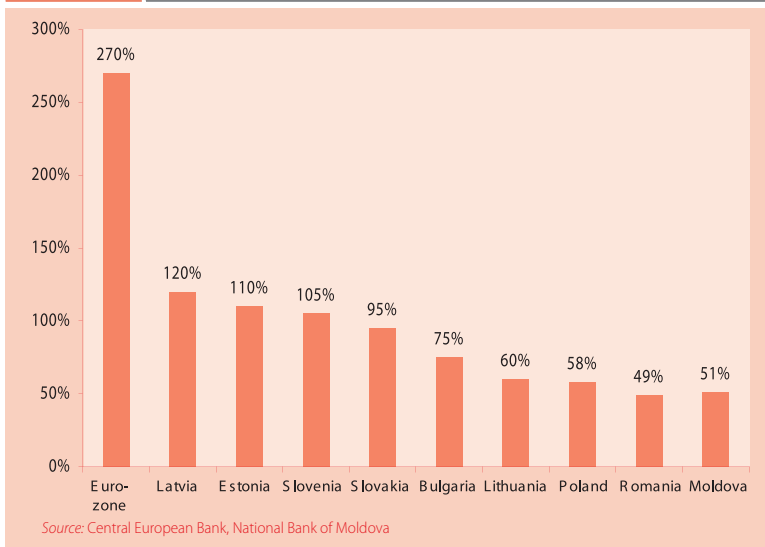
⁸⁹ „Interest rates”, NBM, www.bnm.md

⁹⁰ „Republic of Moldova: Financial System Stability Assessment”, IMF, IMF Country Report No. 05/64, February 2005.

⁹¹ According to capital market analysis, carried out by the Estimator-VM, www.evm.md

for 1.27% of the GDP⁹². There are 30 operators on the Moldovan insurance market⁹³, but their number will probably decrease due to the implementation of the new sector consolidation policies. The market demand is mainly focused on the insurance of business activity or legal accountability activities (89%)⁹⁴. The population still generally neglects the products of property or life insurance.

Figure 18 Assets of Banking System in some European countries, % of GDP, 2006



The micro-finance and leasing sector demonstrate a bit stronger development. The group of micro-finance institution consists of 530 visibly active Economy and Crediting Associations and three micro-finance institutions, that service almost 85000 clients from the agricultural, trade, constructions, and service sectors. Their clients are mainly small and new enterprises, with limited experience in management and their field of activity. The portfolio of credits of these institutions adds up to USD 12 million annually. But with a potential market estimated to have 128 thousand small entrepreneurs and 503 thousand agricultural enterprises, the huge potential of micro-finance expansion is obvious.

If initially the leasing activity was limited only to buying cars for economic units,

thanks to the legislation modifications in 2005, the activity extended to natural persons and household goods. The real estate leasing also develops rapidly, to a great extent as a consequence of foreign operators entering the market. The waiver of some taxes for equipment bought in leasing has reduced the financial burden for entrepreneurs, prompting an increase of demand for equipment and industrial machinery, especially in construction industry and other branches with seasonal activities.

Risks

In spite of the growing quantitative indicators, the banking sector presents certain quality deficiencies. The quality of banking corporate governance is influenced negatively by the presence of the State in the operations of some banking institutions. The vague structure of property relations of some banks slows down the process of attracting strategic investors in the sector⁹⁵. The quantitative growth of credits is not necessarily supported by a correct estimation of the credit beneficiaries, because there is no adequate mechanism for keeping records of the bank clients' current financial state. According to the opinion of some foreign experts, corporate credits are often based on personal relationships between the directors of some banks with the managers of some enterprises and are not necessarily based on a thorough selection of credit beneficiaries.

Being in an embryonic state, the capital market presents deficiencies related to the institutional regulation, information procedure and operational organisation, especially at the post-sale stage. At the same time, the activity monitoring procedure is very unclear⁹⁶. The capital market does not yet fulfil its own function of financing the real sector, but it is more often used for privatization and consolidation of holdings of shares. The contractual complexity diminishes the interest and trust of potential investors in the accuracy of brokers' activity on the market.

The insurance market has an insignificant role in resource accumulation. One of the causes is the inadequate information of the population about the importance of insurance. Another major cause is the faulty sector control and regulation policy⁹⁷. Directly influencing the insurance market, the State

⁹² Calculations made by the author, according to the informative note „Main Indicators of the Insurance Organizations from Moldova for 2006”, State Inspectorate for Surveillance of Insurances and Non-State Retirement Funds, <http://www.issa.md/rapoarte.htm>.

⁹³ „Main Indicators of the Insurance Organizations from Moldova for 2006”, State Inspectorate for Surveillance of Insurances and Non-State Retirement Funds, <http://www.issa.md/rapoarte.htm>

⁹⁴ Ibidem.

⁹⁵ „Republic of Moldova: Financial System Stability Assessment”, IMF, IMF Country Report No. 05/64, February 2005.

⁹⁶ Ibidem.

⁹⁷ Ibidem.

decreases the efficiency and competitiveness of private companies. The insurance activity is also influenced by the lack of an adequate estimation of risks in fields of insurance⁹⁸. In spite of some legislative modifications, the micro-finance and leasing sectors face regulation, fiscal and institutional ambiguities.

Policies

The domination of banks in the financial sector is a characteristic of many countries in transition. However, the banking sector development is a prerequisite for the development of the entire financial system. The National Bank of Moldova promotes a policy of competition enhancement, accepting entrance of foreign financial institution in the domestic banking sector. In order to improve the functioning of the non-banking segments of the financial system, a number of legislative modifications have been adopted, the most important being the establishment of the National Commission of the Financial Market. The Ministry of Economy and Trade, together with the National Commission of the Financial Market, initiated in 2007 a number of legislative modifications that will give the possibility to enhance the corporate bonds market. By increasing the statutory capital, the state promotes concentration and consolidation on the insurance market, seeking to lower the sector vulnerability to systemic risks. In the context of financial resources inflow, it is important to continuously develop the leasing and micro-finance activity, in order to increase the mobility of capital surplus. Law modifications have been recently operated in both sectors, causing the range of products to widen and the access to the market to expand.

Recommendations

- It is recommended that foreign banking investors be allowed to enter directly the banking market. This would lead to an even greater diversification of the banking products and decrease of the interest rate. The choice of renowned strategic investors for privatization of the State owned holdings of shares would help to attract foreign investors in the real sector.⁹⁹
- A bank credit guarantee fund becomes necessary, which would also contribute to the development of certain principles of credit risk estimation and develop a database on crediting. It is also advisable to increase the ceiling of population's deposits guarantee by additional transfers from commercial banks into the bank credit guarantee fund.
- In parallel with the establishment of corporate bonds market, the secondary stock market must be developed. The contractual relationships between brokers and potential investors must be simplified, especially for small investors. It is necessary to broaden the information on the financial state of companies on the market in order to improve the informational flow.
- A long-term vision of capital sector development would be the involvement of the banking sector in transaction on the stock market, specifically, development of new banking products by redirecting the population's deposits towards the capital market.
- Taking into account the money inflow from remittances, insurance operators should offer new products to attract the population's resources. Involvement of insurance companies in the development of small and micro business insurance products and improvement of risk analysis methodology for each insurance sector would be favourable. The State must ensure the operators' independence of activity through limited interventions and in a well established legal framework. At the same time, for banks that also participate in the insurance sector, the financial resources earned as revenues from the insurance activity must be clearly separated and supported by special reserves.
- One of the major deficiencies in the micro-finance sector is the inability of small entrepreneurs to develop credible business plans. It will only be possible to overcome this deficiency gradually, together with the development of consultancy firms that target their services at small and micro businesses. The financial guarantee of micro-financing would increase together with the involvement of the insurance sector through development of small business insurance and more supported involvement of local and international financial institutions in crediting micro-finance institutions.
- The local leasing companies should enhance the capitalization actions, creating new mechanisms for the attraction of bank liquidity. The involvement of the insurance sector would lower the activity risk, thus enhancing the activity of leasing companies. The strategic goal in this field should be attraction of foreign investors that will be able to ensure a higher flow of financial resources, decrease the interest rate and extend the leasing contracts to terms over 5 years.

⁹⁸ Ibidem.

⁹⁹ „Graeme Justice about Bank Privatization”, report from the press conference of the new IMF head of mission for the Republic of Moldova, Logos-Press, no. 35 (723), dated 28.09.07.



3.3. Foreign trade

EVOLUTIONS: -1
SITUATION: -1
PERSPECTIVES: 0

Diagnosis

During 2000 – 2006, the foreign trade was defined by an accelerated evolution of imports over exports (*Figure 19*). The trade balance deficit increased from USD 304.9 million in 2000 to USD 1641.6 million in 2006. The trend was determined by the low international competitiveness of Moldovan exports and their excessive geographical concentration, growth of prices and internal consumption of energy resources.

Figure 19 Dynamics of exports, imports and trade deficit during 2000-2006, million USD



The dynamics of foreign trade by groups of countries was marked by an essential diversity of the external markets. A decrease by 19.6% of the share of CIS countries in total exports – from 60.9% in 2001 to 41.4% in January-October 2007 (even though the exports to CIS have grown by 30.1%) and an increase of exports to EU-27 up to 50.1% during the same period of 2007 (double, comparing to 2001) can be observed. At the same time, 45.6% of the goods were imported from EU, 36.3% - from CIS (compared to 33.5% in 2000) and 18.1% - from other countries.

The structure of trade is dominated by goods with low added value. Though the exports to EU countries grew by about 50% in 2006-2007, as compared with 2005, the domination of food goods, alcoholic beverages and textiles shows a narrow specialization that slows down the expansion

of exports to the EU markets. An important decrease (by 32.8% less than in January-October 2006) was registered for the exports of alcoholic beverages, their share in total exports dropped twice: from 18.3% in January-October 2006 to 9.4% in January-October 2007. The cease of wine exports to the Russian Federation lead to a substantial decrease of vermouth (-59.1%), grape wine (-57.4%) and wine-making material deliveries (-21.9%) in January-October 2007. The current export possibilities of the livestock sector are also fairly limited. The resumption of exports to Russia and Ukraine, and the tariff barriers on animal goods import to Moldova, established by changing the customs tariff in December 2006, in force since January 1, 2007, are especially important for the livestock sector. At the same time, the export of animal goods to EU will only be possible if several cumulative conditions are met: existence of an export offer that is acceptable for EU importers, full enforcement of the approved and pending sanitary norms, full compliance of producers and exporters with all their requirements.

The structure of imports by groups of goods is dominated by non-substitutable goods, fuel and electricity (23%). The increase in imports was also caused by the necessity of using advanced equipment and technology, raw materials (textiles, leather) to produce export merchandise, as well as by the growth of the internal demand for end products, supported by a constant increase in the amount of remittances. These import-related factors essentially diminish the possibility to impose a protectionist trade policy.

After the withdrawal of Romania from the Free Trade Agreement with Moldova on 1.01.2007, in the short term the Moldovan producers could not redirect their exports to this market due to the taxes imposed on all exported goods. The consequences of the withdrawal of Romania from the Free Trade Agreement have been partially compensated by the benefits of the Generalized System of Preferences (GSP+), provided by EU. Under these conditions, about 75% of

the exports of goods of Moldovan origin can have free access to the Romanian market. But this doesn't necessarily mean that 75% of the export of the goods of Moldovan origin will end up on the market of the neighbouring country. In order to gain access to the EU market, which is characterized by very high requirements and standards for import goods, some time and additional financial resources will be needed, along with adjustment of the Moldovan goods offer to the new export requirements of this country, which will be similar to the EU ones.

The exports of food goods were affected the most, because most of the specialized enterprises do not have ISO 9001 certificates, based on which exports to EU are carried out. And due to the quite high customs taxes, the business in Romania became less profitable. But in the long term, this will contribute to an increase of the competitiveness of Moldovan enterprises that are currently on the Romanian market. If Moldova acquires a share equal to that established for Bulgaria, this would give our state the possibility to significantly increase the wine exports to EU and diminish the impact of the distortions, appeared in the trade with Russia.

In this context, the preventive approval by European Commission of Autonomous Trade Preferences for the Republic of Moldova in November 2007, as a foregoing measure to the asymmetrical trade regime with EU that will be enforced in 2008, will allow an exemption from export customs taxes, which will make an additional impulse to increase the EU share in total exports.

Risks

The Government policies measures are implemented on the background of several risks. The growth rate of local production is clearly lower than the growth rate of the domestic demand, this stimulating the imports to increase. The "active" measures of internal market protection and foreign trade optimization are limited due to the WTO membership.

In the medium term, Moldova's excessive dependence of the agri-food sector, as well as excessive trust in CIS markets increase the economy's vulnerability to ad-

verse shocks. Another risk is the fact that the Republic of Moldova relies on imported energy resources, it's economy showing one of the lowest indicators of energy efficiency. In order to approach these problems, the Government should promote an economic diversity of production base and export markets. In addition, the fact that the Republic of Moldova relies on imported energy resources should grant the energy efficiency and renewable energy sources the status of medium term priority objective (see **ENERGY SECTOR**).

2007 was an unfavourable year for foreign trade, but there were some positive trends as well. The impact of external shock that the Republic of Moldova was exposed to, turned out to be lower than initially expected. The negotiations for EU Autonomous Trade Preferences have ended successfully, but Moldova will not be able to restore the 2005 level of export unless the deficiencies related to infrastructure, quality and standardization are addressed.

The wine exports to the Western markets are difficult because the Moldovan producers have not yet established sustainable relationships with the large distribution networks. There isn't any efficient mechanism to attract foreign investors in the wine-making sector, the general stereotype being that "no one should teach Moldovans how to make wine". There is no "brand" of Moldovan wine that would be promoted at the level of the entire sector. A permanent degradation of the grapevine plantations can be also observed, and it decreases the potential of raw material for export. Also a branch level strategy of wine products promotion on external markets is currently missing.

Governmental policies

Till 2005 the commercial relations with EU were based on the Partnership and Cooperation Agreement. The results were limited, the agreement failing to materialize into a development of bilateral trade relations. In comparison with other agreements that EU signed with third countries, this Agreement did not stipulate any accession perspective. The most remarkable progress of the Republic of Moldova in 2001 is that it adhered to the World Trade Organisa-

tion. Until signing the EU-Moldova Action Plan in 2005, the Government policies on foreign trade consisted in adoption of several regulatory and legislative acts¹⁰⁰. After 2005, the signature of the EU-Moldova Action Plan established a serious base for the intensification of bilateral trade negotiations on a much higher level due to the possibility of getting Autonomous Trade Preferences, provided that an effective control over the origin of goods is secured.

In this regard, it was necessary to adopt the Regulations on filling in, legalization and issue of certificates on the origin of goods exported from the Republic of Moldova to EU under a preferential trade regime. The Customs Service replaced the Chamber of Commerce and Industry as the institution responsible for certification of the origin of goods, with the “one-stop shop” principle implemented in four customs offices. At the same time, the provision of Autonomous Trade Preferences (ATP) was possible due to implementation in the Customs Service of ASY-CUDA WORLD information system, which gave the possibility to cut down the time of customs clearance from 500 to 70 minutes.

In spite of these successes, our short-term commercial perspectives are less beneficial than those of other countries. Ukraine, for example, has negotiated with EU a “deep free trade agreement”, whereas Moldova will be granted “autonomous trade preferences”. The new trade regime will not give preference to goods of strategic importance to the Republic of Moldova (wines, cereals, sugar, textiles), which will be exported within the limits of certain quotas.

¹⁰⁰ Among the most important regulatory and legislative acts we mention the Decision of the Government of the Republic of Moldova Establishing the Export Promotion Organization no. 105 dated 02.02.1999; the Republic of Moldova Law on Technical Barriers to Trade no. 866 dated 03.10.2000; the Decision of the Government of the Republic of Moldova Approving the Republic of Moldova Export Promotion Strategy for 2003-2005 no.80 dated 01.29.2002; the Decision of the Government of the Republic of Moldova on Rules of Origin of Goods no.1599 dated 12.13.2002; the Decision of the Government of the Republic of Moldova Approving the Regulations on implementation of customs regimes no. 207 dated 02.26.2003; the Decision of the Government of the Republic of Moldova on Elimination of Barriers to Export of Goods no. 478 dated 04.22.2003.

¹⁰¹ Republic of Moldova Customs Service Order no.131-o dated 04.23.2007.

¹⁰² Order of the Government of the Republic of Moldova no. 88-d, dated 09.28.2007

¹⁰³ 854 EC Regulation on organization of official controls on products of animal origin intended for human consumption, 852 EC Regulation on the hygiene of foodstuffs, 853 EC Regulation on specific hygiene rules for goods of animal origin, 882 EC Regulation on Regulation on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules.

In December 2006, the European Commission submitted to the European Parliament and Council of Ministers a communiqué on strengthening the European Neighbourhood Policy. The Communiqué came with a General Progress Report on implementation of action plans, signed with the neighbouring countries, including a report on Moldova. The report shows that in 2006, Moldova attained a “good progress” in its commercial negotiations with the EU.

Specifically, the animal products residue monitoring plan was developed and submitted to the European Commission for examination. This measure was necessary so that the local exporters would be able to fully benefit of the ATP opportunities. Approval of the “one-stop shop” concept¹⁰¹ and creation of the Interministerial Commission of “one-stop shop” implementation¹⁰² will give the possibility to implement the “one-stop shop” principle not only in the customs clearance process, but also in all the subdivisions placed at the border. The local sanitary and phytosanitary standards have been adjusted to the European ones by developing and passing the draft Law on Veterinary Sanitary Activity and four basic regulations regarding the hygiene and safety of foodstuffs and official controls of veterinary authorities¹⁰³. The strategy for resizing laboratories of reference in the area of food safety and animals’ health was developed. Currently, with financial support from EC, the laboratories of reference are being provided with the necessary equipment. Another essential progress is the transfer on January 1, 2008 of the authority to issue preferential certificates CT-1 for export to CIS from the Chamber of Commerce and Industry to the Customs Service. At the same time, providing the Customs Service with enough human and technical resources to ensure a continuous and fast customs process in the future will be crucially important.

Recommendations

For a better commercial integration of the country in the EU it is necessary to ensure the renovation and modernization of the Moldovan industry with the purpose of generating capacities of high added value production and diversification of industrial goods supply (by facilitating the establishment of joint ventures, industrial parks,

etc.). In this context, certification of enterprises in the ISO 9001 system is very important (only 80 enterprises had ISO certificates in 2006).

- ▀ An increase of investments amount in marketing and sales streamlining strategies will give the possibility of expansion to new markets and recovery of a share of the traditional markets. In Romania, wine makers invest in strategies about 10% of the profit, whereas in Moldova this figure is about 1%. Most big exporters have opened exclusive distribution companies in Russia, Ukraine, Germany, etc., this allowing them to organize their sales more rationally, but they need the assistance of competent state services to firmly establish on these markets (MIEPO, the Chamber of Commerce and Industry, Ministry of Foreign Affairs and European Integration). At the same time, the winemaking companies must analyze the possibilities of getting into alliance with world-renowned wine making companies.
- ▀ The Moldovan laws on taxes and duties should be further harmonized with the provisions of the WTO, which our country is already part of, and other regulatory acts should be adjusted to comply with EU legislation in the field.
- ▀ Next, it is necessary to simplify and decrease the number of documents requested for import-export transactions, computerize and automate the customs procedures and eliminate the internal barriers to wine products export. A full transfer of responsibility for certification of origin of goods to the Customs Service (regardless of the export destination) and promotion of the “one-stop shop” principle in all customs offices is necessary.
- ▀ In the long term, the Republic of Moldova should negotiate the inclusion of wine export in ATP (without quotas) and adequately inform the economic units about the benefits of ATP.

3.4. Labour market

EVOLUTIONS: -1 **Diagnosis**

SITUATION: -1

PERSPECTIVES: 0

A constant decrease of the employment indicators on the labour market was observed during the past years. From 2000 to 2006, the number of active population has dropped from 1654 thousand to 1357 thousand people¹⁰⁴. The number of the employed population dropped from 1514 thousand to 1257, whereas the number of unemployed people, calculated by the ILO methodology dropped from 140 thousand to 100 thousand people (*Table 7*). Analyzing the rate of employment in the Republic of Moldova in comparison with other EU countries it can be noticed that it is a lot smaller – 45.4% as opposed to 63.3% European average, which points out again that both the functionality of the labour market and the quality of economic growth of the past years were not very high.

ties on the national labour market. The shortage of well paid jobs, the low salary level, the pessimistic perspectives of professional growth and low quality of life more and more motivate the able-bodied people to look for jobs outside the country.

▀ **Quality of economic growth:** The analysis of GDP growth by the components of aggregate demand shows that GDP growth is mainly due to growth of final consumption of households, mainly of those in rural areas (**REAL ECONOMY**). The intensification in 2006-2007 of gross capital formation is still not enough to ensure a sustainable economic growth. Such a model of economic growth does not contribute to multiplication of attractive and productive jobs.

▀ **Processes of structural modernization of the economy:** The market relationships, which rely firstly on competitiveness and efficiency, make the economic units minimize their production costs, hence optimizing the number of jobs at their enterprises. In particular, a constant drop in the number of jobs is observed in agriculture. The salary increase from the past years is due to the modernization of economic market mechanism, contributing at the same time to a diminution of the employment level.

Together with the drop of employment indicators, there have occurred significant changes in the structure of employed population by age, sex, environment, activity field, etc. Consequently, a significant decrease in the share of population employed in the branches that cannot ensure a high work productivity is observed, and hence an increase in the salary income (primarily in agriculture). Significant changes are observed in the structure of the employed population by age, meaning aging of human resources. In most of the big companies the average age of the staff is close to the retirement age. The attempts of young persons with vocational studies to be employed in such companies usually fail. The owners are not willing to hire persons with no relevant experience, and the quality of formal education is often unacceptable (see **VOCATIONAL EDUCATION**). Often young people cannot accept the salaries the owners offer, and the persons close to retirement do not hurry to leave their job in favour of youth.

Indicators	2001	2002	2003	2004	2005	2006*
Total population	3639,6	3631,5	3623,1	3612,9	3589,9	3581,1
Economically active population	1616,7	1615,0	1473,6	1432,5	1422,3	1357
Employed population	1499,0	1505,1	1356,5	1316,0	1318,7	1257,3
Number of wage earners	899,2	891,8	868,2	840,9	830,8	842,4
Unemployed according to ILO	117,7	109,9	117,1	116,5	103,7	99,9
Unemployed registered in employment offices at the end of the year	27,6	24,0	19,7	21,0	21,7	
Inactive population	2022,9	2016,5	2149,5	2180,3	1963,7	1576,0
Persons declared as working or searching for employment abroad	172,0	231,3	291,0	345,3	394,5	310,0

Note: Due to the change of labour market research methods the indicators from 2006 are not directly comparable to those of the previous years;
Source: NBS

Among the main factors that have determined the drop of employment indicators the following can be considered:

▀ **Demographic factor:** The Republic of Moldova is facing a negative demographic balance and population aging (**BIRTH AND DEATH RATE CRISIS** section). The decrease of human potential has a major impact on the worsening of the employment indicators, impact that will become even more important in the future.

▀ **Labour force emigration** (see **EMIGRATION** section): The main cause that fosters emigration is the lack of attractive employment opportuni-

¹⁰⁴ See note at *Table 7*.

The structural modifications of employment as function of environment are related to the process of depopulation of rural areas (see **DEMOGRAPHY: A LATENT THREAT** and **THE RURAL MOLDOVA**). The lack of opportunities of self employment and the practically null attractiveness of the jobs available in rural areas makes the economically active population from rural areas, especially the young one, to choose to migrate to cities or out-migrate, hoping to have a slightly better life.

Risks

The worsening of employment indicators reveals the vulnerability of the national economy and social security system (see **SOCIAL PROTECTION POLICIES**). The decrease of employment level leads, on the one hand, to a growth of the economic dependence ratio, and on the other hand, to an exhaustion of the resources needed to ensure the functioning mechanism of social insurance and health care systems, these two closely depending on the salary income of the employed population.

The reduction of employment can have a negative influence on the quality of human potential as well. The lack of employment opportunities, the low level of salaries provided by available jobs makes the population practice additional activities that are not directly related to their specialty and qualification. The people that go abroad for work also get unqualified jobs. Such a situation determines a massive loss of human potential qualification that can afterwards bring the Republic of Moldova to the status of underdeveloped country, and the investments in human capital made by both the state and the population can convert into unjustified expenses.

Another factor related to human capital degradation is the state ignoring the problems that the educational system faces. The extremely low salaries of teachers have led to a massive shortage of teaching staff in vocational schools. The educational offer of schools, as well as the equipment used to train specialists that hasn't been changed for 15 years, cannot meet the labour market requirements (see **EDUCATION**). Many specialties and crafts offered by vocational

schools are no longer required on the market. On the other side, there have appeared many crafts and specialties that are not in the lists of professions offered by the vocational schools of the country. This creates the impression that vocational schools train jobless people, and not specialists. Most unemployed persons aged between 15-24 years have secondary vocational education (the people with secondary vocational studies and secondary specialized education account for 30.4% and 15.2% respectively of the total number of unemployed).

Unemployment cannot be considered a major problem of the labour market. Its low level is a distinctive peculiarity of the Moldovan labour market at the current stage. Therefore, promotion of a policy targeted at a continuous decrease of this phenomenon on the labour market is unjustified. The problem is rather that of creating adequate professional reintegration conditions and services for the unemployed, as well as ensuring favourable conditions to creation of attractive jobs that would ensure a decent living for the potential workers and their families. The low salaries and imperfect functionality of the labour market worsen the employment indicators.

Governmental policies

The constant modification of the mode and mechanisms of state intervention on the labour market is a peculiarity of the Moldovan labour market. During the transition, along with changing the employment concept, the institutional framework and the employment and unemployed social protection legislation has been modified several times. On May 15, 2002, the Republic of Moldova approved the "Employment Strategy", aiming at ensuring the functionality of the labour market. It mainly targeted at creating favourable conditions for the formation of supply and demand behaviours that are appropriate to a modern market economy. The competition environment underlying the market economy would allow ensuring an optimal level of employment, a sustainable growth of work productivity, and, hence, salary income of workers, and on the other side, it would allow to harness the existing human capital as efficiently as possible. Although this strategy implementation

term is not due yet, in 2007 a new employment strategy was approved till 2015. The development of a new employment strategy, a more modern one, was determined by a severe deterioration of labour market situation in the country, as well as by the new European integration goals.

Other regulatory acts and institutional documents, by which the Republic of Moldova policy on employment is promoted, are the employment programmes, developed for a 2-3 year term and mostly having an operational character. All the strategic and operational documents are in compliance with the market economy requirements, but they contain elements inherited from the pre-transition period. Thus, the old practice of naming the line ministries as responsible for creating jobs can be mentioned. Or, jobs are created in the real economy, and their quick creation depends on their economic justification, not on the indication of ministries. In the same context, “motivating” big enterprises with or without state capital to create new jobs in order to accomplish the provisions of employment programmes and strategies is, also, irrelevant. Jobs are productive and sustainable only when they provide the enterprise with a maximal profit, and their creation with the purpose of strategy implementation diminishes the competitiveness of these enterprises.

Also the Government’s recently initiated attempts to “harmonize the education system with labour market requirements” are stark clumsy. Major investments or changes in the economic or trade policy can generate major changes in the employment structure of the labour market. For this reason, the attempts of “centralized” forecasting of long term developments of operational structure and, consequently, those of directive regulation of admission to secondary specialized and higher education institutions will not improve the situation of employment, but, on the contrary, can aggravate it. In a market economy – model to which the Republic of Moldova also aspires, the correlation of the educational system with the labour market requirements, as well as the quality of educational services can be ensured only through measures and methods specific to a market economy, based on free action of market forces.

Recommendations

- From the secondary character of the labour market it follows that an improvement of the employment situation can only be accomplished after the “recovery” of the real economy. The big enterprises, created in the period of centralized economy, that survived the transition, can no longer be the main source of available human capital absorption and of creation of new lasting jobs. The future of modern economy is represented by the small adaptable businesses. The employment level can increase not only by creating new jobs in the existing enterprises, but also by creating new modern and competitive enterprises and creating new goods and services markets.
- An implementation of marketing researches on the labour market, correlated with consolidation of professional orientation and planning is necessary. In the conditions of an emerging and constantly changing market, the offer must be able to face these fluctuations. Consequently, the job offer should be flexible and able to quickly and efficiently respond to all structural modifications that can happen in the real economy, as well as on the labour market.
- Rehabilitation of the professional orientation institute would lead to an optimization of costs related to formation of job offers, a process that is regularly lasting and costly. The vocational training system must be fundamentally reformed so that it puts accent not only on comprehensive knowledge of narrow specialty subjects, but also on general skills, such as knowledge of foreign languages, PC, communication, etc. A new concept of vocational education can essentially reduce the unemployment rate among young people, especially of those with secondary specialized education. At the same time, the education system should not only educate young people into specialists willing to be employed, but to educate the spirit of initiative in them and to provide them with basic economic knowledge on how to start their own businesses.
- In the situation when unemployment is not an essential problem, the employment policies should be targeted at improving general conditions and labour security, and stimulate owners to pay legally and raise the salaries.

3.5. Special topic: Foreign development assistance

During the past years, the amount and role of technical assistance in the Republic of Moldova has significantly increased. Some developments show an increased attention from external donors:

- ▣ **Opening of the European Commission Office in Moldova at the end of 2005.** Since January 1, 2007 the Republic of Moldova is directly neighbouring the European Union and it is obvious that this made the EU interest in the further development of Moldova's situation grow. At the same time, the new geographical proximity, concurrent with the European orientation of the foreign policy, has increased the donors' (not only EU's) interest in stabilizing this region.
- ▣ **Approval of the new programme for Moldova by the International Monetary Fund, in May 2006.** The memorandum with IMF was signed after five years of lack of support from this institution to the Republic of Moldova and indicated a mutual agreement on the development policies.
- ▣ **Increase in the assistance amount.** The assistance amount and the number of projects has continuously increased during the past years (*Table 8*), as a result of the increasing interest in Moldova's development from the donors' community. The United States and European Union weigh heaviest, reflecting the economic power along with their significant interest in this region.

The trend of the external aid growth is expected to maintain for the years to follow. During 2007-2009, the technical and financial assistance, provided to the Republic of Moldova can reach USD 1.2 billion, half of it as grants.

Normally, assistance should be provided and various sectors should be supported in accordance with the priorities, established by the National Governments in their strategic documents. There are three such documents in the Republic of Moldova: The Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), The EU-Republic of Moldova Action Plan (EURMAP) and the Government Activity Plan for 2005-2009 – "Country's Modernization – People's Welfare". Obviously, the existence of three strategic documents does not make a favourable environment for coordination of foreign as-

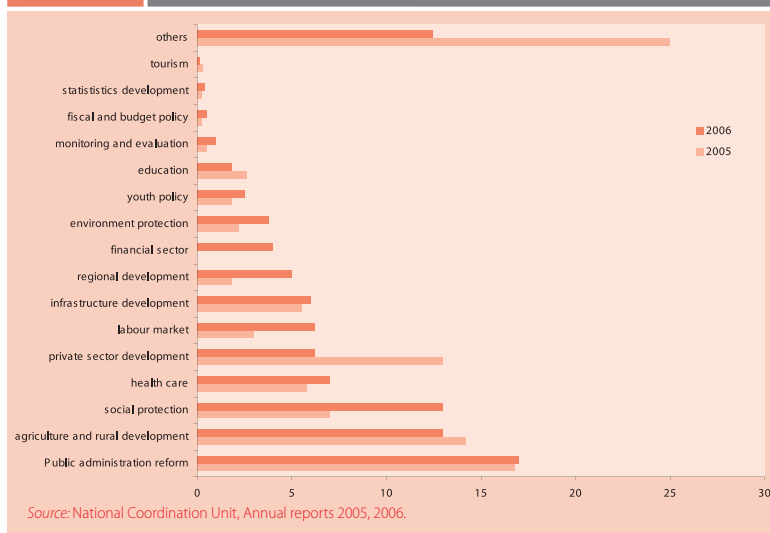
Table 8 Technical assistance granted to the Republic of Moldova, 2005-2006

	2005	2006
No. of projects	196	254
Total budget of the projects (million USD)	288	308

Source: National Coordination Unit, Annual reports 2005, 2006

sistance. Still, the assistance was provided mainly in accordance with the priorities of EGPRSP and EURMAP. Although the National Plan of Technical Assistance tries to incorporate the EGPRSP priorities and to connect them to the existing assistance projects, this often leads to simple taking over the EGPRSP priorities, without ultimately finding the necessary funds. Such sectors like the public administration reform, agriculture and rural development, and social protection have benefited from large allocations, while areas like research and innovation, industry or tourism have practically been ignored.

Figure 20 Distribution of financial allocations of technical assistance by sectors in 2005-2006, %



Since October 2005, the relationship between the Moldovan Government and the donors' community was coordinated at two levels. The "superior" coordination is carried out by the National Committee for external assistance coordination under the First Deputy Prime Minister's Office. This Committee is concerned with: (i) assuring a con-

tinuous compliance of the external assistance programmes with the priorities of the economic and social development of Moldova; (ii) monitoring the external assistance programmes; (iii) examining the issues related to the implementation of assistance projects and providing proposals for their settlement; (iv) evaluating the outcomes of assistance projects implementation¹⁰⁵. The Ministry of Economy carries out the “inferior” coordination that includes programming, coordination, analysis and evaluation of the technical assistance, offered by the multilateral organisations and donor countries. The National Coordination Unit (NCU) is responsible for the operational management of these tasks¹⁰⁶.

Table 9 Key challenges in implementation of the Paris Declaration

Dimensions	Baseline	Key challenges
Ownership	Low	Fragmentation across ministries. MTEF is not properly adjusted to strategic papers.
Alignment	Low	Weak country systems. An integrated information system should be implemented in 2008 and become operational in 2009. The share of aid granted and reflected in the state budget should increase. Share of coordinated (among donors) technical assistance remains low. Number of parallel project implementation structures (implementing units) established by donors should decrease.
Harmonisation	Moderate	Limited use made of common procedures. Granted assistance should use on a wider scale programme-based approaches. The share of coordinated analytical work relating to Moldova should increase.
Managing for results	Low	Poor quality and somewhat limited availability of poverty-related information. A nationwide integrated monitoring and evaluation system is not in place.
Mutual accountability	Moderate	Partial mutual assessments of progress in implementing agreed commitments on aid effectiveness

Source: OECD, „Survey on Monitoring Paris Declaration. Moldova. 2006”; World Bank, „Aid Effectiveness Review. Moldova”, October 2006

Nevertheless, the coordination of the technical assistance is still not efficient. The functioning regulations do not clearly specify the roles of both parties, causing confusion and overlaps in their activity. Besides, the Ministry of Foreign Affairs and European Integration (regarding the European Union – Republic of Moldova Action Plan) and the Ministry of Finance are two other important stakeholders in the coordination of foreign assistance. This complicates even more the process of coordination and implementation of certain projects, especially if the communication/cooperation problems between the parties are taken into account

From the donors’ part, coordination of assistance is mainly established by the country strategies, developed by each donor sep-

arately. At the same time, the donors have signed a Memorandum of Understanding on the coordination and harmonization of the donors’ and Government’s activities, aimed at improving the efficiency of the external aid to the Republic of Moldova. This Memorandum underlay the Government’s Partnership Framework. This framework was signed by the Government and the development partners, active in Moldova (the European Commission, UN Agencies, IMF, World Bank, SIDA, DFID, SDC, UNICEF, Netherlands Ministry of Development Cooperation). The Harmonization Group meets quarterly, and the external partners meet on a monthly basis to exchange information on the activities carried out.

At the global level, in order to secure a better coordination of the technical assistance, the developed countries together with the developing ones, have adopted the so-called Paris Declaration. By adopting this Declaration, the parties pursue an increase of assistance efficiency, its higher adaptability to the peculiarities and specific priorities of the receiving countries, a higher precision of indicators and targets, as well as a more thorough monitoring and evaluation of the assistance programmes’ implementation¹⁰⁷. The Republic of Moldova joined this Declaration in October 2006. Moreover, the progress indicators, included in this Declaration, underlay the Government’s Partnership Framework „Coordination and harmonization of the donors’ and Government’s activities, aimed at improving the efficiency of the external aid to the Republic of Moldova”.

The Paris Declaration proposes to implement 56 actions, to be evaluated on the basis of 12 monitoring indicators and targets established for 2010. Besides, intermediary evaluations are carried out, one of them in 2006. However, this focuses on the actions taken during 2005, and therefore is more an evaluation of the initial level of proximity to the targets established by the Declaration. The 2006 monitoring report evaluates 34 countries, including the Republic of Moldova. The report shows that the Republic of Moldova, like many other developing countries, is still very far from the targets set for 2010 (**Table 9**).

As regards the Moldovan authorities, the National Coordination Unit is responsi-

¹⁰⁵ Decision of the Government of the Republic of Moldova no.322 dated 23.03.2006 on Creation of the National Committee for Technical Assistance to the Republic of Moldova.

¹⁰⁶ Decision of the Government of the Republic of Moldova no.988 dated 28.09.2000 on Improvement of the Coordination Mechanism of the Technical Assistance, Provided to the Republic of Moldova.

¹⁰⁷ The Paris Declaration on Development Aid Effectiveness (2005).

ble for monitoring and evaluation of foreign assistance. The evaluation results are published as annual reports, which are very descriptive, present an overview of the technical assistance provided to Moldova and list the projects implemented in each sector that benefited from technical assistance. These reports describe what was implemented, but do not make any relevant conclusions on the efficiency and impact of the assistance provided, or if the expected programme goals (that include a number of projects) were reached¹⁰⁸. In other words, there is no thorough evaluation of the assistance impact on achieving the proposed developmental goals and the way this could be improved in the future. The same conclusion can be extended on the situation of monitoring. Many times the efficiency of implementation and what can be improved during the process is not evaluated. Actually, the NCU annual report admits that "... the Moldovan authorities haven't even attempted to evaluate the programmes"¹⁰⁹. Launching the IDEA system that offers information on the projects in progress can not replace an authentic and integrated system of evaluation and monitoring of the efficiency and impact of foreign assistance.

On the other hand, the donors monitor and evaluate the projects on the basis of their own standards and objectives, set in their assistance strategies. The results of these evaluations are not always communicated to the authorities receiving assistance. And finally, the National Assistance Strategy, that should contain a list of unambiguous indicators for monitoring and evaluation of assistance, agreed upon together by the donors and the Moldovan authorities, looks more like a "shopping list"¹¹⁰.

The role and the amount of foreign assistance will definitely increase in the following years. It is crucial for the Republic of Moldova to be able to maximally exploit these favourable circumstances and increase the positive effects of assistance for the country's development. In order to accomplish these goals, it is very important that the Moldovan authorities eliminate a number of deficiencies together with the development partners and make efforts that would increase the positive impact of the assistance provided.

- ▣ Adoption of the National Development Plan represents both opportunity and defiance. Ideally, this Plan should serve as platform to providing assistance and aligning it to the national development agenda. In other words, the flows of external assistance, including the one provided under EURMAP, should be adjusted to the National Development Plan priorities. Such a decision must be supported both by the Moldovan authorities and the donors' community. At the same time, aligning the external assistance to NDP priorities would direct this assistance to clearly set goals.
- ▣ Coordination of assistance must be simplified and streamlined. For this it is necessary to clearly delimitate the responsibilities of the National Committee for External Assistance Coordination under the First Deputy Prime Minister's Office and the National Coordination Unit. The first one should manage the strategic planning, monitoring and evaluation functions, whereas the second one should concentrate on projects' progress on a technical level. In this regard, it is crucial to provide the National Committee with the skills needed for a real fulfilment of these functions, eventually with permanent support from donors. The vacancies must be filled and the staff must be trained, if needed.
- ▣ Ensuring projects' progress monitoring according to the programme objectives. Monitoring of the projects in progress must be adjusted to the priorities of the national strategic document. Besides providing information regarding achievement of intermediary programme goals, an efficient monitoring process will give the possibility to outline and overcome the problems, encountered during project implementation.
- ▣ Ensuring the evaluation of efficiency and impact of external assistance. The Moldovan authorities and the donors must have a realistic and true image of the impact of assistance projects on achieving the developmental goals, stipulated in the strategic documents, such as NDP. An adequate evaluation must go beyond simple mathematical sum up of the outcomes of the implemented projects. This is why an evaluation framework that would reflect the performance in achieving the goals established by strategic documents is needed. Furthermore, this framework should take into account the implementation process, the efficiency of partners' contribution and should also provide solutions for future improvement.

¹⁰⁸ „Monitoring and Evaluating External Assistance Programmes”, Atos Origin, 2005.

¹⁰⁹ „Annual Report 2006”, National Coordination Unit, Ministry of Economy and Trade of the Republic of Moldova.

¹¹⁰ „Monitoring and Evaluating External Assistance Programmes”, Atos Origin, 2005.

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*Advancement of
democracy and
good governance*

4

“ Plans are nothing, planning is everything. ”

Dwight D. Eisenhower, 34th US president

“ Authority does not mean control over others, but responsibility for others. ”

Saint Augustin





Advancement of democracy and good governance

Chapter four is one of the most extensive parts of the Country Status Report, covering several areas of particular importance for the Republic of Moldova. The first analysed aspect is the political culture and participation in the Moldovan society, which is influenced by a mixture of traditional and modern values. The second section shows that the Republic of Moldova recorded some progress in adopting policies in the area of human rights, but these are modest compared to the results of other Central and Eastern European states. A critical element for the functioning of the democratic system is an independent and efficient judicial branch. As it is shown in this chapter, the Moldovan judicial power still suffers from a number of deficiencies, which limit its capacities to exercise independent justice. The process of good governance is eroded to a large extent by the weakness of the public administration system. This chapter highlights the aspects related to the consolidation and role of the civil society in the process of modernisation of the country, a role which the Moldovan non-governmental organisations would be able to play with more responsibility and dedication. The 2007 local elections are the subject of a special analysis at the end of this chapter.

4.1. Political culture and participation

EVOLUTIONS: +1
SITUATION: 0
PERSPECTIVES: 0

Diagnosis

Political culture represents a system of perceptions and attitudes, based on historically grounded values, which determine social objectives and the behaviour adopted by individuals, social groups and institutions of a society to reach those objectives. Public and private institutions and citizens behave as subjects of the political process in their mutual relations, induced by the political culture. In order to influence public policies, the organisations, groups and individuals pursuing political, social, economical, and ecological or other goals have to participate in the political process. From this perspective, good governance supposes the existence of a political process which aims at reaching three fundamental objectives: national security in its entire complexity; economical development to ensure citizens' welfare and diminish social gaps; ensuring fundamental rights and freedoms of citizens.

The phenomenon of political culture in the Republic of Moldova has not been yet effectively researched. But it is obvious that the level of political culture is inappropriate

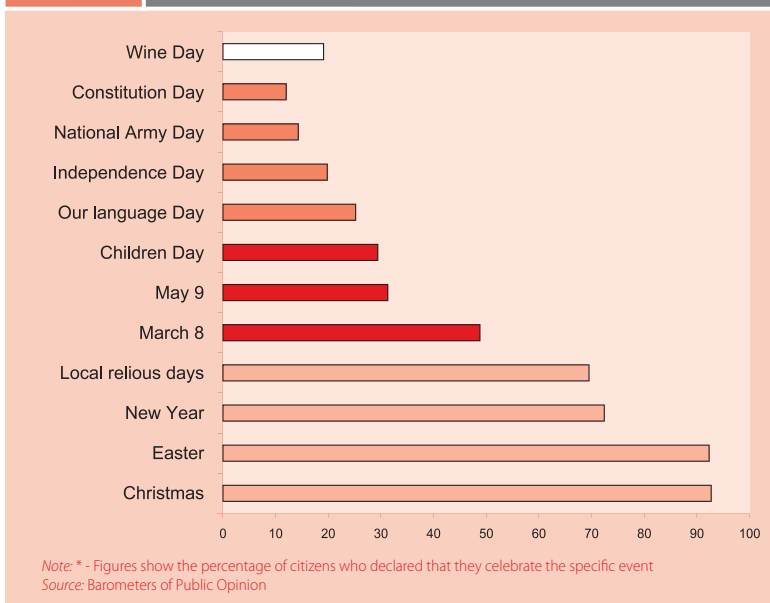
to ensure a good functioning of the new democratic institutions, as well as diminish the effects of shock factors, which accompany modernisation and transition. The Republic of Moldova for almost two decades is going through a process of modernisation and social-economic and political transition. The shocks generated by modernisation were amplified by influential tangential factors: "the identity crisis", Transnistrian conflict and external influences on the internal processes. The mentioned factors contributed towards breaking up the Moldovan society along ethnic, linguistic, regional and other lines. The realities of the modernisation period created new negative clichés for the perception of the Republic of Moldova, both internally, by the citizens, and abroad: the poorest country in Europe, exporting cheap labour force, a source and a transit country for illegal migration and trafficking in human beings, one of the highest "failed states index"¹¹¹ (see section **HOW WE ARE SEEN IN THE WORLD**).

¹¹¹ http://www.foreignpolicy.com/story/cms.php?story_id=3865&page=0.

Obviously, the Republic of Moldova recorded some success in the modernisation of democratic institutions according to the European standards. Still, the modernisation of the society as a whole was not objectively possible to be synchronised with

for its high percentage of rural population, has also a political culture mostly archaic or parochial, displaying a high resistance to modernisation. This feature is reverberated in the behaviour of political elites, election preferences of citizens and the degree of participation in the public affairs.

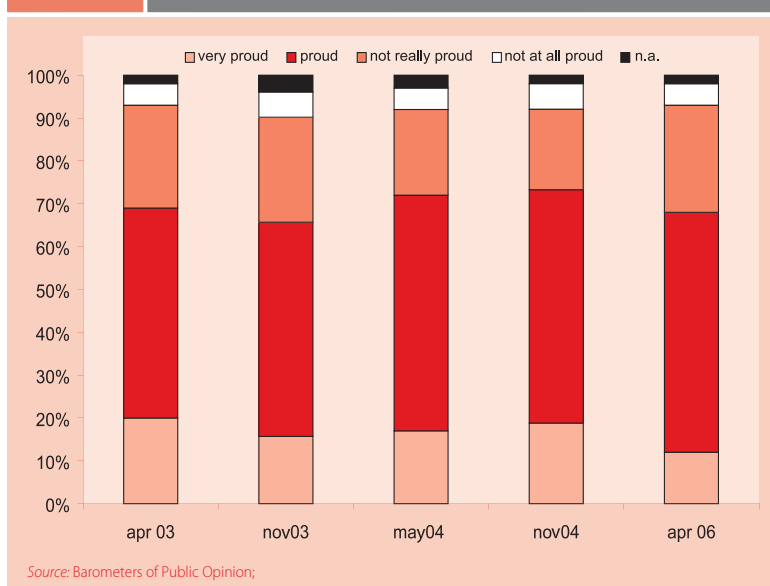
Figure 21 The most important holidays for Moldovans*



the quick modernisation of institutions. The reason is that the public institutions and the civil society were modernised based on borrowed models and standards in order to replicate a European context, which proved its efficiency in environments with a corresponding political culture. The Republic of Moldova, named “the village of Europe”

Values and perceptions, which can be implicitly identified by public opinion polls, are extremely important for the comprehension of political culture. The attitude towards holidays points out the semiotic field of the value system because *holidays* represent the opportunities to display feelings of enthusiasm, appreciation or delight for certain events with impact on the social cohesion and on symbols which represent them. As it is shown in **Figure 21**, the most important holidays for Moldovans are the religious and family ones, followed by those of an international nature. The national holidays, connected to the statehood and constitutional order of the Republic of Moldova, are the least popular among citizens, the Wine Day being equally important with the Independence Day.

Figure 22 Answers to the question „How proud are you of being a citizen of the Republic of Moldova?“, % of total



Ironically, the low popularity of the national holidays is contradicted by the relatively high level of positive perception of the status of citizen of the Republic of Moldova: more than 70% of the citizens stated that they are proud or very proud to be citizens of this state (**Figure 22**), although only 15 – 25% celebrate the events connected to statehood. This paradox can be explained by the period of time the respective holidays are in the value system of the community: Christian holidays – for more than one thousand years; international holidays – approximately 50 years of the Soviet period; national holidays – the last 16-18 following the Soviet period.

Modernisation of the Republic of Moldova implies the necessity of good governance, which can be only achieved in conditions of a certain degree of political stability. The level of interest for politics, election behaviour and citizens’ intentions to protest in crisis situations represent the indexes used to assess political stability. From this point of view, during the last six years the absolute majority of citizens of the Republic of Moldova were dissatisfied with the general

direction of evolution in the country (*Figure 23*).

Besides the low level of confidence in the political parties, citizens display little interest for politics (*Figure 24*). The degree of confidence in their ability to influence decisions of the authorities on the local or national level is very low, in close relation to the degree of interest for politics. The direction of causality is not clear – citizens are not interested in politics because they don't believe they are able to influence the decisions of public authorities or vice versa – but the combination of all these aspects reflected on the election behaviour by increasing absenteeism. Taking into account the fact that the modern democracies are above all “party democracies”, which are confirmed by periodical elections, the interest for politics, for the parties' manifestoes and the active participation in elections represent the only legal and lawful way for citizens to attempt changing the existing state of affairs. In this respect, the Moldovan *political culture* is characterised by political nihilism, and the risk of outbursts of protest behaviour is present.

Thus, the index of political stability in the Republic of Moldova, estimated following the Gallup International model, is negative and is decreasing during 2007, from -4.1 (April) to -14.0 (November)¹¹². According to this model, in the Republic of Moldova “the dissatisfied” prevail – citizens who think that elections for the elective public bodies are not fair and that the country is not governed according to the peoples' will – 49.5% in April and 54.2% in November 2007. The factors with a negative impact on political stability intensified during 2007 as a result of the fact that the general local elections of June 2007 were assessed as “under expectations” by the local and international observers, of the low quality and transparency of certain important decisions adopted in the social-economic area, and of the quality of justice etc.

The low level of political stability does not have an immediate impact. It serves as an indicator of likelihood that in certain circumstances conflicts between the branches of power or protest movements would break out. Still, it should be mentioned that in the last six years there were no conflicts between

the branches of power, but only protest actions organised by the opposition against certain governmental policies. BPO data¹¹³ from 2001 – 2005 show that around 10% of citizens have participated in protest actions.

Figure 23 Answers to the question “Do you consider that things are moving in the right or wrong direction in our country?”, % of total

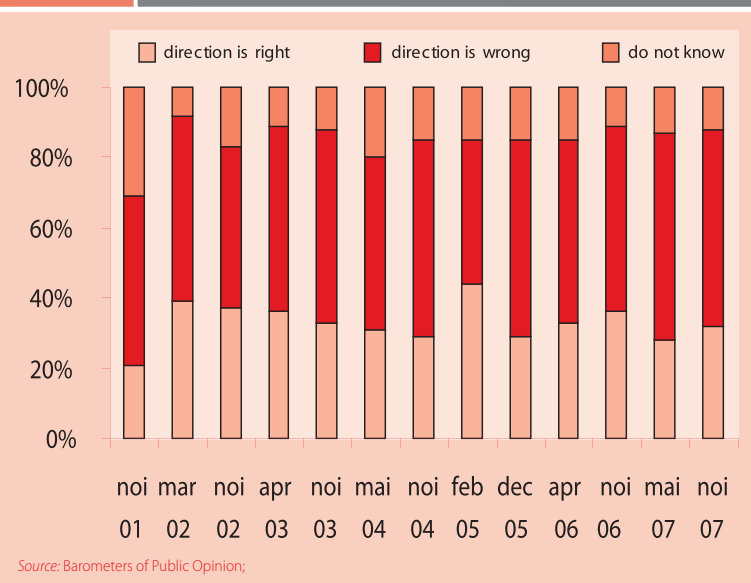
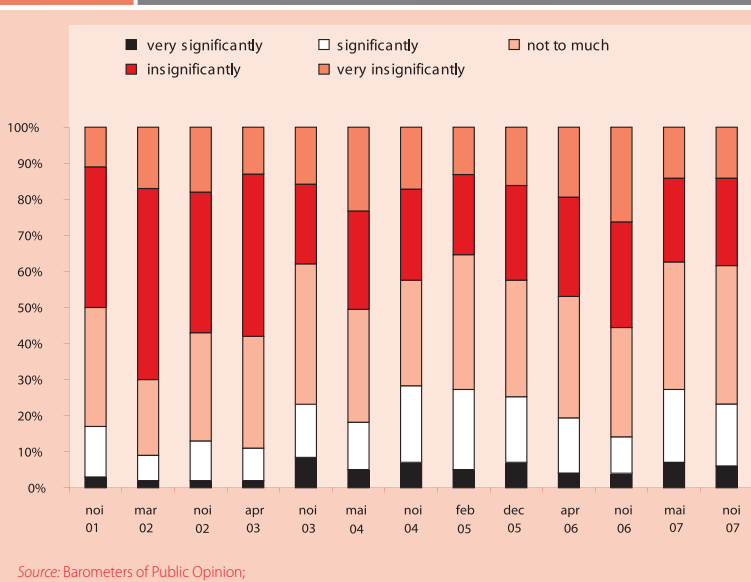


Figure 24 Answers to the question „How interested are you in politics?“, % of total



¹¹² In the Gallup International model political stability is estimated based on interaction of two considerations measured in opinion polls: 1) governance according to peoples' will; and 2) free and fair election of representatives to the elective public authorities. Gallup model identifies four categories of citizens depending on their answers to the questions regarding elections and the country's governance according to peoples' will: Yes, Yes – Satisfied (Pillars of democracy); Yes, No – Disappointed; No, Yes – Uninterested (spectators); No, No – Dissatisfied.

¹¹³ Barometer of Public Opinion, IPP, May 2007.

A little more than 15% admit the possibility of participating in protest actions if needed. Usually, the protests in the Republic of Moldova are peaceful. The most contested issues in street actions are related to: history interpretation and the methods of teaching it in schools; linguistic problems, such as the name of the official language and the status of Russian language; settlement of the Transnistrian conflict by way of federalisation.

During 2005 – 2006 there were no protests related to the mentioned issues. One of the factors explaining this situation is the political partnership established to achieve the objective of European integration, which was joined by the main political forces able to organise mass protests. Nonetheless, a couple of “thematic” protest actions have occurred, relatively small, organised by opposition parties against governmental policies (for example, protests of entrepreneur patent holders). Although the Moldovan trade unions comprise more than half million employees, they nearly do not protest against governmental policies, the last 3 - 4 years being spent in inner conflicts. It should be also mentioned that the protest tension in the society is discharged through the vent of emigration of the most active and competent part of population. But recently the ruling party announced the end of the “political partnership”, and the opposition warned on the likelihood to resume protest actions if the government attempts to solve the most sensitive problems disregarding its point of view.

Governmental policies

Four election cycles have shown that in the Republic of Moldova alternation at power is achieved periodically, peacefully and usually according to generally accepted rules and standards. Elections do not imminently lead to the release of tensions and political instability. The election process in its entirety, and in particular the election results sometimes lead, contrary to expectations, to increased political instability. The society fragmentation along ethno-linguistic, religious or political lines is reflected in the election results, which significantly differ depending on the urban-rural, North-

South, ethnic majority- ethnic minority criteria. Depending on the election results, mutual distrust of the political parties’ supporters and allegations of election manipulation by the authorities generate conflicts with a potential for political destabilisation.

The last three election campaigns in the Republic of Moldova were estimated by the Election Observation Missions led by OSCE less positive than the previous ones. The elections were appreciated as relatively free but far from being fair and conform to the international standards. No massive manipulations with constituents’ ballots on the elections day were reported. Objections to the Moldovan authorities concern their lack of good will in ensuring equal conditions for all election competitors as regards uniform access to the audiovisual media, use by the ruling party of administrative resources and harassment of opposition. As a consequence, opinion polls show that the majority of those interviewed think that elections in the Republic of Moldova are not free and fair.

Political parties became the main institutions which ensure the liaison between the civil society and public institutions. During the four election cycles not a single independent candidate became MP. In the representative bodies at the local level only 5 to 15 % of councillors and mayors are elected outside the party candidates lists. Opinion polls show that this situation is not due to the peoples’ confidence in political parties, but to the proportional election system used for the election of MPs and councillors. Opinion polls illustrate that the absolute majority of citizens support the idea of changing the election system to a uninominal vote, an issue that is repeatedly rejected by the political establishment. Currently, there are 28 political parties registered in the Republic of Moldova, the legislation in force requiring at least 4,000 members in order to be registered¹¹⁴, which means there should be some 112,000 party members in the country, or at least 6% of the citizens are party members. In fact, the major parties claim more than 20 – 30 thousand members, which can be a real figure, given their capacity to advance few thousand candidates for the positions of mayors and local councillors and another few thousands as representatives to the election bodies, observers, etc.

¹¹⁴ Law on political parties of 21.12.2007.

In the period following the declaration of independence of the Republic of Moldova, high-ranking officials, representatives of different political forces and non-governmental organisations have advanced initiatives to identify a „national idea” which would allow bridging the antagonistic splits on political criteria in the Moldovan society. The role of the “national idea” would be to diminish the risk of political destabilisation generated by attitudes of the political parties towards the main political issues with a potential to polarise the public opinion. The said issues were highlighted very clearly in the last decade through the protest actions they generated. They are: interpretation of history with an impact on the national and linguistic identity; the manner of settling the separatist conflict on the left bank of the Nistru River; the vector of foreign policy; social-economic policies and those related to ensuring the civic rights.

The initiative which enjoyed a virtually unanimous support was the Declaration on political partnership to achieve the objective of European integration, voted on 24 March 2005 by all MPs on the first sitting of the new legislature. This act is based on a broad consensus of all parliamentary groups regarding a consequent and irreversible advancement of the strategic direction on European integration. The idea of a political partnership to achieve the objective of European integration was unofficially endorsed with the potential to substitute the national idea. In the framework of the political partnership all parliamentary groups committed to undertake efforts in order to: find a peaceful and democratic settlement of the Transnistrian issue; ensure the stability of democratic institutions; ensure the independence of the judicial power; fight corruption; secure free development of media; respect the minorities’ rights; enhance social development; decrease poverty; improve the investment climate; and nurture extensive application of the official language. The mentioned actions were designed to bring the Republic of Moldova closer to fulfilling the criteria necessary for the European integration.

In the period of political partnership, the Parliament and the Government, in particular the Ministry of Foreign Affairs and

European Integration (MFAEI) displayed an unprecedented openness for cooperation with the civil society organisations with the aim of involving them in the implementation of national strategies supported by the external partners. The openness of the public institutions towards the civil society was “unprecedented” in the sense that it was in fact imposed by the international organisations, their support for the Republic of Moldova in the implementation of strategies and joint plans (EGPRSP, EURMAP) being actually conditioned on cooperation with the civil society. The cooperation between the public institutions and civil society is induced and supported from abroad, a fact which represents an important characteristic of the Moldovan political culture.

The political partnership had an international echo and support. The public policies aiming at social-political consolidation were developed mainly under the auspices of strategies developed and/or supported by international institutions and organisations: Economic Growth and Poverty Reduction Strategy, European Union – Republic of Moldova Action Plan, Millennium Goals. But the struggle for power and methods used to this end in the general local elections of 2007 revealed that for the ruling party preserving power by any means is more important than the political partnership and the goal for which this partnership was concluded. Following the defeat of the ruling party in the 2007 local elections, the President announced the end of the political partnership. A result of dissolution of the political partnership was the mutual boycott of the ruling party and opposition during elections of the heads of rayons in nearly 2/3 of the rayons. In the Rezina rayon the boycott led to dissolution of the rayon council and call of new elections.

Another outcome of the end of political partnership was the adoption of the Law on political parties and of amendments to the Election Code (in first reading), which will disadvantage the extra-parliamentary opposition and small parties. Thus, according to the Law on political parties, the number of members needed to found a party decreased (from 5 to 4 thousands), and the law provides two novelties, which will be applied after the parliamentary elections of 2009:

the possibility to dissolve a party for non-participation in elections, as well as financial support for political parties from the state budget (in the amount of 0.2%)¹¹⁵. At the same time, the amendments to the Election Code¹¹⁶ provide for an increase of the threshold to accede to the Parliament from the existing 4% to 6% and eliminate from the Election Code the notion of election alliances, as well as all provisions regulating their activity. Both bills were drafted in a hurry, without considering the suggestions and objections of national and international experts and already sparked protest reactions among the opposition parties.

Thus, the level of Moldovan political culture allows party interests to overcome the public interest, without any sanctions

coming from the constituents for such a manner of setting priorities by the political parties.

Recommendations

- Consolidation of the strategic vector of European integration is needed, since there is no other idea with the potential of a national idea in the Republic of Moldova
- A good-will implementation of the commitments of the Republic of Moldova towards the international organisations in order to fulfil the criteria for European integration is highly recommended. The only source of international support for the development of the Republic of Moldova is the rally for European institutions through the alignment to their standards.

¹¹⁵ Law on political parties (see the draft on <http://www.parlament.md/download/drafts/ro/4860.2006.doc>).

¹¹⁶ <http://www.parlament.md/download/drafts/ro/4350.2007.doc>.

4.2. Human Rights

Diagnosis

In 2004-2006 the Republic of Moldova achieved some progress in adopting policies in the field of human rights. However, the progress is modest if compared to the results achieved by other Central and Eastern European countries. Adoption of the relevant legislation most of the times is not followed by coherent and systematic policies to implement it. Among the main difficulties one can mention low capacities of the government to express efficient policy options and enforce necessary policies. The available resources of the civil society are not used systematically; often the executive approaches in a formal way the involvement of the civil society in the process of policy drafting. Another important obstacle is the low priority given by the decision-makers, including politicians, to the policies in the area of human rights. Policies aiming at the promotion of human rights are not consistently embraced by the political forces. The main forces generating changes still are the foreign actors (in particular the relevant commitments under the European Union – Republic of Moldova Action Plan) and the contribution of the specialised civil society organisations.

In this section the situation in four particularly problematic areas concerning the respect of human rights in the Republic of Moldova will be analysed:

1. Freedom of expression, media, and access to information.
2. Freedom of assembly and association.
3. Individual freedom and security.
4. Non-discrimination of national minorities.

The degree of the freedom of expression is directly proportional to the situation of public and private media, institutional and economical conditions of their functioning, severity of interference and intervention of public institutions, economical capacity of the sector, degree of self-organisation, and the quality of professionals in the area. During 2004-2006 a slight improvement can be

noted, this trend being marked by the drafting of a more progressive institutional and legislative framework, but its implementation in practice and operation is unsatisfactory at the moment. In the mentioned period, ECHR condemned the Republic of Moldova in 5 cases¹¹⁷ for the breach of the freedom of expression, the total amount of the costs for the society rising to 50,000 Euros.

The public audiovisual institutions still strongly favour the ruling party, and they are not independent as regards their editorial policy. This is particularly obvious on the eve of elections¹¹⁸. The government representatives enjoy a better and more extensive coverage. The public media still remain the dominant source of information for the rural population; hence pluralism and editorial autonomy are important in order to ensure the freedom of expression and create equal conditions for all political and public actors. Progress can be noted as regards the creation of a legislative framework and institutional premises for a stronger independence of the Teleradio-Moldova Company. The composition of the company's Council of Observers, appointed according to the new law, is more balanced compared to the previous one and includes representatives of the civil society and opposition.

The private audiovisual institutions recorded a temperate development and a consolidation of the already existing TV stations. Only NIT TV channel has a virtually national coverage, while other well-known TV stations, such as ProTV, EuroTV (recently privatised) have only a limited coverage. There are a lot of private TV stations with a limited geographical coverage. Foreign TV stations from Russia, Romania or Ukraine are also present, including with own informational products. In principle, the diversity of opinions is present, but the quality of media products is unsatisfactory. With several exceptions, the private TV stations do not have enough resources to pro-

EVOLUTIONS: +1

SITUATION: 0

PERSPECTIVES: 0

¹¹⁷ Busuioc, 2004, Savitchi, 2004, Komersant Moldovy, 2006, Amihalachioaie, 2004, Manole (admissibility), 2006.

¹¹⁸ Independent data show that only 10-15% of opinions presented by Teleradio-Moldova were not favouring the government.

mote own editorial policies concerning the quality of information. The mentioned TV stations inform in principle on important events for the society, but the informational coverage is concise and limited in its content. During the mentioned period cases of harassment of TV stations by the authorities have been reported¹¹⁹. During the election campaign the diversity of opinions is briefly presented, being shaped by self-censorship and the rules rigidly enforced by the Central Election Commission (CEC).

Situation of the radio stations is not noticeably different from that of TV stations. The diversity of FM radio stations does not necessarily result in a greater accessibility, better coverage of diverse opinions or improved capacity to provide quality media products.

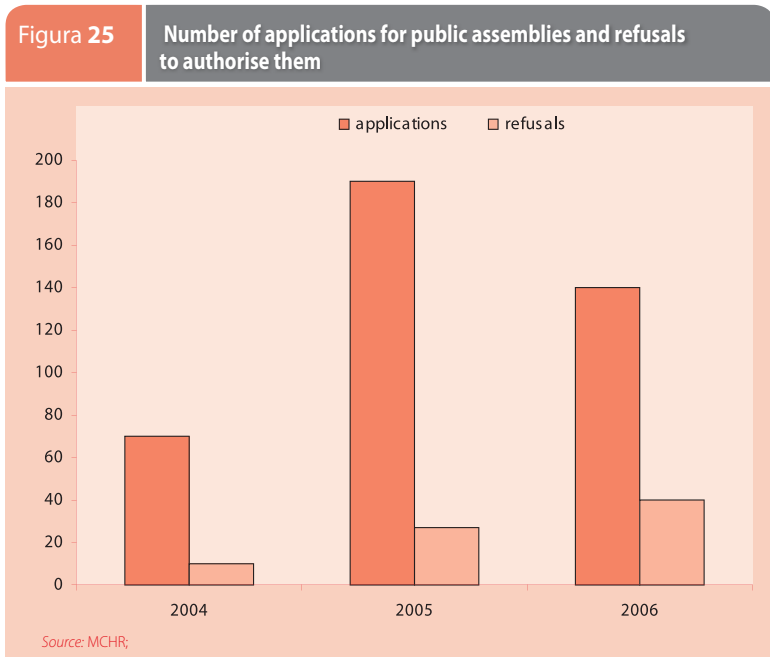
parties. They create an area with a greater diversity of opinions. Newspapers' price and hence their accessibility for broad groups of population represent a totally different problem. There were reports on pressure being exercised by rayon authorities on the local and regional printed media¹²⁰. Also, cases of intimidation of the printed national media have occurred¹²¹.

The freedom of peaceful assembly is a fundamental right and an institutionalised form of the freedom of expression. The freedom of association is essential for a collective achievement of professional, political and civic rights and interests. In principle this area witnessed a slight improvement, but compared to progress in the Central and Eastern European countries, the situation in Moldova is stagnant. The positive trend is due to a higher degree of activism of citizens. On the eve of election campaigns, these freedoms have been restrained to a higher extent.

Limited accessibility and high costs of the freedom of expression in the media stimulate public expression of opinions. Lately, the number of assemblies rose considerably, partially due to the election cycles. If during 2005, 358 assemblies were organised, in 2006 their number increased to 890. A significant indicator is the number of assemblies organised in the capital city. Increase in the number of assemblies is accompanied by the increase of refusals of the local public authorities to authorise such assemblies. In 2006 a slight decrease of the applications for assemblies was accompanied by an increase of refusals (*Figure 25*).

Statistics show that in Chisinau the public authorities offer the less requested/visible places to organise assemblies. Also, the authorities interfere with the aim of changing the time of assemblies, giving preference to the working hours.

Another aspect of the human rights is the freedom of association with its varieties of civic, political or religious association. Lately, the civic association movement recorded a spectacular increase. It is manifested first of all in an increase of the associative structures of citizens in the rural areas, where the registration procedure for associations are relatively simple. On this



The private printed media is quite diverse. The main political parties have their own newspapers in Romanian or Russian language. Their policy is strongly dependent on the political options of the parties. At the same time, there are a number of daily and weekly newspapers, such as Timpul, Jurnal de Chisinau, Ziarul de Garda, Ekonomiceskoe Obozrenie and others, which manage to maintain impartiality towards the political

¹¹⁹ PRO TV Chisinau, Euro TV Chisinau, Antena C.
¹²⁰ "Ecolul nostru" (Sangerei), "Unghiul" (Ungheni), "Observatorul de Nord. Editie de Floresti", "Gagauz Halki" (Comrat), "SP" (Balti), etc.
¹²¹ "Ziarul de Garda", "JURNAL de Chisinau", "Moldavskie vedomosti", "Curaj", "Timpul", destruction of the www.investigatii.md web-page.

generally positive background, a number of alarming actions of the Prosecutor General's Office and the Ministry of Justice should be noted (see also section **CIVIL SOCIETY**). In anticipation of the local elections, the Prosecutor's Office initiated a scrutiny of the local organisations with the declared goal of non-admitting their involvement in the political activity. The extremely restrictive attitude of the Division for non-governmental organisations and political parties under the Ministry of Justice should be noted in relation to the registration of organisations or of amendments to the founding documents. A similar trend is manifested in the area of registration of political parties. Association on religious criteria is burdened, the Service for Religious Cults adopting a position to favour the Orthodox communities. Functioning of the so-called "non-traditional" communities, such as Muslim or Mormon groups is under pressure from police through searches, deportations from the country's territory of foreigners who visit worship places.

The situation regarding individual freedom and security is an issue which continues to raise concerns due to numerous administrative detention proceedings and the defective court practice in applying the provisions on bail release. Conditions of detention in the institutions of permanent or temporary detention represent an important source of ill-treatment. The investigation bodies continue to use force in order to obtain evidence. Administrative detention proceedings are regularly used to justify and precede detention in criminal procedure. Issue of the arrest warrants by the instruction judges turned into a merely formal procedure to legitimise the investigation bodies' requests for preventive arrest. This is a substantial deviation from the European practice on preventive detention.

The information compiled by specialised non-governmental organisations and the European Committee for the Prevention of Torture (CPT) reveals the phenomenon of systematic use of physical and psychological force by the investigation bodies. The well known 7 cases of torture¹²² (with total social costs of 125,000 Euros) show that the main problems relate to the functioning of the institutional system of investigation, insufficiency of modern police investigation

technologies, existence of an unfavourable corporate culture, excessive political pressure on the investigation bodies, weakness and low efficiency of the supervision mechanisms. Access to medical services is often compromised or even inexistent for persons under investigation. Scrutiny of abuse cases is inefficient and expensive for defendants and persons in custody. Although the phenomenon is systematic, during 2004-2006 only few abuse cases were penalised.

The detention conditions during the enforcement of final convictions and preventive arrest, as well as the numerous cases lost in the ECHR point out probably the biggest source of violations of the human rights in the Republic of Moldova. The authorities claim a shortage of funds to sustain the system. At the same time, the penal policies, through severe sentences and rather modest application of alternative penalties, maintain the high number of detainees in penitentiaries.

Situation of the minorities in the Republic of Moldova could be examined first of all by scrutinising the national minorities (Ukrainians, Russians, Gagauzi, Bulgarians, Roma and others). Current policies in this area are a reminiscence of the Soviet policies of Russification and assimilation of minorities. The national minorities are forced to study in Russian-language pre-school institutions and schools, where the Romanian and native languages are study subjects which cover less than 5% of the curriculum. As a result of these policies, the national minorities are assimilated, alienated from public life, burdened with additional obstacles for a real integration into the society.

Studies carried out by specialised organisations and the conclusions made by the Consultative Committee of the Council of Europe' Frame Convention for the protection of national minorities prove the will of the mentioned minorities to study in their native languages and integrate into the society.

The minority languages are used extensively in an informal way at the local level and in private life. However, they lack official acknowledgement and there are no incentives to use them in the public life and media. Lack of coherent policies in this area,

¹²² Ostrovar, 2005; Becciev, 2005; Sarban, 2005; Corsacov, 2006; Holomiov, 2005; Boicenco, 2005; Pruneanu, 2007.

weak competences of the authorities (Bureau of Inter-ethnic Relations, Ministry of Education and Youth, Ministry of Culture) in the area of policy development and implementation discourage the advancement of policies consistent with the European standards in this area.

The situation of Roma in the Republic of Moldova, especially of those in rural areas, is an important issue of concern for the institutions of the Council of Europe. Rural communities of Roma are still underdeveloped, the access to public services (education, medicine, health, infrastructure) being totally unacceptable. Given the lack of public services, community development programmes, micro-financing arrangements, the underdeveloped rural Roma communities have hardly any chances to develop. As a result, the migration from these communities is very high and the life expectancy is much lower than the country average.

Risks

In the area of human rights, the Republic of Moldova undertook a number of important international commitments. Most of them arise from the European Union – Republic of Moldova Action Plan, but there are also a number of unfulfilled obligations towards the Council of Europe. Among the unfulfilled commitments the following can be mentioned:

- ▀ recognition of individual and inter-state complaint procedures pursuant to articles 21 and 22 of the UN Convention against Torture,
- ▀ ratification of the procedure on individual complaints pursuant to the optional protocol to the Covenant on Civil and Political Rights,
- ▀ implementation of a national mechanism for the prevention of torture pursuant to the optional protocol to the UN Convention against torture,
- ▀ efficient implementation of the recommendations of the European Committee for the prevention of torture, reform of preventive arrest institutions and improvement of police capacities,
- ▀ creation of a favourable environment for the development of media, non-interference into the activity of media,
- ▀ adoption of the Law on freedom of expression, in line with the European standards,

- ▀ adoption of a new Law on freedom of assembly, in line with the European standards,
- ▀ contribution to the development of civil society,
- ▀ enforcement of the ECHR decisions through amendment of the relevant policies,
- ▀ adoption of the Law on religious cults,
- ▀ proper reform of the Prosecutor's Office,
- ▀ ensuring a real autonomy and independence of the local public authorities.

Even in those fields where the Republic of Moldova formally achieved some progress, there are still several unsettled issues and risks. Thus, in the field of audiovisual, the ability of the Council of Observers of Teleradio-Moldova to ensure the company's autonomy and independence, as well as to temper the interference of politics into the institution's activity will be decisive for taking advantage of the favourable institutional premises. But the tendencies of political interference, polarisation of political opinions and lack of technical experience of the Council of Observers and of the company's management could undermine the already achieved results. The Council of Observers is exposed to the risk of being influenced by the parliamentary majority, while the professional associations and civic organisations have limited possibilities to ensure a greater stability and pluralism to the system. The upcoming parliamentary elections of 2009 represent another negative factor that will stimulate the government's will to control the media.

The freedom of assembly is restrained by the Law on assemblies, which establishes an authorisation procedure, provides certain leverages to constrain this freedom, and does not ensure efficient protection for assembly organisers, thus exposing them to harassment from police and authorities. Perpetuation of the existing policies could result in future condemnations by the ECHR. These risks are especially eminent as the country moves closer to the elections of 2009.

The main risks for the freedom of religious association are the preferential treatment as regards registration by the Service for Religious Cults and administrative pressure from police on the so-called "non-tra-

ditional” faiths. The registration procedure is the most problematic issue, and the Republic of Moldova was already condemned in three cases by the ECHR¹²³. Another risk is the manifestly partisan behaviour of the authorities which support materially and financially only the Archdiocese of Moldova, subordinated to the Russian Patriarchate. These phenomena represent the main sources of limitation of the freedom of religious association and could result in future condemnations of the Republic of Moldova by the ECHR. At the end of 2007, the social costs of such condemnations amounted to 15,000 Euros.

The main risks for the right of individual freedom and security are: the inconsistent application of provisions regarding the preventive arrest, failure to respect the principle of the parity of parties at this stage and insufficient scrupulousness of judges. Another important risk is the restricted access of the attorneys or representatives to the detained person. Those custody facilities which are still managed by the police also pose major risks to the detained persons.

The quality of services provided by the attorneys, in particular *ex-officio*, accessibility of services and insufficient capacity of self-organisation of the Bar Association needed in order to establish, maintain and apply ethical rules represent some more risk factors. Finally, the lack of independence and the quality of the judicial system are other risks which impede the respect of individual rights. Persons placed in penitentiaries face a number of risk factors related to a limited access of detainees to justice, low efficiency of the remedies against violations of the right to private life and correspondence, inefficient appeals against disciplinary and administrative penalties, and the quality of the enforcement conditions¹²⁴. CPT and specialised non-governmental organisations attest the lack of significant progress in this area.

The multitude and diversity of detention facilities are also alarming. Currently there are more than 100 detention facilities, such as preventive arrest facilities, police commissariats, penitentiaries, orphanages, asylums, mental institutions, half-way houses and other places in which persons

stay under different forms of deprivation of liberty. The mentioned places are run by different authorities: Ministry of the Interior, Ministry of Justice, Ministry of Labour, Social Protection, Child and Family, Ministry of Health and Ministry of Education. The current policies of excessive institutionalisation of children, senior persons and other categories of people contribute towards the emergence of additional risks.

Policies

The institutional framework recorded a slight improvement during 2004 – 2006, particularly by the adoption of the new Audiovisual Code. The regulatory institution created pursuant to the new Code, namely the Audiovisual Coordination Council (ACC), was improved through a more diverse and balanced composition, which now includes representatives of the civil society. However, it is still dependent on the political configuration of the Parliament and the role of professional associations and civil society is marginal. In 2005¹²⁵ several private TV stations publicly protested against abusive actions of the ACC related to the issue of authorisations. The ACC policy of accreditation and monitoring of the programme content did not change, and the activity conditions for private TV stations are still unfavourable. The 5-year license for TV stations and 3-year license for radio stations are too short to justify investments into the quality of local media products. Thus, TV stations are seen as a short-term investment, in most cases are not lucrative and depend on one or more sources of financing. During 2005-2006, the Government carried out a programme to support the local and regional TV stations in the amount of 300,000 MDL, distributed through the rayon councils as grants for capital investments. The rayon councils enjoyed preferential access to these funds to set rayon TV stations.

The legislation which regulates activity of the public television was drafted with the contribution of the Council of Europe experts and the involvement of the civil society. However, in most instances, their

¹²³ PPCD, 2006; Ziliberberg, 2004; The True Orthodox Church, 2007; several cases are still to be communicated.

¹²⁴ Relevant cases in the ECHR: Meriakri, 2005, Iordachi, 2006.

¹²⁵ TV „Euronova”, „Albasat” TV, „Radio Vocea Basarabiei”.

recommendations were not taken into account. A notable progress is the abolition of criminal liability for defamation. With the exception of the abolition of criminal liability for defamation and the amendments to article 16 of the Civil Code regarding civil liability for defamation, the institutional and legal framework for printed media did not change. The governmental press has a low degree of editorial autonomy and is directly dependent on governmental funds and decisions. In the period under review, the situation did not change, and the privatisation of “Moldova Suverana” newspaper did not reduce its actual dependence from the government.

The main actors involved in the regulation of the freedom of assembly are the local public authorities and police. The essential restraints of the exercise of the freedom of assembly are: limited capacities of the local authorities to manage the decision-making process in relation to the requests to authorise assemblies, the discouraging attitude of the police as regards the facilitation of assemblies, the confrontational attitude of the police towards the organisers of assemblies, lack of understanding and necessary skills for cooperation and the facilitation of assemblies. The courts generally act as a consolidating factor for the freedom of assembly, in most cases upholding the requests for assembly authorisations against the illegal restraints imposed by the authorities and police. But the delayed effect (often several months) of favourable decisions undermines the effective exercise of the freedom of assembly. Lack of any liability of the public authorities for groundless refusals encourages repeated restrictive actions of the public authorities.

Recommendations

- ▶ Amend the Audiovisual Code to reduce the interference of ACC in the activity of radio and TV stations, liberalise conditions for operation and authorisation of radio and TV stations and increase the validity of licenses to seven years, in line with the European practice.
- ▶ Amend the Election Code to decrease the role of CEC in restraining the freedom of expression during election campaigns.
- ▶ Promote transparent and visible subvention programmes to strengthen local TV and radio stations.
- ▶ Draft a new Law on assemblies, which would provide a permissive mechanism of holding assemblies, as well as precise, limited and exceptional conditions for restricting the freedom of assembly, and institutional guaranties to facilitate the holding of assemblies.
- ▶ Strengthen capacities of the local public authorities in the decision-making process, improve transparency of the decision-making process and consolidate the attitude of cooperation with the organisers of assemblies.
- ▶ Develop an attitude of the police and other decision-making and political factors towards cooperation and facilitation of public assemblies, as well as promote European solutions in the regulation of the freedom of assembly.
- ▶ Pass the task of registering non-governmental organisations and political parties to the courts or the Registration Chamber, by creating a special division for this purpose.
- ▶ Draft a new Law on religious cults conform to the Council of Europe standards, which would clearly stipulate the practical separation of religion from state and offer guaranties for religious association.
- ▶ Substantially amend the Criminal Code to provide milder penalties in line with the European practice and introduce alternative penalties.
- ▶ Promote policies of free legal assistance in criminal and civil cases, including through the development of a market of free legal services.
- ▶ Adopt the new Code on Administrative Offences, which would provide guaranties for individual security and freedom.
- ▶ Consolidate the Bar Association with the aim of increasing transparency of its activity, strengthening its role as regards the application of ethical principles and ensuring the quality of legal services.
- ▶ Adopt policies for torture prevention in the detention facilities, including through the creation of an efficient national mechanism pursuant to the optional Protocol to the UN Convention against Torture.
- ▶ Reduce the number of detention facilities by promoting policies to de-institutionalise children, senior persons and create community services.

- Adopt policies for the integration of the national minorities into the society through the development of their identity as a part of the nation, promote multi-language education policies for the national minorities and promote the use of minority languages in regions where they reside.
- Adopt the Law on preventing and fighting discrimination in line with the European standards and ratify the European Charter of the minority and regional languages.
- Adopt and implement special measures for the development of Roma rural communities.



4.3. Functioning of the judicial system

EVOLUTIONS: +1
SITUATION: 0
PERSPECTIVES: +1

Diagnosis

The judicial power in the Republic of Moldova went through a number of important reforms. In 1994-1996, the court system changed from a two-level system to a four-level system. In 2002-2003 the four-level judicial branch changed again to the currently existing three-level system. The legal reform of 2003 should also be mentioned, when the new Criminal Code, Civil Code, Criminal Procedure Code and Civil Procedure Code entered into force. This legal reform had a direct impact on judicial authority through the introduction of a new notion: the instruction judge. The 2003 legal reform also had an impact on the Prosecutor's Office, the prosecutors being granted with broader competence in the criminal procedure. These reforms pursued the declared aim of making the judicial authority more efficient, responsible and independent.

trate stagnation assessed negatively both in 2002 and in 2007¹²⁶.

The first aspect of the judicial activity relates to the quality of justice. The quality is assessed through a number of quantitative indicators, the most important being the number of decisions of the lower courts repealed by the upper courts and the number of claims filed with the ECHR. As shown in **Table 10**, the percentage of repealed decisions increased continually every year (except for the percentage of repealed decisions in civil cases in 2006, where an improvement of 0.5% was recorded), a reason to conclude that from this point of view the quality of justice is decreasing. The trend of bringing cases to the ECHR continues to grow, which proves that the Moldovan citizens do not trust the national justice and seek to enforce their rights in international courts. Summed with the high percentage of repealed decisions at the national level, these figures prove once again the inadequate quality of justice.

Table 10 Indicators of the quality of justice

	2003	2004	2005	2006
Percentage of repealed decisions in criminal cases	7,2	8,1	8,8	11,8
Percentage of repealed decisions in civil cases	3,8	4,7	5,6	5,1
Claims filed with ECHR against the Republic of Moldova	357	441	583	621

Source: Bulletins of the Supreme Court of Justice, analysis of the judiciary statistics (2004-2007) for the first and second rows and web page of the European Court of Human Rights, <http://www.echr.coe.int/ECHR/EN/Header/Reports+and+Statistics/Reports/Annual+surveys+of+activity/>

Despite the reforms, the status of justice is far from perfect. On 29 June 2007, the American Bar Association (ABA) Rule of Law Initiative presented the report "Indexes of Justice Reform in the Republic of Moldova". ABA drafted the report following certain fundamental international rules, identifying aspects which would indicate progress towards a responsible, efficient and independent justice. According to the authors, analysis of the trends of justice reform indexes revealed that four aspects improved between 2002 and 2007, while five other aspects deteriorated. Other 21 aspects remained unchanged, but 11 of them illus-

The second relevant aspect relates to the financial resources allocated to the judicial branch which, if sufficient, would ensure its independence. The level of financing of the judicial power is illustrated by the salaries of the judicial staff, as well as budgetary allocations for the operation of the system. The salaries of the judicial staff are relatively high compared to those of other public servants, but still are low if reported to the real costs of living and do not compensate the risks faced by the judges. A proper remuneration of the judicial staff is an important element to ensure the independence of justice. The remuneration system for public servants was regulated only in 2005 through the adoption of the Law on salary system in the public sector¹²⁷. The salary raise for this category was decided to take effect starting with December 2005 and to be followed by another raise from 1 January 2007. However, in fact the judicial staff does not receive salaries according to these provisions, but in the amounts set for 2006.

Table 11 illustrates a continuous increase of the total amount of expenses for

¹²⁶ Justice Reform Indexes for Moldova, January 2007, Volume II, American Bar Association.

¹²⁷ Law no. 355 of 03.03.2006.

the judicial system, but also a stagnation in the percentage allocated, between 0.12% and 0.14% of the state budget. This level is insufficient in order to ensure an adequate operation of justice. Insufficient financing of the judicial branch added to a lower remuneration as compared to the legislative and executive authorities have a direct impact on the illegitimate relations and corruption in the judicial branch. There is some progress in diminishing the financial influence of the government on the judiciary as regards the use of money allocated. Before 2004 the financial means allocated to the courts (except for the Supreme Court of Justice) were disbursed by the Ministry of Justice. Starting with 2004, the right to manage own budgets was granted also to the Courts of Appeal, and from 2005 this right was granted to all rayon and specialised courts.

The third relevant aspect concerns the efficiency of justice. One cannot speak about an efficient act of justice until this is enforced and applied on the whole territory of the country. Currently the problem related to the enforcement of judicial decisions is extremely serious, in particular as regards the enforcement of judicial decisions in civil and economic cases. It is difficult to assess the implementation of the Enforcement Code since it came into force only on 1 July 2005. The Enforcement Department managed to compile only the information regarding its activity in 2006, but even this information is alarming. Thus, in 2006 the Department employees (282 persons) had to enforce 300,895 enforcement titles in civil and economic cases; only 155,481 of them were enforced or 53.2% of the total number, which is a 1.9% decrease as compared to 2005¹²⁸. It should be mentioned that failure to enforce judicial decisions was the main ground of condemnation of the Republic of Moldova by the ECHR. At the same time, the judicial authority is not exercised on the territory controlled by the separatist regime in the Eastern rayons. Therefore, around 547 thousand residents of that region, or 1/8 of the country's population, do not enjoy access to justice.

The inappropriate manner in which different state bodies or officials react to the ECHR decisions condemning the Republic of Moldova for violations of human rights

is quite suggestive. There were cases reported when prosecutors sent letters to the attorneys who publicly declared that they will file complaints against the state with the ECHR, threatening them with criminal prosecution.

Table 11 Financing of the judicial branch, million MDL

Authority	2003	2004	2005	2006	2007
Rayon Courts		23,93	32,94	51,03	55,51
Courts of Appeal	21,85	6,98	10,82	15,21	15,66
Economic Rayon Court	1,77	2,15	2,52	4,49	4,6
Supreme Court of Justice	3,65	7,29	17,10	14,28	15,83
Prosecutor's Office	25,92	28,88	40,17	67,89	66,29
Total budget allocated to the judicial branch	53,19	69,23	103,55	152,9	157,89
% of the state budget allocated to the judicial branch	0,12	0,13	0,12	0,14	0,13

Source: Laws on State budget for the years under review

Risks

The operation of justice is facing multiple problems which cast doubts on the efficiency and legality of the act of justice. All these problems directly or indirectly affect the functioning of the judicial authorities. Generally these problems relate to:

- **Continuous increase of the number of decisions repealed by upper courts (in particular in criminal cases).** Upon repealing such decisions, the upper courts indicate deficiencies and infringements committed by the lower courts, thus convincing the public about the unprofessional vocation of the persons who adopted those decisions. Therefore, the people involved directly or indirectly in court trials lose their trust in the justice system. One of the reasons explaining this situation is the high number of cases dealt with by the judges. In 2006 the average monthly workload of a judge was around 60 cases and materials, or 3.32 cases per each working day. Obviously, a case cannot be appropriately solved within a single sitting.
- **The number of complaints filed with the ECHR against the Republic of Moldova is continually increasing.** This aspect prejudices the image of justice in the Republic of Moldova. Another problem is that the ECHR adjudicate financial compensation for mate-

¹²⁸ <http://www.justice.gov.md/index.php?cid=192>.

rial and moral damages suffered by the applicants. The amount of damages adjudicated by the ECHR is quite high and continues to increase, reaching more than 1.5 million Euros at the end of 2007. These amounts are paid from the state budget, ultimately by the taxpayers.

- ▀ ***Financing of the judicial authority is lower than in the European countries***¹²⁹. In the process of European integration, the Republic of Moldova must ensure its convergence to the European level of the financing of justice. Currently, this priority area is financed under the level of other domains, which are less important for the functioning of a democratic state.
- ▀ ***Failure to enforce final judicial decisions is a key problem for the Republic of Moldova.*** Forcing people to seek justice at the ECHR, this aspect has a negative impact on the image and public trust in the justice system. Secondly, failure to enforce judicial decisions is a ground to resort to the ECHR, even if the trial was perfectly legal and fair. This situation results in additional expenses, which would be lower if the decision concerned was enforced on the national level.
- ▀ ***Another serious risk is that the legislation of the Republic of Moldova is not applied on the territory controlled by the separatist regime of Tiraspol.*** Currently, this is a serious problem for Moldova which eventually could lead to a complete loss of control over the territory on the left bank of the Nistru River. In its decision in the case *Ilascu vs. Moldova and Russia*, the ECHR noted that the Republic of Moldova bears responsibility for the infringements and violations of human rights which occur on that territory. Using this precedent, any Moldovan citizen residing in that region can file a complaint with the ECHR against Moldova for violations of his fundamental rights, since non-application of the legislation on that territory results in violations of the rights of those persons.

Governmental policies

The European Union – Republic of Moldova Action Plan provides a number of actions aiming at reforming the judicial system. With a view to implement

the AP provisions, a number of legislative acts were amended to strengthen the independence of the judicial power, change the modality of appointing judges and create conditions for the improvement of professional vocation of the judicial staff. A pending issue is reform of the competences of the Prosecutor's Office and the modality of appointing prosecutors, including the Prosecutor General.

The National Action Plan in the area of human rights for 2004-2008 was approved by the Parliament on 24 October 2003 in order to ensure the implementation of a joint policy of the public institutions and civil society designed to improve the situation in the field of human rights. This Plan includes actions to enhance the system of state bodies in charge with the protection of human rights and in particular the judicial system. A number of actions were designed for the judicial system, but most of them were purely declarative, and their implementation would not dramatically change the situation. In order to fulfil the Plan, public debates are organised with the participation of the civil society, but these debates have a formalistic nature, and no significant progress was achieved.

On 19 June 2006, the Government approved the Decision no. 668 “regarding the official web-pages of the authorities of public administration”. Accordingly, the judicial power established a new type of relations with the society. On the court web-pages, important information of public interest can be accessed, thus facilitating the free access of citizens to justice. Another positive aspect of this initiative is the fact that the explanatory decisions of the Plenum of the Supreme Court of Justice, designed to set up a uniform application of the legislation, are accessible for the public at large.

The Government founded the National Training Centre for the personnel of the Ministry of Justice and Prosecutor's Office back in 1996. But the impact of the Centre was low first of all because there were no clear provisions requiring judges and prosecutors to attend such training courses. With the creation of the National Judicial Institute a general rule was established to

¹²⁹ The financing of justice in the Republic of Moldova. Chisinau 2005. Centre for legal studies and policies, IDIS Viitorul, pag.4.

the effect that judges, starting with 1 January 2008, must attend at least 40 hours of continuous legal training every year. Accordingly, the professional vocation of judges and prosecutors will be improved, a fact which will have a positive effect on the cases under consideration.

As regards the issue of enforcing final judicial decisions, two positive aspects should be mentioned, namely the creation of the Department of Judicial Decisions Enforcement in 2002 and adoption of the Enforcement Code on 24.12.2004, in force starting with 01.07.2005. However, this authority is not properly funded and staffed.

Recommendations

- ▣ ***Amend the existing legislation and increase the number of judges in courts of common jurisdiction.*** It is necessary to amend the Appendix to the Law nr. 853 of 29 May 1996 “on reorganisation of the court system” which establishes the number of judges for each court. Increasing the number of judges in common jurisdiction courts (according to the Appendix, there are 48 common jurisdiction courts) would significantly reduce the monthly workload of judges, and thus have a positive effect on the quality of justice.
- ▣ ***In order to minimise the number of condemnations by the ECHR and improve its image, the Republic of Moldova should make a better use of the dispute resolution procedures pursuant to articles 38 and 39 of the European Convention for Human Rights, namely the amiable agreement.*** This type of conflict resolution is welcomed for two reasons. First of all, it would allow diminishing the amounts which are paid by the state in cases of violation of the applicants’ rights. Proceedings at the ECHR are lengthy and in most cases the applicants seek to restore their rights and not benefit financially. The later the violated rights are restored, the higher is the amount of damages awarded. Moreover, in cases of amiable resolution the government can negotiate for periodic payment of damages, opposed to a condemnation by ECHR when the payment is ordered to be made at once. Secondly, the Republic of Moldova would prove that it is able to solve independently its problems without an intervention of international institutions.
- ▣ ***Maintain the pace of increasing the financing of judicial authorities.*** It is necessary to

use a part of the allocated amounts for capital investments (renovation of courts premises and court rooms, technical means etc.). These investments will have a direct effect on the functioning and image of the judicial authorities, extending the public access to judicial hearings, which currently often take place in the judges’ offices. Also, attendance of a larger number of persons during the hearings affects in a positive way the judges behaviour and performance. The presence of other persons in the hearings increases solemnity and official character of the court trials¹³⁰.

- ▣ ***In order to ensure enforcement of the judicial decisions it is necessary to increase the staff of the Department of Judicial Decisions Enforcement.*** Currently, the Department comprises 42 territorial offices, staffed with 282 employees. In the short run, it is necessary to employ at least one more person in each territorial enforcement office. This would significantly decrease the workload of every employee, thus increasing the quality of work done by the enforcement officials.
- ▣ ***In order to solve the conflict and impose respect for the Moldovan legislation in the Eastern rayons controlled by the separatist regime,*** the competent state authorities (Prosecutor’s Office, Ministry of the Interior, Centre for Combating Economic Crimes and Corruption, Security and Intelligence Service), should initiate criminal investigations in every case of violation of the human rights, and ensure their full and objective examination. If a person is indicted, he/she should be given for international search, including through Interpol and CIS search bodies. In certain cases, the President may decree pardon and in this way the people who collaborate with the separatist regime would understand that there is justice in Moldova and also that forgiveness and reintegration into society is possible. At the same time, the Republic of Moldova should draft a standard of reaction to the decisions of “courts” in the region controlled by the separatists. From this point of view, only the Ilascu case can be mentioned, when the Supreme Court of Justice reacted and declared as illegal the conviction decision. That kind of attitude should be applied in every single case.
- ▣ ***There are several long-term recommendations to be considered.*** Specialised criminal, civil and administrative panels should be

¹³⁰ Half-annual analytic report „Preliminary conclusions of the monitoring of judicial hearings in the Republic of Moldova” produced by the OSCE Mission to Moldova on 30 November 2006.

created in the rayon courts similar to those existing in the Appeal Courts and the Supreme Court of Justice. The possibility of people filing complaints with the Constitutional Court when they consider that their rights have been violated by or through the judicial authorities should also be considered. The appointment of the Prosecutor General by the Parliament upon the proposal of the Pro-

secutors Board (presently he/she is proposed by the Speaker of the Parliament), would increase the independence and responsibility of the institution. It is necessary to equip the courts with judicial hearings recording equipment. Last but not least, the remuneration of judges should be raised to a level comparable to that of the neighbouring countries.

4.4. Public administration

Diagnosis

The existing public administration in the Republic of Moldova is not very different from the one of the Soviet period as regards methods of administration, transparency of the decision-making process and management of the public service.

In addition to the subordination relations, a modern public administration employs also other types of relations – lateral, diagonal and others. These are not clearly regulated in the legislation of the Republic of Moldova. For example, the Law on local public administration provides: “Between the central and local authorities, between the public authorities of first level and those of second level there are no relations of subordination...”¹³¹. That being said, the legislator does not make it clear which are in fact the relations within the administrative process designed to ensure good governance. Other areas related to administration are not regulated better, including those regarding the legal status of the public servants. The framework law in this area¹³² is to a large extent obsolete. A new draft law in this area is discussed since 2003, but was never adopted. Such examples can be found in many fields of the administrative activity. Given the fragmented and uncertain regulation of the administrative process, it is very difficult for the administration to implement the legislation, take correct and efficient decisions, and clarify who is in charge with the implementation thereof, or who and how is accountable for failures and errors of the governance.

Good functioning of the public administration depends to a large extent on the quality of training of the professionals in this domain. Nowadays, the quality of training of public servants cannot be designed, monitored or evaluated because there are no performance criteria for the professionals in public administration. The said criteria are part of the Academic (educational) Standards for graduates in the public administration (administrative sciences) speciality, which for the time being are not officially approved in the Republic of Moldova. Modern

governance can be successfully performed only by well-trained personnel, which means that knowledge and skills acquired during the university studies should correspond to the minimum requirements for performing public services. These requirements should be part of the Standards (professional, educational) for holding a public office, which are not drafted yet.

Despite the efforts undertaken up to this moment, in the Republic of Moldova insufficient attention is paid to the training of personnel for the public administration. Thus, only 4 state higher education institutions train specialists in the area of “Public administration”, namely the State University of Moldova, Academy of Economic Studies of Moldova, State Universities of Balti and Cahul, the annual number of scholarships being 100. Moreover, if before 2006 the number of paid places for this speciality was limited only by the capacities of universities and the number of applicants, starting with 2006 this number is arbitrarily decreased on an annual basis by the Government. Starting with 2007, the Academy of Economic Studies of Moldova was not allocated a single scholarship for this speciality, and in other universities the number was reduced by 50%. This will result in a shortage of the staff reserve able to implement the administrative reforms needed in the process of European integration. The continuous training of public servants is managed exclusively by the Academy of Public Administration under the Office of the President of Moldova (APA)¹³³, which precludes the establishment and development of alternative schools of public administration in Moldova. This situation impedes the formation of a qualified category of professional public servants, since APA established by the Government and later transferred into the President’s subordination is an education institution totally controlled by the current administra-

EVOLUTIONS: 0
SITUATION: -1
PERSPECTIVES: 0

¹³¹ Law of the Republic of Moldova no. 436 of 28.12.2006, art. 6 (3).

¹³² Law of the Republic of Moldova on public service no. 443 of 04.05.1995.

¹³³ Government Decision no. 31 of 11.01.2007, on approving the National Strategy of Training Public Servants and Elected Local Officials for 2007-2010.

tion and a prototype of party schools of the Soviet era.

In the last 5-6 years, the government closed the branches of administrative sciences departments opened in 1998-1999 by Romanian universities at the Universities of Cahul and Balti, which creates an obstacle to educating qualified specialists for the public administration. In 2005, the government refused to renew the educational exchange agreement with Romania, in the framework of which Moldovan students used to study in Romania. Blaming the lack of finances for education, the Moldovan universities do not invite foreign professors to teach administrative science courses, and Moldovan professors do not benefit from exchange programmes abroad. This brief analysis of the process of training professionals in the field of public administration shows that the government is not interested to develop schools of administrative science and train highly-qualified professionals able to use modern administrative technologies.

Selection and promotion of the public servants constitute another problem for the operation of public administration. Nowadays, the selection and promotion of public servants is carried out according to some old politicised rules inherited from the old regime and adjusted to the current realities¹³⁴. In addition, no distinction is made between public service positions (which should be filled based on merits) and political ones (which are filled based on the loyalty towards the political power). Therefore, every time when the head of a public authority holding a political mandate (e.g. a minister) is replaced, the career public servants who are not loyal to the new leadership are removed as well. This situation is due not to the political pluralism, but to the lack of a merit-based system of selection and promotion of public servants. Only such a system can remove the influence of favouritism practices from the staffing management policies, depoliticise public servants and put an end to the practices of employing and dismissing public servants on political grounds.

¹³⁴ Included in art. 9 and 14 of the Law on public service no. 443 of 04.05.1995.

¹³⁵ Art. 14 of the Law on public service, no. 443 of 04.05.1995.

¹³⁶ Art. 9 (2) of the Law on public service, no. 443 of 04.05.1995.

The current legislation admits but does not require the selection of public servants to be made through competition, and provides other modalities – employment, appointment, election¹³⁵ – used more frequently by the administration. Besides the fact that competition is used very randomly, often it has only a formalistic nature. Public administration authorities do not have their own rules regarding the competition procedure and follow the Regulation on employment of public servants through competition, approved by the Government Decision no. 192 of 01.03.2004. This Regulation includes only general rules, based on which each public authority should draft own detailed rules specific for their field of activity. The situation is not better when it comes to the promotion of public servants, who normally should be promoted after taking an exam confirming their qualifications. In this respect, the legislation provides that “promotion of a public servant, including on his/her own demand, to a higher rank is made successively, in correspondence with the professional qualifications, work results and tests conducted according to the requirements set by law”¹³⁶. Thus, the conditions for promotion are as unclear as those for selection, and hence encourage favouritism, nepotism and corruption in the public administration.

Risks

Confusing regulations on the administration process, which are so frequent in the legislation of the Republic of Moldova, will lead to erroneous interpretation and arbitrary implementation by the public servants to the detriment of good governance.

Another risk is the lack of a clear concept for the training of public servants and accordingly for the development of a national school of public administration. Consequently, the objective of European integration could be missed, since one of the Copenhagen criteria stipulates that accession of a country to the European Union is possible only if that country have enough administrative capacities to enact the *Acquis Communautaire*. The quality of governance, which essentially depends on the level of professional qualification of the public servants, will at best stagnate or even

degenerate, due to the decrease of the number of professionals trained in the field of public administration, staff exodus, growth of corruption and nepotism in the administration. The living standards and the quality of services provided to the population are not going to improve either, for the reasons outlined above.

The excessive politicisation of the public service, employment and dismissal of public servants on political grounds, disregard of a merit-based system make the public offices less attractive for the highly-qualified specialists, as well as for young professionals.

The above-mentioned constitute serious risks for the development of democracy and good governance in the Republic of Moldova and, should the opportunity to join the EU emerge, the public administration is bound to get only “red cards” in all sectors.

Governmental policies

The Government manages the public administration staffing policy through the Personnel Directorate under its Staff, but the tools and policies used are not the most modern and democratic.

The newly-established Ministry of Local Public Administration (MLPA) took over a part of these tasks. According to the National Strategy for the Training of Public Servants and Local Elected Officials for 2007-2010¹³⁷, MLPA and APA are solely responsible for its implementation. Unfortunately, the Strategy does not call for the development and approval of national qualification standards in public administration. Section 3.2 “Improvement of training standards for public servants and local elected officials” only mentions “monitoring of training standards”, which in fact do not exist. Therefore, policies in this field are not drafted in a consistent way, based on an analysis of the actual situation, forecasts and the experience of countries with consolidated democracies. Consequently, less scholarships are sponsored each year by the government for “public administration” students (in a number of universities this speciality is discontinued), in disregard of the fact that there is a high demand for this new speciality in the process of modernising the public administration.

The Government did not understand the necessity and importance of Occupational (professional) and Academic (educational) Standards in public administration. Up to this moment, it did nothing to develop and approve them in accordance with the European Qualifications Framework. None of the public authorities concluded bilateral agreements (partnerships) with educational institutions for the purpose of training personnel. Neither the mentioned Strategy, nor other normative acts provide cooperation relations with the specialised educational institutions from the European Union countries. Thus, it can be concluded that the governmental policies in the field of training highly-qualified public servants able to ensure good governance are incoherent and inconsistent.

Another governmental policy concerns the reform of public administration, committed to under the European Strategy of the Republic of Moldova and the European Union – Republic of Moldova Action Plan. Such a reform cannot be achieved without an appropriate legal framework. It is well known that legal drafting, in particular in the field of public administration, is in the Government’s competence. After ten years of adopting and implementing various strategies for LPA reform, some of the most important aspects related to the public administration are either not clearly regulated, or regulated by outdated rules, such as: the status of public servants, rules on training, selection and promotion of public servants, decentralisation of public services, relation between CPA and LPA, regional development.

Recommendations

- First recommendation concerns the development and approval of both Occupational (professional) and Academic (educational) Standards for the training of public administration professionals. Given that the SOROS Foundation – Moldova in the framework of the “Public Administration and Good Governance” Programme already drafted both the Occupational Standards of the LPA Public Servant and the Academic and Professional Standards of the University-degree Specialist in public adminis-

¹³⁷ Approved by the Government Decision no. 31 of 11.01.2007.

tration, this recommendation can be implemented by simply establishing a national authority responsible for approving the standards. Drafting of these Standards and of the National Qualifications Framework shall be coordinated with the European Qualifications Framework (EQF).

- Another recommendation, on which the achievement of the previous one depends, is the development of a network of administrative science departments in all educational institutions (both state and private) which have the infrastructure and competent teaching staff to train public servants. It is known that it takes around 5-6 years to form teaching staff able to educate highly-qualified professionals in public administration. Therefore, the development of a national school of public administration depends on stability and continuity of this type of departments, and decisions to close them must be, in every case, well reasoned. Since the private educational institutions are certified in the same conditions as the state ones, it is not fair to forbid them to train public servants.
- Pending the full development of an authentic national school of public administration, it is necessary to collaborate with foreign schools of administrative science by concluding governmental agreements in this respect, encouraging young people to study abroad in public administration schools in the European Union and securing employment in public service for these graduates. This would accelerate the process of European integration of the Republic of Moldova and strengthen the national school of public administration.
- The normative framework on the process of administration should be further improved. Firstly, it is necessary to require by law that the public authorities select staff only through competition (merit- and performance-based system), which would ensure employment to the most qualified professionals and prevent their departure abroad. Secondly, enforcement of a merit-based system would de-politicise the public service staff, make full use of their professional skills,
- and rule out authoritarian style of management, corruption, nepotism and other phenomena of this kind.
- Government should insist on the adoption of a new law on the status of public servants, which would include all the above recommendations.
- The next recommendation concerns the reform and good functioning of the system of public administration. Currently there are too many acts regulating the activity of LPA (Law on Territorial-Administrative Structure, Law on Local Public Administration, Law on Local Public Finances, Law on Administrative Decentralisation, Law on Public Property of Administrative-Territorial Units, Law on Management and Privatisation of Public Property, etc.), the provisions of which sometimes contradict each other or overlap. In order to eliminate these contradictions and gaps, it is recommended to adopt a single act – the Code of local communities – based on the French example, in which both public servants and citizens would find answers to any questions regarding the organisation and operation of LPA.
- Currently, the relations between public authorities of different levels, the decision-making procedure, the enforcement terms and procedure, are regulated insufficiently and selectively, causing confusion and hostility between the authorities and leaving the decisions un-enforced. For an efficient regulation of this process, we recommend the adoption of a Code on administrative procedure, following the Romanian model.
- In the long run, the main priority is the establishment of a national school of administrative science on the basis of the already existing specialities, adjusted to the European standards, which would yield results in 10-15 years. For this purpose, an efficient programme is needed, based on Academic (educational) Standards for the training and continuous learning of personnel in public administration, which would also exclude monopoly and favouritism of any educational institution in this field.

4.5. Development of civil society

Diagnosis

In the last years, a remarkable development of non-governmental organisations can be noted, the number of officially registered organisations rising to more than 7,000. Thus, today the ratio is of a little less than 2 non-governmental organisations per 1,000 inhabitants. This index places our country behind several Central European states (e.g. Hungary where the ratio is 4 NGOs per 1,000 inhabitants) but ahead of Ukraine, where the ratio is one organisation per 2,000 inhabitants. The dynamics of the tertiary sector development reveals a sizeable increase of the locally-registered organisations. In 2006, the community-level NGOs matched the number of the national ones.

The existing NGOs cover various fields of activity, but around half of them are active in the social field or in education¹³⁸. NGOs active in the social field achieved impressive results and a consistent involvement in the process of designing public policies and services (see section **SOCIAL PROTECTION POLICIES**). But often NGOs do not focus on a single area. Most organisations are quite opportunistic, securing enough manoeuvre space and adjusting to the demands of the donors' community. Thus, it is difficult to compile an activity-field breakdown. Analysis of the evolution of the activity areas shows that in the last 5 years the share of social area organisations increased, while the share of organisations operating in areas such as human rights, health, sports etc. diminished. The community development organisations recorded an outstanding evolution.

It is too early to speak about professionalism of the services rendered by the NGOs. At the same time, organisations face the lack of knowledge and abilities to ensure financial sustainability and support from the authorities and communities. Although compared to 2001, a progress was recorded, technical endowment of the organisations, especially of the community-based ones, is modest¹³⁹.

NGOs raise their financial means from different sources. Sponsorships from international donors are the main source, while for the small local organisations the membership fees are still very important. The degree of transparency of the NGOs is directly proportional to the amount of their budgets (large-budget organisations must conduct financial audit), but generally speaking, transparency is low¹⁴⁰. Very few organisations carry out external audit, while the internal one is inefficient due to dysfunctions of the organisational control structures. Although almost half of the NGOs have communication strategies, communication with both the domestic and foreign environments lacks consistency and the public information in media about their activities is irregular and inefficient. It is not surprising that image of the NGOs and the level of people trust in this type of organisations is extremely low¹⁴¹.

Cooperation with state structures is not systematic and often incoherent. Such cooperation proved to be more successful on the local level, because the community problems affect in the same manner all members of the community. On the national level, the cooperation requires higher competence, as well as lobby and advocacy skills, and these are the most problematic issues of the associative sector in Moldova¹⁴². Although important progress in this respect can be noted¹⁴³, participation of the non-governmen-

EVOLUTIONS: +1

SITUATION: +1

PERSPECTIVES: +1

¹³⁸ „Study on the situation of the non-governmental sector in Moldova”, UNDP Moldova and Soros Foundation-Moldova, 2007.

¹³⁹ Ibidem.

¹⁴⁰ Ibidem.

¹⁴¹ Ibidem and „Study on NGOs visibility in press”, CONTACT Centre, Chisinau, 2004, www.contact.md.

¹⁴² „Study on the situation of the non-governmental sector in Moldova”, UNDP Moldova and Soros Foundation-Moldova, 2007.

¹⁴³ On 29 December 2005 the Parliament adopted the Concept on cooperation between the Parliament of the republic of Moldova and the civil society, which set the principles and general mechanism of interaction between the Parliament and representatives of the civil society - continuous consultations between these institutions. The President of the republic of Moldova signed in December 2005 and January 2006 the decrees on the Concept of national security and the Concept of foreign policy, which provide for the participation of the civil society in the development of the said documents. The Memorandum on cooperation in the process of European integration, developed by the Ministry of Foreign Affairs and European Integration was submitted for public debate in May 2007. It provides for the cooperation of MFAEI with the civil society organisations with the aim of achieving the goal of European integration and implementing the Information and Communication Strategy for European Integration of the Republic of Moldova. The Memorandum was signed by more than 30 organisations of the civil society.

tal sector in the decision-making process is still modest. This situation was illustrated by the passivity displayed by the civil society in the implementation of EGPRSP, in the development and discussion of the National Development Plan and in public debates accompanying the legislative process.

Cooperation of NGOs with the business community is only starting. Imperfect legal framework, low financial capacities of the business circles, few similarities and common initiatives, low credibility of the non-governmental organisations in businessmen's perception are only a few reasons which impede a lasting cooperation oriented towards improving the communities. At the same time, the fact that the Government forces many private companies to finance some of its projects cuts the amount of private resources, which the companies would be ready to donate to NGOs. Cooperation between NGOs is quite successful in certain networks. But competition between organisations with similar profile is also noted. The existence of many non-governmental networks and alliances should not be seen as a sign of close cooperation between NGOs. The main index should be the network activities and products, but these are too few in order to reach any conclusions in this respect.

Risks

Analysis of the non-governmental sector reveals the following risks:

- ▶ **Impact of the activities carried out by the non-governmental organisations will be further diminished due to their limited institutional capacities.** Having minimum resources, without a clear area of interest, depending excessively on foreign funding, it will be very difficult for the Moldovan NGOs to respond to their beneficiaries' needs and exercise the role of mediators between the state and citizens.
- ▶ **The non-governmental sector will continue to depend excessively on foreign funding and its sustainability is doubtful.** Due to the unfriendly fiscal framework, dysfunction of the legislation on philanthropy and sponsorship, lack of public policies concerning "social requests", and excessive unofficial taxation of businesses, NGOs will continue to depend heavily on foreign financial resources.
- ▶ **The non-governmental organisations will continue to have a low degree of transparency.** Reduced institutional capacities to ensure an efficient communication with the internal and external environments, failure to involve media in the promotion of NGOs activities, as well as high costs of auditing services will contribute to maintaining a low degree of transparency of the NGOs.
- ▶ **Participation of the non-governmental sector in the decision-making process will be insignificant.** On one hand, this situation is explained by the low capacities of central authorities to cooperate with the civil society in the process of drafting, implementing and evaluating public policies. On the other hand, NGOs have limited abilities to involve in the process. There is also a lack of trust between the two sectors.
- ▶ **Citizens' confidence in NGOs will not improve.** The level of citizens' confidence in the non-governmental organisations will stay low due to the problems related to transparency of the NGOs activities. This situation is also influenced by the fact that very few organisations have distinct groups of beneficiaries and maintain a constant relationship with them through the activities carried out.
- ▶ **Public policies regarding the non-governmental sector are permissive, but can easily change to restrictive ones.** The national legislation concerning NGOs activities is currently undergoing reform. The tendencies are not quite encouraging and there are enough reasons to believe that the state wishes to intensify control over these organisations. The last amendments to the Law on civic associations, as well as certain approaches included in the draft Law on Non-commercial Organisations of Public Utility¹⁴⁴ confirm this trend.

¹⁴⁴ <http://www.justice.gov.md/index.php?cid=161>.

Governmental policies

Governmental policies in the area of civil society are incoherent and unsystematic. Up to this moment, there are no state strategies on the civil society development (as, for example, in Latvia). Apparently, the central authorities do not see in the civil society a potential solid partner for dialog and cooperation in the process of drafting, implementing, monitoring and evaluating public policies. Currently, although there are some positive trends in the cooperation between the public structures and non-governmental organisations, the former do not contribute to the civil society development.

The legislation governing the civil society activity is undergoing a process of reform, and there are alarming signs related to the respect of the principle of freedom of association, such as a tougher governmental control.

Public policies in the area of philanthropy are futile. The Law on philanthropy and sponsorship is inactive due to its cumbersome implementation mechanism and lack of incentives to donate. Application of this law by private donors is difficult because it often results in informal taxation.

The legal framework on the cooperation between the state and civil society is inefficient and imperfect. A Concept of cooperation of the Parliament with the civil society was approved¹⁴⁵, establishing the mechanism of involving the NGOs in the law-making process. At the same time, cooperation of the civil society with the executive power is not officially regulated.

There is no legal framework on “social requests”. In the Republic of Moldova there is no experience related to “social requests” performed by the non-governmental organisations. This issue is not even included on the public or institutional agenda of the public authorities. Unfortunately, the NGOs do not display a particular interest for this issue, although they should.

There is neither an adequate legal framework, nor a strategy regarding the concession of public services to the non-governmental organisations. The states with an advanced democracy have established practices of public services’ concession to

NGOs. The reasons are simple: the non-governmental organisations render such services at a lower price, maintaining at the same time their quality. In the Republic of Moldova, there are first signs of such practices on the community level related to water supply and local roads maintenance. But generally, this process is neither regulated, nor encouraged.

Recommendations

- ▀ The international support programmes for NGOs should be oriented towards building their sustainability, and the priorities should be based on a permanent analysis of the NGOs development needs.
- ▀ The non-governmental organisations should be encouraged and assisted to consolidate their institutional capacities. This should be achieved by all interested and involved factors. The resource centres for NGOs should draft their support programmes according to the non-governmental organisations development needs. Funding programmes of the donor institutions should encourage the associations’ development through institutional development support, while public authorities could back this process through public policies in this field.
- ▀ In order to increase the degree of transparency, NGOs must be encouraged to use internal control tools. Most non-governmental organisations face operational deficiencies of the structure elements, in particular of the internal control bodies. Both the organisations’ management and donor institutions should support the operation of NGOs managing boards and of audit and ethics commissions. Also, a regular internal auditing in NGOs should be encouraged.
- ▀ There is a need to draft a national public strategy for the development of civil society. The civil society’s capacity to respond to the citizens’ needs and to advocate their interests before the public authorities indicate the degree of democratisation of the society. In order to achieve the objectives of European integration, the Moldovan authorities should pay more attention to the consolidation of civil society. Without a strong civil society the credibility of the initiatives for European integration is doubtful.
- ▀ The state control over the activity of civil society should be kept to a minimum. The local and central public authorities should abandon their intentions to set up an excessive control over the

¹⁴⁵ <http://www.parlament.md/news/civilsociety/>

NGOs activity. This trend is signalled by the last amendments to the Law on civic associations and the draft Law on Non-commercial Organisations of Public Utility.

- ▶ The legal framework on cooperation between the state and civil society should be improved. Approval of the Strategy for cooperation between the Parliament and civil society is a necessary step, but not sufficient. There is a pressing need to establish and implement a mechanism of cooperation between the executive authorities and civil society.
- ▶ The legal framework on philanthropy and sponsorship should be reformed and the law on 1% should be promoted. In order to ensure the NGOs' sustainability and increase their level of independence, the legislation on philanthropy and sponsorship should be improved. The most relevant action in this respect would be the adoption of the Law on 1% based on the model of the new European democracies.
- ▶ The authorities should promote public policies on "social requests" for NGOs, thus ensuring their financial sustainability and diminishing dependence on foreign financing.

4.6. Special topic: 2007 local elections

The 2007 local elections were followed with a special interest on both the internal and international levels. The manner in which these elections were conducted was a test of the level of democratisation of our state, in the context of commitments undertaken under the European Union – Republic of Moldova Action Plan (2005-2008). The mentioned document signed on 22 February 2005 established as a priority aligning the election process to the OSCE and the Council of Europe (CoE) standards.

General evaluation. The International Election Observation Mission led by OSCE/CRLPCE assessed the election legislation of the Republic of Moldova as one which “ensures an adequate basis for conducting democratic elections, *to the extent it is implemented with good will*”. The deficit of “good will” resulted in departure from the international rules and standards during the 2007 local elections. A number of additional remarks regarding the general aspects of the 2007 elections should be made:

- ▀ Making the election debates mandatory and facilitating the accreditation of national and international observers generally had a positive effect. Nevertheless, the new management of the public audiovisual institutions failed to ensure fair access to the media.
- ▀ The legal provisions designed to diminish manipulations resulted in undermining the principle of secret vote. In ¼ of the polling stations the procedures of counting the ballots and computing the vote results have been less satisfactory or unsatisfactory due to insufficient professional training of the election officials appointed by the political parties.
- ▀ The authorities and the ruling party structures put pressure on and intimidated a number of opposition candidates, thus affecting the citizens’ right to be elected to a public office.

Compared to the 2005 elections, the number of constituents increased by 18,627 persons in 2007. This is due not to some demographic processes, but to the amendments to article 22 (g) of the Election Code, which provides that the Ministry of Informational Development (MID) “shall ensure record of all constituents, including those

who are abroad and draw up the Constituents Register formed on the basis of the State Register of Population”. Inconsistency of the mentioned data is due to inaccuracies caused by the local authorities upon drawing up the election lists. The number of constituents included in supplementary election lists was 84,202 or 3.8% in the second level election rayons and 5,799 or 6.7% in Gagauzia. Overall, the number of constituents included in the supplementary election lists was 90,001 or 3.9% of the total. The accuracy of election lists was higher than during the 2005 parliamentary elections, when 7% of the constituents were included in supplementary lists.

Generally speaking, the citizens’ fundamental right to vote was respected in a satisfactory manner. The citizens having the right to vote who did not find themselves in the main lists were allowed, in conformity with the legislation, to vote on the basis of supplementary lists if they proved that they are citizens of the Republic of Moldova with the right to vote and reside in the respective constituency. Very few cases of refusals to issue ballots were recorded, only in cases when the citizen concerned was not able to prove his/her right to vote in that specific polling station. Citizens of the Republic of Moldova residing in Transnistria did not vote in their localities because the unconstitutional authorities in the region opposed the elections. Constituents from three localities situated on the territory controlled by the separatists were included in supplementary election lists in order to vote in Causeni electoral rayon of second level.

Ensuring equal conditions and opportunities for all competitors. With a view of balancing the chances of electoral competitors with different financial and informational potential, the CEC established: limits of the financial means to be used; modalities of contracting and reimbursing credits; uniform distribution of space for electoral advertising on public and private advertisement boards; distribution and use of election campaign time on the audiovisual channels. Despite the provisions of election legislation

and efforts of the CEC, the competitors did not always enjoy equal opportunities.

The Central Election Commission approved the maximum limit of financial means which could be transferred to the election funds of election competitors, but the report on the funding of competitors' campaigns was not made public. The parties had the obligation to submit on a regular basis reports to the CEC regarding the funds used in the campaign. At the end of the election campaign four political parties did not inform CEC about their election funds and the sources thereof. The totals drawn by the CEC showed that up to the elections day the political parties registered as election competitors spent 14 million MDL.

The scandals sparked by the requests to disclose sources of financing the election shows with the participation of international stars in support of certain competitors were not cleared up. This happened despite the fact that only private legal entities incorporated in Moldova, with no foreign stakeholders, as well as natural persons with full legal capacity, holding the citizenship of the Republic of Moldova have the right to make contributions towards the competitors' campaigns, solely through bank transfers to a special "Election fund" account. Information regarding the financial resources used by the parties is unreliable. Due to their failure to present detailed information, a conclusion can be drawn that all the parties declared only the financial resources used for verifiable expenses – payments of election printed materials and radio and TV advertisement. Payments of the election staff, transportation, PR experts, shows etc. remain a dark area.

The ruling party used its administrative power to arrange election meetings at enterprises during the working hours. The opposition parties did not have such opportunities. Four opposition parties reported cases of police harassment even during open-air meetings, and of their activists being detained.

Media coverage of the election campaign. The election legislation regulates to an excessively detailed degree the issue of

coverage by the public and private audiovisual media of the election competitors' campaigns. There are virtually no rules related to the private printed media. This state of affairs reflects the popularity of different sources of information: 80-90% of population watch TV on a daily basis, 50-60% listen the radio, and only 15-20% read newspapers.

The excessive regulation on audiovisual during the election campaigns is explained by the fact that the public audiovisual institutions and a number of private ones have an extremely partisan behaviour, presenting in a favourable way the ruling party by praising governmental policies. The standards of presenting alternative points of view as recommended by the "Benchmarks for the operation of public broadcasters in the Republic of Moldova"¹⁴⁶, drafted in March 2004 by the OSCE Mission in Moldova and the Special Envoy of the Secretary General of the Council of Europe to Moldova, are not observed. The CEC adopted a Regulation on the coverage of election competitors' campaigns, drafted by the Audiovisual Coordinating Council (ACC) in line with article 47 of the Election Code and article 40 of the Audiovisual Code. The Regulation set the manner of allocating free-of-charge and paid time to the competitors, as well as guidelines for organising debates. But the Regulation restricted the activity of audiovisual institutions, by setting the rule that the debates shall last at least 90 minutes a day and forcing the radio broadcasters interested in covering the election campaign to draft own internal regulations on covering the campaign. These rules confused most radio broadcasters.

As a result, this excessive regulation limited drastically the interest of radio broadcasters to cover the elections. Debates on the public and private broadcasting stations which decided to cover the campaign were organised in line with the established rules. But the news and analytical programmes had a clearly partisan character. The Audiovisual Coordinating Council, the regulatory body for audiovisual media, issued warnings to *TV Moldova 1* and *Radio Moldova* public stations, as well as *NIT TV* and *Radio Antena C* private stations for their failure to observe the principles on balanced, fair and impartial news programmes. The monitor-

¹⁴⁶ http://www.osce.org/documents/mm/2004/03/2490_ro.pdf.

ing team of the OSCE EOM found a similar behaviour at *TV Gagauzia* and *Teledio Balti* regional stations, which in more than 70 % of the news time covered in positive and neutral terms the activity of the local authorities. In contrast, the CEC warned, following a demand of the ACC, two private stations – *Pro TV* and *Euro TV* for exceeding the daily limit of paid election advertisement of candidates from three opposition parties.

The activity of the newly-appointed composition of the Audiovisual Coordinating Council (ACC), directed towards regulating the operation of audiovisual institutions during the elections, was interrupted shortly before the second round of elections by the arrest of a number of members of this institution. The Centre for Combating Economic Crimes and Corruption (CCECC) explained its actions by the need to investigate a case of alleged bribery. The members of the ACC involved in this case publicly declared that their arrest ought to be linked to the warnings issued by the ACC to the audiovisual institutions which engaged in a partisan behaviour favouring the ruling party. Those detained were released, while the arrested member of the ACC was released on bail approximately one month later. CCECC rejected the accusations, and the investigation goes on.

The operation of printed press is virtually not regulated, given its insignificant impact. Monitoring carried out by national and international experts showed that all printed media, regardless of their declared editorial policies, manifest a partisan behaviour during election campaigns. The relatively big number of newspapers makes the partisan factor to be mutually balanced.

Settlement of the elections-related conflicts. The election legislation expressly provides that the elections-related conflicts can be settled in two ways: by appealing to the election bodies or by filing a complaint with the courts. This provision produced confusion in the absence of more detailed regulations. On one hand, election bodies adopt their decisions faster; on the other, court decisions have supremacy over those issued by election authorities. Domestic and foreign observers reported that several rayon elec-

tion councils would not analyse in a proper manner the received claims and occasionally admitted infringements of the established procedures, even ignoring the decisions of the CEC. During the election period, the CEC received more than 140 complaints. Many of them were rejected because of the lack of evidence, but given the big number of complaints, the CEC often failed to consider them within the terms provided by law. In most cases the complaints concerned: registration of candidates by the rayon election councils; suspension from public offices held by candidates; use of administrative resources; irregularities in carrying out the campaign; and intimidation of candidates.

The CEC decisions were contested before the Chisinau Court of Appeal only in three cases. The court decisions were most of the times not in favour of the election competitors. The uniform resolution of similar cases by the courts remains to be a problem which should be analysed separately. It was noted that the number of complaints was generally low despite the big number of reported infringements. Representatives of many election competitors said that they did not file formal complaints because of lack of trust in the impartiality of election authorities and courts and the fear of being sanctioned.

After the first round, the CEC, rayon electoral councils and courts received a considerable number of complaints, including requests for a repeated counting of ballots or even invalidation of elections. Some complaints, concerning around 1-2% of constituencies have been admitted. The CEC was not empowered to impose sanctions in case of infringements due to the lack of enforcement mechanisms in the election legislation.

Monitoring of elections. After the 2005 parliamentary elections, provisions of the election legislation on monitoring of the election process by local and international organisations were amended and substantially improved. Procedure for the accreditation of national and international observers was simplified, the only requirements being a proof of competence. The OSCE/ODIHR Mission usually does not monitor local elections. In the case of the Republic of Moldova, OSCE/ODIHR monitored,

starting with 1995, the local elections for the third time (only in 1999 OSCE did not monitor the local elections) on the ground that there is a danger of the authorities interfering in the election process. Monitoring of the 2007 local elections was decided by the OSCE/ODIHR in February 2007, when a special evaluation mission for the pre-election situation concluded there are reasons for concern related to the integrity of the election process. Beginning with April 2007, the OSCE Mission had 25 experts and long-term observers in Chisinau and five rayon centres. On the elections day, the OSCE had 187 short-term experts from 46 OSCE member states, including a delegation of 18 members of the CRLPCE on the whole territory of the Republic of Moldova. The OSCE observers visited around 750 polling stations from a total of 1,934.

Local observers were very active in monitoring the elections. The national observers founded the Coalition 2007, by joining forces of 16 organisations. Coalition 2007 had 30 long-term observers and more than 2,000 short-term observers to monitor the vote on the elections day. More than 20 non-governmental organisations monitored the elections outside the Coalition. Conclusions of the national observers were generally similar to those expressed in the reports of the international observers.

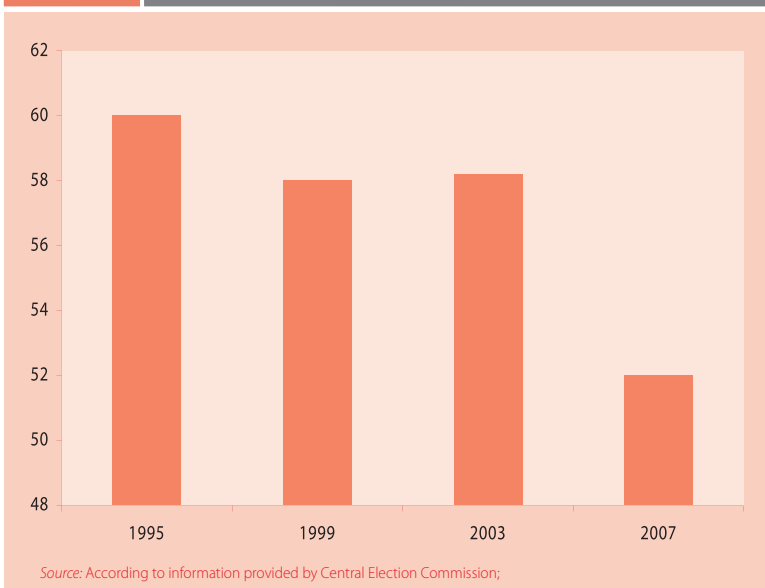
Increase of the absenteeism rate. One way to express disappointment for the governmental policies and distrust in the integrity of the election process is absenteeism. The turnout of Moldovan citizens at elections is within the limits of average participation rate in the European countries. An alarming phenomenon is the tendency of continuous decrease of turnout at the local elections. Turnout at the 2007 local elections decreased to 52.3% as compared to 58.7% at the local elections of 2003 (**Figure 26**).

Absenteeism as a modality of election behaviour reflects two tendencies – protest and lack of interest (see **POLITICAL CULTURE AND PARTICIPATION**). The protest attitude is manifested in fluctuations of the turnout on the background of certain significant political events: in 2007 1,205,704 voters participated in the local elections country-wide, as compared to 1,293,955 in 2003, which gives a 6.8% decrease. In Gagauzia, 50,629 voters turned at the 2007 elections, as compared to 46,418 in 2003, which is a 9% increase of turnout. The difference in the election behaviour country-wide and in Gagauzia can be explained particularly by the effects related to the change of leadership in the Gagauz Autonomy in December 2006.

Change of the political configuration. The vote of 3 June 2007 changed the configuration of the local power on the rayon level in the Republic of Moldova. Around 2/3 of the rayon executives are led by coalitions of the opposition parties. The ruling party holds leadership in around 1/3 of the rayons, thus losing its dominant position. After the elections of 3 June 2007, for the first time in the history of elections in the Republic of Moldova, six political parties scored an election result of more than 4% on the national level, a result which shows a more scattered distribution of election preferences of the citizens. In the perspective of stable governance on the rayon level and the 2009 parliamentary elections, coalitions of political forces are needed based on different political criteria or interests.

Erosion of the “political partnership” – a political destabilisation factor. Conflicts of political nature that emerged between the main political forces resulted in coalitions

Figure 26 Turnout at the local elections, per cent of the number of citizens with the right to vote



of the opposition parties against the ruling party in order to elect the rayon executives. As a consequence, the leaders of the ruling party declared the end of the “political partnership” with the opposition and returned to confrontational policies on the administrative and propagandistic levels. The aggravated conflicts between the ruling party and opposition reverberated on the normal operation of certain public institutions, such as the Central Election Commission and the Audiovisual Coordinating Council. The resort by the ruling party to unfair methods of influencing the political and administrative events suggests that for the Communists keeping the power is more important than achievement of the strategic objectives of European integration. Added to the reactions of the opposition parties, such actions have a very high potential of political destabilisation in the period remaining before the parliamentary elections of 2009.

Recommendations

- ▣ Full implementation of the Venice Commission’s recommendations aimed at aligning the election legislation of the Republic of Moldova to the standards prescribed by the Code of good practices in election matters.
- ▣ The Election Code should be amended in order to unmistakably delimitate the provisions regarding the local and parliamentary elections.
- ▣ The CEC should design and conduct permanent civic and election education programmes, aiming at increasing elections turnout and diminishing the number of cancelled votes.
- ▣ An “Election Official’s Guidebook” should be developed and printed to train the election officials in the election councils and bureaus.
- ▣ A new Law on political parties should be adopted and applied taking into consideration the recommendations of international institutions and local specialised organisations.
- ▣ A Law on funding of political parties and election campaigns should be adopted and properly implemented.
- ▣ Complaints of the election competitors and citizens filed during the 2007 election cycle should be analysed with a view of the Supreme Court of Justice developing recommendations for the lower courts as to the modalities of standard settlement of the elections-related cases.
- ▣ The CEC and the Ministry of Informational Development should develop the “Constituents Register”, which would allow a correct drawing up of the election lists.
- ▣ Comprehension and gradual implementation of the OSCE practices and standards regarding the “electronic vote”.

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*Promotion of
an effective
foreign policy*

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Insanity is doing the same thing over and over again and expecting different results.”

Anonymous

“

A good archer hits the target even before shooting.”

Ch'ao Pu-Che





Promotion of an effective foreign policy

Chapter five focuses on the foreign policy of the Republic of Moldova. The mostly negative image of our country on the world stage proves the low efficiency of this policy. Highlighting the improved relations of the Republic of Moldova with the European Union, the authors propose at the same time a number of actions for a more significant move of our country towards the EU. As suggested by this chapter, the Republic of Moldova is not able to develop normal relations with Romania. In the case of Ukraine, the Transnistrian subject, ownership problems and the energy sector are the hottest issues which Chisinau would like to solve. The deteriorated relations with Romania are explained by a number of identity issues which should not be solved by politicians, but by each citizen on his own and for himself. The relations with the Russian Federation are not simple either, and are analysed under a special heading of this chapter. This chapter presents also main evolutions, current situation and short-term priorities to ensure the military security of the country.

5.1. How we are seen in the world

EVOLUTIONS: -1
SITUATION: -1
PERSPECTIVES: 0

Diagnosis

In order to comprehensively understand the true image of the Republic of Moldova in the world, a thorough analysis of the multiple sources of information is required. Such sources are, first of all, the country indexes calculated by international institutions, researches and reports of international bodies and independent analysts, information in the media, and opinion of lay people. At the same time, the perception of an ordinary Westerner regarding a specific country is often shaped by the brief information in the media and dominated by certain clichés and stereotypes, which are more or less true.

The international indicators calculated by official international institutions and bodies have an essential role in shaping the external image of the Republic of Moldova. Although such assessments are often more or less approximate, they generally reflect the real situation. A careful analysis of these indexes does not raise serious concerns at the first sight, but it does not inspire too much optimism either (*Table 12* and *Table 13*).

Moldova is generally placed in the category of countries with a low income, next to such countries as Guinea, Barbados and Laos¹⁴⁷. According to the World Bank's estimates for 2006, our country, having a GDP

per capita of 2,818 USD, ranked 126 out of 179 countries.

Table 12 Position of the Republic of Moldova in international ratings (index list)

Organisation / Institution	Indicator	2003	2004	2005	2006
World Bank	Nominal GDP, \$				3,242
World Bank	GDP per capita, \$				2,818
International Monetary Fund	Nominal GDP, \$				2,266
CIA World Factbook	GDP per capita, \$		1800	1900	2000
Bertelsmann Stiftung	Transformation Status Index	4.1			5.06
Bertelsmann Stiftung	Transformation Management Index	3.3			3.5
Transparency International	Corruption Perception Index	2.4	2.3	2.9	3.2
Heritage Foundation/Wall Street Journal	Index of Economic Freedom				59.5
Reporters Without Borders	Worldwide Press Freedom Index	27	20.5	17.5	19.17
World Economic Forum	Networking Readiness Index			(-) 0.78	3.13
Foreign Policy / "Fund for Peace"	The Failed States Index		92	82.5	85.7
World Bank Group	World Development Indicators / The World by Income				low (less 825\$)

Source: various, as shown in column 1

According to the Transformation Status Index calculated by Bertelsmann Stiftung for 2006, the Republic of Moldova, with a score of 5.06 (rank 75 out of 119), is placed at the bottom of the category of countries with "deficiencies in the area of democracies based on a market economy". The Re-

¹⁴⁷ <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf> - Total GDP 2006.

public of Moldova's neighbours in this list are the United Arab Emirates and Papua New Guinea. According to this index, Moldova advanced to a certain extent since 2003 (when it ranked 79), however, democratic and economic development trends remained virtually unchanged¹⁴⁸. At the same time, the Management Index of the Republic of Moldova, calculated by Bertelsmann Stiftung, had a more dramatic evolution. The Republic of Moldova descended from position 76 held in 2003 to position 92 in 2006, and moved from the category of countries having an "average successful management" to the group of countries having a "limited successful management"¹⁴⁹.

Table 13 Position of the Republic of Moldova in international ratings (rank list)

Organisation / Institution	Indicator	2003	2004	2005	2006
World Bank	Nominal GDP, \$				141
World Bank	GDP per capita, \$				126
World Bank	Doing Business in Moldova			88	103
International Monetary Fund	Nominal GDP, \$				139
CIA World Factbook	GDP per capita, \$		179	179	152
Bertelsmann Stiftung	Transformation Status Index	79			75
Bertelsmann Stiftung	Transformation Management Index	76			95
Transparency International	Corruption Perception Index	100	116	88	79
Heritage Foundation/Wall Street Journal	Index of Economic Freedom				81
Reporters Without Borders	Worldwide Press Freedom Index	94	78	74	85
World Economic Forum	Networking Readiness Index				92
Foreign Policy/"Fund for Peace"	The Failed States Index				48

Source: various, as shown in column 1

According to the Corruption Perception Index developed by Transparency International for all countries in the world, in 2006 the Republic of Moldova ranked 79 with a score of 3.2, having among its neighbours such countries as Iran and Tanzania. This index worsened continually, our country plunging from position 63 out of 91 countries in 2001 to position 116 out of 145 countries in 2004. In 2005 this index started

to improve slowly, however, according to recent polls, a third of Moldovan entrepreneurs admit that they pay bribes to the authorities on a regular basis¹⁵⁰.

The Index of Economic Freedom, calculated by the Heritage Foundation and Wall Street Journal for 2006, places the Republic of Moldova on position 81 out of more than 150 countries, with a score of 59.5, on the border between Moderate Free and Mostly Unfree categories. In this respect, we are behind many countries from the ex-socialist area. For example, Mongolia succeeded to build a more liberal economy, ranking above the Republic of Moldova in this list, with a score of 60.1. Our immediate neighbours in this list are Kenya and Fiji with 59.8 and 59.4 points accordingly¹⁵¹. In spite of the optimistic official statements, public policies lack substance, and direct governmental interferences worry the European investors who continue to show reluctance with regard to long-term investments. Due to this, Moldova is not yet included in the coverage area of major European airlines, and the hotel infrastructure is under-developed. According to the Investment Climate Statement, Moldova 2006 developed by BISNIS and posted on the official web-site of the US Embassy in Chisinau, although slowly, Moldova is moving towards a liberal trade regime involving decrease of taxes, improvement of tax administration, governmental transparency and streamlining of business legislation. Nonetheless, according to the annual study "Cost of state regulation of business activity", developed by the World Bank's "Improving Competitiveness" project¹⁵², the business climate in Moldova did not change significantly, and the current Government cannot yet find its role in the economy or efficiently contribute to the establishment of a better business climate (see **REAL ECONOMY**).

In the area of press freedom, the situation in the Republic of Moldova is even worse. The Worldwide Press Freedom Index, developed by „Reporters Without Borders” / „Reporters Sans Frontiers” for 2006, places Moldova on position 85 (out of 168 countries) with a score of 19.17 points, which is 9 positions lower than in 2005, when the Republic of Moldova ranked 74 with a score of 17.5 points¹⁵³ (see **HUMAN RIGHTS**).

¹⁴⁸ <http://www.bertelsmann-transformation-index.de/37.0.html?&L=1> – Bertelsmann Transformation Index

¹⁴⁹ http://www.bertelsmann-transformation-index.de/fileadmin/pdf/BTI_2006_Detailed_Ranking.pdf – Bertelsmann Transformation Index

¹⁵⁰ http://www.transparency.org/news_room/in_focus/2006/cpi_2006_1 – 2006 Corruption Perceptions Index.

¹⁵¹ <http://www.heritage.org/research/features/index/countries.cfm>, Index of Economic Freedom.

¹⁵² <http://www.interlic.md/news/1633-rom.html> – "The Cost of state regulation of business activity".

¹⁵³ http://www.rsf.org/rubrique.php3?id_rubrique=554 – Reporters without borders.

The Networking Readiness Index calculated by the World Economic Forum shows the country's ability to use the opportunities granted by the informational and communication technologies and the impact of such technologies on the increase of country's competitiveness. The index is computed from environment modules in the respective country or community, proficiency of the key elements in the community to use such technology and the extent of use of the technology by and between the members of the society. In 2006-2007, the Republic of Moldova occupied the disappointing position 92 with a score of 3.13, squeezed between Georgia and Tanzania, out of a total of 122 countries in the ranking¹⁵⁴ (see **DIGITAL INFRASTRUCTURE**).

A recent report of the Business Software Alliance includes the Republic of Moldova, along with Armenia and Azerbaijan, in the list of 20 countries with the highest degree of software piracy. At the same time, the Republic of Moldova is at the bottom of the ranking reflecting coverage with broadband networks and use of information technologies. However, the Republic of Moldova is well known as a market hosting many outsourcing companies and a country with a rather high qualification degree of IT specialists.

The external image of the country as regards its stability is even more alarming. According to a study developed by the Foreign Policy magazine and "Fund for Peace" think-tank, based on the analysis of 117 countries, the Republic of Moldova is becoming a less stable country. The country's situation worsened by 9 positions as compared to the last year and currently the country ranks 48 out of the 60 most vulnerable countries, with a score of 85.7. The Failed States Index for 2007 was calculated based on 12 political, economic and social criteria, taking into account the demographical situation, presence of refugees, respect for human rights etc.¹⁵⁵

The Republic of Moldova is perceived as a country providing women for sexual exploitation, according to a report by the US State Department for 2007, focusing on the governments' efforts to eradicate

the serious forms of trafficking in human beings. Our country is seen as one where the woman's status is limited and women are excluded from the political and social life¹⁵⁶. At the same time, the Republic of Moldova creates the impression of a country where the historical wounds did not heal yet, the European model of reconciliation was not applied and the xenophobic and nationalist feelings are still present.

According to the annual report "Nations in Transit" developed by the Freedom House for year 2006, the Republic of Moldova, a reforming champion in the '90, lost ground since 2001, when the Communist Party came to power, and transition is put on hold. The report mentions that despite the high degree of pluralism in the political life, there are no guarantees that the democratic elements will strengthen, given the fact that Moldova is still the Europe's poorest country and the Transnistrian conflict is not solved. The conclusion is that in spite of the pro-European rhetoric, Moldova's progress in 2006 was modest. The President's authority cannot be contested in a democratic framework, given that parts of the opposition allied with the communists, while others disintegrated. The report mentions that the process of election reform has slowed down, and the recommendations made by OSCE were ignored. The civil society is still weak, and the non-governmental sector cannot survive without financial support from abroad. The report further mentions that the media is pressured and the newly-adopted Audiovisual Code did not bring the expected results. As regards combating corruption, although the authorities made considerable efforts to develop an effective legal framework, they had little success in implementing it¹⁵⁷.

Such phenomena are enough to raise general concerns and are less encourag-

¹⁵⁴ <http://www.weforum.org/pdf/gitr/rankings2007.pdf> - The Networked Readiness Index 2006-2007.

¹⁵⁵ http://www.foreignpolicy.com/story/cms.php?story_id=3865&page=7, The Failed States Index 2007.

¹⁵⁶ <http://www.azi.md/news?ID=44744> - The US State Department states that Moldova is a major source of women for sexual exploitation. 13 June 2007.

¹⁵⁷ <http://www.freedomhouse.org/template.cfm?page=17&year=2006> - Nations in Transit 2007 Reports.

ing for the image of the Republic of Moldova in the world. Compared to most countries in the region, the Republic of Moldova emerges as a stagnant, obscure, undecided and badly-governed country.

The Transnistrian issue has a peculiar nature, representing one of the most serious image problems faced by Moldova. While all other political, social and economic problems are more or less advanced towards their resolution, the Transnistrian problem is in a frozen stage. The Transnistrian issue has a high potential of maintaining the country's negative image, even if substantial improvements might be recorded in other areas. While mentioning Transnistria, the Western media abounds with colourful expressions, such as "the black hole that ate Moldova", "no man's land", "the strangled region", "one of Europe's most leaky borders".

The Westerners' attitude towards the Transnistrian issue is plainly negative, although mixed with curiosity, concern and astonishment. The amazing fact is the acceptance by the Republic of Moldova of such an abnormal situation. It is certainly obvious that a normal functioning of a state is not possible in the proximity of such an uncontrollable and criminal political entity. The danger coming from such an entity, that could destroy Moldova one day, is perceived very clearly in the West. A number of articles in the Western press mention the symbolical importance of the confrontation taking place currently in the Transnistrian region. The continuous swinging of the Republic of Moldova between the West and East cannot last forever, and the Western political analysts warn that Moldova is on the edge. If the swing leans too much towards Russia, the Republic of Moldova could be the first country re-conquered by the Kremlin from the West¹⁵⁸.

¹⁵⁸ <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/05/13/wmold13.xml&DCMP=OTC-Autonolnk> - „Russia brews trouble in Europe's Cuba”. By Colin Freeman in Tiraspol, Sunday Telegraph, 14/05/2007.

http://www.economist.com/world/europe/displaystory.cfm?story_id=9046568 - A thaw in the river. Apr 19th 2007 | CHISINAU AND TIRASPOL. From The Economist print edition; http://www.economist.com/world/europe/displaystory.cfm?story_id=9116439 - „The black hole that ate Moldova”. May 3rd 2007. From Economist.com; http://www.economist.com/displaystory.cfm?story_id=9173421 - „The country that Europe forgot”. May 18th 2007. From Economist.com.

Risks

Further ignoring the necessity of developing a clear and coherent concept of country promotion could maintain the current negative image of Moldova for an indefinite period. Moreover, the involvement in such a policy of certain incompetent political figures and bodies could only worsen the situation. The political inconsistency with regard to choosing the path to be followed by the Republic of Moldova will encourage a permanent swinging between West and East. The continuous promotion of old-fashioned values will give the West sufficient reasons to identify the Moldovans as a culture alien to them and ignore the original Moldovan elements.

The over-sized bureaucracy, incompetent management and high-level corruption are obstacles impeding the capacity to invest and absorb capital and prove the lack of a clear prioritisation of actions. In the West, all these elements contribute towards the image of an incoherent and undecided country. These actions, as well as delayed European integration resulted in mass application by Moldovans for Romanian citizenship, highlighting thus the crisis Moldova is going through and deteriorating further the country's image. Moldova is still perceived as the poorest post-communist European country, where 47% of population live under the poverty level, while the International Organisation for Migration estimates at 600,000 the number of Moldovans who left the country.

The lack of decision capacity and discretion on behalf of the central administration in issues related to identity, as well as the lack of a national cohesion policy resulted in a policy of imposing outdated values by the current administration, which creates the image of a country unable to disconnect from its communist past.

The governmental policy of creating a distorted, Soviet-patriotic like identity has failed. Currently, the Moldovans are seen by foreigners as lacking any sense of patriotism. Although most East-European nations suffer from a similar syndrome, in the Republic of Moldova it is especially severe. Most Moldovans are easily as-

simulated in foreign environment and give up their national identity. This is true in particular for young people who emigrate and abandon without any regrets most of the local features in favour of the values of their new homeland (see section **EMIGRATION**).

The lack of an appropriate vocational education, promotion of incompetence and of an unethical behaviour in public and private life generate disgust in Western societies. The widespread corruption poses serious obstacles in the implementation of certain financial projects. The continuous promotion of such stereotypes as “the country of good wine”, “pretty girls”, “hard-working and welcoming people” creates in fact false values inherited from the communist era.

The image of the Republic of Moldova is seriously damaged by the cases filed by Moldovans with the European Court of Human Rights. Up to now, the Moldovan Government lost more than 60 cases at the ECHR, and was forced to pay nearly 1.5 million Euros as damages. The impressive increase of the number of such cases proves the inefficiency, corruption and lack of professionalism of both the judicial system and the Government of the Republic of Moldova¹⁵⁹ (for details, see **JUSTICE**).

Although *de jure* for over 16 years the Republic of Moldova is an independent country, the Moldovans’ mentality *de facto* and, more importantly, that of those who rule the country is in the pre-independence stage. Actually, the external world is still perceived through the Soviet era stereotypes in the Republic of Moldova.

Governmental policies

The Republic of Moldova does not have yet a coherent policy to promote its image. This strategic direction suffers from the lack of analysis and comprehension. The activities of image promotion launched by the Government and the President were focused by and large only on actions promoting business opportunities and strengthening economic relations. For this purpose, the Moldova Investment and Export Promotion Organisation (MIEPO) was founded. One of the recent

governmental projects to promote the country’s image abroad was the “Moldova Brand”, implemented by MIEPO. Such an idea is to be praised indeed, but the manner of implementing the proposed project is far from perfect. The vast majority of national and international designers had a negative reaction to the logo used. The brand, expected to show that Moldova is opening to the world, failed to achieve that goal, while the slogan “Discover Us” was considered the weakest element of the brand. Similar to most initiatives originated by the current administration, this project was launched without public communication and debate, co-operation with the civil society and academic world. Moldova failed to reach, with this newly developed brand, major world press and informational channels. Such achievements as the chairmanship of Committee VI “Legal Issues” of the UN General Assembly or of the Social Development Committee during the 64th session, although representing a privilege for any state, did not change radically the image of Moldova unfortunately and have a short-term effect on the international public opinion about the Republic Moldova.

Recommendations

- ▣ Intensifying efforts to implement democratic reforms in such important areas as respect for human rights, freedom of press, rule of law and independence of the judiciary will send a positive message to the West and improve significantly the country’s image.
- ▣ The current administration should also pay more attention to ensuring a transparent business climate, fighting corruption, strengthening the positive evolutions related to economic development, improving the business climate, pursuing efficient actions to fight the organised crime. Other sine qua non conditions to shape a positive image are moving towards a liberal trade regime with lower taxes, improving tax administration, regulatory transparency and streamlining business legislation.

¹⁵⁹ <http://www.echr.coe.int/ECHR/EN/Header/Reports+and+Statistics/Reports/Annual+surveys+to+f+activity/> - ECHR Database <http://devdata.worldbank.org/wdi2006/contents/income.htm>; <http://hdr.undp.org/reports/global/2005/> - Human Development Report, UN

- ▶ The current administration should develop a competitiveness system, which would promote natural leader skills and establish the foundation for a democracy based on the principles of meritocracy and loyalty. To achieve this, it is not sufficient to change the party's name or replace a slogan. What is needed is a change of values, of the whole system of values.
- ▶ The Government should achieve a coordination of its political actions, use fully local resources, and contract services of specialised international institutions to develop a campaign of promoting the image of the Republic of Moldova abroad.

5.2. Relations between the Republic of Moldova and Romania

Diagnosis

The relations of the Republic of Moldova with Romania are the most complex and problematical if compared to the relations with all other countries. The nature of these relations was shaped by tensions and antagonisms of different kind, which emerged starting with the period when diplomatic relations between the two countries were established (1992). The relations between Moldova and Romania gained a new impetus when Traian Basescu became the President of Romania (2004) and the Moldovan foreign policy being reoriented following the refusal to sign the “Kozak” Memorandum (November 2003). The Moldovan-Romanian relations in 2005-2007 can be divided into three evolution stages:

21 January 2005 – July 2006, the period of revival. During this period, the heads of state of Romania and Moldova had a number of meetings, phone discussions and made a number of joint official statements. These actions have shown a progress in the Moldovan-Romanian relations. In the context of election campaign in Moldova (2004-2005), the friendly rhetoric of the president of Romania was used by the ruling party to build up its election prospects. Romanian statements regarding the support in the process of European integration of Moldova matched the reorientation towards West of the Moldovan foreign policy. In addition, Romania has repeatedly brought into discussion in various international forums the issue of the Transnistrian conflict and the necessity to solve it. This period is marked by a number of positive and friendly official statements coming from both Romania and Moldova. However, the emotional and unrealistic message of the Romanian President regarding a possible common future of Romania and Moldova in the European Union was used as a reason to undermine the positive trend in the Moldovan-Romanian relations. Chisinau also contributed to the decline of relations with Romania, by interpreting the Romanian rhetoric in a subjective and unfriendly manner, especially in the area of national identity issues¹⁶⁰.

July 2006 – January 2007, the sunset of Moldovan-Romanian relations. This period is marked by a slow worsening of the relations between Romania and Moldova. The state of these relations was influenced by the increase of the price of natural gas for Moldova and the embargo on imports of agricultural goods and wines to the Russian Federation (January-March 2006). At the same time, Romania was busy to fulfil its commitments related to forthcoming membership in the EU. As a result, Moldova redefines its position in relation to Russia, stating the necessity of a special and strategic approach of its relations with Moscow. Chisinau embarks on a tough criticism towards Romania, who was interested in establishing two temporary consulates in Cahul and Balti to facilitate the issue of visas for Moldovan citizens. Chisinau also brings into discussion the issue of the Main Political Treaty and the Border Treaty (spring of 2006)¹⁶¹. The interest for the two treaties was explained by the necessity to cut the suspicions of Tiraspol in relation to the unionist ideas of Romania. Yet, Romania opposes signing these instruments, arguing that “more modern documents” should be concluded instead. In this respect, Bucharest advanced the idea of signing a European partnership agreement with Chisinau, as well as a border treaty by the Romanian party as a member of EU and NATO. Due to linguistic and substance reasons Romania refuses to sign the documents on which Moldova insists. Given the lack of an open and constructive political dialog, the Moldovan-Romanian relations witnessed a serious radicalisation during the next period.

January 2007 – December 2007, the ice age. So far, this period is the most strained and rough in the history of the Moldovan-Romanian relations. This situation is a consequence of the previous involution of the dialog between Chisinau and Bucharest. After Romania joined the EU, the Romanian

EVOLUTIONS: -2

SITUATION: -1

PERSPECTIVES: T-1

¹⁶⁰ Relations between Romania and the Republic of Moldova after 2004 – chronology, <http://www.interlic.md/Politic/3409.html>.

¹⁶¹ Main Political Treaty with Romania, Case study: 100 most pressing problems of Moldova in 2006, Igor Munteanu, Chisinau, 2006.

diplomacy continued to assert its support for the process of European integration of the Republic of Moldova, including by offering the *Acquis Communautaire* translated by the Romanian party. Nonetheless, the Moldovan officials maintained their criticism of Romania, evoking various reasons such as linguistic, identity, historic, religious, and even threats to the territorial security of Moldova. The request to open two consulates on the territory of Moldova to facilitate the issue of visas for Moldovans was finally rejected. In the same manner, Chisinau criticised the initiative to facilitate the process of reacquiring/granting Romanian citizenship. During 2007, the Moldovan side launched a number of attacks towards Romania. President Vladimir Voronin condemned Romania for not recognising legally the Moldovan ethnicity on the Romanian territory, launching the idea of supporting the “Moldovans” in Romania. In addition, Chisinau requested all its diplomatic missions to avoid using in their activity the term “Romanian language”. At the same time, the Moldovan diplomacy intensified its efforts to convince the international community of the necessity to stop the aggressive Romanian policy against the Moldovan identity and statehood. Another action designed to limit the influence and position of Romania in Moldova is the interdiction for the Romanian delegation to enter the Moldovan territory, although it was invited to attend the Chisinau city fest. Likewise, in order to damage the image of Romania, a diplomat from the Romanian embassy in Chisinau was accused of corruption. Another argument sparked around the Common EU Visa Centre, the Moldovan party rejecting the Romanian offer to open and manage the activity of such a centre at its embassy in Chisinau¹⁶². The debate around the political and border treaties is aggravating. The Romanian party opposes inclusion in the said documents of any reference to the delimitation of borders after the World War II. At the same time, Moldova insists on such a clause which,

in its view, is a guarantee of the Moldovan statehood that would reduce the chances of Romania to ever achieve reunification. Another action against Romania is the end of re-broadcasting the Romanian TV channel TVR 1, which was one of the three TV channels with national coverage in the Republic of Moldova. As a result, the rural population was deprived of an important information source, which was an alternative to “ORT” and “Moldova 1”.

Chisinau accused Romania of supporting the decision of the Romanian Orthodox Church to re-open its dioceses on the canonical territory of the Archdiocese of Moldova, subordinated to the Russian Orthodox Church. In this respect, President Voronin stated that if the position of official Moldova is ignored, the latter could decide to not observe its commitments towards the Council of Europe in relation to the Archdiocese of Basarabia (a step that could trigger political and legal consequences difficult to imagine)¹⁶³. The Republic of Moldova asserted its position again when it signed the agreements with the European community on visa regime facilitation and on readmission, drafted also in “Moldovan language”. Although previously Romania stated that it would not sign any documents containing the term “Moldovan language”, the Romanian officials in Brussels did not obstruct the conclusion of the mentioned agreements. In the European practice there is already one document signed in the Moldovan language, concluded before Romania joined the EU (the Partnership and Cooperation Agreement with Moldova of 1994), however, Bucharest was assured that this case would not constitute a precedent for the future¹⁶⁴. In December 2007, during an official visit to Brussels, the President of the Republic of Moldova accused Romania of treating Moldova with a “permanent aggression”. One of the toughest actions against Romania was declaring two diplomats of the Romanian Embassy as *persona non-grata* in the Republic of Moldova¹⁶⁵. Chisinau’s behaviour can be explained by the forthcoming pre-election period and the necessity of improving relations with the Russian Federation, an aim which, according to the perception of current Moldovan leaders, can only be achieved by ruining the relations with Romania.

¹⁶² „Common Visa Centre, between convergence and divergence”, Denis Cenusu, www.expert-grup.org.

¹⁶³ „The Council of Europe rejects the scandalous statements of Voronin”, 12.12.2007, www.presa.md.

¹⁶⁴ Lazar Comanescu, Romanian Ambassador to EU: „It was an exception”, <http://www.romaniailibera.ro/a108634/a-fost-o-exceptie.html>.

¹⁶⁵ „Chisinau declared two diplomats of the Romanian embassy *persona non-grata*”, <http://www.basarabeni.ro/stiri.php?action=read&pagina=1349>.

Accusations against Romania seriously damaged the public perceptions of the Moldovan-Romanian relations (**Figure 27**). If the Moldovan-Romanian dialog continues to decline, this index could drop even lower, damaging thus normal neighbour relations between the two countries.

Risks

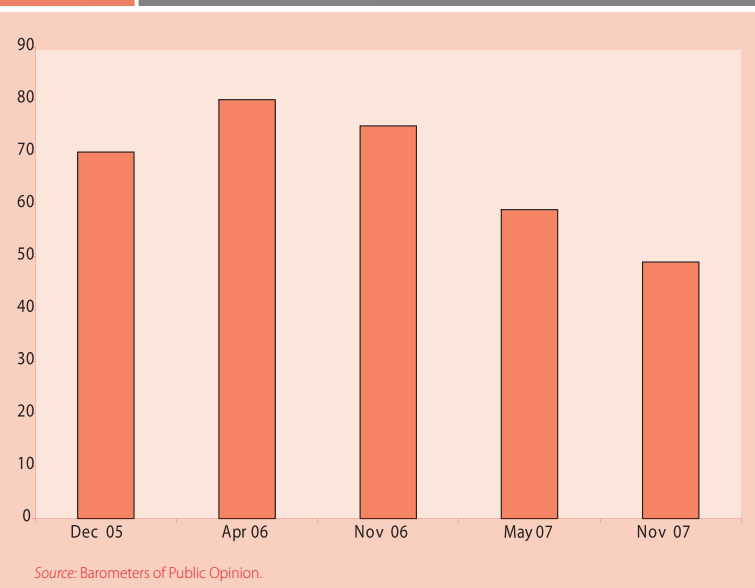
- A continuing increase of hostility in the Moldovan-Romanian relations can lead to the disruption of diplomatic relations between the two countries.
- Further politicization of the religious issue could trigger violent conflicts, while the failure to observe the commitments towards the Council of Europe related to the Archdiocese of Basarabia might result in Moldova's exclusion from this body, which in turn will not allow Moldova to pursue the process of European integration.
- Deliberate aggravation of relations with Romania could deteriorate also the economic and trade relations with Romania, the main trade partner of the Republic of Moldova in the EU, and undermine the chances of European integration of Moldova. Likewise, the worsening of relations with Romania could undermine the EU Neighbourhood Policy in relation to Moldova.
- The Romanian party should understand that failure to sign the main political and border treaties generates difficulties in strengthening the Moldovan statehood and solving the Transnistrian conflict. On the other hand, impeding the granting of Romanian citizenship and/or visas by the Moldovan side will affect in a negative manner communication and mobility between the Moldovan citizens and other Europeans.

Recommendations

- Establishing constructive and efficient discussions regarding the conclusion of the main political and border treaties; setting up firm deadlines for amending, complementing, modifying the substance of these documents, as well as for their conclusion and ratification by both parties.
- De-politicising and/or removing from the political agenda of bilateral relations issues related to religion, national identity, history and language.
- Application by both parties of a special approach in relation to granting or non-granting of citizenship, by signing just and fair bilateral agreements.

- Complete fulfilment by Moldova of its commitments towards the Council of Europe in relation to the Archdiocese of Basarabia.
- Improving and bringing to normal the political and diplomatic rhetoric by both parties, abandoning any non-diplomatic and scandalous acts in inter-state relations.

Figure 27 Share of population considering that the Moldovan-Romanian relations are good or very good, % of total



- Unconditionally and mutually respecting the relevant constitutional acts.
- Formulation and adoption by the Republic of Moldova of an updated foreign policy concept, in a friendly and open manner towards Romania, corresponding and harmonizing with provisions of the Romanian foreign policy concept.
- Developing sustainable projects of various types on the Moldovan-Romanian border.
- Establishing a common cultural space and develop preferential cultural relations between Romania and Moldova.
- Using efficiently the European potential of Romania in order to facilitate the process of European integration of Moldova (including by sharing or adopting the translation of Acquis Communautaire etc.).
- Establishing a common diplomatic school to enhance the Moldovan diplomacy and inspire a new European dimension to it.
- Intensifying bilateral relations as regards the achievement and promotion of common and particular interests, without damaging their image on the national, regional and international stage.

5.3. Relations between the Republic of Moldova and Ukraine

EVOLUTIONS: 0
SITUATION: +1
PERSPECTIVES: +1

Diagnosis

The relations of Moldova with Ukraine are very different from those with Romania. Due to the common historical past of the two countries in the USSR, their relations have shaped in a totally different way as compared to the other neighbour of Moldova. Ukraine has no disagreements of historical, linguistic, religious or identity nature with Moldova, and such subjects have never been present on the agenda of political relations between the two countries. Those issues emerging in the economy or energy areas never acquired a political dimension¹⁶⁶. The only pressing issue on the political agenda in the bilateral relations is related to the Transnistrian conflict. Moldova is aware of the fact that the control over 470 km of border can only be ensured through and with the support of the Ukrainian side¹⁶⁷. In this respect, with Victor Iuscenko coming to power in Ukraine, a new era in the Moldovan-Ukrainian relations started.

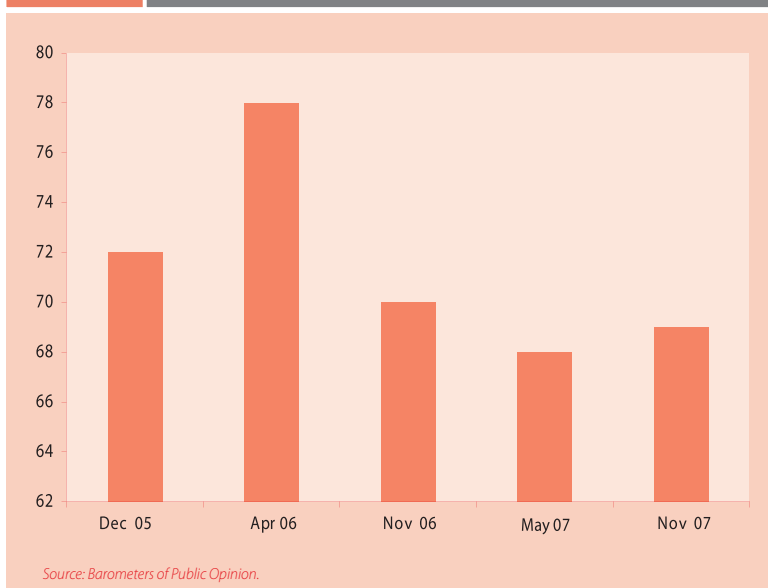
Although there are no politicised issues on the agenda of Moldovan-Ukrainian relations, certain sensitive issues are still present. Disputes around the Giurgiulesti terminal, hydro-energy facilities on Nistru river, Chisinau-Kyiv air flight, all these influenced in a negative way the population confidence towards the Moldovan-Ukrainian relations (*Figure 28*).

In 2005-2007, the Moldovan-Ukrainian relations focus on ensuring a control over the common border, in particular on the Transnistrian segment and cooperation to solve the issue of the Eastern region of Moldova¹⁶⁸. In this respect, Chisinau and Kyiv asked the European Commission for support to manage the common border. EU decided to support the two countries in the area of control management over the Transnistrian sector of the common border. Moldova and Ukraine asked also the European Commission for assistance to mark the Moldovan-Ukrainian border and modernise customs. On 30 November 2005, the EU Border Assistance Mission (EUBAM) has been launched.

Ukraine, however, does not observe fully the provisions of the Agreement on the new customs regime over the imports and exports of goods (of December 2005)¹⁶⁹, providing for a more accurate control over the circulation of goods to and from Moldova¹⁷⁰. Ukraine adopted an ambiguous position regarding the observance of the agreements related to the Eastern rayons of the Republic of Moldova. This is generated by the political instability and internal fight between the pro-Russian and pro-Western political forces, as well as significant influence by Russia on the political life of Ukraine. Due to the geopolitical aspects of the Transnistrian conflict, Ukraine has a particular interest in the region, where some 65,000 people have Ukrainian passports. This context makes it difficult to take any consistent decisions and actions in the Transnistrian problem.

Nevertheless, due to the special attention paid by the EU to the Border Assistance Mission and resolution of the Transnistrian conflict, Moldova and Ukraine have been

Figure 28 Share of population considering that the Moldovan-Ukrainian relations are good or very good, % of total



¹⁶⁶ „Парад послов и перспектив”, Деловая Одесса, no. 35 (226).

¹⁶⁷ „The border issue in the Moldovan-Ukrainian relations”, Case study: 100 most pressing problems of Moldova in 2006”, Igor Munteanu, Chisinau, 2006.

¹⁶⁸ „Воронин: Главное в отношениях Украины и Молдовы - решение проблемы безопасности границ”, 27 August 2005, www.unian.ua.

¹⁶⁹ Интерфакс-Украина, 19 July 2005.

¹⁷⁰ „Questions of customs registration of goods and means of transport which are imported to Ukraine from Republic of Moldova, Cabinet of Ministers of Ukraine”, Decree 112, 1 March 2006.

encouraged to cooperate. Moreover, a transparent and secure Moldovan-Ukrainian border contributes to achieving the goals of the European Neighbourhood Policy¹⁷¹. Even though EUBAM has a mere technical and consultancy role, its mechanism of ensuring the border control is extremely important for the consolidation of territorial integrity of Moldova and Ukraine. In addition, the Mission's activity gave a new impetus towards the resolution of the Transnistrian conflict, by giving the parties a new practical leverage over the separatist region in the Eastern rayons of Moldova.

In 2007, the BOMOLUK Project was launched aiming at improving the quality of management of the Moldovan-Ukrainian border. In the framework of this project the border police and customs services of the two countries will receive technical, logistical and operational assistance to ensure a better management of the Moldovan-Ukrainian border. Notwithstanding any actions launched by the EU, the success is conditioned by the political will of Chisinau and Kyiv to solve the Transnistrian issue. As a result, Brussels should put pressure on Chisinau and Kyiv and request them to fully observe the provisions related to the monitoring of their common border. In its turn, the Republic of Moldova should use the available European mechanisms to finalise the process of strengthening its territorial security and accelerate the resolution of the Transnistrian conflict. In addition, good neighbourhood relations at the Moldovan-Ukrainian border can be ensured by extending the EUBAM and by a mutual cooperation between Ukraine and Moldova in the Transnistrian issue.

Risks

- ▀ Existence of a medium probability of politicising the issues of economic, trade, energy nature due to the political instability in Ukraine and limited capacities of Moldova to efficiently manage conflict situations.
 - ▀ Failure by the Ukrainian party to observe the provisions of the agreements related to the monitoring of the Moldovan-Ukrainian border due to the major influence of Russia on the Ukrainian political system.
 - ▀ Lack of political will of the leaders in Chisinau
- ▀ and Kyiv to fully and effectively solve the Transnistrian conflict.
 - ▀ Support of the pro-Russian leaders in Moldova and Ukraine for the separatist regime in the Eastern rayons of Moldova, which could negatively influence the successful achievement of conditions for strengthening of the common border.
 - ▀ Insufficient participation of Ukraine in the process of managing the common border with Moldova, which could result in a defective transparency and security of the border.
 - ▀ Moderate results in monitoring the Moldovan-Ukrainian border might cause difficulties for both Ukraine and Moldova in their process of European integration.
 - ▀ Amplification of the Transnistrian conflict by a direct involvement of Russia, which could jeopardise the neighbourhood relations between Moldova and Ukraine.
 - ▀ Decrease and/or end of assistance of the EU could slow down the process of strengthening the territorial security of Moldova and Ukraine, thus endangering normal neighbourhood relations.

Recommendations

- ▀ Moldova and Ukraine should further prevent politicization of sensitive issues in their bilateral relations (Odessa-Reni highway, airways communication, Giurgiulesti terminal etc.)
- ▀ Develop the bilateral relations in a well-balanced and multi-dimensional manner, aiming at intensifying the positive effects of neighbourhood.
- ▀ Continue cooperation in order to finalise the process of delimitation and marking the common border.
- ▀ Amplify the bilateral relations with the aim of establishing a full control over the Transnistrian sector of the Moldovan-Ukrainian border.
- ▀ Ensure long-term financial and logistical resources for the process of border monitoring by Moldova and Ukraine, in order to anticipate a possible termination of assistance from the EU.
- ▀ Encourage active involvement of the EU to assist the efforts of Moldova to strengthen its territorial security and of the entire Eastern Europe.

¹⁷¹ Declaration by the Presidency on behalf of the European Union on the implementation of the Joint declaration on Customs issues of the Ukrainian and Moldovan Prime Ministers, Council of the European Union, Brussels, 14 March 2006, 7339/06 (Presse 81), P.045.



EVOLUTIONS: +1
SITUATION: +1
PERSPECTIVES: +1

5.4. Relations between the Republic of Moldova and the European Union

Diagnosis

Starting with 2003, the European integration was proclaimed as a strategic option of the internal and foreign policy of the Republic of Moldova. This option is the result of the political will expressed by the leaders and the entire political class of the Republic of Moldova. This decision is based on the acknowledgement that the fundamental interests of the country and its citizens would be better served by a profound reform of institutions, legislation and practices following a successful pattern – that of the European Union – which will lay the foundation for a future membership of Moldova in the EU. The vector of European integration is based on the consensus of the parliamentary parties and is supported by the majority of population primarily identifying the EU with opportunities to quickly improve their living standard, benefit from assistance funds, as well as free access to the EU area.

At the same time, the existing legal and institutional framework governing the relations of Moldova with the EU, namely the Partnership and Cooperation Agreement and the Moldova-EU Action Plan, does not envisage the perspective of joining the EU, regardless of the level of implementation of the Action Plan. Thus, despite the goal announced by the government to sign an association agreement with the EU after the PCA expiration in 2008 and the Action Plan implementation, the perspective of raising the level of our relations with the EU is still uncertain. Not only does the European Union not recognise the vocation of Moldova of becoming a future member of EU, but it also discourages any attempt to discuss the issue of accepting Moldova into the integration process (possibly, through

the South-East European lane), insisting instead on the necessity to fully implement the provisions of the Action Plan and use of the potential provided by the existing cooperation framework.

The EU reluctance can be explained mainly by a drawback in the European public opinion in relation to the enlargement process after the massive extension in 2004, while the failure to adopt the Constitution and the economic depression only highlight the “allergy” to the idea of committing to a new extension. Moldova’s aspirations to establish new contractual relations with the EU are undermined also by the fact that in the context of the European Neighbourhood Policy (ENP), the Republic of Moldova is closely linked to Ukraine, whose European perspectives became dimmer as a result of its political instability. Meanwhile, the delays and inconsistencies in implementing the Action Plan and, consequently, Moldova’s inability to detach from Ukraine and other ENP countries by means of quality of institutions, reforms and governance undercut diplomatic efforts of the Republic of Moldova and give Brussels sufficient reasons and pretexts to avoid discussions on a potential more advanced status for Moldova. If the current trends are maintained, it is difficult to believe that Moldova will be able to achieve the goal put forward of establishing in 2008 contractual relations with the EU.

Risks

Currently, the public opinion embraces excessive expectations in relation to the possibility of Moldova getting a higher status in its relations with the EU during the next years and, implicitly, of acceding to the benefits offered by such a new status¹⁷². The opinion polls reveal therefore that an important percentage of the population believe that Moldova could join the EU in the next 5 to 10 years¹⁷³. Such unrealistic expectations are generated in part by a low awareness as to what exactly the process of European integration means and includes. Moreover, an

¹⁷² Barometers of Public Opinion – May 2007 and November 2007, conducted by the Centre for Sociological Investigations and Marketing CBS AXA and, respectively, the Institute for Marketing and Polls IMAS-INC from Chisinau, commissioned by the Institute of Public Policies of Moldova.
¹⁷³ Barometer of Public Opinion – April 2006 and the Social and Political Barometer conducted in November 2007 by the Institute for Marketing and Polls IMAS-INC from Chisinau.

important part of the country's population never heard of the Action Plan. The current level of awareness on the EU-Moldova dialog, including the Action Plan, is low: only 20.2% are aware of the Action Plan and its content, 48% - are aware, but do not know what this document is about and around 25% are not aware of the existence of the Action Plan¹⁷⁴. Thus, the conclusion to be drawn is that currently the public opinion in Moldova is informed rather selectively and continues to be confused and ignorant. This situation would make it quite difficult to maintain the Euro-integration "motivation" of the political elite and the support for a European Moldova by citizens at these high levels if, after 2008, the EU does not send the expected encouraging signal.

Despite the clear public message of the administration constantly reaffirming the strategic character and irreversibility of the path of European integration, the progress report of the Action Plan implementation shows inconsistencies between the declarations and actual accomplishments of the European integration efforts¹⁷⁵. Likewise, according to the European Commission and European Parliament officials, although the Republic of Moldova achieved significant progress in approximating its legislation to the European standards and rules, it still lags behind with regard to practical application of the laws concerned¹⁷⁶. Weak progress, stagnation and even regress recorded in certain key areas of the Action Plan (such as independence of the judiciary, freedom of press, business climate, local autonomy; for more details, see **ADVANCEMENT OF DEMOCRACY AND GOOD GOVERNANCE**) raise question marks as regards the full awareness by the current administration of the institutional, legislative and financial efforts required to achieve the ambitious goals set. This conclusion is also applicable in the case of declarative and formalistic manner of presenting reports regarding the Action Plan implementation.

The analysis of the current situation shows that, with the exception of a small group of young employees of the MFAEI well-trained in the area of European integration and, to a lesser extent, of the Ministry of Economy and Trade, most of the state institutions with specific sector responsibilities

in the process of European integration are not staffed with personnel trained up to the level of their tasks. Such personnel training deficiencies do not allow the relevant institutions to properly and timely perform their duties as regards the implementation of the Action Plan. At the same time, discrepancies between the levels of awareness on the EU issues of the MFAEI employees, on one hand, and officials from other institutions, on the other hand, have a negative impact on the communication and efficiency of cooperation between the respective institutions. Unfortunately, there are sufficient signs of flawed coordination on the internal level between different ministries on actions involving cooperation with the EU institutions. As a consequence, lack of efficient coordination between the national authorities is sometimes used by the European counterparts to promote certain decisions benefiting the EU. In this respect, the contradictory messages sent to the European Commission by the Moldovan authorities (regarding the prolongation of the Agreement on a double control of metallurgy goods, assistance projects in the area of energy) are speaking for themselves. Such situations can seriously damage the country's image and credibility.

During meetings with the EU officials, the representatives of the Republic of Moldova occasionally commit to actions that are sometimes simply forgotten or undertaken with delay. The proper implementation of cooperation projects agreed with the EU depends, however, on the performance of commitments by the Moldovan party. A concrete example in this respect is the process of granting Autonomous Trade Preferences to the Republic of Moldova which exceeded the initial deadline, which was also due to the late submission of certain docu-

¹⁷⁴ Barometer of Public Opinion – April 2006, the Institute of Public Policies of Moldova.

¹⁷⁵ "Communication from the Commission to the Council and the European Parliament on strengthening the European Neighbourhood Policy – ENP Progress Report on Moldova, European Commission", Brussels, 4 December 2006, SEC(2006) 1506/2; „Independent report of the thirteen representatives of the civil society of the Republic of Moldova”, Euroforum Consortium, Chisinau, 30 March 2007; „The civil society alerts the European Commission on the problems confronted by the press in the Republic of Moldova”, Info-Prim-Neo, Chisinau, 25 October 2007.

¹⁷⁶ "The EU-Republic of Moldova relations expand with every single day", Moldova Suverana, no. 161-162 of 26 October 2007; „Marianne Mikko: The level of the EU-Moldova Action Plan implementation places Moldova far from the EU”, Moldova Azi, Chisinau, 2 October 2007, <http://www.azi.md/news/?ID=46288>; „Press Release The 10th EU-Moldova Parliamentary Cooperation Committee”, European Parliament, Brussels, 1-2 October 2007, http://www.europarl.europa.eu/intcoop/euro/pcc/d_md/statements/2007_10_02_10thpcc_en.pdf.

ments and information by relevant Chisinau authorities.

Currently, foreign assistance granted to Moldova is coordinated by four national institutions (see **SPECIAL TOPIC: FOREIGN DEVELOPMENT ASSISTANCE**). According to the EU officials, the current situation raises obstacles in the EU dialog with the Republic of Moldova, due to the fact that the competences of relevant institutions often overlap. In addition, this situation reduces the institutional capacity of the Republic of Moldova to absorb external funds, including those offered by the EU. For example, out of a total amount of 42 million Euros available under the 2005 National Action Programme of TACIS assistance to Moldova only two projects amounting to 6 million Euros have been launched.

Supporting the civil society participation in the process of implementation of the Action Plan and in the efforts to approximate the legislation, regulations and standards to those of the EU is expressly provided in the Action Plan. The non-governmental organisations in the Republic of Moldova have an important human and expertise potential in certain key areas relevant to the implementation of the Action Plan. Lately, a number of non-governmental organisations launched projects to independently monitor the process of implementation of the Action Plan, review draft legislation to clarify its conformity to the relevant Acquis standards, enhance public awareness on European issues and EU-Moldova cooperation, assist in the process of training specialists etc. Also, certain mechanisms to institutionalise cooperation between relevant NGOs and public authorities involved in the process of implementation of the Action Plan have been established. Yet, the formalistic approach to this potential of the Moldovan authorities could affect the substance and credibility of actions undertaken by the latter to enhance efficiency and quality of the process of European integration of the Republic of Moldova (see sections **POLITICAL CULTURE AND PARTICIPATION** and **CIVIL SOCIETY**).

Governmental policies

The governmental policies designed to develop the relations between the Republic

of Moldova and the EU are drafted and performed in the context of implementing the Moldova-EU Action Plan. The latter contains 80 objectives and 294 actions in such areas as political dialog and reform; cooperation to solve the Transnistrian conflict; social and economic reform and development; trade, market and regulatory reform; cooperation in the area of justice and home affairs; transport, energy, telecommunications, environment and research, development and innovation; man-to-man contacts. Most objectives fall into the responsibility of the Government of Moldova, 40 objectives contain joint commitments of the Republic of Moldova and the EU, and only 14 objectives represent commitments undertaken exclusively by the European Union. In order to implement the provisions of the Action Plan, in 2005-2006 the EU granted TACIS financial assistance to Moldova in a total amount of 42 million Euros, namely: 23 million to promote institutional, legislative and administrative reforms; 13 million to encourage the private sector and promote economic development; and 6 million to remove the social consequences of transition.

In this respect, the Republic of Moldova adopted a number of measures designed to strengthen the internal institutional and administrative framework needed to promote the objective of European integration and implementation of the Moldova-EU Action Plan, such as: establishing a National Commission for European Integration and an Inter-Ministry Group on Legislative Approximation, creating the European Integration Department within the MFAEI, enhancing the mandate of the MFAEI to coordinate activities related to the European integration by appointing the Minister of Foreign Affairs to the position of Deputy Prime-Minister, creating the position of "European coordinators" in the line ministries and agencies, improving mechanisms of inter-departmental cooperation and coordination. In addition, training activities in the field of European issues for public servants were launched and the number of contacts between the MFAEI and experts of the civil society increased.

The mentioned concept and strategic instruments and financial resources represent a solid basis to ensure a proper imple-

mentation of the Action Plan. Nonetheless, according to the European Commission and independent experts as well as representatives of the civil society from Moldova, the achievement of commitments undertaken by the Government of the Republic of Moldova in the framework of the Action Plan signed with the EU is not complete. Progress in areas such as foreign policy cooperation, enhancement of Moldovan-Ukrainian border control, resuming cooperation with the IFI and, in particular, expansion of trade relations, is praised; nevertheless, the Government of Moldova is encouraged by the European Commission to undertake more efforts to eliminate deficiencies in chapters related to independence of the judiciary, freedom of press, respect for human rights, fight against corruption, proper climate for business activity.

The responsibility for the deficient implementation of the Action Plan is primarily on the Moldovan authorities, this situation being generated by a number of causes, such as:

- A defective coordination of the process of implementation of the Action Plan¹⁷⁷.
- Moldovan authorities ignored the alarming signals coming from abroad, in particular from Brussels.
- The triumph-formalistic communication of the Moldovan authorities. The Government reports only achievements, while independent public mechanisms to assess progress are almost missing.
- Lack of political will of European integration based on an unambiguous commitment of the current administration in Chisinau to the fundamental values and principles of the European Union. Given the continuous deficiencies in such areas as freedom of press, independence of the judiciary or respect for human rights, the pro-European commitment of the Moldovan administration is not convincing.
- An excessive centralisation of the decision-making process overwhelms the ability of the Moldovan ministries, departments and embassies to rapidly and efficiently react to the necessities raised by the objective of implementing the Action Plan, in particular, and of European integration, in general.

- Failure to perform commitments undertaken by the Moldovan officials during the working meetings with the EU representatives.
- Insufficient use of the potential of cooperation with the civil society.
- Complexity of the internal mechanism to coordinate external assistance.
- Insufficient use of the experience related to the European integration of the new EU member states from Central and Eastern Europe.

Recommendations

- **Intensify efforts aiming at raising awareness on EU issues among different target groups and public at large¹⁷⁸.** To prevent a possible swing of the public opinion from Euro-euphoria to Euro-scepticism or even anti-European feelings, it is necessary to intensify efforts aiming at raising awareness on EU issues among different target groups and public at large. The awareness campaign on Moldova's European integration should promote internal benefits from approximating national legislation to the EU Acquis, such as: a modern legislative framework, functional institutions, attractive investment and business climate, independent judicial system etc. Improved information sharing of success stories, in particular related to the new EU member states and countries in the process of joining the EU is an efficient way of achieving this goal. A public better informed on the benefits of integration process, but also aware of the complexity and challenges of the latter, will easier accept certain short-term inconveniences in exchange for clear mid- and long-term advantages. At the same time, a better understanding by the civil society of specific integration experience of the new EU member states, including the added value brought to the process by NGOs in the respective countries has the potential of improving analytical capacities of local NGOs and inspiring useful ideas regarding cooperation between the public sector and civil society. It is obvious however that the

¹⁷⁷ For example, at the beginning of 2006, that is one year after the process of implementation of the Action Plan has started, the Parliament and the Government did not have yet a common vision as to which legislative acts have to be reviewed for their approximation with the relevant EU standards and rules.

¹⁷⁸ Apparently, the Government of Moldova is aware of this objective. Thus, at the beginning of 2007, the MFAEI in cooperation with Czech experts developed the draft Information and Communication Strategy for European Integration. The strategy was adopted by the Government on 26 December 2007.

willingness of people to accept a longer integration prospect and certain unavoidable costs depends directly on their confidence in the quality of governance and activity of the state institutions conducting reforms and implementing the Action Plan.

- ▀ **Ensure synergy of human and institutional resources.** In order to ensure a synergy of the limited human and institutional resources available in the Republic of Moldova, it is necessary to intensify efforts to adequately and equally train all public servants in charge with the EU relations in all institutions involved in the process of implementation of the Action Plan. Currently, most governmental institutions lack personnel speaking foreign languages, professional translators, employees able to conduct negotiations on European issues; public servants with solid knowledge on functioning of the EU institutions and their decision-making process. A greater exposure to the experience of the new EU members, including in their area of expertise could be an efficient tool to improve this situation. In addition, by analysing the specific experience of each new member state, optimal and adequate modalities could be identified to consolidate intra- and inter-ministerial coordination of activities related to the European integration of the Republic of Moldova. As a result, with a view to avoid bureaucratic rivalries between the Moldovan ministries and agencies, it would be useful to establish a group of specialists in all areas – diplomats, economists, experts in the environmental protection, energy, transport etc. – to deal directly with the European integration issues internally. This group could take the institutional shape of a Ministry of European Integration or an Office for European Integration under the Office of the Prime-Minister. Currently, the MFAEI does not have the necessary experience or human and technical capacities to monitor the quality of implementation of the Action Plan by the line ministries. Such a group, on the other hand, could be provided with the above mentioned competencies being also properly staffed and equipped.
- ▀ **Extend cooperation of the Moldova ministries and departments with the EU institutions.** In order to fully exploit the existing opportunities it is necessary to establish permanent dialog and contacts between the European officials in Brussels and heads of the Moldovan ministries and departments in charge of implementing commitments
- ▀ **Use the potential of cooperation with the civil society.** With a view to fully benefit from cooperation with the civil society, the following actions should be undertaken: from the legislative point of view, strengthen the cooperation mechanism with the Parliament, Government, President's Office and local authorities by amending the Rules of Parliament, Law on Government, Law on public local administration; promote the Law on transparency in the decision-making process; consolidate communication capacities of the state institutions, beyond a mere formalistic adoption of strategies in this area.
- ▀ **Promote the interests of the Republic of Moldova in the European Union.** The success of Moldova's efforts to advance its relations with the EU and achieve Brussels' willingness to recognise Moldova's vocation of becoming a future member depends not only on the quality of reforms promoted by Chisinau, but also on the support from the EU member states. Consequently, in order to open the doors of the community institutions in Brussels, political support in the capitals of member states has to be ensured. The Central and Eastern European countries that joined the EU in 2004 and 2007 display a greater degree of openness towards Moldova's aspirations as compared to the reluctance of certain influential states of the "older Europe". Relations and contacts with these states should be therefore intensified and a better understanding of Moldova's problems should be promoted, in particular amongst personalities benefiting from credibility and good relations in Brussels, such as former negotiators with the EU. These steps will help to transform these countries into

under the Action Plan, in particular through regular visits of the latter to Brussels. At the moment, such visits have a sporadic nature, mostly associated with the participation in the annual meetings of the EU-Moldova Cooperation Committee or Council. The Moldovan officials ignore often invitations to various reunions or conferences organised by the EU, wasting thus valuable opportunities to discuss in a multilateral framework different issues of interest for the Republic of Moldova. Also, it is extremely important to encourage systematic contacts between the Moldovan and European experts by organising regular working visits of the Moldovan experts to Brussels and/or organising bilateral consultations at the Moldovan party's initiative.

Moldova's advocates within the EU. Also, this will allow to fully benefiting from the availability of these countries to support Moldova in its efforts to strengthen the European option, by providing a framework to share the valuable experience gained by such countries during the process of negotiations for the EU membership.

▀ ***During 2008, the Republic of Moldova should focus its attention and efforts primarily on achieving significant progress in three major areas of the Action Plan:*** promoting democratic development and good governance; regulatory reform and strengthening

administrative capacities; poverty reduction and economic growth. For this purpose, the Republic of Moldova will benefit in the next three years from the EU financial assistance in a total amount of 209.7 million Euros. A proper use of this financial assistance will depend to a large extent on the sincerity of the pro-European commitment of the Moldovan Government, as well as on its capacity and willingness to reform itself in accordance with the EU values and democratic principles. Otherwise, the amplification of efforts to implement the Action Plan expected by the European Commission from the Moldovan authorities will not be possible.

EVOLUTIONS: +1
SITUATION: +1
PERSPECTIVES: +1

5.5. Military security of the Republic of Moldova

Diagnosis

Despite expectations associated with the end of the cold war, the role of military forces did not decrease much. Offsetting military dangers by applying military forces remains one of the most important functions of the modern state. At the same time, the change of military doctrines and concepts of military system is explained by a considerable modification in the structure of dangers and threats and the evolution of geopolitical changes.

In constitutional terms, the military security of the Republic of Moldova is ensured by the Armed Forces of the country comprising: 1) the National Army; 2) Border Guard Troops; and 3) Carabineer Troops. Forces of the national defence system are based on the principle of defensive sufficiency. According to the Law on national defence, during the times of peace and war, the command of Armed Forces is performed by the Supreme Command of Armed Forces chaired by the President of the Republic of Moldova, who is the chief-commander. The Supreme Command includes also the Minister of Defence, Chief of Command of the National Army, Commander of the Border Guard Troops and Commander of the Carabineer Troops. In 2005-2007, the Republic of Moldova pursued in different ways the process of defining a new vision of its military security, which comprised the following main directions:

- ▀ The reform of the defence and security system aims at adapting the armed forces and the entire security sector to strategic circumstances and making them able to achieve their priorities at costs acceptable for the society, and subject to a democratic civil control.
- ▀ In reforming its defence and security system, the Republic of Moldova makes use of the mechanisms and instruments offered by NATO in the framework of the Partnership for Peace (PFP), such as the PFP Action Plan to build defence institutions and implements relevant objectives undertaken in the framework of the Planning and Analysis Process (PARP).
- ▀ In this respect, and with the aim of adapting the national defence and security policy to the Euro-

Atlantic standards, a Strategic Defence Review (SDR) must be carried out, with the support of NATO member and partner states, to include all armed forces and other state institutions with direct and indirect responsibilities in the defence and security area. This process shall start this year, in the framework of implementing the Moldova-NATO Individual Partnership Action Plan (IPAP).

A number of independent observers are inclined to think that the National Army in general and the Ministry of Defence in particular, were less affected by the demolition fervour of the administration installed after 21 February 2001, by the incompetence of the new “old” ideology-driven leaders, ready nevertheless to adapt to “actual conditions” of “the current moment”.

In the last 2 years, the army started to be financed more or less according to its immediate needs. On 26 July 2002, the Parliament approved the Concept of Military Reform, in force from 15 August 2002, which provides an increase in the defence expenditures from the current 0.4% of GDP to 2.4% in the last stage of the reform (2009-2014). In fact, this is the standard applied by the countries joining NATO nowadays. In the state budget for 2007, the amount allocated to the Ministry of Defence increased significantly and reached around 170 million MDL, which is an important indicator showing the country's defence effort. In fact, the issue of budgeting and financial allocations for defence needs used to be a very sensitive topic from the first years of the National Army creation. Every year while discussing the adoption of the state budget this issue was generating intense debates at all levels of the state administration. This is explained by the fact that year by year the military budget was decreasing as compared to the actual needs. In 1993-2006, the portion of military expenditures in Moldova's GDP was changing constantly, and the military budget represented around 2-3% of the state budget. These amounts were covering, however, on average, only 40-60% of the needs.

Even now, so many years after the Republic of Moldova proclaimed its sover-

eignty, there are plenty of politicians of different political colour, from one end of the political spectrum to another, claiming that Moldova does not need an army given its tendency to be a neutral state. Such statements can only be made by amateurs who often invoke examples of developed Western countries overlooking the fact that the army is not only a war instrument, but also an institution of patriotic education and that the army is still a school for the younger generation. Switzerland, Sweden, Austria and other countries embracing neutrality status did not cease to keep an army for decades. All states maintain their army as the most important attribute of their statehood, a guarantor of independence, sovereignty and territorial integrity. In view of this, important amounts are allocated to preserve the army, allowing thus the Armed Forces to be properly equipped and operate according to the legislation and regulations in force. This basic fact is unfortunately not fully understood in the Republic of Moldova and, in reality, not only that we had and have the smallest army, but also one of the smallest military budgets in the world.

The status of permanent neutrality means that a country will abstain from joining military alliances. At the same time, it is well known that every state, regardless of its size, bears a certain responsibility to maintain stability and security, both internally, but also on the international level. Given that the army is a fundamental element for maintaining a country's stability and security, the neutral states have the responsibility to preserve their own military troops in order to ensure their neutrality status.

Risks

In the modern continually changing world, due to globalisation and interdependency of the internal situation with processes on the international arena, the Republic of Moldova is confronting many internal and external risks for its national security and is struggling to diminish multiple internal vulnerabilities which negatively influence the country's capacities to react to such risks, or generate or favour them.

The level of combat potential of the Armed Forces depends on the geopoliti-

cal situation in the region, existing threats and likelihood of emergence of an armed conflict. At the same time, the economic possibilities of the country to maintain the Armed Forces have to be taken into account. The geopolitical situation in the region where the Republic of Moldova is located can be assessed as generally stable. Moldova is surrounded by friendly countries – Romania and Ukraine – that officially do not claim parts of the Moldovan territory, while Romania is a member of NATO. In the next 5-10 years, the only military threat can be generated by the self-proclaimed Transnistrian regime supported by the military troops of the Russian Federation.

The current situation is that combat potential of the joint military forces of Transnistria and the Russian troops stationed in the region constitutes around 1,500 units and the ratio is 1:1.93. Due to such a ratio, the likelihood of an aggression is low, although it still exists. In such a case, a military conflict would mean a senseless adventure¹⁷⁹. The 1:2 ratio guarantees therefore the end of aggression and a peaceful resolution of the Transnistrian problem.

The current situation in the National Army of the Republic of Moldova can be assessed as alarming. The disregard (intentional, most of the times) of the stringent problems of the country's defence system leads to its technical and human decay and ruining. These negative trends are in particular obvious in relation to the military personnel. Despite some unsystematic measures to stop the exodus of qualified personnel from the army, the losses are huge. The officer and sergeant personnel of the National Army represents around 2,000-2,200 persons, and annually up to 150-200 persons leave, the highest number of resignations being recorded during the last years. The National Army is facing thus a real risk of remaining without inferior and medium level officers due to the fact that the "Alexandru cel Bun" Military Institute, the only military education institution in the country, educates annually around 70 officers.

¹⁷⁹ The military statistics show that wars are possible when a party's superiority of forces is not less 3 to 4-fold. Thus, the Finnish war launched in 1939 by the Soviet Union required a 7-fold superiority. Likewise, the Nazi Germany attack on the Soviet Union was possible when a 3-fold superiority of forces had been created on the main directions of offensive.

Statistics show that out of each graduation class slightly above half of the officers still remain in the military service after a year or two. Employment of personnel who graduated civil education institutions (around 20-30 persons annually) does not solve the problem, given that most of them are employed in the logistics units.

The structure of financing indicates implicitly the approach taken by the leadership of the Ministry of Defence towards performing the missions of the National Army. The leadership is busy with solving current burning issues which in fact are quite superficial (ensuring necessary equipment and food, salaries), nevertheless failure to solve such issues might provoke unrest in the army. Those overall and perspective problems, such as maintaining the arsenal and military equipment, state of military materials stock, high degree of personnel flow, and, to a certain degree, the level of training and combat skills, are not solved or solved in an unsatisfactory manner. The resolution of these problems will be left to the future generation of leaders of the Ministry of Defence.

The conditions which shape the interdependence of risks and vulnerabilities of the country's security are due to: failure to eradicate the effects produced in the past by the bipolar world system and the cold war, the frozen Transnistrian conflict, instability in the post-Soviet region, new worldwide risks and challenges. Currently, the main risk factors for the security of the Republic of Moldova can be defined as follows:

- existence on the territory of the country of a separatist region ruled mainly by foreign citizens and protected by strong military forces subordinated to unconstitutional administrative structures;
- illegal presence on the territory of the country of the Russian military troops (personnel, huge military arsenal), a factor that encourages separatism;
- inexistence of a single economic space on the whole territory of the country and lack of a legal regime on the Transnistrian sector of the Moldovan-Ukrainian border;
- actions of the separatist regime in the Transnistrian region: violation of democratic norms and fundamental human rights and freedoms, stimulation of extremism, nationalism, intolerance and xenophobia; facilitation of international organised crime, trafficking in drugs, human beings, arms, radioactive materials; advanced money laundering schemes; smuggling etc.;
- permanent political, economic and military support from abroad to the separatist regime;
- instability in the post-Soviet region, where the Republic of Moldova continues to have strong economic relations and an excessive dependence of the country on the markets of this region related to procurement of energy resources and sale of its goods;
- expansion of terrorist networks worldwide;
- proliferation of conventional, mass destruction and non-conventional weapons, and of nuclear technologies and materials;
- ecological disasters generated by human factors and natural disasters;
- illegal migration.

Vulnerabilities of the security of the Republic of Moldova include also internal events and phenomena, which favour the emergence and development of risks and diminish the country's capacity to react:

- impossibility to manage the Eastern rayons controlled by a separatist regime;
- lack of an efficient control by the constitutional Moldovan authorities on the Transnistrian sector of the Moldova-Ukrainian border
- lack of control over the production of military equipment and weapons, including those limited by CFE Treaty, and over the military equipment and arsenal held by the paramilitary forces of the Transnistrian separatist regime;
- lack of control and management over the entire air space of the country;
- economic, financial and social problems generated by the Transnistrian conflict and the slow pace of reforms, in particular during the first decade of independence;
- shadow economy and economic gaps in the society;
- despite a general improvement, low efficiency of the law enforcement bodies in fighting crime;
- excessive bureaucracy combined with corruption and weak management in the public administration;

- ▣ delays in the development of informational infrastructure;
- ▣ shortcomings related to maintaining classified information;
- ▣ use of outdated technologies which can harm human health and cause ecological disasters;
- ▣ reduced capacities and inadequate means to prevent ecological disasters and natural disasters (landslides, floods, earthquakes etc.) and remove their consequences;
- ▣ emigration of specialists from different areas and weakening of the country's development potential.

The Transnistrian issue generates a number of interdependent risks of conventional and unconventional nature, which continue to seriously affect not only the country's security and stability, but also that of the entire region. The resolution of the Transnistrian conflict and the country's reintegration is no longer an internal problem of the Republic of Moldova. It became a regional security issue which can be solved by involving a number of external influential factors. The resolution of the conflict and problems generated by it, including the one related to the control of the Moldovan-Ukrainian border, became thus a priority objective of the country's foreign and security policy and is more often on the agenda of international and regional organisations representing one of the main subjects of the political dialog between the Moldovan authorities and external partners, in particular the EU and NATO member states.

The situation in the Transnistrian region is monitored by the OSCE Mission in the Republic of Moldova. Pursuant to the bilateral Agreement on principles for peaceful resolution in the Transnistrian region of the Republic of Moldova, signed with the Russian Federation in 1992, a Security Zone was established and the Unified Control Commission was set up to maintain the stability and security in this zone. This mechanism was given the competence to legalise the activity of certain military contingents, whose status proved to be inconsistent with the UN and OSCE standards in the area of peace-keeping. Included in the Military three-party contingent (Republic of Moldova, Russia and the Transnistrian party), the military

contingents of the parties concerned are under the command of the Unified Control Commission and should not exceed 500 persons. Ukraine is present in the Security Zone through delegated military observers.

The factor facilitating the separatism and increasing the instability is the illegal presence on the territory of the country of the so-called Operative Group of Russian troops and failure of the Russian Federation to observe its commitments undertaken at the OSCE 1999 Istanbul Summit on withdrawal of the mentioned troops.

On 22 July 2005, the Parliament of Moldova adopted the Law on fundamental principles of the status of the Eastern rayons of the country (no. 173-XVI), which shall govern the future autonomy status of the region in the reunited country.

On 27 September 2005, during the Odessa meeting, it was decided to strengthen the negotiation format of the Transnistrian conflict resolution by involving in this process the European Union and the United States of America as observers. After a break lasting over one year, the negotiation process was resumed on 27 October 2005 in an extended format.

In the context of efforts for the resolution of the Transnistrian conflict and achievement of the European integration goals, the Moldovan authorities and public opinion have great expectations from the recent decisions of the EU regarding: (i) appointment of a EU special envoy for Moldova, (ii) establishment of a permanent Delegation of the European Commission in Chisinau, (iii) participation with observer status, along with the USA, in the negotiation process for the conflict resolution, (iv) launch of the EU assistance mission to ensure control and international monitoring on the Moldovan-Ukrainian border.

Governmental policies

Relations with NATO

In 2005, the Republic of Moldova adopted a political decision to recommence on a new level its relations with the North-Atlantic Alliance. During his visit to Brussels, President Vladimir Voronin spelled out the official position on the perspective of rela-

tions with NATO. The Moldovan authorities never enjoyed a more favourable internal political climate to advance relations with the Alliance. The support from the political parties and civil society is ascending, which inspires optimism in relation to the future of these relations. In these circumstances, the political leadership of the country set up the goal of launching, starting with June 2006, the process of implementing the Republic of Moldova-NATO Individual Partnership Action Plan (IPAP).

It can be ascertained therefore that in a short period the Republic of Moldova managed to establish the necessary legal framework and adequate administrative mechanisms to develop and properly implement the IPAP. The process of developing and implementing the IPAP is supervised by President Vladimir Voronin and the Supreme Security Council, while the coordination is ensured by the National Commission for IPAP Development and Implementation, created pursuant the Presidential Decree of 5 August 2005.

On 14 March 2006, the draft Republic of Moldova-NATO IPAP was examined and approved by the Supreme Security Council. The importance of intensifying political dialog and cooperation with NATO was underlined in the submitted report. It was mentioned that the IPAP complements the EGPRSP, EURMAP, and other programmes of cooperation with different international organisations.

Consequently, the Republic of Moldova became the sixth country who joined this mechanism of cooperation with NATO¹⁸⁰. Ukraine and Georgia firmly stated that they will use IPAP to prepare for joining NATO, while the other IPAP countries reasoned the enhancement of relations with the Alliance with the needs to reform their armed forces. A key objective of IPAP is strengthening political dialog and consultations between NATO and the Republic of Moldova, to ensure cooperation with the aim of encouraging and sustaining the internal and external context, which will lead to democratic reforms. As part of this enhanced dialog,

Moldova has the opportunity to discuss and prove its willingness and ability to further implement in its internal and foreign policies the fundamental principles provided by the Framework Document of the Partnership for Peace and the Fundamental Document of the Council for Euro-Atlantic Partnership.

The Moldova-NATO IPAP, launched in the national procedure on 16 June 2006 by the Government of Moldova, comprises four chapters: 1) political and security issues; 2) military and defence issues; 3) public awareness, science and planning for emergency situations; 4) administrative issues, protection of information and resources, divided into two distinct parts: (i) main political and reform objectives of the Republic of Moldova, and (ii) reform areas representing objects of consultations with NATO.

According to this Plan, the main strategic objectives of the Republic of Moldova are: integration into the EU as well as enhanced dialog and relations with the Euro-Atlantic structures. Due to its neutrality status, the Republic of Moldova does not pursue through IPAP the objective of joining NATO, but hopes to use the Plan to accelerate the necessary reforms in the areas of defence and national security. In this respect, the Republic of Moldova will develop the political and legal framework needed to implement IPAP as well as relevant institutional mechanisms.

National Military Strategy

The military doctrine of the Republic of Moldova adopted in 1995 is the main concept document in the area of military security. An amended draft of this document submitted to the Parliament in 2003, was withdrawn in 2005, since it was out-run by certain amendments to the military legislation as well as evolutions in the foreign policy of the Republic of Moldova. Given the new realities and willingness to embrace the Euro-Atlantic standards in the process of military restructuring, it is necessary to develop the National Military Strategy, which will replace the military doctrine. This document will be adopted after the National Security Concept is approved and the National Security Strategy is developed.

¹⁸⁰ Georgia signed the IPAP in October 2004, Ukraine in April 2005, Azerbaijan in May 2005, Armenia in December 2005, and Kazakhstan in February 2006.

National Security Concept

The new text of the National Security Concept was developed by a special commission established based on the Presidential Decree no. 374-IV of 22 December 2005 comprising representatives of the state administration, civil society and academia. On 21 May 2007, the Commission approved the final version of the paper and submitted it to the Parliament for consideration. Approval by the Parliament of the Concept is one of the main commitments undertaken by the Republic of Moldova under the IPAP and should have been accomplished by 5 February 2007. The failure to accomplish this commitment was strongly criticised by the Alliance in its Report on implementation of the IPAP, dated July 2007.

Military Reform Concept

The Military Reform Concept was approved by the Parliament in 2002 and must be implemented over a period of 12 years (2002-2014), divided into three stages (2002-2004, 2005-2008, 2009-2014). The Concept envisages a radical restructuring of the entire system of defence planning, financing, management and organisation and deals not only with the components of the armed forces, but also with other elements, such as: the system of military leadership in the state, military conscript and military infrastructure. The Concept also focuses on altering the principle of allocating budgetary resources for defence, having GDP as a reference and providing for an increase over the specified period of the defence budget from 0.7% to 2.5% of GDP, although the current administration does not seem eager to accomplish this objective. At the same time, there is an understanding that this reform process has to be adjusted to consider the SDR results.

Defence Planning

The defence planning in the Republic of Moldova, although generally organised, is not regulated by a defined and integrated system. Due to this, a modern defence planning system should be adopted to provide through legislative and normative acts the tasks and responsibilities in this area of all structures of the central and local public administration, following the model applied by the Western countries. The Moldovan

Law on national defence does not integrate a unitary concept and regulates only certain aspects related to the competences and duties of the central public authorities in the area of defence planning. Neither does it describe the correlation of the concept and resources with the final objective, which represents an essential element of a comprehensive national security strategy. In the context of the military reform, it is planned to institutionalise the defence planning system by adopting necessary legislative and normative acts compliant with the Euro-Atlantic standards.

National Army

In compliance with the Military Reform Concept, in May 2004, the Supreme Security Council approved the Concept of restructuring and modernising the National Army until 2014. This document represented the conceptual basis for the development and implementation of state programmes and plans in the defence area. To elaborate this document, the National Army Action Plan for Building and Development for 2005-2008 (NAAPBD) was drafted as part of the SAPBD. Both documents represent the legal basis for initiating, drafting and accomplishing programmes of restructuring, modernising and improving the National Army, which should be implemented in the final stage of the military reform. Implementation of these programmes will ensure the achievement of goals (levels, standards, capabilities) of general and domain actions of the armed forces, as well as an integrated management of resources in relation to the pursued goals.

Recommendations

To strengthen and develop the military security of the Republic of Moldova, in 2007-2009, the National Army has the following strategic reform tasks:

- ▣ Achieving a sufficient defence capacity, by creating and permanently maintaining realistic forces, sufficient from a quantitative point of view and trained according to modern standards, able to adequately react to the existing and possible risks and threats.
- ▣ Restructuring and modernising the military force by:
 - reshaping the army and setting up its new structure, gradually professionalizing per-

sonnel, modernising and standardising training for military missions;

- maintaining the functional capacities of the existing weaponry and equipment and increasing the quality by modernising part of the equipment and procuring modern equipment.

- ▣ Achieving gradually inter-operability of the National Army with the armies of Western countries.

The army's restructuring and modernisation is based on three main elements: forces restructuring, professionalizing forces and procurement of arsenal and military equipment. In this respect, attention should be paid to the necessity of ensuring adequate social protection of personnel, efficient management of excessive equipment, arsenal and infrastructure etc.

Currently, in the framework of reform, the restructuring of the Ministry of Defence and the Supreme Command of the National Army is being finalised, and the structure of the Peacekeeping Battalion 22 is completely compatible with that in NATO armies. In this context, the Republic of Moldova has to adapt the National Army's structure taking into account the mission and tasks provided by the National Military Strategy, as well as the SDR results.

NAAPBD envisages restructuring the National Army from the existing five major units into two (one of which shall be in reserve) and reorganising the other into military units (institutions). Two commandments have been created: Rapid Reaction Forces Commandment (having in subordination the Special Destination Battalion and the Peacekeeping Battalion) and Air Forces Commandment and now they have to achieve a proper level of interoperability and a superior degree of efficiency.

In the National Army reform framework, a special attention has to be paid to personnel management. In this respect, the Law on the status of military should be adopted and the Guidelines of Military Career approved, as well as a new system of management of military career should be put in place. Such a system, fully compatible with the Euro-Atlantic standards, shall be adapted to current and prospective needs

of the National Army, and ensure transparency, equal opportunities and fairness in advancement of officers and sergeants in the military hierarchy by means of two essential instruments: the Guidelines of Military Career and the evaluation commissions. This is a high priority action, since human resources of the National Army are eroded.

The National Army is financed from the public finances system, which is part of the Government's central budget, developed pursuant to the Medium-Term Expenditure Framework, which was in its turn developed in the context of the EGPRSP and aims at improving the management of public finances. The Law on budgetary system and budgetary process provides for allocation of financial resources according to a unitary budgetary classification. The practical implementation of the NAAPBD calls for an analysis of public expenditures for defence and an approach of strategic planning of such expenditures that would result in an improved manner of resource allocation towards priority programmes and in leaving behind inefficient expenditures.

In the process of reforming the military system, the current manner of allocating financial resources shall be improved by implementing a system based on programmes and performance indicators. The Medium-Term Expenditure Framework shall function as guidelines for drafting sector (branch) programmes. The new system will facilitate the process of justifying the needs of financial resources, maintaining the current flexibility in resources management.

Starting from the idea that the IPAP became a fundamental document which triggered the process of reforming and modernising the state administration with responsibilities in the area of national security and defence, a process that is needed also in the context of the country's policy of European integration, the relations of the Republic of Moldova with the North-Atlantic Alliance should lead in the future to a full integration into this pan-European structure.

Further to the implementation of IPAP and reform process triggered by the latter, the National Army and security forces will become interoperable with similar struc-

tures in the Euro-Atlantic zone and will be able to contribute substantially to the strengthening of the national and international security.

The Plan shall develop, including at the level of lay people, a clear perception of the notion of national security in its most comprehensive sense: state security, information security, ecological security, economic security, technological security, energy security etc. Developing and deepening relations with NATO will provide the Republic of Moldova strategically favourable positions in respect of solving the Transnistrian conflict. The practical expansion of the Euro-Atlantic security zone over the country's territory

will marginalise and gradually remove the trends of aggressive separatism along with all phenomena generated by it.

The IPAP implementation will enhance the process of democratisation on the entire territory of the country, including the Transnistrian region and of the society as a whole. As a result of reforms, an efficient civil control over the military forces and security structures will be established, and the level of interdependence and interaction between the society and public authorities will be raised. The society will become an active participant to the process of building and improving the management system in the area of security and defence.



5.6. Special topic: Rethinking relations with Russia

Since the proclamation of its independence, relations of the Republic of Moldova with the Russian Federation represented a permanent issue of public debate and a major concern for all governments. To a large extent, the importance of this issue is explained by a number of objective factors, such as the history, geography, economic, trade and man-to-man relations, role of Russia in the resolution of the Transnistrian conflict. Probably, due to these reasons, none of the governments afforded to neglect the relations with Russia and state a clear pro-Western orientation. Nonetheless, the idea that a more “cautious” relation with Russia might help to achieve major tangible benefits, such as the resolution of the Transnistrian conflict, turned to be wrong, which can be explained also by the lack of a strategic, coherent and realistic vision.

The year 2001 and the arrival to power of the Communist party after the parliamentary elections marked a *de facto* departure from a multi-vector policy and an attempt to advance the relations with Moscow by embracing a clear pro-Russian foreign policy. Despite this new approach and a few symbolic achievements¹⁸¹, a quality change in the relation did not occur, and none of the major problems has been solved.

Moreover, following the failure of the “Kozak” Memorandum in November 2003, the bilateral relations started to regress, and the period of 2005-2006 was the worst one in the history of the bilateral relations.

In the first stage (December 2003-June 2004), Moscow felt upset by the last hour refusal of President Voronin to sign the Memorandum, and accelerated a fast cooling of the bilateral political relations and undermined the attempts of Moldova to stop the regress and resume the bilateral dialog. As a consequence, despite Moldova’s efforts to minimise the negative impact, the failure to

sign the Memorandum led to an anti-Moldovan quasi-consensus in the Russian political and analytical establishment and to a strikingly negative image of Moldova in the Russian media and public opinion. At the same time, the image and position of Tiraspol has improved.

Confronted with the ostentatious isolation imposed by Kremlin and concerned about the risk of losing the parliamentary elections of March 2005, starting with July 2004 the Moldovan leadership launched a reorientation of its foreign policy towards the West, and discontinued to take into account every time the position of Russia. Moldova abstained thus from participating in a number of CIS events, intensified cooperation with NATO and within GUAM, resumed relations with Romania, insisted on including the USA and EU into the negotiation format, and invited the EU to carry out the Monitoring Mission on the Moldova-Ukrainian border. At the same time, Chisinau openly accused Russia on the highest level of supporting separatism, stating that the Russian troops in Transnistria are occupation forces and that the idea of solving the conflict through federalisation is outdated, accused Russia of provocative and destabilising actions before the parliamentary elections, refused to accept Russian observers to the elections and expelled from Moldova a number of Russian political consultants. The culminating point of this unilateral policy was the adoption by the Moldovan Parliament of the Law on fundamental principles regarding the Transnistrian region, preceded by the declarations and appeal of the Parliament of 10 June 2005¹⁸² and creation of a parliamentary consensus based on the Declaration on European Integration Partnership of 24 March 2005, which proclaimed the European integration as an absolute and irreversible strategic objective of the Moldovan internal and foreign policy.

Obviously, the reaction of Moscow was fast. First of all, Moscow placed itself in a clear manner on the Tiraspol’s side and accused Moldova of irresponsible destabilisation of the negotiation process. Secondly,

¹⁸¹ Such as the Main political treaty (November 2001), frequent high-level contacts, involvement of Russia in the resolution of the Transnistrian conflict by means of the well-known „Kozak” Plan etc.

¹⁸² Two declarations regarding principles of democratisation and demilitarisation of the Transnistrian region and the appeal regarding the Iuscenko Plan on resolution through democratisation of the Transnistrian conflict.

Russia introduced restrictions on imports of vegetal and animal goods from Moldova as a sign of the punitive economic measures that followed shortly.

The Voronin-Putin meeting in Kazan in August 2005 was the first step to stop the regress and resume dialog in the Moldovan-Russian relations. Starting with October 2005, the Moldovan and Russian experts started intensive consultations in many areas (political, economic etc.).

The period between August 2005 and August 2006 is marked by mitigation of the “unfriendly” rhetoric between Russia and Moldova and by inertia in the bilateral relations. Nonetheless, a number of events happened that affected the economic and trade relations between the two countries. Firstly, the Republic of Moldova felt the new price policy of “Gazprom” regarding the gas exported to the CIS countries. In 2006, the price of gas imported from the Russian Federation¹⁸³ increased in two steps from 80 USD per 1,000 cubic metres up to 160 USD, and will continue to increase over the next years up to 230-240 USD. Secondly, in March 2006 the sanitary authorities of Russia put an embargo on the imports of Moldovan wine products, invoking quality problems. Although the quality of Moldovan wines imported to the Russian Federation was not unquestionable at all times, it is clear that this decision was the result of the strained political relations between the two countries.

Starting with the Voronin-Putin meeting in Moscow (August 2006), Chisinau attempts to rapidly improve relations with Russia, and expresses optimism in relation to acceptance by Moscow of an agreement package offered by Moldova, which would, in parallel with the resolution of the Transnistrian conflict, ensure an improvement of the Moldovan-Russian relations and the resolution of certain issues unresolved since the proclamation of independence: presence of the Russian troops in the Eastern rayons, economic and trade cooperation, guiding lines for Moldova’s foreign policy.

The package submitted by Moldova included offers on all directions: neutrality, guaranties that the Russian troops will not be replaced by foreign ones after their with-

drawal, recognition of Russian property in Transnistria, a privileged regime for Russian investors on the right bank of Nistru river, joint investment projects. In return, Chisinau expected Russia to support Chisinau’s efforts to solve the conflict on the basis of territorial integrity of the country, where Transnistria would be granted an autonomy status.

Besides that, Moldova gives up its right to veto Russia’s accession to WTO (November 2006), and at the beginning of 2007 signs an agreement thereon with Russia. In September 2006-January 2007, a group of Moldovan experts negotiate in quasi-secret conditions with their Russian counterparts, but do not reach any agreement.

These negotiations raise suspicions with the Western partners, speculations in the local and international media, and the attempt of President Voronin to test with the political partners the idea of early elections leads to the dissolution of political consensus and strained relations between the government and opposition.

Although in June 2007 Voronin had three meetings with Putin, details on the substance of these discussions and provisions of resolution proposals are not known, except for the pledges of the Moldovan leaders that these proposals fall within the existing legal framework and that any solution would be negotiated within the 5+2 format. It is clear though that the price claimed by Moscow is higher than the one proposed by Chisinau.

In this context, claims made by the Moldovan leaders that all problems, except for the Transnistrian one, have been solved are not true. Russia would not accept any formula that does not include guaranties that Moldova will not leave its area of influence. Accordingly, Moscow expects from Moldova concessions in the area of foreign policy as well. No progress was recorded in relation to the withdrawal of the Russian troops from Transnistria. Moreover, Russia suspended its participation in the CFE Treaty. Due to the beginning of the election cycle in Russia, it is difficult to believe that Moscow would change its position.

¹⁸³ Starting with 2006, the Republic of Moldova imported 100% of consumed natural gas from Russia. The only supplier is the State company „Gazprom”.

In the economic area, exports of the Moldovan wine to the Russian market have been resumed. However, this does not mean that all problems of the Moldovan wine-producers have been solved or that our exports will reach the previous levels. From a practical point of view, the resumption of exports to the Russian Federation is not necessarily a success. The illusions of a fast return on the Russian market and occupying again a comparable market share slowed down the process of modernisation of the industry¹⁸⁴ and reorientation of exports to other markets.

Although Russia does not display any signs of readiness to make concessions in the most sensitive issues, the Moldovan leadership seems prepared to propose a higher price (such as facilitating the access of Russian investors to strategic areas), hoping that this will convince Russia to respond symmetrically. Nevertheless, such logic, along with a policy towards Russia built based on unrealistic expectations represent the main risks for Moldova in its relations with Russia. Moreover, in the near future, Moldova's relations with the Russian Federation will be subject to a number of serious risks.

Unresolved Transnistrian conflict. The Transnistrian conflict plays a central role in defining the Moldovan-Russian relations, similarly to Russia playing a key role in the resolution of this conflict. As long as this situation does not change, the bilateral relations will be shadowed and will not achieve normality. In this respect, Moldova takes often a defensive position in its relations with Russia and perceives its dependencies as serious risks and vulnerabilities.

Asymmetry in economic relations. The Republic of Moldova depends totally on the gas supplied by "Gazprom", a company controlled by the Russian state. The Russian capital represents 11.3% of foreign investments into the Moldovan economy and has a quasi-total control over the economy of Transnistria. In addition, the Russian market continues to be very important for Mol-

dovan exports, with 17.4% of the total. The portion of the Russian market will probably increase due to the resumption of exports of the Moldovan wine to this country.

Migration flows. According to some cautious estimates, the Russian Federation hosts around 59% of temporary Moldovan migrants (190,000 persons)¹⁸⁵. At the same time, revenues sent by the Moldovan migrants from Russia amount to some 50% of the remittances sent by banks. Since this represents 36% of the GDP, it is difficult to underestimate the role of these resources for the economic growth of the country. The Russian policy towards the Moldovan migrants could pose therefore a serious risk for the Republic of Moldova. Russia could influence the situation in two ways: a) through a policy of migrants' assimilation through governmental programmes – in this case, the Republic of Moldova would lose irreversibly human resources and gradually the amount of remittances will decrease with the migrant families settling on the territory of Russia; and b) by expelling the migrants to Moldova – in this case, the Republic of Moldova loses unexpectedly remittances and has to accept back hundreds of thousands of active citizens, while the economy is not ready to absorb this labour force. Such a situation could generate serious social tensions in Moldova.

Influence of media. The Russian Federation maintains its huge media influence over the Moldovan population, in particular through TV channels, but also newspapers and other information channels. In this respect, the results of the Barometer of Public Opinion of November 2007 are quite indicative: the Russian president Vladimir Putin is the most trusted politician for Moldova's population, easily outrunning the president of Moldova, but also of Romania, Ukraine and USA¹⁸⁶.

Reliance on models of direct negotiations. In its political negotiations with the Russian Federation, Moldova prefers to use models of bilateral non-transparent negotiations. This situation limits the opportunities of international community to get involved and places the Republic of Moldova in a very vulnerable position of a small state dependent on the Russian Federation. In this re-

¹⁸⁴ By modernisation, we mean both improvement of the technological process and issues connected to quality certification, management, and marketing strategies etc.

¹⁸⁵ „Models and tendencies of migration and remittances in the Republic of Moldova”, Matthias Luecke, Toman Omar Mahmoud, Pia Pinger, IOM, 2007.

¹⁸⁶ Barometer of Public Opinion, November 2007, Institute for Public Policy, www:ipp.md.

spect, the reduced or negative international visibility of the Republic of Moldova as compared to other CIS countries should not come as a surprise (see also section **HOW WE ARE SEEN IN THE WORLD**). A reduced or negative visibility can also favour a “backstage” agreement between Russia, the West and other regional powers that would disregard the interests of Moldova.

Internal situation in Russia. The Russian Federation becomes gradually more assertive in international politics and eager to regain its image of a global player. At the same time, Russia is going through a period of reconsidering its existential reasons and its place in the world. For the time being, Russia is not able to offer an alternative and attractive vision for the neighbouring countries and to efficiently use soft-power instruments, nevertheless, the situation might change after a while.

The relations of Moldova with the Russian Federation will continue to be of major importance in the near future. On one hand, the Russian Federation is and will continue to be a major player in the region. On the other hand, due to the geographical and historic “limitations”, the Republic of Moldova is bound to maintain with Russia at least pragmatic relations, and not necessarily a “strategic partnership” as claimed in a triumphant manner nowadays. As a result, the development of a realistic and multi-dimensional long-term policy towards Russia remains a priority for the decision-makers in Moldova. Such a strategy should take into account the following recommendations:

➤ **The Transnistrian conflict will remain the apple of discord which will largely shape the nature of Moldovan-Russian relations.** The resolution of this conflict is a distinct issue, however a fair solution thereto can be found easier in an inter-

national context, with a pro-active involvement of the major actors of international politics. At the same time, the resolution of the conflict should be placed in the context of the process of European integration, an objective proclaimed as a strategic one for the Moldovan foreign policy.

➤ **Energy dependency on Russia cannot be avoided, but can be diminished.** Reducing this dependency implies not only identification of other suppliers (transportation of gas from other sources needs to be accepted anyhow by “Gazprom” for the use of its pipe network), but also increase in the gas use efficiency by reducing losses and a greater use of renewable energy sources. As to the price and security of supplies of the gas bought from “Gazprom”, the best solution would be to adhere to transparent negotiations based on the clear and predictable principles for price review, which would prevent Moldova from becoming vulnerable in the negotiation process.

➤ **In order to reduce the trade dependence, a diversification of export markets is needed through negotiation of advantageous agreements with other partners and an increase of the Moldovan products competitiveness.** At the same time, the Moldovan authorities and companies should make stronger use of the international legal instruments and media to protect their trade interests. Concomitantly, the Republic of Moldova would benefit from Russia’s accession to the international trade and economic organisations (e.g. WTO), which involve multi-lateral mechanisms for ensuring the observance of undertaken commitments.

➤ **The Republic of Moldova needs a great European advocate.** Such a partner should assist Moldova in promoting its legitimate interests and ensure a greater attention from the European Union to the problems faced by Moldova.

The development and application of a strategic approach in relations with the Russian Federation would allow building of a strategic and pragmatic partnership that would ultimately serve both parties.

*Environment
and natural
resources: thinking
about future*

6

“

I am interested in the future as I will be spending the rest of my life there.”

Anonymous





Environment and natural resources: thinking about future

This chapter the analysis provides of the efficiency of using natural resources available in the Republic of Moldova and the impact of human activity on the environment. Regretfully, the Republic of Moldova does not provide an image of well tended and environmentally friendly country; the fact the compromises its image as tourist destination and as environment for life. In order to change this state of affairs, the authors suggest that special attention should be paid to the adequate use of the waste that has accumulated in the country. Two special topics are also included in this chapter. The first deals with soil degradation. Although the idea is frequently mentioned that out fertile soils are the main natural wealth of the country, they are used irrationally, which leads to the exhaustion of these resources. The second special topic is that of the natural protected areas. Among European countries the Republic of Moldova is lagging behind as far as extension and non-degrading use of these areas is concerned.

6.1. Natural resources of the country

Diagnosis

The Republic of Moldova is a densely populated country (118 inhabitants per sq. km), the indicator exceeding twice the European average and three times the world average. It is obvious that man's pressure on environment, including on natural resources, is very high. The high degree of agricultural usage of the territory (75 percent, highest in Europe), makes for a considerable negative impact on nature. The ratio of total population, on the one hand, to the agricultural and arable land, on the other hand, reflects a reduced figure of such land per person (Table 14). Over 1950-1990, following accentuated population growth, the ratio of agricultural and arable land per person has considerably decreased. Over the last two decades, the evolution of these two indicators has slightly reversed. In 2006, the ratio was 0.63 ha of agricultural land and 0.46 of arable land per inhabitant, however, the variation among territories was significant.

The country has a wide range of various natural resources, with sufficient primary resources of prior need for human society. These are climatic, water, biologic, soil resources. The climatic resources, especially the agro-climatic ones, are among the most

important natural resources. The soils represent the main natural resource, 70 percent of them being chernozems. However, as pointed out further in this chapter, (see, specific section **DEGRADATION OF SOILS**), the exploitation of soils is made in a degrading manner, as if their capacity were inexhaustible.

EVOLUTIONS: 0
SITUATION: 0
PERSPECTIVES: 0

Table 14 Ratio of total population to some categories of land

Year	Agricultural land area / Total population (ha per inhabitant)	Arable land area / Total population (ha per inhabitant)	Woodland area / Total population (ares per inhabitant)	Land area covered with spontaneous vegetation / Total population (ha per inhabitant)
1950	1,24	0,93	10,4	0,33
1970	0,76	0,53	8,7	0,19
1990	0,59	0,40	9,6	0,18
2006	0,63	0,46	11,0	0,20

Note: * woods and other areas with forest vegetation, pastures and hayfields. Source: Calculated by authors based on the General Land Cadastre of the Republic of Moldova and Statistical Yearbook of the Republic of Moldova

The water resources are represented by surface water of rivers, lakes and the underground water. An amount of about 1,500 cubic meters of water is available per inhabitant per year, which is three times less than the average for Europe (Table 15). In the south of the country, even a deficit of potable water is registered. Taking into account the proportional division of the common water resources with Ukraine and Romania, our renewable surface water resources reach

4.6 billion cubic meters per year. These available resources cover the water needs of the national economy. Thus, over the last five years, the water used annually in the national economy (on the average, 791 million cubic meters) accounts, on the average, for 20-25 percent of this volume. Over the last years, water consumption has decreased from 3.8 billion cubic meters in 1990, to 785 million cubic meters in 2005, which has improved the degree of water availability in the country. However, in the context of global climate change, the water resources of Republic of Moldova are relatively limited. Another problem is the irrational use of these resources. For example, the losses in water transportation reach 8.2 percent per year, on the average, while potable water losses are 30 percent according to the official data of the National Bureau for Statistics (NBS). The intensive use of water resources has reached the available limits. The Nistru river covers 32 percent of the total potable water consumption, while Prut river – 3 percent. Both rivers meet, mainly, the needs in potable water of the largest cities (Chisinau, Tiraspol, Tighina, Balti, Cahul). The rural population is using, mainly, phreatic water from wells.

Harjauca, Camenca, which are used in spas situated in the respective locations and Gura Cainarului, Varnita, Chisinau, Soroca, Balti and several others, the water of which is sold. There are also thermal waters situated at the depth, starting from 100 m and up to 1000 m, their temperatures ranging from 20 to 80°C. They are concentrated in the Prut river valley and in the north of the country. Currently they are not being used.

Although the country has about 430 ores of useful minerals, they do not cover the needs. The greatest reserves are the resources of building materials (clay, sand, limestone, gypsum, siliceous rocks, gritstone, crystalline rocks). There are no other economically important resources (such as metalliferous ones), or their amount are insignificant (such as fuels). The resources of useful minerals are extensively exploited, being registered over 200 exploited ores; of them two thirds are in quarries, and the rest – in mines. The total amount of useful minerals extracted over the last five years is, on the average, 914 thousand tons annually (raw materials for cement, glass and sugar industry, materials for forms and gypsum) and 2,059 thousand square meters per year (blocks for facades, calcareous stone for cutting, stone for building, gravel, raw materials for bricks and keramsite (porous material for insulation of floors and ceilings). The tendency is towards greater extraction volumes. The extraction of fuels (oil and natural gas) is not reflected in official statistics; however, according to some reports for 2000-2004, an amount of 2.2 million cubic meters of natural gas (from Victorovca deposit, Cantemir rayon) and approximately 9 thousand tons of oil (from Valeni oil field, Cahul rayon) were extracted. The explored resources of siliceous raw materials (diatomite, Tripoli) are not fully exploited. They have many uses and valuable products may be produced out of them (soluble and decorative glass, office glue, weakly insulating bricks). The unauthorized exploitation of mineral resources is frequent, especially by rural population for local needs. The volumes of unauthorized extraction reach hundreds thousands tons, according to some approximate estimates. The mine exploration area is steadily growing (currently, 7 thousand ha), along with the amount of mining waste (currently, 107 million cubic meters).

Table 15 Water resources in Europe, CIS, the Republic of Moldova and neighbour states

Regions, states	Area, thou. sq. km	Population (as of Jan. 01.2006), million inhabitants	Water resources, cu. km/year	Water availability, thou. cu.m/inhab./year
Total water resources				
Europe	10500	654	2970	4,5
CIS	22000	250	4360	17,4
Ukraine	603,7	49	98,2	2,00
Romania	238,4	22	135	6,14
Republic of Moldova	33,8	4	5,9	1,48
Local water resources				
Ukraine	603,7	49	55,5	1,13
Romania	238,4	22	35,0	1,59
Republic of Moldova	33,8	4	1,26	0,32

Source: Geographic Environment of the Republic of Moldova, 2007;

Most of the wells do not comply with the sanitary-epidemiologic norms for potable water. The underground mineral water resources (potable and curative) are represented by 16 exploited wells and other 13, which are under research. These resources are insufficiently used, except for those of Cahul,

Biologic resources have a modest potential, several types of ecosystems being present in the country. The woodland ecosystems are the richest in flora species (over 850 species), followed by meadow ecosystems (about 650 species), steppe ecosystems (over 600 species), petrophyte (about 250 species), water and palustrine (about 160 species). The animal world is represented by about 15 thousand species of animals, of them 461 of vertebrate species (including 71 species of mammals, 281 species of birds and others), the others being invertebrate species. The most important among the ecosystems are the woodland ones. Their main function is to assure the ecologic balance, leisure and recreation of the people. The woods themselves occupy 362.7 thou. ha, a mere 0.1 ha per inhabitant. This denotes a very low degree of woodland availability for population. The total volume of wood mass is 45 mil. cu. m, while the ratio of average annual growth of the wood mass is 3.3 cu. m per ha. An amount of 403.8 thou. cu. m of wood mass are annually cut (an average for the last five years), according to official statistics, these being mainly, sanitary, regenerative and wood caring cutting (while the legislation bans industrial tree cutting in woodlands, they occur persistently). Another indicator which speaks for itself, and which shows the pressure on these resources is the ratio of total population to the area of land with spontaneous vegetation (woods and other land with woodland vegetation, pastures and hayfields). Over the last half century, this indicator has shown a decreasing pattern, from 0.33 ha per inhabitant in 1950, to 0.20 ha in 2006 (*Table 14*). The biologic resources are close to the limit of their exploitation, with a great number of disappearing species due to deforestation, hunting and fishing.

The Republic of Moldova has inexhaustible energy resources (solar, wind) and renewable energy resources (water, biomass), which are still very insufficiently used (see, section **ENERGY**). A modest potential of tourist resources exists, represented by picturesque landscapes, nature monuments, curative mineral waters, which are also insufficiently used (see, special topic, **DEVELOPMENT OF TOURISM**).

Risks

There are some risks to the resources of the Republic of Moldova of an external nature. For example, the quality of climatic resources is decreasing due to global warming. However, the major risks for the natural resources of our country are associated with their irrational exploitation. This is due to the inadequate legal framework, selective application of legal provisions, including sanctions, and due to lack of correlation between actions of local public authorities and those of central public authorities. Illegal exploitation of natural resources is widely spread, especially, of useful minerals, vegetal resources, fauna and water resources. The integrity of state protected natural areas and their components (vegetation, fauna, springs, nature monuments) is greatly affected by exploitation of natural resources within their perimeter. The uncontrolled growth of mining and the growing amounts of mining industry wastes conduct to a growing area of land being excluded from agricultural circuit.

Worsening of potable water quality is registered, which affects both population and the national economy. The inadequate management increases the tendencies for degradation of soil and biologic resources. The fallowing of meadows, deforestation, excessive pasturing, hunting and fishing make for the degradation of flora and fauna resources. The degradation of biologic and soil resources is also conditioned by increasing occurrences of fires, including intentional fires, which contribute to increase of CO² emissions.

Governmental policies

Upon gaining independence, the legal framework in the area of natural resources was adopted. Among the most important laws are the Land Code (1991), Law on Protection of the Environment (1993), Underground Code (1993), Water Code (1993), Woodland Code (1996), Law on Natural Resources (1997) and Law on the Fund of Natural State Protected Areas (1998). The bases for environment related policies are set forth in the Concept for Environmental Policy of the Republic of Moldova (2001). One of the main objectives of this Policy is „Pre-

vention and reducing the negative impact of economic activity on the environment, natural resources and health of the people in the context of sustainable development of the country". The Republic of Moldova has ratified the most important international agreements and conventions in the area of natural resources, however, their implementation faces many institutional and financial difficulties.

The development of policies related to natural resource and their implementation is carried out by several state institutions: the Ministry of Ecology and Natural Resources, with several institutions that report to it, the State Agency for Woodlands, „Moldsilva”, the Agency „Apele Moldovei” (“Moldovan Waters”), etc. However, this institutions “dispersal” impede coordination of policies in the area, rational management and protection of natural resources.

The environmental related state institutions, specifically the Ministry of Ecology and Natural Resources (MENR) contribute to the improvement of the environmental legislation, including by development and review of laws, decisions, etc. Among them the Underground Code and Law on Natural State Protected Areas, etc..

In the area of resources of minerals, in which the situation is tense due to lack of clear delimitation of the authorities of the public and central authorities in respect to the management of these resources, the relevant legislation is not observed in all cases of exploration (see, cases with mineral ores in Cosauti, Criva, Micauti, etc.), not all ores have inventories, unauthorized extraction takes place.

In the area of water resources, the National Programme for Water Supply and Sewage in Communities up to the year 2006 was implemented. A number of actions for centralized potable water supply were carried out within this Programme. However, due to insufficient funds provided by

the state budget, only less than a half of the planned actions were implemented. Over 2004-2006, water supply and sewage systems were developed or modernized in 103 of the 156 planned communities. In addition, 78 thousand surface wells were fitted up and restored, to be compared to the 93 thousand wells included in the plan. However, these quantitative indicators say nothing of the quality of works, which was, in many cases, low, with only superficial repair being made.

The new Programme for Water Supply and Sewage for Communities of the Republic of Moldova up to the year 2015¹⁸⁷ provides for inventory of artesian wells and conservation or liquidation of abandoned artesian wells, modernization and extension of the network for underground water monitoring, evaluation of underground water quality, extension of analytical capacities and network of laboratories within the context of European standards on potable water. The implementation of this Programme requires an investment of 5.2 billion MDL. According to the Programme, the water supply pipe Vadul-lui-Voda – Chisinau will be extended to reach Straseni and Calarasi towns, while pipe Soroca – Balti will be modernized and will supply water to Floresti, Drochia, Sangerei and Telenesti towns. Other water supply pipes will also be extended. Upon successful completion of this Programme, half of the country’s population will have access to adequate quality potable water.

The policy framework in the area of protecting biologic resources is rather complex¹⁸⁸. The essence of the policies is pursuing extension and improvement of woodland areas, collection of wood only within the limits set forth for woodland clearance, extension of green spaces and protection of forest belts. To achieve adequate ecologic functioning of the woods, the woodland coverage of the territory should reach 15 percent prior to the year 2010. It would be difficult to exceed this indicator due to excessive agricultural land use (75 percent of the total area), high density of settlements and private property ownership of the agricultural areas.

To achieve the above-listed objectives, a number of projects for biologic diversity conservation, plantation of trees in com-

¹⁸⁷ Decision of the Government of the Republic of Moldova No. 1406 of December 30, 2005.

¹⁸⁸ The policy framework consists of the Woods Code, Law on improvement of degraded land by afforestation, Strategy for sustainable development of the national woodland sector, National Programme and Strategy for conservation of biologic diversity, the Decision of the Government of the Republic of Moldova No. 595 of October 29, 1996 and No.107 of February 07, 2001, as well as a number of international conventions and agreements to which our country is a signatory party.

munities and development of communal forests are being implemented, mainly funded from foreign sources. Within these projects, the extension of woodland area, creation of green isles of trees and bushes, creation of connecting corridors between woods, plantation of protection forest belts along rivers and roads is carried out. Over 2002–2006, the woodland area has grown by 37.5 thousand ha, including by 7.5 thousand ha in 2006. Thus, as of January 01, 2007, the wood covered territory was 10.7 percent of the country's area. This is a little less than the intermediary objective of 11 percent. The new policy for wood management gives priority to natural regeneration. In our view, more attention should be paid to extension of wood area and to supervision of existing woods. These actions are frequently limited to planting of seedlings. Due to superficial supervision, illegal pasturing, draught, disregard of the population, a good part of the newly planted areas are destroyed.

One of the nationwide actions for achieving the abovementioned objectives is the one month long afforestation campaign named „Un arbore pentru dainuirea noastra” (“A tree for our perpetuation”). As a consequence of this action, a total area of about 5.5 thousand ha of woods was planted, works for wood regeneration were carried out on an area of about 1,700 ha, and approximately 1,020 thousand of tree and bush seedlings were planted.

A beneficial action is the logistical and financial support by the MENR, through its National Ecological Fund, and publishing of awareness building, educational, research, etc., materials on environment and use of natural resources, such as the Red Book of the Republic of Moldova (edition of 2001), the series „Flora and fauna of Moldova” in 8 volumes, the collection „Geographic Environment of the Republic of Moldova” in 4 volumes, etc.

Recommendations

- Modification of the system for management of natural resources, both at the national and at the local levels with clear delimitation of authorities of the relevant public agencies.
- Optimization of the institutional framework by concentration of natural resources management in one governmental agency (MENR, which is

responsible for development of policies in the area of natural resources, while implementation (execution) of these policies could be delegated to other institutions which report to the Ministry: State Agency for Woods „Moldsilva”, „Apele Moldovei” (“Moldovan Waters”) Agency, State Agency for Geology, „AGeoM”) and creation of a centralized database of natural resources and of the ecologic impact of human activity.

- Strengthening capacities of the Ministry of Ecology and Natural Resources by increasing the staff number (currently, the Ministry has a staff of only 25 people, including as few as 16 specialists). This is needed in view of implementing the objectives of the ministry in the area, especially of harmonizing national legislation to international standards and its implementation.
- Along with the already undertaken actions, other actions should be considered for improving potable water supply to population and water supply to national economy, such as decreasing water consumption in industry by renewal of production technologies, more rational water consumption by population, using economic levers (review of tariffs policy, different tariffs both for different groups of consumers and for geographic area, inclusion of real expenditures into tariffs, transparency in calculation of tariffs), administrative and educational actions, funding works for exploration of new artesian water reserves for water supply to communities.
- In view of rational use of resources of minerals and environmental protection from mining, more efficient involvement of local public authorities is needed for monitoring and use of useful minerals, more severe sanctions for exploiting useful mineral resources in breach of the legislation, requirement for recultivation of land plots degraded by mining, incentives for companies that use mining waste, incentives for modernization of the mining industry to reduce generation of waste, implementation of educational activities related to rational use and protection of resources of useful minerals.
- To prevent degradation of the biologic diversity and to increase the potential of the biologic resources, it is necessary to combat illegal cutting of the forest vegetation, to extend afforested and meadow areas, (especially on degraded land), to create forest plantations of rapid growing species, to regenerate fundamental natural stands, which comprise main populations of rare plants, create environment stabilizing areas dominated by herbaceous plants and regenerate spontaneous vegetation.
- Awareness building among the population on damage of burning stubble and the effects of fi-

res on vegetal resources, fauna, soil and climatic resources, in mass media, training and educational publications, relevant authorities, etc.

- ▣ The increase of payments and fines for unauthorized exploitation of natural resources: cutting of trees and bushes, collection of medicinal herbs and rare plants, illegal hunting and fishing, destruction of plant and animal species included in the Red Book, illegal extraction of useful minerals, illegal utilization of lake and river water.
- ▣ In a long term perspective, the improvement and adequate enforcement of the national legislation in natural resources is necessary, as well as its harmonization with the international and, especially, European Union legislation: Land Code, Law on protection of the environment, Underground Code, Water Code, Wood Code, Law on natural resources, Law on state protected natural areas, etc., in the context of the concept for sustainable development of the environment.
- ▣ Increase of the expenditures for environmental protection in the National Budget from the current 0.2 percent of GDP up to 0.4 percent over the next two years with a tendency for continuing growth.
- ▣ Support to rational use of natural resources using different tools.
- ▣ Encouragement of actions for use of renewable and regenerable natural resources.

6.2. Human impact on the environment

Diagnosis

Air pollution is one of the most essential environmental problems; however, it is insufficiently monitored. External sources make a major contribution to the pollution of the air basin of the country. Their share is 84 percent for deposits of sulphur and 96 percent – for the deposits of oxidizing nitrogen¹⁸⁹. Especially prominent are the emissions originating from Romania, Ukraine, Poland and Czech Republic, conditioned by the high industrialization of these countries, their geographic proximity and predominating western circulation of air masses over the year. Up to date, no adequate tool has been developed for monitoring this impact and, moreover, for compensating the damage incurred to the components of the environment, to national economy, to people's health and their life quality. Although there exist sufficient international experience in the area of compensating for damage from man made and natural accidents, such compensations only reach the affected people in case of very high scale accidents with a wide range of high intensity effects. However, the cumulative effects of small and medium scale accidents have a much more diverse and a longer term impact. The general damage produced by external sources is complemented by those produced on the left side of Nistru river and in Bender (Tighina), which generate much higher emissions than the right bank territories, but do not offer any compensation for this.

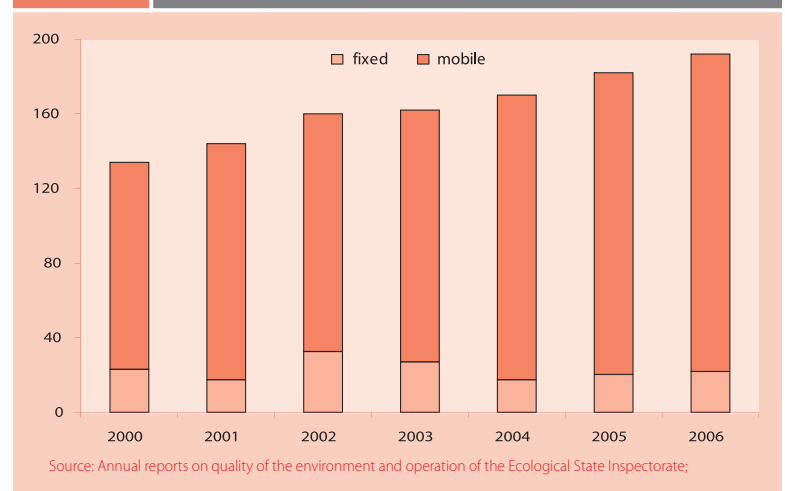
The impact of motor vehicles on atmosphere is exceedingly high. The emissions from local sources register a continuous growth over the last years and they are currently estimated at 192 thousand tons per year. The motor vehicle transportation is the most important pollution source for the air, its emissions amounting to 170 thousand tons or 88.6 percent of total emissions (**Figure 29**). The noxious emissions from mobile sources are steadily growing, primarily originating from increasing number of cars. Over 70 percent of cars are relatively old and they pose potential danger to air quality and human health. Almost total replacement

of the ethylated gasoline with unethylated one has conducted to the decrease of emission of lead compounds and other noxious substances, however, the growing number of motor vehicles and the amount of consumed fuels did not allow for the absolute decrease of total emissions. In urban communities, along the congested traffic routes, the permitted concentrations are substantially exceeded, especially in the central part of cities.

EVOLUTIONS: 0
SITUATION: 0
PERSPECTIVES: +1

Figure 29

Total volume of atmospheric emissions, by source of emission, thou. tons



The impact of the stationary emission sources is of lower scale. Following a massive decrease (more than ten-fold) starting in the 90-ties, over the last years, the total amount of emissions from stationary sources presents a steady growth but at a lower rate as compared to the mobile sources. Currently, they amount to about 22 thousand tons. Only three thousand of the existing 22.5 thousand stationary emission sources have purification devices. In Chisinau, 13 percent of the 6,784 sources have such installations, while in Balti - only 10 percent. In addition, over half of the sources are not organized and have technologically outdated equipment.¹⁹⁰. The most important fixed sources of pollution are the power plants and heating systems, followed by industrial

¹⁸⁹ The state of the environment in the Republic of Moldova in 2005 (National Report), Chisinau, 2006.

¹⁸⁹ Annexes on fixed sources of air pollution to Reports of the Ecological Agencies for 2005.

enterprises and fuel stations. In rural communities, agricultural and domestic waste is of concern. In the proximity of large sand and calcareous quarries, huge hills of stone powder may be seen. In spite of the above-mentioned deficiencies, lately, some positive signs are observed, which are generated, mainly, by the transition of power generating and heat generation stations from use of coal and fuel oil to natural gas, and by the launching of works for modernization of purification plants. Additionally, the installations that use Freon, ammonia, chlorine, sulphur anhydride, etc., are monitored. Violations are still found of the regime of burning process along with failure to comply with standards on exploitation of control and measuring devices, failure to timely fix insulation disorders in burners and gas ducts, etc., in operation of power and heat producing stations.

Human activity and negligence have a negative effect on water quality in Moldova. Water pollution is conditioned by inefficient operation of the purification plants for waste water and lack of such plants in many communities, uncontrolled flow of pluvial water, storage of animal waste, mining and domestic waste in close proximity of water resources, washing of motor vehicles on banks of rivers and lakes, etc. Only 78 of the existing purification plants of the country's communities operate out of the total 131, while 25 of these receive and evacuate waste water with no purification. The problem of waste water purification is not being solved for many years now in most of the communities, most affected of them being cities Soroca, Rezina, Criuleni, Calarasi and others. In rural households, the cattle manure is spread everywhere with a high impact on phreatic water, which serves as source of potable water for over 70 percent of the rural population.

Another source with major impact on air and water are the enormous piles of limestone powder, situated around quarries for limestone extraction, especially in the north-eastern part of the country. The evacuation of this waste using motor vehicle is costly, while the local market may only partially absorb it, although it could serve as cheap raw material for bricks (fortan, a type of slightly insulating small size

building blocks), mortar and other building materials.

The pollution degree of surface and phreatic water sources varies from moderate to strong. The water in Bac river higher than Chisinau on the river course exceeds 2.0-2.5 times the maximal admissible concentrations (MAC) and 3-4 times in the lower river course. The noxious substances exceed MAC in all stations for water quality monitoring on Raut river. Although water quality in Nistru and Prut rivers is, generally, better, the concentration of noxious substances is considerably higher in the part of the river situated lower than the urban centres (Soroca, Rezina, Criuleni, Ungheni and Cahul). The State Epidemiologic Service has registered over the last three years an alarming growth of pathogen microbiologic agents in lakes and rivers, including Nistru and Prut. The pollution of communal lakes is truly alarming. Most of them have not been cleaned over the last 15 years. The pollution with oil products of Belevu river situated in „Prutul de Jos” (“Lower Prut”) scientific reserve due to spillage from derricks of the „Redeco Ltd” company requires urgent intervention. In the proximity of these derricks the concentration of oil products exceeds MAC over 5 times.

Growing contamination of the phreatic waters used by the population is one of the factors, which have a harmful impact on the state of health of the nation (see, **PUBLIC HEALTH**). The inventory of the artesian wells and basins which was carried out in 2006 has shown that only 2,665 of the 4,448 existing wells are fitted up in compliance with the sanitary protection rules. Over 80 percent of the underground water does not comply with the ecological and sanitary-hygienic norms; in 70 percent of the monitored wells nitrates, nitrites and fluorine was found in excess of MAC, while in 30 percent – microbiologic pollutants were found in excess of MAC.

The illegal deforestation of protection forest belts around agricultural areas, on river banks and banks of gullies, at the borders of protected areas and green spaces has a major negative impact on the woods of the country. Very alarming are the deforestation of communal forests situated on

land with risk of landslides and soil erosion. These actions affect the indirect economic and ecological functions of the woods (prevention of landslides, soil erosion, draughts, floods, air purification, biologic diversity conservation, leisure and rehabilitation of the people's health). The deforestation is conditioned not only by objective needs, such as insufficient pasture land and fuel, massive impoverishment of most of the rural population, but, to a certain degree, by negligence of the population, and of local authorities. This negligence takes the form of a superficial control of the wooded areas, except for the state owned ones and the low level of fines for such offences, including for persons of authority.

Risks

The insufficient monitoring and regulation of the transboundary pollution impact considerably decreases the economic and ecological efficiency of the actions implemented by public authorities, local pollutants and beneficiaries for supervision and improvement of the ecological condition in the Republic of Moldova. Foreign pollution sources cannot be monitored continuously, while the damage provoked by them to the local population are nor compensated for. Additionally, through loss of control over the territories on the left bank of Nistru river, the impact of industrial enterprises and other pollution sources in this area is neither monitored, nor is it subject to compensations by official authorities of the Republic of Moldova.

The lack of purification plants and the depreciation of the existing ones, considerably reduces the capacity for self purification of air and increases the impact on health of the population in the adjacent areas. The fixed sources of unauthorized emissions in close contact with the human body are exceedingly dangerous. The high number of motor vehicles and congestion of urban routes pose major danger to air quality and health of humans.

By ignoring microbiologic pollution of phreatic waters, water courses and basins, the authorities and the people may face zonal and local epidemics in the near future with extremely grave consequences,

especially for children. These waters are polluted also with nitrates, nitrites and oil products, which increase the incidence of chronic hepatitis, liver cirrhoses, cancer, digestive system disorders, etc. Livestock manure and domestic waste cause lack of compliance with ecological and sanitary-hygienic standards for phreatic water, which poses high risk for the health of the human body. Children face higher risks in this case, too. The superficial cleaning in communities with only "cosmetic" approach to pollution sources of phreatic waters decrease the efficiency of programmes for water supply and sewage, with the risk of tens of million MDL going to waste. Another major danger for underground waters and health of the population is posed by the high degree of depreciation of the devices for capturing phreatic water. The pollutants penetrate through them directly into the deep water reserves. The health of the population is also affected by the old systems for potable water supply (see Section **PUBLIC UTILITIES**). In general, it is estimated, that about 20 percent of the diseases are provoked by inadequate potable water.

Insufficient implementation of biologic diversity conservation actions and actions for decrease of the negative impact on protected natural areas contributes to degradation of specific and genetic diversity of ecosystems and of the national natural heritage. A real example of such degradation is the spillage of oil products from derricks of Redeco Ltd company (recently, the Government has terminated the concession contract) into Beleu lake of the „Prutul de Jos” scientific reserve, which has caused great damage to the biologic diversity of this protected area and to the water quality of the said lake. Illegal deforestation gravely affects the regeneration of the woodland, water and soil protection, as well as green spaces of communities.

Governmental policies

Currently, most of the subsidies for environment originate from foreign aid and are allocated for modernization of potable water supply and sewage systems, management of stocks of persistent organic pollutants (POPs), sanitation and planting of trees in communities, restoration of degraded

land areas, improvement of soil fertility, implementation of „carbon funding“¹⁹¹ projects, extension and efficient management of protected areas, and conservation of biologic diversity (**Table 16**). Regrettably, allocated funds are inefficiently used. For this reason, a significant part of the planned objectives are not reached. As seen in **Table 16** and **Table 17**, the most efficiently implemented were the projects for liquidation of stocks of (POPs) and „carbon funding“ projects.

Table 16 Allocation and use of subsidies for environment, thousand MDL

	2004		2005		2006	
	Allocated	Implemented	Allocated	Implemented	Allocated	Implemented
Water supply and sewage	11744	1503	26576 9470	14693 9470	42220 19433	47300 13599,4
Communal forests	3773	1146,3	4553,5	3713,2	3837,7	3665,8
Biologic diversity	124	0	311,5	311,5	-	-
Persistent organic pollutants	2993,1	2107,8	3742,7	3913,5	13100	10000
Carbon funding			1078	828	1790,1	1387,5
Soils	11000		20600		21000	

Source: Laws on state budget and Annual Reports on state budget execution for the respective years;

Table 17 Funds allocated from the National Ecological Fund (NEF) for implementation of projects related to the environment, thousand MDL

	Year		
	2005	2006	2007 (sem. I)
Water supply and sewage	15971,4 (143)	24620 (147)	10260 (40)
Waste	1317,7 (20)	8209 (36)	2563 (11)
Tree planting in communities	4279 (47)	9168 (59)	11427 (49)
Biologic diversity	611,2 (4)	1933,5 (11)	
Other	4305,4 (116)	25450 (180)	
Total	31467 (332)	69381 (433)	

Note: the number of projects approved for funding by NEF is shown in brackets

Source: developed based on data provided by the Environmental Information Centre of the Ministry of Ecology and Natural Resources

The activities for decreasing atmospheric air pollution are relatively limited both in number and impact. The Ecological State Inspectorate, in cooperation with the Traffic Police is annually organizing the Clean Air operation¹⁹². Thus, in over 10 percent of the tested¹⁹³ vehicles emissions in excess of the norms were found. In case of more frequent and more thorough control, a much greater number of such vehicles may be found. The

lack of high performance devices for testing toxicity of exhaust gases emitted by the motor vehicles is a very acute problem. There is also a lack of technical diagnosis and servicing devices in most ministries and departments, the fact which conditions from the very start a limited efficiency of supervision of the impact of the motor vehicles on air and human health. Additionally, the number and rigor of the emission control has diminished not only for mobile emission sources, but also for stationary ones. The number of control posts of the Customs Ecologic Service has fallen down to six. The audit of stationary emission sources is carried out very superficially. The acute deficit of qualified human resources in the area is also a big problem, especially due to miserable salaries and the very small number of graduates specialized in the area.

Among the most important tools applied for decreasing the impact on atmospheric air (as well as on other natural and man made elements) are the payments for pollution of environment from fixed pollution sources, payments for import of commodities that pollute the environment, reducing the age limit of second hand imported motor vehicles, extension of trolley-bus lines and modification of urban minibuses and bus routes. Over the period 2002-2006, the total amount of payments collected for import of commodities that pollute the environment has grown about six times (**Figure 30**). At the same time, this increase is also due to the corresponding increase of polluting products import, especially oil products, vanishes and paints, second hand tyres. This fact has also contributed to increasing the impact on air and people's health.

As mentioned before (see **NATURAL RESOURCES**), within the National Programme for Water Supply and Sewage in communities up to the year 2006, a number of actions were undertaken for repair and modernization of the water supply systems, sewage and purification systems. However, due to lack of funds, draught and deficit of potable water in phreatic sources and deep sources, inefficient management of works for centralized supply, most of the rural population consumes contaminated water from surface wells and springs. The absolute majority of plants for purification of domestic

¹⁹¹ According to Kyoto Protocol on stabilizing and reducing greenhouse gas emissions, the „carbon funding“ projects provide for use of non-polluting energy resources with minimal pollution.

¹⁹² In compliance with Decision of the Government of the Republic of Moldova No. 1047 of Oct. 04, 2001 on approval of the Programme for decreasing the pollution of the atmospheric air by motor vehicles.

¹⁹³ The annual Report on the quality of environment and operation of the State Ecological Inspectorate in 2005.

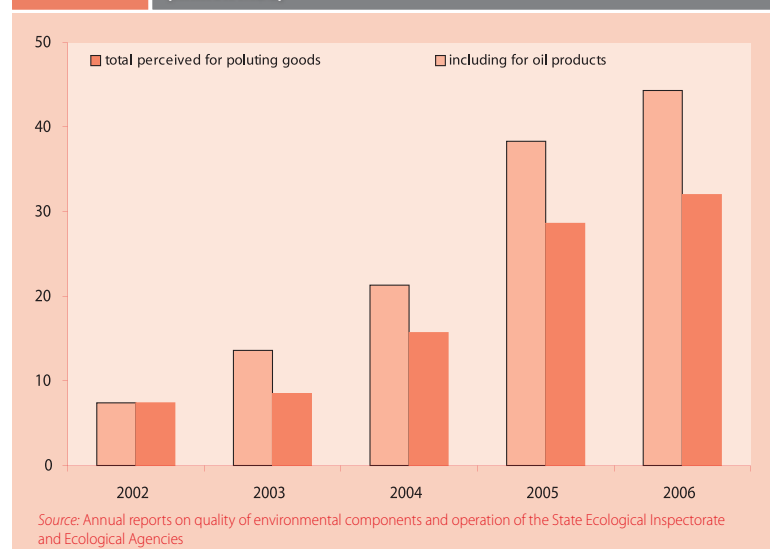
waste water are old and deteriorated, while almost no efforts are made for their modernization and reconstruction. The works for physical-chemical treatment of water of wells and springs subjected to inventory (80 percent of the total) were superficial. Frequently, the main pollution sources were not eliminated, especially communal and livestock waste. Thus, in spite of extending the network for centralized potable water supply, we cannot state that the noxious impact on people's health has decreased. Provision of physical access to potable water with no centralized collection and purification of waste water cannot significantly diminish the negative impact on water supply sources and health of the population.

The currently applied tool for compensation of damage to water includes payments for regulated and unregulated pollution of water resources, administrative and penal sanctions, as well as actions for remedying the damage. The low level of payments for water pollution and their low dependence on quantitative and qualitative aspects of the water basins does not provide the necessary incentive for reducing the amount of waste water flowed into the environment by polluters. Although damage to water is very frequent and there exists a high performance methodology for its assessment, the number of initiated court cases and cases of compensation for the damage is very low. The main reasons for this small number of fines and actions undertaken for remedying the ecological damage are as follows: application of the „guillotine law”, which has reduced almost to null the number of controls allowed to ecological inspectors, lack of human, financial and technical resources for ecological control, reduced access to information on ecological impact of using and polluting environmental resources, and existence of some corporative interests which protect certain polluters. In addition, until currently, the tool for ecological insurance has not been implemented. As demonstrated in Western countries, the ecological insurance is one of the most efficient economic incentives for supervision of noxious impact and compensation for damage to environment and people's health.

In order to implement the Strategy and Action Plan in Biologic Diversity Conserva-

tion for the period 2001-2010, the Biologic Diversity office was instituted within the Ministry of Ecology and Natural Resources. The main tasks of this office are: planning and coordination of actions for biologic diversity conservation, creation of the informational system related to components of biologic diversity, raising of foreign funds, awareness building among civil society and state authorities in implementing planned objectives. The most important achieved objectives are: publication of second edition of the Red Book of the Republic of Moldova, approval of Law on establishment of national ecologic network, inventory of groups of organisms within protected areas, creation of database in the area and public relations. Only 20 million MDL of the total 44 million MDL needed for the implementation of actions planned for 2001-2005 were allocated, thus, only 44 percent of planned actions were implemented. Insufficient implementation of planned actions was conditioned by the excessive number of planned actions, suspension of some actions by foreign partners, especially the ones in Ukraine, inefficient work of the Inter-Ministry Coordinating Board, which did not have any sessions during the reporting period, superficial cooperation with authorities responsible for woods, insufficient involvement of local authorities and population, inefficient supervision of impact on protected areas and biologic diversity components by woodland and ecological authorities and superficial application of sanctions for breach of laws in the area.

Figure 30 Total payments collected from import of polluting commodities (million MDL)



Within the framework of ecological policies a number of actions are possible which do not involve raising high scale funds and which have a direct beneficial effect as well as an educational impact and contribute to strengthening the society. Such actions are periodically implemented in the Republic of Moldova. For example, such efforts of ecological authorities, as the annual action “The city free of cars” are worth encouraging in future. The ecological authorities have undertaken the action “Water Caravan” for monitoring and cleaning river beds, especially of smaller rivers. Territorial ecologic organisations and, to a lesser extent, local public authorities have participated in this action. Each year, the weekly action “Water - the spring of life” is carried out comprising cleaning of wells and springs on the territory of communities. Special attention is paid to actions undertaken during the annual one-month tree planting campaign „Plant a tree for our perpetuation!”. Regretfully, these actions are not actively supported by local authorities and the population. However, it is at the level of local communities that efficient policies for environmental protection should find a start.

Short-term recommendations

- ▣ Ensuring access of civil society to information on use of natural resources and on impact of pollution sources on the environment and health of the people.
- ▣ Allocation of increased human and financial resources for supervision of impact on components of the environment and people's health.
- ▣ Increase of fines and improvement of the procedure for application of fines for breach of the legislation on use of natural resources (to be applied directly as administrative action), more frequent actions for compensation of damage to components of the environment and to people's health, especially damage to air, water and soils (State Ecologic Inspectorate) and applying severe sanctions to enterprises, institutions and communities that do not provide within prescribed terms, information related to use of natural resources and pollution of the environment to ecological authorities.
- ▣ Excluding application of „guillotine law” in respect to control of impact on environment and people's health.
- ▣ Mandatory ecological audit for transactions related to purchase/sale and bankruptcy of companies.
- ▣ Application of the European Union methodology on environmental impact assessment and compensation of damage to components of the environment and to people's health.
- ▣ Development of the Law on ecological insurance.
- ▣ Application of EURO 3 and EURO 4 standards on noxious impact of motor vehicles.
- ▣ Restriction of the motor vehicles access to the residential and cultural-historical zones, to congested roads and emergency redirection of the traffic from congested roads towards alternative roads.
- ▣ More rigorous and more frequent control of noxious emissions by motor vehicles.
- ▣ Modernization of equipment for air purification and modification of boiler houses, so that they operate based on natural gas.
- ▣ Conservation, liquidation and modernization of old artesian wells, which pose danger to underground waters and health of the people, depending on the depreciation degree, quality of underground water in adjacent areas and available and potential financial resources of their beneficiaries.
- ▣ Undertaking emergency actions for physical-chemical treatment of well and spring water with mandatory participation of local people and authorities and immediate realization of cleaning and works for eliminating impact sources, especially communal and livestock waste stored close to wells and springs.
- ▣ Mandatory implementation of full scale drainage works around waste storage platforms for prevention and reducing the impact of waste on soils and phreatic waters of adjacent zones.
- ▣ Revocation of operation license of companies that continue to make excessive impact on the environment in highly valuable protected areas, especially of „Knauf” company, which operates within the geologic-palaeontological monument, „Emil Racovita” gypsum cave.
- ▣ Use of the Geographic Information Systems (GIS), especially of on-line satellite images in assessment and management of natural resources and the state of the environment, especially soils and woods.
- ▣ Continuous monitoring of sources of impact on components of the environment and health

of the population, use of analytical laboratories with modern equipment and their staffing with highly qualified specialists with good remuneration.

- ✔ Efficient monitoring of transboundary impact on air basin and water resources and implementation of an efficient tool for compensation for the damage conditioned by transboundary emissions and spillage.
- ✔ Replacement of old purification plants and of the ones in breach of legal acts.
- ✔ Extension of routes of the urban electrical means of transportation and change of railway engines to operate with electric power.
- ✔ Building of circular motor roads to avoid traversing the city of Chisinau and rayon centres.
- ✔ Implementation of commercial incentives for centralized collection of old cars.
- ✔ Allocation of funds needed for secure insulation of water pollution sources and for carrying out works strictly necessary for decreasing the noxious impact of organic waste from purification stations and for their reconstruction from the financial resources planned for the water supply and sewage programmes.
- ✔ Extension of the application areas of payments for use and pollution of the environmental components; adequate territorial differentiation of such payments.
- ✔ Ecological fitting up of rivers and water basins and elimination of economic activity out of their protection zones.
- ✔ Cleaning of communal lakes in compliance with legal norms in the area.
- ✔ Reconstruction and modernization of stations for biologic purification of waste water.
- ✔ Modernization and extension of the network for underground water monitoring.
- ✔ Allocation of financial, informational and managerial assistance to local authorities for implementation of actions for caring for protected areas in their constituencies and imposing severe sanctions to offenders and persons of authority.
- ✔ Development of the State Woods cadastre.
- ✔ Efficient coordination between ecological and forestry authorities in view of optimizing management of wood and hunting resources.



6.3. Waste management

EVOLUTIONS: +1
SITUATION: 0
PERSPECTIVES: 0

Diagnosis

Although the problem of waste has a number of aspects, the obsolete prohibited pesticides are one of the most significant risk factors for the environment and health. The existing pesticide stocks were accumulated in 1970-1980, being stored in almost every community. However, some communities are exposed to exceedingly high risks. Thus, in the proximity of Cismichioi village (Vulcanesti rayon) pesticides and obsolete power condensers collected from all the territory of the country were buried. Geo-ecological and geo-medical studies carried out late in the 80-ties within the zone stated very high concentrations of noxious substances in soils, phreatic water and water basins, as well as very high incidence of cancer diseases, disorders of immune system and many children with physical and intellectual disabilities. Updated ecological and medical studies are needed to identify evolution of risks faced by people in such zones.

lected, repackaged and sent for centralized storage. By the end of this year, transportation and destruction abroad of all condensers and 30 percent of pesticide stocks, which pose the highest risk, is planned. The problem of pesticides maintained in households still exists, which may have a serious impact on phreatic water and people's health.

While there are notable achievements related to pesticides, the domestic solid waste management is inefficient. The stocks are relatively small as volumes, the gravest problem being their inadequate storage from ecologic safety and sanitary-hygienic viewpoints, especially in some rural communities, which are literally drowning in enormous heaps of waste. Although over the last years, many such waste disposal sites were liquidated at the insistence of the government and environmental and health authorities (*Figure 31*), the indifference and ignorance of the rural population and the administration of these communities stays unchanged.

The total area of sites for domestic waste disposal is over 1,300 ha with a volume of deposited waste of 31 million tons. Almost half of the area and of the number of communal waste disposal sites are not authorized by the ecological and healthcare authorities. The mandatory waste management works are practically limited to collection and evacuation of waste to communal and city sites. The most widely used method for management of domestic waste is their storage on the soil, which poses high risks of soil pollution and pollution of surface and phreatic water. The absolute majority of waste disposal sites, including the authorized ones, do not comply with the ecological safety requirements, while burying works are carried out belatedly and in breach of technology requirements. Separate collection and processing of solid domestic waste, especially of plastic, are implemented in a superficial manner only in a few rayons of Chisinau and Balti cities.

Due to the agrarian nature of our economy, livestock liquid waste and the vegetal waste comprise over one third of the total

Figure 31 Share of unauthorized waste disposal sites, percent of the total area under waste



The effective solution of the problem of collection and centralized storage of pesticides was initiated only over the last three years. With financial support from the Global Environmental Fund and with NATO logistical support, most of the obsolete prohibited pesticides (3000 tons) and electric condensers (1,050 tons) were col-

waste. Along with destruction of the large livestock farms, the number of livestock in the rural areas and in small cities has considerably increased, which conducted to increased contamination of adjacent wells and small rivers, thus directly affecting people's health. In addition, severe restrictions should be imposed on evacuation of pig manure, which has higher toxicity, and on localization of sheep pens. Although over the last years a decrease of livestock liquid manure is seen, its cumulative negative effects are still felt. As compared to other types of waste, the vegetal waste is but superficially used. It is either burned, or chaotically transported to the outskirts of villages. This waste could, however, serve as an important energy source for rural communities. This was shown practically, through implementation of some "carbon funding" projects, which resulted in installation of boilers based on burning of vegetal waste and which show much lower costs per unit of obtained energy than traditional energy resources.

Most of the purification plants in the country have no modern technologies for dehydration and processing of organic waste. The collected organic mud and the solid waste collected in purification plants is transported to unequipped filtration fields, which are frequently overloaded; this results in massive pollution of the atmospheric air, phreatic and surface water in the vicinity.

As compared to industrialized states, the Republic of Moldova has no large stockpiles of industrial waste. The main problem is recycling and superficial treatment of this waste by specific group. The industrial growth and the construction boom of the last years has led to increase of waste volumes, especially in the beverage, oil and oil products and paper industries. The huge mountains of limestone left from extraction and procession of calcareous stone around some quarries are a specific case. The waste in the power generation industry have, however, decreased, due to transition to natural gas.

Statistical data show an accentuated decrease in formation of toxic waste (*Table 18*). This is due to the substantial decrease of cyanide containing waste resulting from production processes of wine making factories (1st degree of toxicity), vanadium contain-

ing waste (2nd degree) and oil sludge (3rd degree). On the other hand, the amount of galvanic waste (4th degree) is continuously growing due to waste evacuated from Raut joint stock company (Balti city) to the warehouse in Hecii Noi village, Sangerei rayon.

Table 18 Formation of toxic waste, tons

Toxicity degree	2001	2003	2005	2006
I, with cyanide contents	7464	5211	4494	
II, including	836	772	793	
oil waste	178	114	544	
vanadium	658	658	250	
III, oil sludge	359	320	228	
IV, galvanic waste	1923	2241	2425	
Total	11879	9947	8900	7900

Source: data developed based on Annual reports on the quality of the environment and operation of the State Ecological Inspectorate

Risks

The waste with persistent organic pollutants is contaminating soils and potable water sources and it gravely affects people's health, especially in rural areas. These pollutants persist in the environment for a long time, have a very wide range of toxic actions and are easily proliferated at large distances. They accumulate in animal and vegetal tissues and exacerbate the toxic effect in man's body. The persistent organic pollutants increase the incidence of hepatic and cancer diseases, disorders of the nervous and immune systems, especially in children, and physical and mental disabilities (these issues are described in greater detail in the section **PUBLIC HEALTH**). The problem of pesticides and containers, in which they are or have been held in households, is very acute, as well as the problem of containers, which were stolen from centralized warehouses.

The impact of domestic and livestock waste has grown to alarming volumes over the last years, while inadequate management of communal waste disposal sites conducts to contamination of soils and phreatic water, to emissions of toxic gases, such as methane and carbon dioxide. The huge heaps of waste not only affect the environment and the health of the rural space population, but have also turned Moldovan villages from "flowering gardens" into enormous garbage sites. The economic losses are also large. According to estimates, about 40 percent of the components of the solid domestic waste

(paper, plastic, glass, metal) could be recycled. Failure to carry out drainage works around waste disposal sites will substantially reduce the total economic and ecological efficiency of communal waste management. It will increase the risk of soil and water contamination in adjacent areas. The organic waste and mud evacuated on filtration fields with no specific physical-chemical treatment and adequate management, poses a permanent danger to components of the environment and people's health. The toxic waste with heavy metals (chromium, nickel, cadmium, lead), cyanides, pesticides, used solvents and oils are another source of high risk for the health of the population and the quality of the environment.

Governmental policies

The objectives of the National Programme for use of production and domestic waste (NPUW)¹⁹⁴ are: separate collection of waste, use and neutralization of existing waste, reducing production waste and domestic waste, decrease and elimination of toxic waste. Within this programme, communal and individual platforms for storage of livestock manure¹⁹⁵ were built. The funds allocated by the National Ecological Fund for waste management projects were increased (*Table 19*).

The number of companies that deal with collection, transportation and use of industrial waste (glass, paper, scrap metal, plastic) and industrial toxic waste (galvanic batteries and deposits, used luminescent lamps, oil waste) in on the increase. The actions for collection and centralized storage of luminescent lamps and used tyres takes place with the support of the National Ecologic Fund. In Peresecina village (Orhei rayon) a workshop was opened for processing of terephthalated polyethylene (TPE) products, which are to be collected throughout the country. Within NPUW, the technology for processing and elimination of cyanide containing waste was developed and implemented in one wine producing factory. Prior to 2006 in about 40 percent of all the wine making companies the equipment for processing grapes was modernized. Stainless steel equipment was installed to prevent accumulation of heavy metals. Currently, a number of large wine making companies no longer generate ferricyanide containing waste. Currently, there are about 30 industrial enterprises, in which programmes for reducing industrial solid waste and emissions into the atmosphere were implemented. Recently, the implementation of a tool for management of medical waste was launched. Now this waste is collected and adequately buried (frequently in cemeteries) or incinerated in boiler houses. An arrangement was proposed for transportation of medical waste to Chisinau, Balti and Comrat for incineration in special devices.

In 1997–2003, the Ministry of Agriculture carried out a series of not very efficient actions for collection and centralized disposal of obsolete and prohibited pesticides¹⁹⁶. The adoption of the National Strategy and of the Stockholm Convention on reducing and elimination of persistent organic pollutants has marked a new stage in the achievement of these objectives¹⁹⁷. I. The implementation of the strategy was based on foreign financial, informational and managerial assistance, as well as on some local financial and human resources. The project “Management and destruction of persistent organic pollutants” has been developed and is under successful implementation for efficient achievement of objectives outlined by the Stockholm Convention. This project is a pioneer one in

Table 19 Funding for waste management projects provided by the National Ecological Fund

	2004		2005		2006		Jan.-June 2007	
	Thousand MDL	Number of projects	Thousand MDL	Number of projects	Thousand MDL	Number of projects	Thousand MDL	Number of projects
Fitting up of waste disposal sites	1722	25	954	16	3398	19	1772	6
Purchase of vehicles and containers	23	1	233	2	2937	9	561	3
Separate collection and processing of waste	396	6	130	2	1775	6	230	2
Packaging and storage of pesticides	2193	5	0	0	35	1	0	0
Total	4334	37	1318	20	8145	35	2563	11

Source: developed based on data provided by the Environmental Information Centre of the Ministry of Ecology and Natural Resources

¹⁹⁴ Approved by Decision of the Government of the Republic of Moldova No. 606 of June 28, 2000.

¹⁹⁵ Recently, within a World Bank funded project, in Hancesti district 3 communal waste disposal platforms (in villages Negrea, Lapusna and Carpineni) and 450 individual ones (150 platforms in each village) were built.

¹⁹⁶ In compliance with the Decisions of the Government of the Republic of Moldova No. 474 of May 21, 1997, No. 1453 of Nov. 29, 2002 and No. 1389 of Nov. 24, 2003 on actions for collection and centralized storage of obsolete prohibited pesticides.

¹⁹⁷ Decision of the Government of the Republic of Moldova No. 1555 of Oct. 20, 2004.

the Central and Eastern Europe. Based on the Agreement between the Government of the Republic of Moldova and North Atlantic Management and Support Alliance (NAMSA) an amount of 2,600 tons (from 22 rayons) of obsolete prohibited pesticides of the existing 3,000 tons were repackaged, transported and stored in a centralized manner, in 2006. In addition, seven teams of militarys of the Ministry of Defence of the Republic of Moldova were trained in management of plant protection substances and fertilizers. Currently, the works for repackaging, transportation and central storage are in their final stage, with an amount of about 100 tons of liquid pesticides left, which are to be placed in special barrels. Due to inefficient guarding of the rayon warehouses, theft of packaging (plastic or metal barrels) is frequently registered, while in some cases (for example, Ratus, Straseni) fires occurred in the central warehouses.

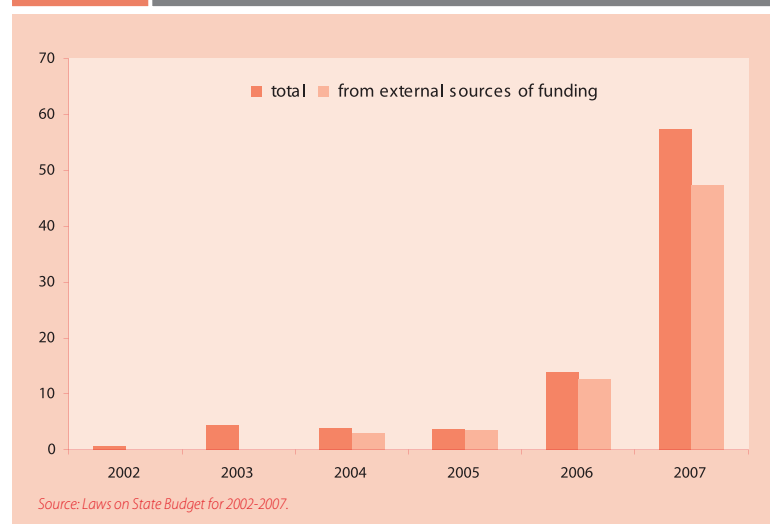
Over the period 2006–2007, works for evacuation and destruction of 1,150 tons of obsolete prohibited pesticides were carried out in 10 rayons of the country, as well as obsolete power condensers containing polychlorinated biphenyls. An amount of 12.6 million USD was allocated, including 6.35 million from the Global Environmental Fund (through World Bank) and 2.5 million from other external funding sources for implementation of planned actions. In the state budget for 2007 allocations of 57.3 million MDL, including 47.3 million MDL provided by World Bank (Fig.5), were planned for the project. Up to the year 2008 the evacuation and destruction of the stocks of persistent organic pollutants (pesticides and polychlorinated biphenyls from power transformers) from selected warehouses is to be finalized. However, the central and rayon authorities should find funds to carry out works for evacuation and destruction of pesticides stored throughout the country. Otherwise, these stocks will gradually turn into major risk areas for the components of the environment and for the population.

The legal framework clearly defines the authorities of the government environmental protection agencies and healthcare authorities, local public authorities, as well as responsibilities of physical and legal persons in the area of waste management as

well as main forms of waste management¹⁹⁸. Unfortunately, local public authorities and citizens frequently totally ignore their legal responsibilities. In 2001 in Chisinau and Balti cities, small scale separate collection of domestic waste was started (paper, glass, domestic waste). Due to lack of necessary infrastructure, the initiative has not achieved its objectives. In 2006, according to the city programme for waste management, these activities were resumed in Chisinau. A number of 20 specially equipped vehicles were purchased for cleaning of streets, as well as 543 of containers. The land plot was selected for building a plant for sorting and processing waste.

Figure 32

Allocations for implementation of the National Strategy and Stockholm Convention on reduction and elimination of persistent organic pollutants, million MDL.



The efficiency of policies is seriously limited by insufficient information on implementation of the NPUW. Except for the Ministry of Health, the other ministries, departments, companies and local public authorities do not submit full information on implementation of the document. Thus, the Ministry of Ecology does not have the necessary information for adequate analysis of the situation and efficient coordination of actions. A part of the necessary data are submitted to statistical authorities¹⁹⁹, but cooperation and coordination between ecological and statistical authorities is superficial.

¹⁹⁸ According to Law No. 1347 on production waste and domestic waste of Oct. 09, 1997.

¹⁹⁹ For example Form F1 on toxic waste.

The level of applied fines is very low, while actions undertaken for remedy of damage incurred through inadequate management of waste are, frequently, formal. The absolute majority of fines is applied based on Article 150 of the Code on Administrative Contraventions (failure to observe requirements to maintain cleanliness in communities), which provides for a warning or a symbolic fine from 2 to 20 MDL for individuals, while for persons of authority a fine equivalent to up to five minimal salaries. Actions in respect to damage to air and water incurred through decomposition of organic waste are undertaken very rarely. The payments for storage of waste are very low and they are applied in only a few administrative territorial units, primarily in the city of Chisinau and in the rayon centre of the former Central Ecologic Agency of the country. The formal approach to these tools is an incentive for people, local authorities and companies to ignore waste management requirements and cleanliness in communities and, thus, compromises the efficient achievement of NPUW objectives and of the Law on production waste and domestic waste.

Recommendations

- ▣ Creation of positions with responsibility for waste management, with adequate salaries, in all villages and cities, as well as in companies which generate large volumes of waste.
- ▣ Allocation of funds needed for the infrastructure for waste storage and processing and extending the application of the payment for waste to cover storage of production waste.
- ▣ Transportation and destruction abroad of the deposits of obsolete prohibited pesticides still existent on the territory of the country.
- ▣ Monitoring and rapid collection of obsolete prohibited pesticides from households and strict guarding of the centralized warehouses.
- ▣ Development and implementation of a project for monitoring, processing or evacuation and destruction abroad of galvanic waste of the Hecii Noi, Sangerei rayon.
- ▣ Improvement of the tool for application of economic sanctions for failure to observe regulatory and legal acts related to waste, including sanctions to companies, institutions and villages which do not provide data on accumulated, deposited, evacuated or processed waste to ecological authorities.
- ▣ Application of some loan and tax incentives for creation of economic benefits in the area.
- ▣ Development and implementation of an adequate informational system for recording and efficient management of waste.
- ▣ Imposing severe restrictions on evacuation of pig manure, which is of higher toxicity and adequate selection of sites for sheep pens.
- ▣ Extensive awareness building among local authorities and population regarding the impact of various types of waste and regarding provisions of legal and regulatory acts on management of communal waste.
- ▣ Extension of activities for sorting, separate collection and selection of domestic waste which could be recycled and used as raw material for production of glass, building materials, asphalt, plastic, thermal energy.
- ▣ Mandatory implementation of minimal drainage works at the waste disposal sites to prevent and reduce impact on adjacent soils and phreatic water.
- ▣ Development and approval of urban development plans of communities, including specific technical projects for management of accumulated waste, as well as adequate implementation of the “Typical technological scheme for storage of solid domestic waste in versions: 3–5 thousand, 10–15 thousand, 20–30 thousand of inhabitants” in communities where land plots have been selected for building new platforms for waste storage.
- ▣ Mandatory ecological audit, especially for purchase–sale transactions and bankruptcy of companies.
- ▣ Harmonization of the ecological legislation with Directives of the European Commission and implementation of European Union standards on ecological management and ecological life cycle of products.
- ▣ Carrying out extensive ecological education starting at preschool level and up to the highest rank decision makers.
- ▣ Building of the Cupcini – Lipcani railway branch with local and foreign investment as a solution for utilization of the limestone stocks resulting from extraction and processing of raw material for construction.

- ✔ Application of biologic techniques for plant protection and cultivation of new varieties, more resistant to pests.
- ✔ Awareness building among farmers, local authorities and population in storage and management of pesticides allowed for use, evacuation of obsolete pesticide, destruction and collection of their packaging.
- ✔ Building of modern waste disposal sites with minimal noxious impact on atmospheric air, especially their smell.
- ✔ Sorting and separate collection of domestic waste.
- ✔ Building of enterprises for recycling and treatment of production and domestic waste (Edinet, Balti, Chisinau).
- ✔ Evacuation of toxic waste from communal households to special sites for storage and treatment.
- ✔ Extension of implementation zone of projects on using communal and vegetal and livestock agricultural waste for energy generation to all rayons of the country.
- ✔ Development and application of technologies which generate a small volume of waste.
- ✔ Training of qualified specialists in waste management.
- ✔ More active international cooperation in utilization of waste.



6.4. Special topic: soil degradation

Soils are one of the main natural riches of the Republic of Moldova, however their quality and fertility is rapidly degrading. In the structure of the country land fund, the share of agricultural lands is inadmissibly big (75%), while the share of forest fund is 2-3 times lower, than the optimum. The environmental imbalance between the natural and anthropic eco-systems amplifies soils' degradation and the processes of agricultural land desertification. The average fertility degree of agricultural holdings is 63 points²⁰⁰. Based on the natural fertility of soils a harvest of about 25 q/ha of winter wheat and 30q/ha corn for grain could be obtained. The confuse strategy of land reform implementation has failed to create conditions for enhancing soils' fertility, sustainable use of land, growth of agricultural production, therefore, exercising a negative impact on the country economy. Neglecting advanced technologies, and soils degradation resulted in a dwindling vegetal production by nearly 50%, compared to 1990s. Currently, in the Republic of Moldova there are over 20 forms of soil degradation. Five of them have especially serious impacts.

Soil erosion is the main factor of soil resources degradation and water basins pollution. The area of eroded soils is 878 thousand ha, that is, 38 percent of the area of the all agricultural land. The fertility of eroded land plots is decreasing by 20–30 percent in case of weakly eroded soils and by 60–80 percent in case of strongly eroded soils. The highest erosion of agricultural land is registered in rayons Calarasi (56.1 percent), Cahul (44.4 percent), Hancesti (43.7 percent), Ungheni (43.4 percent), Nisporeni (43.4 percent). The damage conditioned by erosion to the national economy is 1.9 billion MDL. The annual loss of fertile soil is 26 million tons (including humus – 700 thousand tons, nitrogen – 50 thousand tons, phosphorus – 34 thousand tons, potassium – 597 thousand tons). The agricultural production lost through soil erosion is 525 thousand tons of nutritive units on arable land and 57 thou-

sand tons of fruit and grapes in orchards and vineyards. The value of harvest lost due to soil erosion is about 873 million MDL. Among the effects of soil erosion, mudding of water basins, pollution of soil in valleys, pollution of underground water and phreatic water with pesticides and chemical nutrients washed out from hills, destruction of infrastructure, etc., may be mentioned.

Reduction of humus contents in soil is registered on the entire area of 2.5 million ha of agricultural land. Humus is a fundamental component which determines the agro-physical, agro-chemical and biologic features of the soils. The availability of mineral nutrients for agricultural crops and biota directly depend on the quantity of organic matter in the soil. Experiments have shown that a one percent increase of the humus contents in the soil conducts to an increase of 10 g/ha increase of corn harvest for grain and an additional 8q/ha harvest of winter wheat.

According to the laboratory data obtained by V. Dokuchaev 130 years ago, the Basarabia (former name of a part of the Republic of Moldova) had, on the average, from 2 to 9 percent of humus. Currently, the average quantity of organic matter in soil is only 3.0 percent. The humus loss occurs as a consequence of biologic processes and soil erosion. In order to achieve a good or positive balance of humus, it is necessary to incorporate in soil, on the average per crop rotation scheme, at least 10 tons of manure, 170 – 180 kg/ha NPP (nitrogen-phosphorus potassium) in form of mineral fertilizers, while 12 percent of the arable land should be covered by perennial grasses. In the Republic of Moldova, over 1996-2005 the amount of organic fertilizers has decreased 60 times and is now 0.1 t/ha, while the area planted with alfalfa has decreased 4–5 times. As a consequence, the humus balance in soil is negative. The projections show that if the situation is not improved, the amount of humus in soil will decrease down to the critical level of 2.5–2.8 percent by the year 2025, while the cereal crops harvest to be obtained based on natural fertil-

²⁰⁰ According to Land cadastre data as of January 01, 2007.

ity will decrease down to 21 q/ha for winter wheat and 28 q/ha for corn.

An area of about 9.1 million ha of agricultural land is affected by **exhaustion of nutrients**. Each agricultural crop annually extracts from soil the same nutrients: nitrogen, phosphorus, potassium, copper, zinc, boron, etc. In order to create a well balanced combination of nutrients, it is necessary to incorporate into the soil 170–180 kg nitrogen, phosphorus and potassium as mineral fertilizer and 10 t/ha of manure with bedding annually. In the period of intensive introduction of chemicals in agriculture (1965 - 1990), the amount of mineral fertilizer incorporated in soil was 172 kg/ha NPP and that of manure – 6.6 t/ha. The period 1976–1990 was the only time in the history of our country's agriculture, when the soil has shown a slight deficit of humus balance and a positive balance of nutrients. As a consequence, the soil fertility has increased; the harvest of agricultural crops have increased 1.8–2.0 times. Farms which applied advanced agricultural technologies were harvesting on the average, 40–50 q/ha of winter wheat, 55–65 q/ha of corn for grain and 450–500 q/ha of sugar beet. Over the last 15 years, the use of mineral fertilizers has decreased 10–15 times, and that of organic matter – 20–30 times. During the post-privatization period, the agricultural crops are extracting 150–180 kg/ha NPP annually, while the amount introduced into the soil is only 15–20 kg/ha NPP. Consequently, the balance of nitrogen, phosphorus and potassium has become negative again. Over the last 5–6 years, the amounts of fertilizer applied in agriculture has increased 2–3 times (from 5–10 thousand up to 15–20 thousand tons), however these doses are insufficient for a good NPP balance and, thus, nutrients in the soil are exhausted.

Salinization of soils is a negative factor which affects about 220 thousand ha of agricultural land. The ameliorated land consists of irrigated soils, meadow soils, steppe solonets and soils with excess humidity (bogs, marshes). The natural conditions of Moldova requires use of irrigation as a prior task, especially in the southern zone, where draughts take place each three–four years. Irrigation allows to increase harvest by over 1.5–2.0 times. The irrigated soils, which

have reached an area of 308 thousand ha by early 90-ties, were truly Moldova's wealth. Vegetables were grown on these areas (0.8 – 1.2 million tons per year), along with fodder, cereals. The harvests were obtained according to plans. Currently, superficial irrigation is used, source water coming from small rivers and lakes which have, as a rule, a mineralization degree in excess of 1 g/l. As a result, soil degradation through salinization occurs.

In the period 1966–1990 large scale amelioration works (irrigation, drainage, amelioration with gypsum) were carried out on about 180 thousand ha of the total 230 thousand ha of meadow soils. The large scale agricultural exploitation of Moldovan meadows, regulation of river courses, breach of technical norms for use of drainage systems, have intensified accumulation of salts in the soil–pedospheric water system, progressive salinization and bogging of soils etc. Almost half of the alluvial soils are currently in an unsatisfactory ameliorative state. Losses incurred through salinization and bogging of meadow soils are enormous, amounting to about 50 million MDL.

The system for exploitation of soils has conducted to **compaction of the arable layer** on the area of 2.1 million ha. The recently ploughed layer of chernozems shows a cloddy structure with massive strongly compacted elements. Under the 0–25 cm layer, which was recently arable, one can see a post arable layer (25–35 cm) which is highly compacted, with prism-like, cloggy or monolith structure.

Recommendations

- ▣ Encouraging the process for privatized agricultural land consolidation through sale–purchase, association and lease processes.
- ▣ Development and adoption of the Law of soils, standards and norms for exploitation of agricultural land and improvement of the Land Code as required by realities and prospects for development of agriculture.
- ▣ Development of a system of tax incentives to encourage work of farmers on protection, amelioration and fertility improvement of soils.
- ▣ Pedologic mapping of agricultural land every 15–20 years (two rays per year), agro-che-



mical mapping of agricultural land every 8–10 years (4 rayons annually) and continuous monitoring of soil quality based on ecologic pedologic indicators on 35–40 pilot plots.

- ▣ Establishment of ecologic balance between natural and man made ecosystems, especially through extension of wood area (planting of protection forest belts, afforestation of deteriorated and strongly eroded areas, establishment of protection zones for water resources) and wetlands.
- ▣ Fighting water and wind erosion by erosion combating territory organisation, implementation of crop rotation against erosion, soil conservation tillage with maintaining vegetal waste on the surface of the soil, strip cultivation of field crops, maintaining grass between rows in orchards and vineyards.
- ▣ Establishment of adequate humus balance and nutrients balance in soil by applying fertilizers and implementation of crop rotation schemes.
- ▣ Extension of irrigated surfaces.
- ▣ Amelioration of meadows and implementation of regulated pasturing.
- ▣ Training and awareness building among people in rural areas related to biodiversity and soil fertility conservation.
- ▣ Implementation of modern technologies for management of soil resources and introducing modern crop rotation schemes including perennial grasses.
- ▣ Regulation of size and form of land plots depending on local relief, soils and topologic-climate features.
- ▣ Excluding strongly degraded land from agricultural use through afforestation or letting it to become virgin land and creation of a special fund for “soil healing”.

6.5. Special topic: protection of natural areas

The system of natural protected areas of the Republic of Moldova includes 12 categories of natural zones with a total area of 164.2 thousand ha, which comprise 313 areas (reserves, natural monuments, parks and gardens, wetlands of international significance and several areas with multi-functional management, see **Table 20**). These are excluded from economic usage for the needs of biologic diversity conservation, protection of the genetic fund, research, aesthetic and recreational functions. In 1998 the natural state protected areas amounted to only 1.96 percent of the country's territory, while according to EGPRSP they were to reach 2.1% in 2006. In 2006 an area of 94.705 ha of wetlands of international importance were included in the fund of natural state protected areas, especially the Prutul de Jos, Nistrul de Jos (Causeni, Stefan Voda rayons) and Ungur-Holosnita (Ocnita, Donduseni, Soroca rayons) lakes. Formally, 4.6 percent of the national territory is covered by natural protected areas, however, most of them have no clearly delineated borders, thus the population and, in many cases, the local authorities are not aware that there is a natural protected area of national significance on the territory of their community. According to its index for coverage of the national territory with national protected areas, the Republic of Moldova ranks at the bottom of the table in Europe. In Germany, protected areas occupy 25% of the national territory, in Latvia – 12 percent, France – 7 percent, Romania – 5 percent. The average for the Central and Eastern Europe is 9 percent, while for Western Europe – 15 percent.

It is found that the distribution area of flora and fauna biologic diversity is narrowing, while the populations show a clear trend towards reducing the number of individuals. For example, if the first edition of the Red Book was including 29 rare species of animals and 20 – of plants, 20 years later, a reduced number of individuals per species was found for 126 species of plants and 116 – of animals, that is 5 times lower, on the average. The network of natural areas, which is dispersed on the whole territory

of the country and has a share of under 10 percent, cannot assure the perpetuation of even half of the number of species. Still, in some extended wetlands (such as Nistrul de Jos and Padurea Domneasca) the number of species exceeds half of the total number of flora and fauna species in the country. In the period of high migration, north-south migration corridors, which go along Nistru and Prut rivers, are used by many species of animals. The lack of management in these zones of regional importance is an impediment for protection of these seasonal migration flows.

Table 20 Natural protected areas in the Republic of Moldova

Type of protected area	Number	Share of total, %	Area, ha	% of total
Scientific reserves	5	1,6	19378	29,2
Natural reserves	63	20,5	8009	12,0
Landscape reserves	41	13,3	34200	51,5
Reserves of resources	13	4,2	523	0,8
Multifunctional management areas	32	10,4	1030	1,6
Natural monuments	131	42,2	2907	4,4
Parks, alleys	21	6,5	191	0,3
Protected gardens, including:				
a) botanical	1	0,3	105	0,16
b) dendrological	2	0,6	104	0,16
c) zoological	1	0,3	20	0,03
Wetlands of international significance	3		97700	
total	313	*	164167	*

Note: * - the wetlands overlap with other protected areas

Source: Law on the fund of natural state protected areas of 25.02.1998, No. 1538-XIII, updated.

The system of natural areas is almost entirely managed by the Government and other central authorities. Although the law allows the operation of natural areas protected by local public authorities, in practice these cases are singular (**Table 21**). The local public authorities have many responsibilities, such as, management and coordination of technical aspects of physical border setting and observance of the statute of protected zones, development and record keeping of property items in the database, development of projects for protected zones, prioritization of investments in protected areas, allocation of subsidies and incentives to owners of monuments, concluding contracts with owners and developing responsibilities for using monuments, carrying out

awareness building in population. However, these responsibilities are supported neither with methodology and clear legal act provisions, nor funds from the budget. For this reason, most of the protected areas are in a process of degradation with no clearly delineated borders. The instituted regime is not observed. There are no success stories of non-degrading economic activity in natural areas for the benefit of communities.

Table 21 Distribution of natural state protected areas by type of land ownership

Natural protected areas	National environmental protection authority	„Moldsilva” State Agency	Local public authorities	Agricultural enterprises	Other
Scientific reserves Area, ha	5 19378				
Natural reserves Area, ha		60 7791	1 30	2 188	
Landscape reserves Area, ha		29 (11) 30776,4	-(5) 214,0	1 (7) 983,6	
Reserves for resources Area, ha		3 (1) 478	2 10	5 22	3 (1) 13
Multifunctional management areas Area, ha		2 91,0	9 176,0	19 631,9	2 131,5
Natural monuments Area, ha		28 (1) 585,1	34 743,7	47 (1) 1088,6	10 328,8
Parks, alleys Area, ha		1 2,2	3 13,0	6 38,3	10 137,6
Gardens Area, ha			2 103		2 126

Note: The number of reserves managed partially by different entities is showed in brackets
Source: Law on natural state protected areas of 25.02.1998, No. 1538-XIII

Therefore, most of them are just declared as such and left to fend for themselves.

Only five natural areas of the 313 have operational administrations (scientific reserves). The low level of reserve management conditions a number of negative effects, such as, failure to use some tools for nature conservation, failure to use opportunities for fund-raising for local biologic diversity conservation. The failure to involve local communities in conservation of state protection areas conducts to their lack of concern for the ecologic problems, with small exceptions of schools and environmental protection NGOs which try to get involved.

Formally, the state encourages the activity of non-governmental organisations and individuals, that propose to pin value on natural monuments and their protection zones and use them. The restoring and reconstruction of the monuments is to be carried out according to programmes approved by the Government. However, through lack

of funds, the protected areas are not even marked as such in an adequate manner and are not duly protected. A large number of managers of protected areas have no instruments for management of reserves, while the Ministry of Ecology and Natural Resources pursues the concentration of the entire system under its control, with no promotion of a model for efficient management of natural areas to the benefit of all social partners involved. Additionally, the legal provisions which allow the reserves and state funded legal persons to obtain own income from scientific, editorial, recreational and training activity have not been used for over a decade.

The low degree of non-degrading utilization of the natural entities reduces the interest of potential donors for nature conservation in the Republic of Moldova. According to national legislation, the natural resources are used or may be used as labour means, sources of energy, raw materials and other materials, directly as subjects for consumption and recreation or as information sources about the surrounding world. However, this provision is not fully exploited by the authorities, which provide authorizations for intensive exploitation (quarries, warehouses, etc.) of these areas. However, the potential of the natural zones should be used, as a priority, for non-degrading activity or for biologic diversity conservation. Such actions are successfully implemented in reserves of Ukraine, Russia and the EU states, while in the Republic of Moldova, they are viewed with a certain reserve, probably, originating from the image of the „entrepreneur” of the 90-ties, that enters a natural area for deforestation, unauthorized excavation and storage of waste.

The legal regulatory framework of the Republic of Moldova provides for 10 possible sources of funding for the activity for record keeping, research, use, safeguarding, protection, conservation and restoration of monuments. In spite of this diversity of funding instruments, the Republic of Moldova had never had a large scale project for efficient safeguarding of its natural wealth. The attempts to create national parks in Orhei, Nistrul de Jos, Padurea Domneasca were wasted due to fighting to gain management authority, thus, the external potential

donors gave up the idea of funding them.

In addition, the allocation of off-budget ecological funds is done only for local and national programmes for protection of the environment and biologic diversity, improvement of soil quality, planting forest belts around territories, ecologic reconstruction of landscapes and small rivers affected by human activity, international cooperation in the area of environmental protection. These actions do not clearly reflect the interests of the local actors, which refer mainly to compensation for plots ceded for public functions and development of non-polluting business activity in respect to protected natural subjects.

Recommendations

- Inventory of the fauna and flora potential of the natural areas and clear delimitation of borders of protected areas, awareness building among people regarding the operation regime of the areas, access to them and behaviour while being within them.
- Identification and promotion of the models of EU states in managing natural areas with non-polluting economic purpose and involving the population in decision making related to such activities.
- Development of an action plan for including the national protected areas in the EUROPARK network.
- Promotion of natural areas as ecological tourism destination and for ecological education, opening new units for non-hotel accommodation in proximity of natural areas and organisation of tours for reporters and national tourism agencies in the natural areas of the country.
- Opening the natural areas, which were registered as legal persons for non-degrading economic activity with a prospect to give impetus to effective tools for nature protection.
- Cross-border and euro-regional cooperation in aggregation of regional natural areas for restoration of biologic diversity, including creation of bilateral natural parks and joint biosphere reserves and development of a network of border natural areas along rivers with participation of concerned regional actors.
- Improvement of management for prior use by local communities, extension and protection of the state protected natural areas in compliance with the National Environmental Strategy and Action Plan in Biologic Diversity Conservation, including by creation of a national ecological network.
- Provision of wider authorities to local public authorities in setting local taxes and dues and in provision of incentives for activities in the protected natural areas.
- Extension of the area of state protected natural areas: establishment of the landscape reserve “Stancile nistrene” (“Nistru Cliffs”) in the lower part of Nistru river within the Camenca–Rabnita portion of the river; foundation of two landscape reserves of petrophyte ecosystems in Prut river basin (Tetcani–Lopatnic–Stolniceni and Pociumbeni–Varatic portions of the river); foundation of the National Park “Nistrul de Jos” („Lower Nistru”); establishment of new state protected areas with steppe vegetation (Maramonovca, Drochia rayon; Cazangic, Leova rayon; Antonesti, Cahul rayon).

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*Modernization
of physical
infrastructure*

7

“

A good road makes the cart go easier .”

Romanian proverb





Modernization of physical infrastructure

Chapter seven of the report addresses most problematic elements of physical infrastructure of the Republic of Moldova – roads, energy and utilities management. Insufficient investment during more than a decade in road transport network led to a total degradation of the national and local roads. Causing huge economic losses for manufacturers and carriers, this aspect reduces from investment attractiveness and international competitiveness of the Republic of Moldova. In energy sector the country's dependence on external resources grew up more, and this in conditions, when prices on world energy markets grew up continuously and the renewable resources of the Republic of Moldova available are not used almost at all. The condition of public utilities is not much better, provision of quality services is affected by inappropriate condition of networks and due to a large range of legal and institutional problems.

7.1. Road transport

Diagnosis

The public roads network of the Republic of Moldova consists of national and local public roads, recorded in the property registry of the State Road Administration (SRA) of the Ministry of Transport and Road Management (MTRM) and community roads and streets, administered by the local public authorities. The total length of roads network consists of more than 10.5 thousands km (Table 22). At the same time, 1200 km of roads, including 320 km of national roads and 880 km of local roads are administered currently by local public authority of the left side of Nistru River. The inventory on conditions of community roads and streets is insufficient and afferent information is not reliable.

Economic condition of the country during last fifteen years did not allow for allocation of financial means needed for road's sector (Figure 33). The Governments of this period made no efforts either, for allocation of minimum needed (25-30% of needed) and avoidance of excessive degradation of roads. In 1998-2004 the financing of repairs and maintenance of roads did not get over 10% of the amount needed. Accumulated debt in the period 1992-2006 for repairs and maintenance financing of national and local roads exceeds 10 billion MDL.

Obviously, in these conditions only works of current repairs and maintenance (sealing the pits) were done, mainly of national roads, as well as natural disasters consequences liquidation (degradation of road surface covering and bridges because of floods). Because of lack of medium and capital repairs, the normative term of exploitation has expired. According to latest data available for year 2000, 80% of national roads length and 90% of local roads had

EVOLUTIONS: -1

SITUATION: 0

PERSPECTIVES: +1

Table 22 General characteristics of roads of the Republic of Moldova

Type of the road surface covering	Total, km	Including	
		National, km	Local, km
Total roads	10531	3665	6866
With solid surface covering			
With cement concrete	483	437	46
With asphalt cement	5349	2753	2596
With light surface covering:			
Light bitumen surface covering	750	214	536
Stone roads	3422	261	3161
Without surface covering	527		527

Source: Ministry of Transport and Roads Management

exploitation term expired. By now, solidity reserve has expired and roads network entered an intense process of degradation.

Local roads had suffered most, and this is one of factors that caused the poor economic condition of rural locations (see **RURAL MOLDOVA**). In the period 1995-2000, over 400 km of local roads moved from category of “stone roads” to “earth roads” and 190 km of “asphalt roads” went into the category of “stone roads”. With the allocated financial means it not possible even to seal the pits, not to mention superficial repairs, asphalt surface covering, etc. At the same time, as showed in **Table 23**, national roads degraded a lot as well.

for the rehabilitation of roads administrated by the MTRM (9330 km) 1.7 billions USD are needed, including 870 millions USD for national roads and 800 billions USD for local roads.

Local roads have an uncertain condition. For the time being, these roads are recorded in the registry of SRA property, in spite of the fact that Law on Roads (art. 5, para. 2) stipulates their administration by the local public authorities. Thus, financial means of the Road Fund (Law on Road Fund No. 720 – XIII from 02.02.1995, art. 1, para. 2) for repairs and maintenance of local roads are transferred to MTRM. For MTRM, priority are national roads, and as result all resources, including those coming from credits and grants of international financial institutions are directed for these roads. At the moment, MTRM does not have a Concept or a Programme on repairs of local roads. Local roads are included in the annual programme of repairs based on the indications from Government, Parliament and Presidency, without taking into consideration the real needs of the sector. Considering the disastrous condition of local roads and their low level of administration, it is possible to conclude that MTRM has lost control on local road network and left them to public administrations of the countryside. In conclusion, MTRM is not able to ensure an efficient planning of local roads repairs and maintenance, while the resources of local administrations are very limited.

Figure 33 Structure and level of financing of road sector in the period 1990-2006, mil. MDL

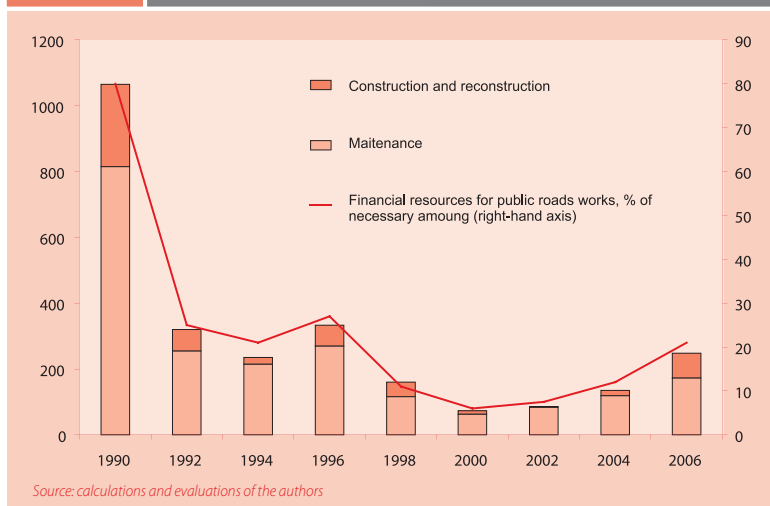


Table 23 Indicators of national roads degradation

Evaluation Company	Evaluation year	Analyzed length, km	Technical condition of road surface covering					
			good		average		bad	
			km	%	km	%	km	%
IPTANA-CEARCH	1993-1994	1252	422	35	326	26	499	39
Raghton International	1996-1998	1868	252	14	679	36	936	50
Getinsa SA	2006	3320	247	8	830	25	2243	67

Source: IPTANA-CEARCH Romania (1994), Raghton International – Great Britain (1996, 1998) and GETINSA SA, Spain (2006).

After appearance of large capacity trucks (36 tonnes) during the last years the degradation of roads intensified, especially on sectors used for construction materials transportation. Large loads on wheel axis and high temperatures of the last years amplified the degradation effect on road system. According to certain evaluations,

Risks

The development level and technical condition of roads network has a considerable negative impact on economic and social development of the Republic of Moldova. Transportation costs on a road in an unsuitable condition grow up on average with 20% compared to one in a good condition, while if the condition of the road is very bad, these costs grow up to 32%. The approximate calculations show that extra costs of carriers caused by unsatisfactory conditions of roads exceed 100 millions USD per annum, affecting the prices of transported goods. The losses of farmers are especially high. Also, the unsuitable condition of roads inhibits the promotion

of investments in rural area, limits the access to market, medical and social services, development of tourism and transit of goods and passengers through the Republic of Moldova. The delay in urgent measures for maintenance and improvement of roads' condition, especially of local ones, can lead to the loss of continuity of public roads network, causing interruptions of connection between locations on a bad weather, bearing all economic and social consequences.

Governmental policies

Since declaration of independence of the Republic of Moldova, the governmental policies were generally not in favour of roads sector. Some measures were taken in 1991-1997, in order to maintain and rehabilitate the roads network. The financing level of the sector were about 30% of total needs, but even this allowed for some measures on maintenance of roads network (in the context of rehabilitation programme realization). A rehabilitation programme of national roads was elaborated (the Programme for Development and Integration of Road Network of the Republic of Moldova within the European Road Network) and a credit was obtained from the EBRD.

The period between 1997-2005 was characterized by an almost total ignorance of road sector. The rehabilitation programme was interrupted, while the level of sector financing decreased to 6% of the total needs. This led to a considerable degradation of the public road network.

After 2005 an improvement in financing of road sector is observed, still far from meeting the needs. The financing increased from 15% of the total needs in 2005 to 35% planned for 2007. The debt accumulated during passed years requires a considerable financial effort the country can not ensure at present. But relations' improvement with international financial institutions could be of great use, the latter declaring themselves available to allocate credits and grants in the coming years for rehabilitation of national roads. Thus, in July 2007 a contract with EBRD was signed, on crediting the renovation of roads of 60 millions euro.

The governmental strategies and programmes elaborated and approved in the sector until now, are of declarative character, because these have no financial covering. For example: the implementation of EGPRSP for period 2004-2006 requires 9229 millions MDL, while it had financial cover of 3216 million MDL (35%); the national programme "Moldovan Village" (2005-2015) requires investments of 45 billions MDL. In order to justify the insertion of some measures within this document, some chapters stipulate financing through grants (not existing) of up to 80% of planned amounts. In the concept on creation and development of national network of international corridors of transport²⁰¹ in the chapter on financial covering, the Ministry of Economy and the Ministry of Finances are suggested to examine the possibility to finance this conception only.

Another problem of governmental policy in the roads sector is the approval of investments (of tens of millions MDL) without feasibility study. The target items are included in the programme without ensuring the efficiency of investments.

Recommendations

The last studies show that the allocation of 25 million USD per annum will ensure the conservation of current condition and will not lead to its improvement in any case:

- The most optimistic option for national roads is allocation of 87 million USD per annum, that will allow to solve the problem during 10 years.
- Justification of investments should become a compulsory condition during the allocation of financial means for implementation of roads construction and repairs projects.
- It is recommended to modify the art. 1, para. 2 of the Law on road fund with specification on distribution of funds for public national and local roads.
- Local roads shall be moved from the property registry of SRA to the property registry of local public administrations at the second level, together with the financial means planned under Road Fund for their administration, repairs and maintenance.

²⁰¹ The decision of the Government of the Republic of Moldova No. 365 of 28.03.2002.

- Feasibility studies for local roads networks (per rayons or developing regions) are required. This will allow for optimization of costs for maintenance and repairs of local roads and will facilitate the financing through partnership, receipt of preferential credits and grants, including in the framework of regional development policy implementation of the Republic of Moldova.
- A urgent need became the implementation of modern technologies for building, rehabilitation and maintenance of roads: use of modified bitumen, bitumen emulsion, composed adhesives, recycling of existent road surface covering, works using high-tech equipment that allows for obtaining high indicators of quality of road surface covering.
- Implementation of recycling technology of the old asphalt in Chisinau Municipality would save tens of millions MDL. Currently, tens of thousands tonnes of asphalt concrete is cut and taken apart (during the reparation of the engineering networks) on streets of the Municipality, that are used afterwards as gravel.
- In order to improve the condition of local roads it is recommended to use efficient and less expensive technologies for on site consolidation of gravel and pebbles surface coverings with bitumen adhesives or cement, using specialized equipment.
- In order to decrease the rhythm of degradation, it is necessary that, less expensive and efficient for roads' conservation (filling-in the gaps and fissures, superficial treatments) works are executed, out of financial means set for maintenance of roads.

7.2. Energy

Diagnosis

Energy security. The current condition of energy supply sector of the country is characterized by a high degree of vulnerability, economic, social and political risks caused especially by lack of gas and electricity. The Republic of Moldova does not have its own resources of coal, oil. The import of natural gas is done entirely from one source, and its ponder within the structure of primary energy resources use reached an alarming degree (about 60%). The internal production of electricity constitutes only 20-25%, and dependence on import grows continuously – a large amount of electricity is imported through interstate networks that have a low level of reliability. The situation is getting worse because of external debts for gas and electricity and lack of actions for their recovery during a decade, instability and hostile regime from the Transnistrian area, through which import of resources and energy takes place, as well as because of low solvency of population. Energy expenses of the Republic of Moldova reached 30% of GDP, one of the highest levels of energy costs. Consolidation of energy security requires for large investments, complex measures linked to procurement and transportation of primary energy resources in the country, building, exploitation and development of energy sources (electric and thermal power plants, renewable energy sources), transportation and distribution network (gas, electricity, thermal energy).

Energy conservation and energy efficiency. In conditions when import of fossil fuels in the country constitutes 100% - the conservation of energy has to be a daily concern of everybody – from common citizen to government. Energy saving by final consumers depends on decrease of losses and use of high technologies that allow for performance with lesser use of energy. It is known that costs of energy losses decrease unit are much less than cost of the same unit of produced energy. The use of energy on a GDP unit scale in the Republic of Moldova is 3-4 times bigger than in western countries, therefore implementation actions for

increase of energy efficiency on all segments of energy production-use chain requires a special attention.

Use of renewable energy sources. Two key factors determine more countries, including Moldova, to pay a special attention to renewable energy sources (RES). The first one is the limited world reserves and very high prices of carburant. The second factor is climate change, mostly because of gas emissions with greenhouse effect increase, due to burning of fossil fuels, which imposes use of renewable energy sources as environment friendly sources. In order to struggle against climate change, countries throughout the world, and especially member-states of the European Union make a considerable effort to involve RES in energy supply. In the Republic of Moldova, where price of electricity is comparatively low – implementation of some types of RES is not feasible yet or is at the limit of economic profitability.

Tariff policy and energy market. The local market of energy is distorted. The imported electricity in proportion of 70-75% of the gross internal consumption is acquired at a price lower to the cost of produced energy by a new thermal-electric power plant (3.0-3.5cUSD/kWh against to 7.0...8.0cUSD/kWh). This makes the construction of new electricity production sources unattractive. During the last decade there were tens of proposals and projects for electric power plants, but none of them were implemented. The performances of existing thermal power plants (TPP) is under the expected level because of the reduced thermal load of the central system thermal energy supply of Chisinau Municipality. On the account of electricity the production of thermal energy by TPP-1 and TPP-2 in Chisinau is subsidized, in other words, on the account of electricity consumers from all over the country, the price of thermal energy supplied to consumers from Chisinau through centralized system is reduced. The local market of electricity is far from being a liberalized one and thus, the advantages of liberalization are missing completely. The lack of thermal-electric power plants in the

EVOLUTIONS: 0

SITUATION: 0

PERSPECTIVES: 0

country and massive import of electricity (by a single buyer) exclude any competition between energy producers. On the other hand, the number of consumers having right to choose the supplier remains very low. There is a great need of electricity production capacities within the thermal-electric condensation power plants. Presence of political factor and unjustified administrative involvement on the market, can not bring something else then additional costs to final consumers of energy. The most eloquent examples are the prohibition of electricity export and lack of cooperation with the Thermal-Electric Power Plant form Cuciurgan.

Improvement of investment environment and development of energy infrastructure. In energy sector massive investments are required, especially at the entire energy chain “production-use” level, with the goal of development of local electricity production capacities, promotion of renewable energy sources (wind, biomass), promotion of energy co-production technology, development of local thermal energy markets, development of country energy interconnection, conservation of energy at production, energy use and transportation segment levels. The main reasons why many potential investors abandoned the investment offers for electricity power plants construction in Moldova, are lack of a well designed investor’ facilities package, lack of a clear vision of the government on energy production technology that shall be applied, as well as the inconsistencies during negotiations with investors, corruption and bureaucracy of authorities.

Risks

The price of natural gas imported from Russia will grow from 170 USD/thou. m³ (2007) to 250 USD/thou. m³ (2011). There is high probability that in 2-3 years the price for electricity import will double, reaching the rate of 5-8 cUSD/kWh, and for consumer - 8-12cUSD/kWh. In the following 4-5 years it is expected also, a growth of the internal use of energy with about 3% per year, accompanied by a considerable growth of the prices of energy resources and energy. This will increase perceptibly the energy load on the country and on every citizen apart. Accordingly, any delay in promotion of energy

conservation, in building new local sources of electricity, in promotion of sources of renewable energy, etc. will complicate the situation, will make the problem solution more difficult and at the end – will lead to the growth of energy costs for consumers. RES represents new technologies on energy market of Moldova and its implementation on a large scale requires resources, time and experience, as well as assumption of considerable economic risks.

Governmental policies

New elements in the energy policy of the country, usually, appear only under the pressure of international institutions. In connection with this, there is an apprehension that the latest initiatives concerning promotion of RES will remain declarations only. The Government is concerned by current needs only, as renewal of gas and electricity procurement contracts and administration of subordinate energy enterprises. At the same time, in the field of renewable energy use, Republic of Moldova engaged a series of ambitious commitments:

- ▶ the share of energy generated from renewable sources in 2010 shall constitute 6% of the amount of energy generated from traditional sources, while in 2020 – 20%;
- ▶ the volume of bio-ethanol mixed with petrol in 2010 shall constitute 6% of the volume of petrol commercialised, while in 2020 – 20%;
- ▶ the volume of bio-diesel mixed with diesel fuel in 2010 shall constitute 5% of the volume of diesel fuel commercialised during that year, while in 2020 – 20%;
- ▶ the share of electricity generated from renewable sources in 2010 shall constitute 8% of the total gross electricity consumption in the Republic of Moldova.

Energy security of the country. Moldova is a very vulnerable country as much as energy supply is concerned. A banal accident could in a moment compromise the import of electricity – for 10 hours, 10 days or more! It is easy to imagine the consequences of such an unhappy situation, when about 70% of consumers would lack electricity. The country needs about 500-800 MW additional capacities of electricity production, and this calls for investments of 300-500 millions of

USD. New sources of energy can be reached only through private investments. Throughout years, the government has adopted an imposing number of decisions on electric power plants building, but none of the projects presented “stroke root”. In the situation of regulated prices, the entering of an independent producer on the market was not and is not until now profitable. On the other hand, the government is not ready to accept offers of electric power plants building that would suppose the procurement of expensive energy compared to electricity imported.

Energy conservation and energy efficiency. Law No. 1136-XIV on energy conservation was adopted in 2000, that established the National Fund for Energy Conservation. The Law stipulated accumulation of extra budgetary resources to this fund, however payments from enterprises were not compulsory. Unfortunately, the Fund remained a paper action only. Later, the Government created the National Agency for Energy Conservation (NAEC), responsible for promotion of policies and programmes on energy conservation. Nevertheless, NAEC practically became bankrupt before 2007 already, with one person as staff only. Thus, the institution was incapable of influencing anything in energy conservation field. At present, activities economically attractive are realized in the field of energy conservation only.

Promotion of renewable energy sources. In 2007, the Parliament adopted the Law on use of renewable energy in the Republic of Moldova²⁰², that focuses on the use of renewable energy resources and promotion of electricity production from renewable energy resources. This law provides for the legal framework of this field and modalities of organizing renewable energy production and supply. The declared principles of state policy in renewable energy field are:

- guaranteeing the sale of renewable energy through non-discriminatory connection to centralized electricity and heating networks;
- the electricity produced from renewable sources shall be commercialised on market through a mandatory procurement system, based on so called green certificates;
- implementation of RES shall be encouraged by the state;

- state control on efficient use of RES;
- educating the population in the spirit of renewable sources and their energy use;
- supervision process of cultivation and use of genetically modified plants’ species, designed for biomass renewable fuel production, in the condition of a closed technological cycle;
- establishing the National Fund for Renewable Energy with the goal to contribute to the use of RES programmes and projects financing.

The NAEC, as central public administration authority is assigned responsible for promotion of state policy in the field of renewable energy use and energy conservation. The activity of NAEC concerning the use of renewable energy sources is financed by budgetary sources and special means, including those coming from the National Fund for Renewable Energy. In order to stimulate the production and use of renewable energy, the governmental institutions shall implement a range of actions as follows:

- defining the priorities in the field of renewable energy use;
- development of state standards in the field;
- establishment of a viable mechanism of green certificates market functioning;
- establishment of compulsory rate for renewable energy use for enterprises;
- offering taxation and crediting facilities for individuals and enterprises producing renewable energy.

Tariff policy and energy market. Energy tariffs are a sensible political issue, influenced both by the country situation and from abroad, by election campaigns and Government’s intention to attract energy consumers on its side. This prevented the Government from adopting less popular, but important for energy security and future of the country, decisions. In practice, the tariffs policy promoted within the country depends on current priorities only, without efforts on meeting the objectives of the European energy policy. The political and administrative factor still have an important weight when establishing new tariffs (ex.:

²⁰² Law of the Republic of Moldova No. 160 of 12.07.2007.

tariffs on heating in Chisinau Municipality, on electricity for final consumers, etc.).

The existent differentiation of natural gas tariffs for different categories of consumers does not stimulate the promotion of efficient energy production technologies on local market, in the framework of small and medium power installations (cogeneration and trigeneration), as well as wind-mill electric generating plant.

The tariffs for heating supply in Chisinau Municipality through centralized supply system, for a long period of time were much smaller than the cost price (tariffs for heating were not updated for 8 years) and at present is considerably subsidized (subventions from local and central budget, crossed subventions). This practice of energy tariffs makes the activity of service provider operator (S. A. Termocom) very difficult. The lack of timely payments from the budget to the operator leads to new debts – thus, a bankrupt company is imposed by the state to credit the budget!

The small price of imported electricity, the existence of crossed subventions to local TPPs between electricity and heating, uncorrelated tariffs between natural gas and tariffs for electricity and heating delivered to customers – all these make the promotion of technologies for cogeneration and trigeneration of energy and renewable energy sources lose sense.

Recommendations

Energy security of the country. Consolidation of energy security of the state is possible only in conditions of a political and social stability and of a significant growth of economy. It requires huge investments, complex and of long term actions. Priority vectors for consolidation of state energy security should concentrate on:

- ▀ Decrease of domestic consumption through implementation of energy conservation actions.
- ▀ Building new capacities for electricity production in the country (medium and large power capacity); construction of a thermal-electric condensation power plant of a installed capacity of about 250-300 MW would require investments of about 150 millions USD.

²⁰³ According to the requirements of Directive 2004/08/EC of the European Union.

- ▀ Promotion of cogeneration installations of small and medium power capacity – costs of a programme in this field are estimated at about 20 millions USD.
- ▀ Construction of electricity grids of 110 kV for interconnection with the electricity system of Romania would cost about 10 millions USD.
- ▀ Promotion of renewable energy sources, especially wind and biomass installations.
- ▀ Insurance of transparency, predictability and stability of internal energy market.
- ▀ Improvement of investment climate in the energy sector.

Energy conservation and energy efficiency. In order to reduce with 5% the energy consumption until 2010 investments of about 2 millions USD are required. Buildings are the field with the biggest potential for energy conservation, where it is possible to achieve saving of 30-40% of the annual energy consumption. Promotion of energy cogeneration sources of high efficiency²⁰³ is another direction in the process of energy conservation and a concern for authorities. Energy losses in the networks are high, this requesting urgent actions for energy saving. Enterprises involved in transportation and delivery of electricity and heating and natural gas must be obliged to work harder on this aspect. In the field of energy conservation are recommended:

- ▀ Revitalization of the National Agency for Energy Conservation (NAEC) and consolidation of its capacities to elaborate and promote programmes on energy efficiency.
- ▀ Establishment of energy conservation week.
- ▀ Development and implementation of municipal and community plans on energy conservation.
- ▀ Implementation of public buildings energy certification system and encouragement of renewable energy sources use in buildings.
- ▀ Facilitation of implementation of high efficiency cogeneration in installations of small and medium power capacity.
- ▀ Energy saving in transport through consolidation of public transportation system, rationalization of private auto transport in towns, revitalization of railroad transport and encouragement of alternative fuels use, especially bio-fuels and natural gas for auto transport.

- ✔ Energy saving in illumination through use of light sources with reduced consumption of energy.
- ✔ Energy saving in industry through implementation of new technologies.
- ✔ Decrease of specific consumption of fuel at TPPs through optimization of working regime.
- ✔ Decrease of energy losses within electricity networks.
- ✔ Production of electricity and heating using high efficiency cogeneration technologies.

Promotion of renewable energy resources:

- ✔ Promotion of intensive production of biomass used for energy use and establishment of a National Programme for intensive production of biomass and bio-fuels (bio-diesel, bio-ethanol) used for energy purposes. The costs of installations for production of bio-fuel could be estimated to 50 millions USD.
- ✔ Establishment and implementation of the National Fund for Renewable Energy.
- ✔ Consolidation of the Agency for Renewable Energy as an institution able to elaborate and promote policies, programmes and projects in the field.
- ✔ Development of technical and economic-financial requirements for building of a wind power plant of about 5-10 MW and establishment of an international competition for the purpose of implementation of this objective.
- ✔ Development and implementation of a legal framework needed for commercialization of renewable energy in the Republic of Moldova.

- ✔ Broad involvement of the state and entire society within the implementation of energy conservation.
- ✔ Establishment of medium and long term commitments to save energy resources and energy (at national, regional, town, community, enterprise level).
- ✔ Development of studies on energy conservation opportunities at local and national level and development of the Action Plan for Energy Conservation.
- ✔ Development and promotion of National Programmes of:
 - insurance of energy efficiency in public buildings, including of implementation of an energy consumption report for building of more then 1.000 m²;
 - implementation of cogeneration installations of small and medium power capacity;
 - insurance of energy efficiency in residential buildings in towns and municipalities;
 - public information, education and raising the awareness about the European and National Campaign for Energy Conservation.

Tariff policy and energy market

- ✔ Ensuring and maintaining operational independence of the National Agency for Regulation in Energy sector.
- ✔ Development and implementation of legal framework required for promotion of cogeneration and trigeneration of small and medium power capacity, as well as renewable energy sources.
- ✔ Avoiding financing of heating on account of electricity at TPPs.



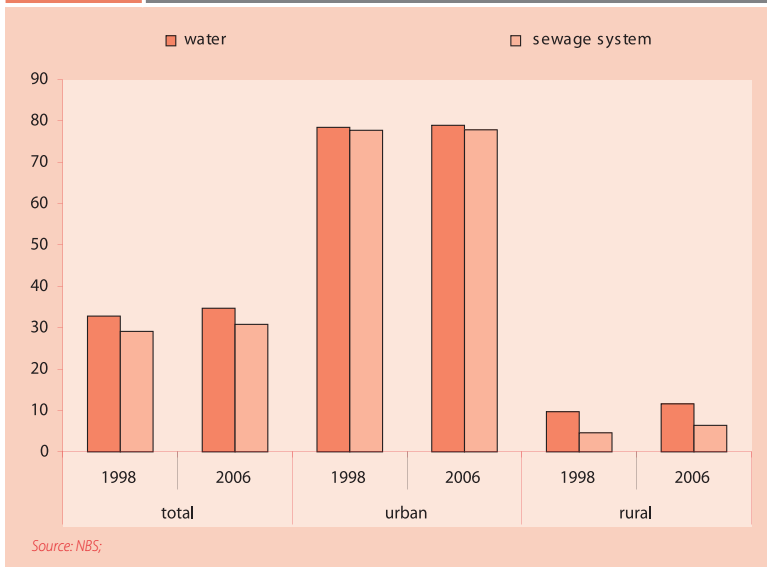
7.3. Public utilities

EVOLUTIONS: -1
SITUATION: -1
PERSPECTIVES: +1

Diagnosis

Public utilities sector suffers because of delay of reforms in the field. The economic crisis strongly decreased the volume of services and reduced investments under the level required for infrastructure maintenance. Its expansion and improvement was possible in some isolated cases only, especially, with the support of external donors.

Figure 34 Provision of households with water supply and sewage system in 1998 and 2006



Although the consistent statistical data are missing, it is possible to state that access to drinking water in public supply systems are very much different depending on living environment. The degree of service coverage can be evaluated at the superior limit of the indicator “household connection”. Thus, in 2006, on average 34.7 % of households in the country were equipped with water supply systems and 30.8% with sewerage²⁰⁴ only (Figure 34). Nevertheless, it is necessary to take into account that a part of households, especially in small towns, in spite of the fact that they are “connected”, do not benefit from services because the respec-

tive systems does not work. As shown in Figure 34, the situation did not improve essentially during the last eight years. At the same time, the quality of delivered services, especially of drinking water, sometimes is very low. The sanitary-chemical indicators of drinking water exceed the maximum admitted concentrations in 47% of cases, and the microbiologic parameters in 10% of urban communal water supply systems and in 19% of the rural ones²⁰⁵ (see other details in ENVIRONMENT AND NATURAL RESOURCES).

In 2006 there were 540 systems of water supply (93 in towns and 447 in villages) and 182 sewage systems (73 urban and 109 rural) that belonged to specialized enterprises in the field. During last 5 years the number of systems in urban area remained rather stable with increase of total length of networks with about 4.2% for water and 1.3% for sewerage. In rural area, the length of water networks increased with 2.9%, and of sewage networks decreased with 16%.

The general condition of infrastructure of the absolute majority of enterprises is extremely bad. The majority of enterprises from urban area have more than 3 breakages-blockings per 1 km of network annually. In 2005, in Chisinau were about 10 breakages/blockings per 1 km, and for some enterprises the figures exceeded 15 breakages/blockings per 1 km. For comparison, in Czech Republic, Hungary, Great Britain this indicator rarely exceeds one unit²⁰⁶.

Heating supply system faced a dramatic involution after 1990. At present, we can speak of existence of heating centralized systems supply in Chisinau and Balti Municipalities only. Accordingly to data of population census from 2004, 74.1% of household buildings in Chisinau Municipality are heated and 66.2% are supplied with hot water from the public system, and in Balti Municipality – 64.8% and respectively, 56.7%. This two municipalities have 90% of the total countries’ house-

²⁰⁴ According to population census in 2004 on average 37.4% of the households in the country were equipped with aqueduct only. In Chisinau Municipality the respective indicator is 93.3%, in Balti Municipality – 85.8%, and average for the rest of settlements is only of 20.2%.

²⁰⁵ The environmental situation of the Republic of Moldova in 2004 (national report), www.mediu.gov.md.

²⁰⁶ www.ib-net.org

holds heated and supplied with hot water from the centralized system. Obviously, in case of rural area we practically can not talk about the existence of this service.

The supply of hot water through public networks is very much under the actual technical possibilities and this leads to inefficient use of production and transport capacities. For example, in Chisinau Municipality of this service voluntarily refused about 43% of high-rise buildings and this in condition when heating tariffs for population was still 233 MDL/Gcal²⁰⁷.

The condition of infrastructure concerning heating supply is characterized by an advanced deterioration and out-of-date technologies used for delivery of this service. Practically, 65% of heating supply networks require to be changed. Losses of heating in network are of 20% of supplies through network and about 290m³/hour of water. These losses should be added additional costs required for systems' repairs and maintenance. As well, because of technologies applied it is not possible to ensure a certain competitiveness of these services against the individual stations.

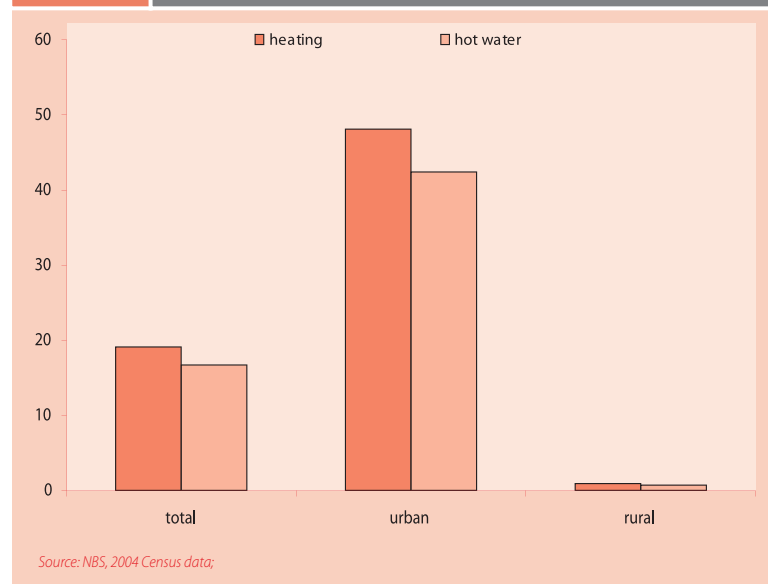
Risks

The use of drinking water from unsafe places, limited access to centralized supply system or use of damaged systems, inadequate heating of households cause big damages to the hygienic and health condition of the population. Drinking water is a factor that causes up to 15-20% of acute diarrheic diseases and viral hepatitis A cases (especially in rural areas), 20-25% of somatic diseases, and in case of dental fluorosis – 100%. Use of water with high composition of nitrates can lead to methemoglobinemia, especially with children under 1 year, particularly those fed artificially. About 37% of country population (1.5 millions) is exposed to concentrations of nitrates that exceed the maximum admitted concentration (MAC) through use of water from wells²⁰⁸ (see **PUBLIC HEALTH AND ENVIRONMENT AND NATURAL RESOURCES**).

The condition of water supply, sewerage, hot water and heating define to a great degree the life standard of the population. The lack of utilities is an impediment for con-

struction of new households and economy development, making little urban locations unattractive for youngsters and active population. Thus, this constitutes an additional factor for leaving and ruining of settlements (see **RURAL MOLDOVA**).

Figure 35 Households supply with heating and hot water, 2004



The lack of utility is a direct impediment for economic development because of decrease in activities that could be implemented and because of insurance with labour force difficulties. Especially, this is valid about settlements that have no sources of drinking water and gas supply. This has an influence especially on small and medium enterprises that have no resources for investments for autonomous infrastructure construction. The economy suffers losses also because of diseases caused by lack of utilities or quality services. For example, in 1995 the economic costs because of illnesses caused by low-quality water were evaluated to 5-10% of GDP²⁰⁹.

The losses from water-supply and sewage networks, lack of sewage disposal system or low-quality depuration of waste water contributes to pollution of water, soil and air resources. Badly maintained or abandoned

²⁰⁷ The tariff of 233 MDL/Gcal was set in 1999. Since 01.01.2007 the tariffs of 540 MDL/Gcal was approved, but the population continues to pay according to old tariffs, and the extra up to 540 MDL/Gcal has to be paid by Chisinau Municipality Council.

²⁰⁸ The environmental situation in the Republic of Moldova in 2004 (national report), www.medi.gov.md.

²⁰⁹ The National Action Plan in the Field of Environment, 1995, Municipal Water and Wastewater Sector in Moldova Environmental Financing Strategy, 2001, DEPA/DANCEE, glwww.mst.dk.

wells are a danger for water pollution as well. Out of all sewage disposal plants situated on Nistru River basin, the sewage disposal plant from Floresti and from Balti are working according to environmental authorization requirements only²¹⁰. Water, sewerage and heating suppliers are big consumers of energy resources. The level of their efficiency use and energy losses determines of pollution level produced by the energy sector, which has a rate of 71% of the total greenhouse emissions of the country²¹¹.

Governmental policies

The fundamental policies in utilities sector were decentralization and privatization, which manifested into a range of regulatory and legal documents²¹². Currently these reforms are in different stages: decentralization has a high level of implementation, while the results of privatization are modest.

A key-aspect of sector policies is regulation of tariffs on utilities. The problems of tariffs policies restrain the sector development, the diversification of administration forms and involvement of private capital. The adjustment of tariffs continue to depend substantially on unjustified and populist economic decisions of local administrations. According to financial reports, the majority of operators do not cover their production costs, and existent mechanisms do not ensure sufficiently the protection of consum-

ers against unjustified high tariffs, caused by monopolistic position of the suppliers.

The lack of a stable and fair mechanism tariffs calculation prejudiced the development of operators and the sector development in general. In order to overcome this situation, the Government, by a letter of intent addressed in 2006 to the International Monetary Fund took the commitment to approve by the beginning of December 2006, a law where the responsibility of tariffs determination for drinking water and heating supply will be delegated to the National Agency for Regulations in Energy sector (NARE). Nevertheless, the Parliament adopted an amendment according to which the tariffs are approved by local public authorities based on NARE approved methodology.

Another regulation problem with negative impact on this sector is the absence of a clear framework based on which will be possible to establish fair and mutually beneficial relations between the suppliers and consumers. Next to regulation of tariffs, this problem is currently another major impediment for development of this sector, especially in relations with consumers from apartment buildings. Although, there is a tool for regulation of these relations²¹³, it does not show clearly the means to conclude a contract on service provision. In particular, it does not clearly stipulate who are the subjects of these contracts: apartments' owners or administrators of housing facilities²¹⁴. The existent regulations are interpreted in different ways by suppliers, consumers and public authorities concerning the guarantee of utilities access right. Because majority of suppliers have public capital, the local authorities were able to interfere not only as regulation body, but also as owners in order to impose a certain strategy of reform of suppliers infrastructure. In practice however, the local authorities could not administer the transition process, allowing the crisis situation to continue for many years.

An important step for service development is implementation of water and heating consumption meters that increased the efficiency of these services²¹⁵. At the same time, during the implementation of this policy a range of mistakes were made, currently retaining finalization of meters installation

²¹⁰ Anastasia Radu, „Drinking water – dream or reality?“, Bulletin REC Moldova/Informational Bulletin #1 of 2006, www.rec.md

²¹¹ The environmental situation in the Republic of Moldova in 2004 (national report), www.mediugov.md.

²¹² The Decision of the Government of the Republic of Moldova No.530 of 06.06.2000 on restructuring water supply and sewage enterprises, The Decision of the Government of the Republic of Moldova No.438 of 10.05.2000 on restructuring the Republican Production Association "Termocomenergo", the Law of the Republic of Moldova on public utilities services No.1402 of 24.10.2002, Law of the Republic of Moldova on local public administration No.123 of 18.03.2003, the Law of the Republic of Moldova on local public finances No.491 of 9.07.1999, the Law of the Republic of Moldova No.534 of 13.07.1995 on concession, The Decision of the Government of the Republic of Moldova No.1006 of 13.09.2004 for elaboration of the Regulation on concession of public utilities services.

²¹³ The Decision of the Government of the Republic of Moldova No.191 of 19.02.2002 on approval of the Regulation on service provision and payment of housing, utilities and non-utilities services for housing facilities, instalment of counters in the apartments and conditions for their disconnection from/connection to heating and water supply systems.

²¹⁴ By administration is understood the municipality enterprise of housing facilities administration, municipality enterprise of housing-communal administration, the cooperative for apartments buildings, the association of joint-owners in condominium, the association of owners of private houses, other enterprises that own or administrate the housing facilities

²¹⁵ The Decision of the Government of the Republic of Moldova No.634 of 05.07.2000 on some measures of regulation of the process of water and heating meters installation. As result, if in 1999 the consumption of water by population was 105,8 millions. m³, in 2002 it was 46,3 millions m³, decrease that is explained by the fact that starting with instalment of meters the suppliers can not pass the losses on consumers, and the consumers reduced wasting of water.

and expedite clarification of relations between providers and associated consumers. The most complicated situation is the one in respect of installed meters, which, as it was determined afterwards, do not meet a range of technical norms.

The development of water supply sector is a priority for the Government. The objective of improving this sector can be found in the main strategic documents of the country²¹⁶. The programme of water supply and sewage systems in the Republic of Moldova settlements until 2015²¹⁷ had a positive impact through the framework created for concentrating all project development efforts (especially through off-budget sources) in water supply and sewerage. The Strategy on water supply and sewage systems in settlements of the Republic of Moldova²¹⁸ was adopted in 2007. The middle term objectives of the Strategy are development of reforms started in 2000 for decentralization and privatization, implementation of durable access to save water sources until 2015 for 1.2 million people, the protection of environment and ensuring a social partnership. The main problem for the Strategy and its objectives implementation are lack of management skills on all levels involved, legal and regulating framework, as well as, lack of financial resources in local budgets. There are problems out of sector as well; as lack of viable mechanism of social protection, problems related to administration of housing facilities, business environment and high level of corruption in the society. In these conditions, one of the most important danger related to implementation of the Strategy is the development of projects without confidence in their durability.

The policies in the field on heating supply shall offer a clear answer to the fundamental question – what system is most appropriate, centralized, by rayons, by groups, by blocks or totally decentralized? Obviously, the question does not have a general answer, for the solution could be different in every location and area. The National programme of renovation and decentralization of the heating supply systems of settlements of the Republic of Moldova²¹⁹ offered several solution options, close to a total decentralization. This, in condition when in the Programme were given arguments for develop-

ment of heating sources through cogeneration (according to Directive 2004/8/EC of February 11, 2004) and recommendation to avoid total decentralization. The process of total decentralization takes place in Chisinau and Balti Municipalities, even in areas supplied with heating from TPPs.

In decision making concerning heat and hot water supply, the objectives of energy security (see the compartment **ENERGY**), decrease of environmental pollution, increase of energy and saving efficiency should be taken into account. The elaborated documents stipulate the basic criteria for decision making and present possible versions of development, following that local public authorities will take optimal decision in every case. However, this fact proved to be insufficient, because the Government did not elaborated the implementation tools of objectives that are of common interests concern. Under the pressure of immediate needs, the population solves its problems independently, which often creates conflict situations. Lack of a viable policy on adjustment of this service to individual demands of the consumers, as well as, lack of related financial and organisational tools are main causes of chaotic decentralization of existing systems.

A difficulty for sector development is lack of law on heating; its draft was adopted by the Government in December 2003 and passed to the Parliament, but afterwards called back for improvement. Another difficulty is related to lack heating supply development schemes in urban settlements. In practice, a range of objectives are left without implementation tools, as increase of energy efficiency, decrease of greenhouse effect, energy security. The coordination between different level authorities, between different public administration bodies did not succeeded in the heating supply.

²¹⁶ The Programme of Government activity for 2005-2009 "Modernization of the Country – the welfare of the people", EGPRSP, the National Programme "Moldovan Village".

²¹⁷ Approved by the Decision of the Government of the Republic of Moldova No.1406 of 30.12.2005.

²¹⁸ Approved by the Decision of the Government of the Republic of Moldova No.662 of 13.06.2007.

²¹⁹ The National programme on renovation and decentralization of heating supply systems of settlements of the Republic of Moldova, approved by the Decision of the Government of the Republic of Moldova No.1059 of 29.08.2003. This subject is mentioned in other documents as well, including in former Energy strategies as „Energy strategy of the Republic of Moldova until 2020” approved by the Government on July 25, 2007.

There are a range of problems in related fields, as social protection and administration of housing facilities, which prevent service development. The actual system of allocation of normative compensations²²⁰ for utilities are focused on vulnerable categories, being a real treat for a large part of population, especially, if we speak about the real tariffs that they will be obliged to pay once the tariffs will be adjusted to the costs. Particularly, there are problems with payment of heating, where is impossible to adjust the consumption according to payment possibilities. In these conditions there is a risk that once the tariffs will be adjusted to cover the costs completely, the rate of service payment will decrease severely.

As result of apartments privatization in apartments buildings and lack of administration experience of housing facilities, there are serious problems related to maintenance and supply of utilities to housing facilities. Until present the appropriate solution for administration of housing facilities was not found, with respect to fundamental rights of property, freedom of association, security of residence and everybody's right to access the quality utilities services. It is a problem of owner mentality, that when accepting the property right on apartments there is no acceptance of related responsibilities deriving from the status of co-owner of the block.

If problems related to water supply and sewerage can be solved relatively simple, the supply with hot water and heating is more difficult. The main difficulty is the lack of administration capacity of the associations of private apartments owners. According to the Law on condominium in housing facilities²²¹ the general framework for association of houses' owners was created, however the implementation of this law, mainly, does not take place. Another major difficulty is lack of financial and organisational schemes through which the apartments' owners could real-

ize their objectives to improve life standards. Practically, there are no mechanisms through which there would be possible to change the internal networks of blocks so that there would be the possibility to harmonize individual interests of owners on service standards.

Recommendations

It is not possible to ensure functioning of utilities and quality maintenance of housing facilities if every building does not have an owner legally instituted and functional. Because of this, creation of owners associations is compulsory in case of buildings with many owners. At the same time it is necessary:

- To include in the Law on public utilities services the provision according to which providers may conclude contracts and provide services to consumers from many owners blocks, only after presenting the Authorization on building functioning.
- To amend the "Regulation on authorising the functioning and change of destination of buildings and arranged spaces"²²², thus, that conforming with the law on condominium in housing facilities²²³ shall be a condition for issuing the authorization for functioning, and these authorizations should be issued for free.
- To modify the Law on public utilities services, under which the tariffs for services are to be established by the NARE as an independent body. Because in the Parliament this proposal was not accepted, it is necessary to come with new arguments in order to convince the legislative body about the correctness of this option.
- To exclude differentiation in tariffs for population, budgetary institutions, economic agencies and other consumers, because the existence of different tariffs damages the rational use of resources and creates commercial losses for suppliers, because permanent change in relations between consumption by population and by economic agencies, generate mistakes in calculating the tariff.
- To implement different and efficient policies for ensuring transparency and public participation in process of decision making and establishment of tariffs; transparency is an important tool for decrease of general effects of monopolistic positions and unjustified expenditures of material and financial resources that are included in the tariffs.

²²⁰ The Law of the Republic of Moldova No.933 of 14.04.2000 on special social protection of some categories of population

²²¹ The Law of the Republic of Moldova No.913 of 30.03.2000.

²²² Approved by the Decision of the Government of the Republic of Moldova No.306 of 30.03.2000.

²²³ The Law of the of condominium in the housing facilities, No. 913 of 30.03.2000.

➤ The problem of contracts conclusion between the providers and consumers became a fight between the providers and consumers. The regulation of relations between providers and consumers should be based on the following principles:

- The contract on water, sewerage and hot water service supply shall be signed by provider and owner based on spaces for which these services are required and based on application submitted by the owner. In order to ensure that provider can conclude the contract with the owner, the space for which the contract is signed should be able to be connected to respective infrastructure through its own networks or under its administration. In blocks with many owners, at the request of 2/3 of owners wanting a specific kind of services or by decision of General meeting of the Association, the internal network could be passed for administration to the provider, in which case the provider is obliged to take it over. In this case, when there is signed a contract with every owner, there will be a stipulation according to which the owner passes the administration of his/her part of respective network for free, with the obligation to pay separately the maintenance and repair costs related to this part.
- In case of heat supply service, by initiative of provider or by 2/3 of total owners of a block there will be established a schedule for changing the internal network on principle of horizontal supply with thermal energy. The payment for works will be covered by owners and can be done by the provider or owner, the decision being of the owner. The changed network is the property of owners connected to system.
- The payment for of water use, sewerage and hot water should be done according to measurement data of every owner apart. According the European experience, the meters of hot water, count the temperature of the supplied water as well, aspect that should be regulated through the modification to DG No. 634 of 05.07.2000²²⁴. The payment for heating, until complete change of the system to horizontal supply, will be done according to data of meter of every block or section.
- All current costs related to current maintenance and repairs of internal networks are billed to every owner according to its part of internal network system. It is important that costs related to investments and maintenance of internal networks should not be introduced in tariffs in order to ensure a maximum efficiency and to respect the principle of justice. Otherwise, consumers not associated or

not agreeing to transfer the internal network for administration to supplier will pay for costs that do not participate in creation of these services.

- Installations' maintenance is owner's responsibility in whose area the installations are, independently of their ownership.
- Currently, there is a process of an uncontrolled and unjustified decentralization in terms of cost/benefit ratio. As reaction to this process there are used more means of administrative limitation, rather than tools that would increase the competitiveness of centralized systems.
 - The Government should make efforts in order to elaborate and implement policies of integral use of heat obtained from existent sources of cogeneration and those that will be constructed in near future. For this purpose, together with local public authorities, will be elaborated the schemes of supply with thermal energy that will limit the efficient areas covered with heating out of these sources.
 - The cost of ensuring the energy security through development of local sources of energy should be evaluated, development of financial mechanisms and of regulation and formation of a fund for this purpose, a part of its sources will be used for development of projects of maintenance and development of heating supplying systems that use heating through cogeneration.
 - The Government should evaluate the benefits related to protection of environment by use of heat from cogeneration sources compared to separated production of heat and electricity and should identify financial tools through which these benefices should be compensated.
 - The local public authorities, together with heating suppliers should develop efficient programmes in order to ensure a quality of services of heating supply, at least at the level ensured by the individual plants and competitive as price. Out of funds for ensuring energy security as well as out of the Ecologic Fund that will be increased at least 2-3 times, the Government will allocate means for creating conditions on increase of competitiveness of this service. This will stop the process of destruction of centralized system where it is favourable. The realization of this objecti-

²²⁴ The Decision of the Government of the Republic of Moldova No. 634 of 05.07.2000 on some measures of regulation of the process of water and heating meters installation. In order to make the tariffs more just, the costs related to meters shall be compensated to the consumer. Thus, those that do not have meters "subsidize" those that installed meters. For same reasons the regulation regime for population and economic agencies should be same, this not happening in the current form of the Governmental Decision No.634.

ve has a major importance also for the social protection, by the fact that households will be able to reduce the use of heating to limits of available sources.

- ▣ In order to supply with water the settlements without sources of quality drinking water it is required that the Government pays special attention to construction inter-communities and inter-regional water supply systems.
- ▣ It is required to harmonize the national legislation and norms with those of the EU with regard to water supply and sewerage services. A special importance in this sense have provisions the implementation of which depend on the condition of the long term assets.
- ▣ The renovation and modernization of the existent systems of heating supply in order to increase the efficiency and quality of services. At the same time, the offer of some viable and available mechanisms for owners of blocks with many

apartments, for works of modernization of common installations from the interior of the blocks. Without the involvement in the modernization process of this service and of apartments' owners on segment of installation from the block, the change of situation in this sector is in danger.

- ▣ Taking into account the priorities of the "Energy Strategy of the Republic of Moldova until 2020" for settlements where it is planned to build cogeneration plants, special programmes on development support of heating supply services are required.
- ▣ The creation of the legal framework for stimulating and facilitating the implementation of public-private partnerships for ensuring with water, sewerage and heating. The main benefits after implementation of these partnerships are the involvement of financial sources required for development of the sector and increase of the service efficiency.

THE
KNOWLEDGE

*Towards a
society based on
knowledge and
technologies*

8

**“
Knowledge is power.”**

Francis Bacon, British philosopher





Towards a society based on knowledge and technologies

Chapter eight analyzes the capacity of the Republic of Moldova to build a society and an economic system based on knowledge and modern technologies. In the world economy, where the Republic of Moldova integrates too, the know-how and technologies part of quality products and innovative processes, will be components of nation's competitiveness. Section one is dedicated to development of information technologies sector and shows that the impressive speed of sector development could decrease because of policies and market risks. The next section analyzes how the process of technological research and development in the Republic of Moldova takes place, identifying centralization as the main risk for development. In the special topic concluding the chapter, the reader will be able to see stage of implementation of informational and communication technologies in the Moldovan education system.

8.1. Development of ICT sector

EVOLUTIONS: +1
SITUATION: 0
PERSPECTIVES: +1

Diagnosis

The informational and communication technologies (ICT) sector of the Republic of Moldova is similar to a reverse pyramid, which is characterized by high indicators of development and investments in telephone networks (stationary and mobile) and a more slow development of services and systems of information technologies (**Table 24**). Certainly, the weak point of ICT sector of Moldova is its unbalanced structure. Stationary and mobile telephony holds 89% sector's turnover, while the share of Internet services and software design hold 4% each. Such structure of industry, with a dominant rate of telephony services and a reduced rate of software services, is an indicator of low quality of sector development.

Why are ICT services so important? The availability of these services (as e-banking, on-line public procurement, e-taxes, e-commerce, etc.) offers a greater degree of competitiveness of the economy (the cost for business promotion, transparency and low level of corruption in public sector, strategic flexibility and speed of business promotion for private companies). For example, in the European Union telephony services and access to Internet had a rate of 42% of

ICT market in 2002. The share of software development services and related services constitute 10.7% and respectively 20.7%. Over 26% of market was ICT equipment sale rate.

Indicators	Fixed telephony	Mobile telephony	Internet	Software design
Turnover	2131 ml MDL	1885 ml MDL	196 ml MDL	180 ml** MDL
Number of subscribers	1.275 ml MDL	1.400 ml* MDL	0.460 ml MDL	--
Penetration rate	29.7%	41%	13.6%	--
Investments	724 ml MDL	678 ml MDL	82 ml MDL	--
Medium month income per subscriber	182 MDL	128 MDL	--	--
Competition level	97% of market's sector services belong to one operator	3 GSM operators, 1 CDMA operator	1 strong operator and 41 secondary operators	The competition is not limited

Note: * - The sale of computers equipment, mobile telephones and digital equipment is not registered by the National Agency for Regulations in Telecommunications and Informatics (NARTI). NARTI monitors cable and radio television services in ICT sector. Thus, the volume of these services indicated in the table is smaller than the total volume of services in the sector; ** - valid by April 2007
 Source: NARTI

The fact that in ICT sector of Moldova stationary telephony holds a dominant rate, shows a decrease of growth rate of the sector in near future, because the market becomes saturated. NARTI considers that the maximum level of penetration of the stationary telephony for Moldova is of 1.3 – 1.4 millions subscribers (by the end of 2006 this figure constituted 1.275 millions). As well,

there are no strong tendencies of increase of medium income per subscriber in the stationary telephony sector noticed.

In the mobile telephony sector, Moldova has a rather low penetration rate of mobile telephony – 41% - compared to 109% in Russia, 84% in Ukraine, 69% in Romania and 56% in Belarus. Even the decrease of tariffs at the coming of a new telephony operator on market, increased with only several percentage units the penetration rate of mobile telephony in Moldova. Subsequently, this segment will grow further, and operators will compete for users. The option of users to change the operator will eliminate the barriers concerning freedom to choose the mobile telephony company.

Unlike telephony, Internet, software and related services are underdeveloped in Moldova. Only, 4.7% of those 460000 of Internet connections are through broadband Internet services. The penetration rate of this service in Moldova was of 0.64% only by the end of 2006 compared to 2.8% in Romania or 15.7% in Estonia. Private Internet providers are small companies. The state company MoldTeleCom (MTC) serves 44% of final users of Internet services on the local market. The biggest private company on this sector has a rate of 20.7%.

Internet service providers operate in the most developed regions of the country (Chisinau, Balti); connection rate in rural area is still extremely low. The CDMA provided by MTC is maintained at a high price for rural population, especially if taking into account the income level of this area.

The reason for low Internet access is the MTC monopoly on Internet services. Private Internet providers develop the network infrastructure without a long term guaranty for access to Internet. MTC operates as the only Internet provider, both for other operators and for final users, at reduced prices, due to crossed subventions on the account of other activities. Because of this, private investments in Internet services development is characterized by a high risk degree.

After the decrease of tax corporate burden on software production companies in

2004, this segment started to develop at a impressive pace. The main type of activity defining the growth, is outsourcing. The domestic market in Moldova offers a limited number of profitable projects that would need ICT services, mainly because of undeveloped corporate and business environment. Only several companies working on the local market are present in Moldova, especially banks and ICT projects supported by international donors. By the end of 2006, the high rhythm of software segment growth had reduced because of lack of qualified human resources in Moldova (see the section **VOCATIONAL EDUCATION** and the special topic **INFORMATION TECHNOLOGIES IN EDUCATIONAL SECTOR**).

A restricted and weakly developed business environment in corroboration with low penetration rate of broadband Internet are the main restrains that stop the development of electronic services in Moldova. At present, 3.500 companies use e-banking service out of a medium number of 30.000 firms in Moldova²²⁵. The e-government services are missing almost entirely, the state agency. I.S. “Registru” being the only one offering online access to information and some other services. The e-commerce is not developed because credit card processing cost –2.5% of transaction amount – is too high for retail operators.

Currently, ICT sector of Moldova is at a turning point. The segments of mobile and stationary telephony have consumed their sector growth generating capacity. The tax discounts for software products development generated positive results, but these will not be able to generate growth in years following. The Government has to concentrate on much more difficult tasks, among them the quality of education, the competition protection and development of electronic government. If the Government of Moldova shows an efficient attitude toward sector policies, then further performances will be positive. Otherwise, sector evolution will oscillate between stagnation and mediocre development.

Risks

In ICT sector risks are other than users' refusal of telephony or Internet services,

²²⁵ According to evaluations of the Deeplace Company - the main provider of e-banking solutions in Moldova.

because these services become basic needs for the society and some manufacturers. The major provocation for this sector in Moldova is ensuring fast development and penetration of other services than telephony. There are risks that can decrease development rate of ICT sector services and products. Besides already known problems related to risk, like economic stagnation, population's emigration and the underdeveloped legal system, the following risks specific for high technologies and telecommunications sector should be examined.

The risk that the Government will not change its policy for competition protection in telecommunication sector. This is a significant risk for ICT sector, because businesses could be destroyed by an inappropriate regulatory environment. Especially for Moldova, this risk is manifested by excessive regulation of Internet services providers access to Internet backbone of the country (English. *backbone*) and the protection of competition in telecommunication sector. Currently, the Government of the country elaborates working solutions in order to ensure equal access conditions for Internet service providers to the backbone. MTC has the control on Internet distribution to other intermediate companies, raising the price for them and levelling down prices for final users. If the Government policy will remain the same, then Moldova risks not receiving investments for new Internet connections development.

Lack of qualified human resources is another current problem for telephony providers, Internet providers and software companies. In this sector there is no unemployment anymore, but deficit of human resources. Alongside emigration of specialists, the problem is highlighted also by reduced formation level of human resources for ICT sector (see the special topic **INFORMATION TECHNOLOGIES IN EDUCATIONAL SYSTEM**). As mentioned by directors of the main IT companies of Moldova, only 30% of graduates of specialized departments for training of human resources in the sector are able to become programmers after a year of training in the company. It means that companies are forced to give up some development projects. The cost of labour force in Moldova is increasing and

the country is not a cheap market for ICT services anymore. If this tendency will continue, IT companies (including foreign investors) will not be able to find labour force for businesses operated in the country.

State procurement of information technologies and development of the e-government system have an important role, because corporate sector is underdeveloped and public procurements hold an essential rate of IT demand. The problem is not only about ensuring a loyal competition when organizing public tenders, but also the efficient coordination of governmental policies as a tool for establishing priorities and making costs more efficient. Without a coordinated governmental policy and a strategic vision of e-government mechanism development, Moldova risks to invest money and time in projects that have no impact on society.

Governmental policies

The Government of every country has 3 important tools for facilitating ICT sector. Firstly, the state regulates the market and insures equal competition conditions. The second tool is state capacity to ensure human resources development and capacities through better financing of universities and colleges. The third mechanism is procurement of ICT equipment for needs of state and development of e-government systems. In addition, the government can implement special tools development for short terms use. These are tax privileges for lowering business promotion costs in ICT sector and investment promotion in the sector by already operating companies.

The policy of Moldovan Government in the sector is highly influenced by lobby groups interested in conservation of status-quo (the MTC management, deans of universities) resisting to changes. Private companies are too weak to interfere into this situation.

Similar to practices of other countries, the Government of Moldova, uses licensing procedure of ICT sector activities for regulation purposes, and introduces rules for interconnections between networks of different operators of telecommunication. The major objective of regulation shall be ensuring transparency and competition in ICT sector, because there is a correlation be-

tween opening the market and development of industry. There are 3 subjects to mention concerning Government's policy for market regulation in Moldova.

The first one is over-licensing in Moldova. According to the law, license in Moldova is required not only for telecom companies and Internet providers, but also to software development companies and even Internet clubs.

The second important subject is monopoly of MTC in primary Internet distribution. In spite of the fact that there is a law on electronic communications that clearly stipulates mandatory interconnection of operators' networks, there are cases when MTC refuses to connect some private companies or issue a dedicated Internet line, referring to technical problems. This generates disputes between operators and the Government of the Republic of Moldova, because the latter, at its turn, did not create an agency authorized to implement technical audit and regulation of interconnections. The same principle is valid for underground lines that are property of MTC and that could be used for payments by other operators.

The third subject is weak level of competition protection in telecommunication sector. The monopoly of MTC allows it to provide Internet services at lower prices for final users and at higher prices for other Internet providers that purchase Internet "in stock", in order to sell it afterwards to other final consumers. Thus MTC, remains advantaged on Internet service market compared to other providers or telephony operators. The government does not take measures in order to improve the situation.

A positive example of regulatory framework of the Republic of Moldova is mobile telephony. The Draft law on change of operator, in process of development by NARTI will allow users to change the operator serving the number without changing it. This legislative modification will increase the degree of competition in mobile telephony segment. The change of operators will not be possible for stationary telephony, although this will allow reducing prices for local calls.

More than other sectors, ICT industry needs qualified labour force and know-how

for quick and progressive development. The required skills are hard to obtain and time is needed to change the qualification of existent specialists. The success obtained by Ireland in information technologies field are due to investments of the Government made in universities, even in the period when the country was poor and had the problem of mass emigration. Moldova is not able to invest sufficient proceeds in education, but the Government does not take sufficient actions for overcoming deficit of financing. In this respect there are two subjects to be mentioned about the Government's policy. The first subject is related to lack of competition and the second one to lack of some correlation that would show the quality of knowledge acquired by the graduates and the financing level of respective university/college by the state.

The first reason for poor study quality in Moldova comes from the strict control of market of educational services by related ministry and low degree of competition in the sector. The licensing procedure, as well as the need to submit to educational standards of Moldova creates obstacles for other universities to open offices in Moldova. Although the state is not able to finance educational system, the Government does not create favourable conditions for private or foreign investments in educational field. This refers as well to licensing conditions for institutions that provide services of professional and continuous education (see the section **VOCATIONAL EDUCATION**). Private companies have to present evidence that they have facilities, qualified staff and equipped libraries, according to required level. These institutions are obliged to submit educational programme for approval to the Ministry of Education, even when it is about classes equipped for training by Microsoft or Oracle, and these, in condition when the ministry does not have the required human resources for evaluation of educational process performed by Microsoft or Oracle.

The second reason for poor quality of studies is lack of correlation that would show the quality of knowledge acquired by the graduates and the financing level of universities by the state. Moldova allocates financial sources for education and science, but it does not control the quality of

resulted services. Without a mechanism for evaluation of these services, universities are little concerned on implementation of some qualitative changes. Corruption and favouritism dominate in universities.

The Government's policy next to public procurements of ICT products and electronic government development is a strong impulse for sector growth facilitating. The Government of Moldova allocates special funds from state budget for ICT and directly or indirectly administrates the sources coming from international donors (UNDP, USAID, etc.). These funds are not very consistent, therefore existence of some well established priorities could bring more benefices, including involvement of private investments for electronic government development.

Moldova approved the strategy of e-government in 2005. A lot of work had already been done in this respect, including building a network of optical fibres for public authorities of Chisinau and founding a specialized agency for issuing certificates for public access to the system. Although these results, the policy of e-government mechanism development suffers of a series of constraints.

Firstly, the e-government in the Republic of Moldova does not have clearly defined priorities for service points and technical platform. Instead of elaborating a complete functioning system (for example administration of taxes) the Government and donors divided the resources for development of some blocks that do not offer complete services and, respectively, are not applied in practice. For example, almost all ministries and central authorities have their own web sites. But these serve only as ways to offer information and not for service provision for enterprises or public, as it would be online application forms for different permits issued by ministries.

Secondly, the e-government mechanism is elaborated especially by state institutions or state companies as it would be I.S. Registru. Governmental IT systems are administrated only by state companies. Private companies are contracted for development of IT systems, but are not invited to administrate electronic services, even if a private company is able to provide these services for a

fee. For example, Romania allowed for a private company from USA VeriSign to process electronic income statement. A similar situation is in Russia. Private companies have the required resources for development of interfaces for e-government services and for their administration for a fee if the Government does not have the required resources at the moment.

Thirdly, the created infrastructure for e-government in Moldova, including the Certification Agency and the optical fibres network, was built independently, based on private companies needs and projects, in absence of a partnership with public sector that shall invest for creation of its own similar system. The essence of the problem is lack of driving force from part of the Government that would encourage this process through a dialog between public and private sector.

The above mentioned difficulties lead to stagnation of the e-government system, as since 2004 no complete electronic service has started. Tax facilities adopted in 2004 had a positive impact. The employers of software companies benefited of a zero corporate tax on profit and income before taxation, while payments for social insurance remained constant. This initiative generated a wave of investments in software companies. But this had an insignificant impact on expenses for ICT services.

Recommendations

A series of measures could be taken in order to stimulate the development of ICT sector. A positive impact could be achieved without major expenses from public budget, but with some political will to fight against vague interests of some groups. This industry is based on know-how, and in order to ensure its progress appropriate conditions for implementation of loyal competition, freedom and corresponding remuneration for employees and entrepreneurs are required. In order to achieve these objectives, the following key-aspects are required to be considered:

- ▀ Promotion and encouragement of competition in telecommunications, including equitable access to primary Internet distribution; attraction of investments in primary Internet distribution backbones. These tasks are divided in sub-points:

- Dividing MTC in two companies is a subject already discussed in ICT community of Moldova. The first company would deal with primary sale of Internet, while the second company, eventually privatized, would concentrate on final users (telephony and Internet).
 - Elaborating clear and transparent rules for access to Internet backbone, to ensure the transparency (this could be achieved through organisation of public sale for services).
 - Ensuring access to underground MTC fibres for any Internet company or telephony provider through a public and transparent administration of these assets.
- ▣ Next to regulation of access to the main Internet backbone, the Government has to encourage building alternative backbones, generating more competition in the field. For that, is necessary to organize a tender for building alternative primary access backbones by any private company interested in this business (a possibility could be the line Iasi-Chisinau). In order to make the offer more serious, the Government could offer the land parcels needed for works. This project is profitable and in the past several foreign companies made this offer to the Government of the Republic of Moldova.
 - ▣ Another subject to prove the serious intentions of the Government in this sector would be the decrease in the number of ICT activities requiring licensing. The license for an Internet café or a company that develops software is not obvious, because this activity does not suppose social responsibility, public risks or very big profits. For special kind of software, that could cause damages to consumers (e-banking services, application forms for e-government, etc.) there could be introduced a special procedure for certification.
 - ▣ The liberalization of education in ICT sector could be implemented the same way. The licensing procedure for professional or continuous education institutions should be cancelled. These studies are designed for professionals that already have a high education diploma and are able to understand independently if the institution meets his/her needs or not. In the framework Bologna process, the Republic of Moldova can open the market of educational services for institutions from member countries of the process, the latter being able to open offices to activate in this field. Any university accredited in Western Europe, Romania, Ukraine, Russia or even Turkey and USA (that do not belong to the process of Bologna) should be offered the possibility to open offices in Moldova without difficulties. Obviously, we should not expect immediate results in education because at least 4 years for a student to graduate an educational institution are required.
- ▣ It is recommended that the Government follows the implementation of e-government strategy and ensures the required resources for first-priority projects in order to achieve the expected results. The e-government strategy of Moldova provides for general concepts, and does not include a feasibility study for specific projects for ICT systems and services to be applied. As a result, the financial and human resources are separated and do not ensure the expected quick progress.
 - ▣ It is recommended for the Government to establish first-priority projects that have the largest impact and shall be financed from the state budget. In 2007, about 17 millions MDL were allocated for implementation of the e-government strategy, that were dissipated in the multitude of ministries. An analysis of the projects proposed for implementation, shows that they will not have a significant impact for increasing the demand of ICT services. In addition, these projects will not result in attractive services to benefit the masses.
 - ▣ The Government shall allow private investments in e-government projects, especially in those projects that do not have a high risk degree and could be given to private companies for administration.
 - ▣ Facilitating the partnership between public and private sectors is required, as well as a more intense private use of ICT infrastructure built by the government. During last years, the Government of the Republic of Moldova invested enormous resources for development of ICT projects, among which also the Certification Agency for electronic signatures, optical fibres networks, etc. A part of these assets could be exploited commonly based on dividing the costs because of enormous capacities. A dialog shall be initiated in order to identify the needs of companies and the Government capacity to meet these needs.
 - ▣ For a long term, the Government should, as a priority, create a competitive environment in ICT sector and specialized education of the Republic of Moldova. The only solution for our country to give a new impulse to the sector development is the ensuring a free and competitive environment for private companies, without any restrains. In order to achieve this objective, the Government has to introduce amendments in legislation, to create a functional mechanism for practical application of legislation. The Government has to follow the following long term priorities:
 - Improvement of legislation, especially the Law on licensing some types of activity, in

order to absolve professional and continuous education institutions of such document. Licensing shall be applied only for institutions that issue official diplomas, for institutions of university degree studies.

- The same change is required in electronic communications field, especially in order to ensure equal access to networks of primary Internet distribution.
- The transformation of NARTI into an independent agency that would ensure the protection of competition in telecommunication sector. The Government shall improve NARTI so that this agency will conduct a technical audit of any telecommunication company, in order to ensure the technical ability for interconnection.
- Involvement of private sector in development of e-government services with calls for development and administration of these services.



8.2. Technological research and development

EVOLUTIONS: +1 **Diagnosis**

SITUATION: 0

PERSPECTIVES: 0

In 2004, with the adoption of the “Code on science and innovation of the Republic of Moldova”²²⁶, the development of research-development (R&D) sector knew major changes. The most important one was full authorization of the Academy of Science of Moldova (ASM) to implement the state policy in science and innovation field, in the frame of a Partnership Agreement between the Government and the Academy of Sciences. The administration of R&D sector, including the budgetary financial means allocated to this sector, were transferred to the competence of ASM. The Supreme Council for Science and Technological Development (SCSTD), as executive body of the ASM, based on partnership agreement, distributes the budgetary allocations, according to strategic directions of science and innovation field. As a result, the autonomy level of all institutions with scientific profile was limited, these placed in subordination of ASM.

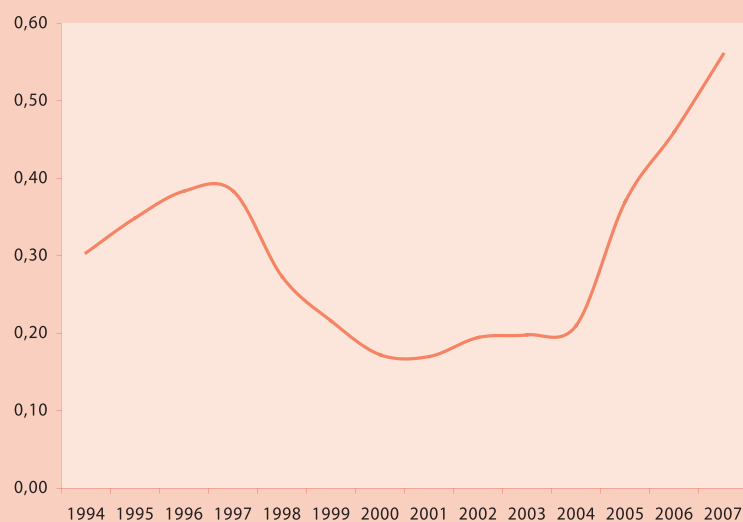
The most dramatic period for Moldovan research-development sector were years 1996-2001, when budgetary allocations in the sector decreased from 0.38% to 0.17% of GDP (*Figure 36*). Until 2004, financing of the sector moderately increased, reaching 0.21% of GDP, and afterwards financing increased essentially, reaching 0.46% of GDP in 2006.

But the increase in allocations is not sufficient for recovery of losses supported by the sector during the transition period. International practice shows that when financing R&D sector with less than 1% of GDP during 5-7 years, the scientific and technical potential of the country is destroyed, which means also the decrease in competitiveness level of the economy. In Moldova, the reduced level of financing of R&D sector lasts for tens of years, reducing very much the capacities of research units, through moral and physical aging of research equipment and drastic decrease of both number and training of staff in the sector.

At the same time, the increase in financial allocations can not compensate the internal weaknesses of the sector related to efficient allocation and use of funds. Even more, in the Republic of Moldova R&D and industrial sector coexist practically in parallel spaces. If in advanced countries the share of private investments in R&D sector is over 50%²²⁷, in the Republic of Moldova about 17% were sources obtained from international grants and less than 3% from contracts and services in year 2006 (the main part of services are limited to rent of spaces). The investment interest of private sector for research-development is closely related to implementation of research and innovation results in industry, implementation which in Moldova is very much reduced (in 2006 – 142 inventions used by 84 enterprises)²²⁸.

The human potential of the sector is decreasing continuously as well, because of the significant flight of specialists out of the sector (in other sectors, or abroad), aging of staff working in the sector and employment of a reduced number of young specialists. Even if the number of scientific

Figure 36 Governmental expenditure on the research-development sector, % of GDP.



Source: NBS and MTEF

²²⁶ „The Code on science and innovation of the Republic of Moldova”, No.259-XV of July 15, 2004, approved by the Parliament of the Republic of Moldova.

²²⁷ The related indicator is equal to 63% in USA, 70% in Finland, and the average of 56% in EU.

²²⁸ According to statistic report No. 4-tr „Application, implementation and use of inventions and rationalization proposals” presented by Statistics National Bureau.

grades is sufficient for scientific potential of the country, the core goes to scientific fields where the reproduction of scientific staff is most dynamic. In the fields where a dramatic increase of number of doctoral thesis is observed (in medicine, economy, law, pedagogy, political sciences), usually the quality of thesis is much more reduced than in the fields with a stable development. In the Republic of Moldova is relatively easy to gain a scientific title, while the international value (recognition/equivalent) of the title is very hard to achieve.

Although the number of doctorate scholarships offered by the Government was reduced (from 600 in 2004 to 311 in 2006) these remain unclaimed (20 scholarships in 2006). The over demand of doctor studies in specialities as humanities, pedagogical and economic sciences and the big number of scientific titles in these fields are caused by the superficial level of researches, reduced competence of experts and high level of corruption in these sectors. As result, we have a large number of specialists with a weak formation in the field of humanities, and the human potential in the field of exact and agricultural sciences, directions closely tied with country needs, is continuously decreasing.

Risks

- The continuing depletion of technical and scientific potential of the country, due to insufficient financing level of R&D sector, the slow increase of financing volume of the sector and not coming over the barrier of 1% of GDP in allocations for science by 2009.
- The emphasis of ASM monopoly in administration of R&D sector, inadequate orientation of financial means and gradually decrease in the autonomy of research units.
- Insufficient focus on research directions important for the Republic of Moldova and reduced orientation of financial means toward these directions.
- Continuation of technical and material base degradation of research units, that leads to a higher decrease of competitiveness of research units.
- Insufficient orientation of researches toward practical applications due to inadequate policies and financial deficiencies.

- Maintaining a reduced level of collaboration between R&D and private sector and unattractive investment environment for private sector.
- Continuation of decrease of scientific potential of the country caused by insufficient motivation of young people to start a scientific carrier and to work in this sector.

Governmental policies

At the ASM initiative the “Code on science and innovation of the Republic of Moldova” was adopted in 2004; a range of reforms in R&D sector were initiated afterwards, that were quite shocking for the scientific community of the country. The competences for administration of R&D sector and management of budgetary resources planned for this sector were given to the Academy of Science of Moldova and exercised by the Supreme Council for Science and Technological Development. After the approval of the Code, sector infrastructure was radically modified (101 research units in 2005, 38 units in 2006). Sector financing directions, as well as, the amount of financing are decided by SCSTD. Although the majority of financial allocations are based on institutional projects, it was insisted upon financing based on research project. The access to budgetary financial means is open for research units accredited by the National Council for Accreditation and Attestation only.

Starting 2005, SCSTD, through the Agency of Innovation and Technological Transfer, organizes contests for projects of technological transfer. One of the conditions to participate in the contest is co-financing of the project by the private sector in proportion of 60%. Because of insufficient orientation of researches to practical applications, the weak interaction between the private sector and the science, as well as the trifling interest of the private sector toward application and implementation of scientific results, former editions of the contest were organised repeatedly, while the continuity level of financed projects is very low.

The Law on scientific and technological parks and innovation incubators²²⁹, ap-

²²⁹ The law of the Republic of Moldova No.138 of 21.07.2007 on scientific and technological parks and innovation incubators.

proved in 2007, provides for creation of parks, where resident enterprises will implement the scientific results directly and will be able to benefit of a range of preferences for innovative products development, less expensive and of better quality than imported ones. At the same time, the existent legal documents do not ensure a legal base for commercialization of scientific activity results and do not define the development of a favourable environment for innovations in R&D sector in the country.

Although the way of financing through institutional programmes remains predominant, ASM develops the method of financing of R&D sector based on projects. As limitation for participation in contests for research projects financed by public means, is that the applying scientific institution shall be accredited by the National Council for Accreditation and Attestation, which leads to a differentiation of institutions. The level of organisation and implementation of contests, the level of expertise of the projects, as well as, the transparency of projects' selection process, leaves much to be desired.

Starting with 2005, about 20% of budgetary sources are annually allocated for equipping the experimental base, financing creative missions and on-site studies. In 2006, about 15% of allocated sums for research and development sector were oriented for procurement of equipment; the amount made possible the procurement of adjacent equipment and materials and computers, while the procurement of modern research equipment that is very expensive, to a lower degree. Out of the same sources, over 20 research laboratories were re-equipped in 2006. Considering current condition of technical and material basis, the allocated sums for its renovation are insignificant and improve to very little degree the level research equipment available.

The increase in amount of scholarship for doctorate studies (from 300 MDL in 2004 to 750 in 2006) and decrease of number of doctorate scholarships contributed very little to increase in the quality level of doctorate education. The actions of competent bodies toward adjustment of study programmes, facilitation of sharing to young people the experience of previous genera-

tions, development of mobility, especially of young researchers, offering social guarantees, are not well coordinated and structured in clear stages of development. One of the tasks engaged by ASM – to contribute to well-grounded interaction of science with educational system – was compromised by the foundation of the academic high school and the academic university, that will lead to a closed cycle of staff training for research sector.

Recommendations

The main effort for R&D sector is to increase the level of financing of this sector up to 1% of GDP by 2009, and ensuring an adequate distribution of resources. If the figure of 1% will not be reached, this shall lead to ruin of competitiveness and accentuation of transformation of the sector into an auxiliary and unattractive one. The concept of research and development policy needs to be reviewed, that could be based on following:

- Decentralization of R&D sector administration through establishment of several specialized “poles” that would coordinate and monitor the specific fields.
- Increase of volume of research and development sector financing, including through involvement of private and foreign resources, and overcoming the barrier of 1% of GDP allocations for science in 2009 and of 1.5% by 2013.
- Diversification of financial allocations for scientific researches and the possibility to use them by all research units, ensuring the level of preparation and organisation of contests for research projects, increase in evaluation quality and level of performances and research grants. The evaluation should be done exclusively based on some international performance criteria, abandoning the practices of “recognition” and ensuring the total transparency of evaluations.
- Integration of research process with education process in universities by creating models of specialised research centres, within the best universities and ensuring additional financial support for these centres.
- Establishment of favourable environment for innovations and especially for half-innovations, for commercialization of the scientific activity results through creation and adjustment of legal base, use of tax preferences, as the mechanism by which private companies could donate 2% of

their tax on profit for a public or private research institution.

- ▶ Ensuring a competitive level of researches through renovation of research infrastructure (increase of allocations volume for research equipment) and ensuring an appropriate level of remuneration of the sector's staff, facilitating the procedure of personal crediting of staff working in research and development field.
- ▶ Primary focus on important research directions for the Republic of Moldova (mechanics, agriculture, veterinary medicine, pharmacy) and increase in allocations volume of financial means for these directions, including for development of infrastructure and ensuring the stability of financial allocations.
- ▶ Creating attractive conditions for career planning in the research sector (especially in sectors that register a deficiency of personnel) through material stimulations (tripling the scholarships/salaries) for young people that commit themselves to remain in research, increasing the education level, diversifying education offers, adjusting programmes of specialized studies and offering social guarantees (especially accommodation).
- ▶ Adjustment of research programmes to real and current short perspective needs of the economy (research oriented on technologies).
- ▶ Research and development for identification of specific socio-economic problems (research oriented on problems), that includes applicative researches meant to help the Republic of Moldova to face the numerous socio-human requirements/needs and sustain in implementation of sector policies (agriculture, energy security, etc.).



8.3. Special topic: Information technologies in educational sector

Implementation of informational and communication technologies in educational system is at a stage of transition, computer science and/or information technologies being studied as distinctive disciplines in general and professional secondary education, in professional high and medium education. The higher educational institutions established new specializations of computer science and implemented education methods assisted by computers in teaching of some courses. At the moment, in the Republic of Moldova, 14 universities offer specializations of IT field. A rather large number of specializations in the IT field is offered by public high educational institutions as well as some private, and the students' interest for these specializations is increasing (Figure 37).

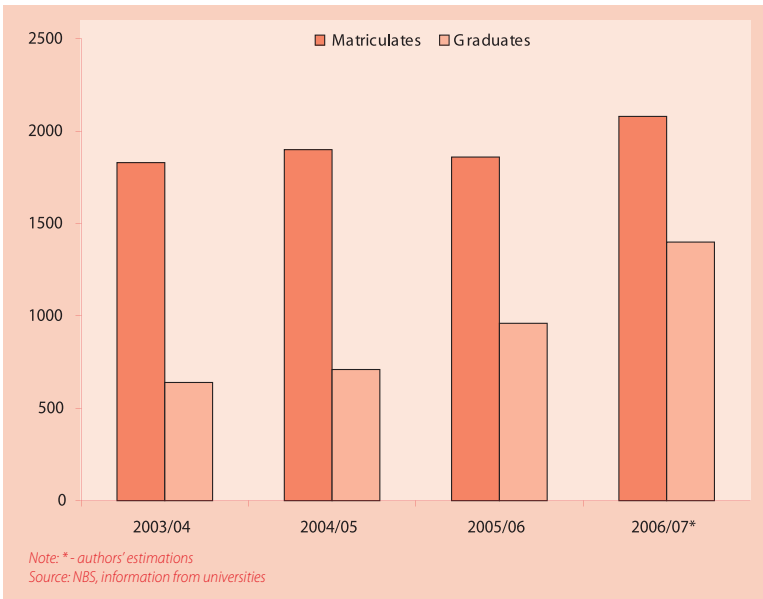
IT specialists by international companies is registered. This contradiction comes because of the difference between the request and offer of professional IT specialists. Usually, IT graduates have only basic knowledge and do not have experience, while companies need highly qualified specialists that would go through a short period of adaptation, and in short time will bring profit through their activity. Thus, many IT graduates employ in other fields, go for work abroad or work independently.

Even if the legislation in the high educational field provides for institutional autonomy, in reality it does not work with the high educational institutions of professional formation. These do not have the capacity to directly collaborate and coordinate study programmes with beneficiaries on labour market. The state highest educational institutions are detached still out of the labour market and do not have the institutional capacity to adjust to its exigencies. On the other hand, a totally different situation is seen in private universities. In some areas of vocational education the inter-institutional partnership works, contributing to logistic development and development of the infrastructure of these educational entities.

One of the most important projects in the field of informatisation of the secondary education of the Republic of Moldova is "Salt" programme, established in 2004 at the initiative of the president of the country, and that provides for computerization and connection to Internet of all pre-university educational institutions, this being for the first time between CIS and Eastern Europe countries. According to the data of the Ministry of Education and Youth, due to "Salt" programme, in educational institutions of the republic, currently there are 813 computer rooms working. But in many of them the Internet access is limited, and over 70% of computers included in the system do not correspond to actual technical needs.

At the same time, as stated into a ministerial report on "Salt" programme²³⁰, for the programme to generate the expected results it is not sufficient the equipment of educational institutions with computers. It is very important to give a heightened interest to training of

Figure 37 Number of enrolled students and graduates in the IT field, thousand persons



According to the opinion of universities' representatives, the labour market of the Republic of Moldova has a limited potential to employ all IT specialists. The number of IT companies is rather small, the majority of them have a small staff, and the rest of companies need IT specialists only for IT department. At the same time, a constant request of qualified Moldovan

²³⁰ Report of the Ministry of Education and Youth of the republic of Moldova presented during the special working meeting of the Government of the Republic of Moldova on 24.01.2007.

teachers, majority of which do not know the computer. Already 7000 teachers were trained, and in 2007 it was planned to train 12-13 thousands teachers. At the same time, there were opened 17 centres for teachers' training, 14 of which are in the rural area. In spite of this, there is a great difference between the training level in the field of computer science of pupils from urban areas and of those from the rural ones. Because of lack of human resources in the field of computer science, there are numerous cases when teachers that teach computer science, are in fact specialists of biology, chemistry or other field.

Currently, the increase of difference between request and offer of IT specialists is observed. According a study²³¹, in 2008 in Europe will be a shortage of up to a half a million of persons qualified in the field of advanced communication technologies, required for European economy stimulation. At the same time, in about one third of the 31 studied countries, the request for these professional skills will overcome the offer with over 20%. The most significant deficit will be registered in the Eastern Europe countries.

Lack of communication between universities and IT companies complicates the training of specialists that would be ready to enter into production process without enormous additional costs for training. The majority of managers of private companies are not well informed on particularities of educational process in IT field with different high educational institutions. As result, the companies meet difficulties in employing the personnel, because it is difficult to understand the skills of graduates and to set the tasks that they would be able to fulfil. The majority of companies want to know details of university courses, but many universities do not publish their study plans, considering them intellectual property. Even if they do not have much information on this subject, managers of IT companies are not satisfied with the curricula courses and, they consider them outdated and not practical in general. The managers consider as very important and required for students to learn basics of modern technologies and systems along with basic theories. This would reduce the time required for professional formation of young graduates within the enterprise.

Another serious risk is the expansion of the high education in IT in context of qual-

ity level stagnation. About 50-60% of those admitted have a lower level of training in computer science then the required average. On the other hand, the curricular structure is not flexible and does not stimulate the students' mobility. The current educational system and labour market do not offer sufficient freedom for excellent results and incentives for competitiveness.

Recommendations

- ▀ In order to increase the competitiveness level of IT specialists, it is required to establish triangular communication relations between the Ministry of Education and Youth, universities and business environment. Involvement of businessmen into the studying process will contribute respectively also to the development of IT companies, through capacities of the staff with professional training. Being at a stage of reforming university educational process it is the proper moment to involve IT managers in development of curricula.
- ▀ One of the solutions for development of IT education in Moldova is the internationalization of the market and integration into other international educational systems. At present, in order to obtain a French high education diploma it is not necessary any more to go to France, because the diploma can be obtained at the extensions of the French universities in Bulgaria or in Romania. In order to make this possible also in the Republic of Moldova it should be allowed for foreign universities to open offices, where students will learn according to mother-university programmes, without being obliged to adjust the study programme to the one imposed by the Ministry of Education and Youth. This will lead to development of university educational market and to increase in competition, which means also increase in quality.
- ▀ An obstacle for attracting investments in educational field is the policy of restriction of entering into university studies on contractual basis both in state and in private institutions²³². In fact, this policy is an evident violence of human rights to education stipulated in the constitution. Students' selection should be a natural process that should take place in the educational institution and that should lead to elimination of students that are not competitive.

²³¹ Study ordered by Cisco Systems and conducted by IDC, described in the report „Networking Skills in Europe: will an increasing shortage hamper competitiveness in the global market?”.

²³² The Decision of the Government of the Republic of Moldova No.434 of April 25, 2006 on united plans of students and pupils' admittance with high (I cycle), medium-specialization and secondary-professional educational institutions.

REGIONAL

9

Regional Moldova

“

The worst of it is the constrained posture need puts you in. The needy man does not walk like the others; he skips, slithers, twists, crawls...”

D. Diderot, French philosopher and Enlightenment





Regional Moldova

The last chapter of the report is an attempt to look at the country's situation through „regional” cross cutting lenses. Though the overall level of wellbeing in the Republic of Moldova is not high, the first section shows that some areas and communities are much more disadvantaged due to a mix of economic, social, geographic and infrastructure factors. The next chapter provides an analytical overview of the situation in rural Moldova, where more than 60% of population live. Though the rural areas of Moldova form a rather heterogeneous group in terms of level and perspectives of development, the authors managed to identify a set of common factors underlying the development processes in most rural settlements. The sub- chapter „Urban Moldova” states that the number of towns “per se” in the country is much smaller than the one stipulated in official documents. Urban development process is moderately intensive in just a few settlements. The rest of settlements claiming to be urban, are in fact exposed to risks of „ruralization” of economic activities and way of life. The section four states the problem of economic and social development of the Territorial Autonomous Unit Gagauzia which faces particular risks and opportunities. A clearer delimitation of competencies between the Government of the Republic of Moldova and regional authorities would create positive prerequisites also for the reintegration of Transnistria in the political, economic and legislative canvas of the Republic of Moldova. A special topic in this chapter is devoted to transnistrian economy. This part of the report wraps up with a special topic of utmost relevance and present interest for regional development – tourism. The authors show that despite an important potential for development, sector policies and property management issues do not allow to maximize the economic and social effects beneficial for the development of tourist-attractive regions.

9.1. Disadvantaged areas of Moldova

Diagnosis

In the past 15 years the gap in development of Chisinau and Balti municipalities and the rest of the country, has increased. This gap is revealed by concentration of economic activities in these two big urban areas (see **URBAN MOLDOVA**), clear differences in the level of life and development of physical and business infrastructure, and production factors. Socio-economic development indicators per capita in most regions is below national average. However, a number of regions are particularly disadvantaged. There are a number of factors that had influenced their disadvantaged situation.

Specifics of former development is frequently disregarded, though it is evident that settlements which in the Soviet era depended upon 1-2 big enterprises suffered much more

from enterprises restructuring than big cities which had a more diversified economic basis, or some more prosperous villages. Since the Soviet times Northern part of the country has been more developed than the Central or Southern parts. This factor determines the limits for the development possibilities of a settlement or region. Local initiative and responsibility is also manifested in a different way. Due to the market failure and lack of government intervention, underdevelopment of these areas has been aggravated by poor quality of infrastructure, or its utterly non-existence (roads, telecommunications, energy).

Economic and social modernization is taking place in industry, services and trade, while in agriculture is practically non-observed. So, areas specialized in agriculture and having a large share of rural popula-

EVOLUTIONS: -1

SITUATION: -1

PERSPECTIVES: -1

tion are in the risk group. The average rate of urbanization by regions is as high as 21%, while in more than one half of the regions the share of urban population is much lower. These zones show a combination of high rates of structural unemployment and large share of labour force occupied in agriculture. These two factors correlate significantly with increased infantile mortality rate and labour migration tendencies.

have no respective financial coverage, while public finance system is still a centralized one. The absolute majority of the LPA depend on the central budget transfers, while own budget revenues typically vary between 25 and 35%. As a consequence, because the principle of financial autonomy and subsidiarity is undermined, the LPA do not have own fiscal instruments to efficiently manage communities.

As an outcome, there are substantial developmental gaps both between and within the regions. Practically in all regions municipalities and relatively developed settlements coexist, often in immediate vicinity, with the underdeveloped ones. To characterize social-economic deprivation of settlements, the Ministry of Economy and Trade use 7 indicators (income, economic, demographic situation, health case, education, living conditions, geographical placement) as basis to aggregate data in a single multiple deprivation indicator²³³. According to this methodology Nisporeni rayon is the most underdeveloped rayon in the country. 10 of 85 most deprived local communities in the country are in Nisporeni rayon. Over 41% of the region's population live in settlements belonging to the group of the most deprived settlements in the country. Nisporeni is followed by Rezina (33.9%) and Straseni (31.8%), while on the other end is Drochia and suburban settlements in Chisinau municipality with 2.7% and respectively, 1.0%. **Table 25** shows rayons with communities from the first decile of the poorest communities.

Another study²³⁴ reflects the differences in social-economic development by aggregating 18 indicators for the 3 areas (economic, social and infrastructure) into the Social-Economic Development Indicator (SEDI). Based on SEDI regions can be grouped in 3 big categories (**Table 26**):

Inconsistent policies in implementing territorial-administrative reform had an impact on territorial development. The legal rights and obligation of public authorities

➤ **Areas with restructuring potential** are Edinet, Donduseni, Taraclia and ATU Gagauzia having SEDI higher than 0.5. These regions have development potential and are relatively attractive for investments, having roads of regional or national importance. Business infrastructure is satisfactory, however, there still industrial restructuring issues.

➤ **Assisted areas** are 21 rayons with SEDI varying from -0.5 and 0.5. This regions require implementation of development programmes meant to

Table 25 Degree of multiple deprivation

Rank	Rayon	Degree	Rank	Rayon	Degree
1	Nisporeni	41.17	12.	Leova	7.79
2	Rezina	33.88	13.	Criuleni	7.05
3	Straseni	31.76	14.	Cantemir	6.94
4	Soroca	27.80	15.	Stefan-Voda	5.90
5	Calarasi	23.56	16.	Orhei	5.84
6	Cimislia	22.69	17.	Telenesti	5.68
7	Hancesti	19.59	18.	Ialoveni	4.19
8	Ungheni	16.34	19.	Donduseni	3.07
9	Soldanesti	14.57	20.	Drochia	2.71
10	Falesti	14.17	21.	Mun. Chisinau	1.03
11	Floresti	11.03			

Source: Poverty and Policy Impact Report, Ministry of Economy and Trade, Chisinau 2006, page. 64.

Table 26 Distribution of rayons by Social-Economic Development Indicator

Rayon	SEDI	Rayon	SEDI	Rayon	SEDI
Edinet	0.81227	Glodeni	0.23918	Ialoveni	-0.31745
Taraclia	0.80105	Basarabasca	0.20749	Falesti	-0.35298
ATU Gagauzia	0.59795	Briceni	0.12895	Soldanesti	-0.45135
Donduseni	0.52688	Criuleni	0.0544	Cimislia	-0.50899
Orhei	0.48077	Floresti	0.03616	Sangerei	-0.52188
Ocnita	0.48046	Rezina	0.02787	Leova	-0.56627
Soroca	0.4034	Stefan Voda	-0.01578	Hancesti	-0.63376
Anenii Noi	0.37975	Straseni	-0.10455	Telenesti	-0.73549
Drochia	0.35718	Calarasi	-0.11383	Nisporeni	-0.77085
Rascani	0.32914	Causeni	-0.13311	Cantemir	-0.77533
Cahul	0.32817	Ungheni	-0.17165	Dubasari	-1.42524

Source: Lilian Galer, Mihai Roscovan "Delimitation of development regions in the context of fiscal decentralization, pages 140-158. Fiscal decentralization. Challenges for the Republic of Moldova. Epigraf, 2006, page 149

²³³ Poverty and Policy Impact Report, Ministry of Economy and Trade, Chisinau 2006. To compare the deprivation degree at regional level, the average ratings of regions were calculated by summing up the ratings of mayoralties multiplied by total population in the mayorality, and then dividing the figure obtained by the total population in the region (average related to population).

²³⁴ "Delimitation of development regions in the context of fiscal decentralization, authors Lilian Galer and Mihai Roscovan in „Fiscal Decentralization. Challenges for the Republic of Moldova”, Publishing House Epigraf, 2006.

facilitate economic growth. This category of regions starts with Orhei and ends with Soldanesti.

▀ **Disadvantaged areas** represent the most underdeveloped administrative-territorial units with SEDI is below -0,5. The disadvantaged areas are: in the North - Sangerei; in the Centre - Telenesti, Nisporeni, Hancesti and Dubasari, and in the South - Leova, Cimislia and Cantemir.

It should be stated that regardless of the methodology used, the main characteristics of the disadvantaged areas are underdeveloped infrastructure combined with intensive migration of population and lack of a minimal business education for the population.

Risks

The major risks for the disadvantaged areas in the Republic of Moldova derive from the inefficient government policies. The Urban Development Strategy is non-existent, while the National Programme „Moldovan Village” is being implemented only in reports and public meetings. Public finance centralization tendency is ongoing, and Regional Development Strategy and Fiscal Decentralization Strategy have not been approved yet.

Due to limited capacities of the local public administration, the disadvantaged areas can not efficiently absorb the funds provided by donors and are unable to attract investment resources, facing the risk to lag more behind the development process. Being forced to target their local economy towards traditional, low valued added activities, these communities have a negative impact on the economic competitiveness of the country.

Intensive emigration and migration towards bigger towns is a consequence of the acute underdevelopment of the given communities. Thus, according to the 2004 census data, 8% of the country's population was not in the country due to labour migration abroad. In the most disadvantaged areas this share is even higher: Cimislia – 12.6%, Sangerei, Cantemir and Leova -11%, Nisporeni -10%. Depletion of human resources in these regions compromise their sustainable development.

Governmental policies

Since the independence regional development has not been on the agenda of pub-

lic policies. Until now central authorities do not have clear policies aimed at development of disadvantaged areas. Formally, regional development is a component part of the EG-PRSP, EURMAP, and one of the main priorities in the NDP. In December 2006, as a result of insistency and repeated influence of the EU, the Parliament adopted the Law on Regional Development, the Law on Administrative Decentralization and the new draft of the Law on Local Public Administration. To ensure implementation of regional policies, the Ministry of Local Public Administration was established. However, lack of experience, limited human capacity of this ministry and excessive administrative centralization have compromised the efforts to ensure an adequate regulatory and institutional framework of regional development in general, and revival of the disadvantaged areas in particular.

Regional development and fiscal decentralization instruments to ensure a balanced socio-economic development of the country are not being implemented. The Draft National Development Plan specifies that the medium term efforts of the Government will be directed towards capacity building and providing conditions for development in the Northern, Central and Southern regions of Moldova. However, the Regional Development Strategy²³⁵ has not been approved yet and policy implementation regional instruments and institutions have not been established. The National Plan of Territorial and Spatial Development has not been developed until now. This Plan should be one of the core documents to support regional development, and setting the directions for social-economic development, as well as relations between the main centres of economic gravity.

The reform of the national statistics system stagnates. The system does not provide for the statistical basis required for an objective analysis at regional level. The data collected in the regions does not reflect current situation, in most cases being controversial to the data provided by the National Statistical Bureau. As a consequence, neither the

²³⁵ Developed with the support of the EU project „Support to Regional Development Implementation Bodies. For more details see www.reg-dev.org.md.

Government, nor the local administrations know the real situation and can not formulate realistic public policies.

Recommendations

- To develop, through secondary legislation, the notion and definition criteria of disadvantaged areas and to map them at community level. For this purpose it is necessary to improve the system used by the National Employment Agency to keep record of the unemployed and to develop national statistics to ensure collecting and publication of secure statistic data on development of administrative-territorial units and development regions (stipulated in the Regional Development Law).
- To approve and implement the Regional Development Strategy, as well as the Framework Regulation for the core institutional elements: National Council for Regional Development, National Regional Development Fund, Regional Development Councils, Regional Development Agencies, Regional Development Funds and respective financial funds. Regional Development Agencies Operating Guidelines have to state the functions and competencies in terms of investments attraction in the disadvantaged areas. The Regional Development Fund (minimum 1% of the state budget) has to be integrated into the Medium Term Expenditure Framework.
- To ensure a balanced financial development of the regions, the Fiscal Decentralization Strategy needs to be approved (the concept of the Strategy has been approved by the Fiscal Decentralization Coalition in 2006)²³⁶ to include a new section on fiscal development policies for disadvantaged areas. This should serve as basis for a financial mechanism to balance regional development and economic recovery of the disadvantaged areas. It will be possible to attract investments only if the mechanism includes some facilities like exemption from customs duties, value added tax and profit tax, as well as subventions for new jobs.
- It is worth considering the opportunity of establishing a new sub-national level– regions, regardless of their status (functional-economic or administrative regions), based on the example of the East-European countries members of the EU. The regions may acquire attributions which are not adequately carried out at the existent levels of governance: development of regional and inter-regional infrastructure, environment protection, certain segments of health and education, activities and services for disadvantaged areas.
- Establishing a new level of governance will require to consider the financial implications, reflected in planning and budgeting of the administrative-territorial units of the I and II level. Decentralization of services also needs the decentralization of financial instruments. Real autonomy of local communities can not be achieved without financial autonomy, in particular in disadvantaged areas. An important role in this context will have the reform of the state transfers system – as an efficient instrument to compensate for regional disparities and misbalance between the links of the national public budget. The state transfers system has to be focused on two components:

 - Transfers with special destination aimed at execution of functions exercised by local bodies in the name of central authorities. The standards for such transfers shall be developed in a transparent way by the Ministry of Finance, based on clear methodology updated in the course of budget cycles, using local administration performance indicators.
 - Financial support transfers to balance excessive regional disparities. To avoid undermining economic efficiency, while calculating the amount of such transfers, it should be taken into account that the task of such transfers is to lessen, not eliminate the disbalances in the capacity of regional economies to generate fiscal revenues. Financial planning within the support fund shall be based on regional statistical data. The financial support fund shall be created for a medium-long term, and should be gradually liquidated or reduced once the economic growth in the disadvantaged areas is achieved. The fund has to be integrated in the MTEF, to transparently and predictably incorporate these transfers in budgetary forecasts of the local public authorities. The initial volume of the fund has to be jointly determined by the central and local public administration, based on regional statistical data.
- The norms for allocations from general state revenues have to be established in the Law on local public finance. Modification of these allocations through the annual budget law has to be prohibited. At the same time the opportunity to gradually introduce direct and programmable budget relations between the state budget and local budgets, as well as planning of local budgets according to MTEF principles, has to be considered.

²³⁶ The Concept of the Strategy at www.dfm.md.



9.2. Rural Moldova

Diagnosis

Situation analysis shows that in the past years the rural areas of the Republic of Moldova has been degrading in terms of human resources, economically and ecologically. On the one hand, the living standards of rural population worsen in comparison with urban population, while on the other hand, differences between villages become more profound. This decline of rural life is determined by the fact that human and economic values created in rural areas move towards big cities and abroad. Losses in human, economic and natural resources (in some cases caused by insufficient human activities, while in others – by excessive activities) strongly, if not decisively affect the development capacities of rural communities. For example, implementation of some modern and environmentally friendly agricultural technologies is very slow and cover small areas, while immense areas are used for agricultural works resulting in infinitesimal benefits related to efforts made and damage produced to environment.

The major problem of the Moldovan village is persistence of very low productivity agriculture. Having a share of 32.8 % of the total labour force, in 2006 farmers contributed as less as 15.1 % in the GDP. It testifies about a productivity of almost three times smaller than the average per country. The profit gained by corporate agricultural enterprises was circa 28 MDL per hectare, while the profit rate was way below bank interest. The total agricultural output tends to decrease (in 2006 by 4.6%, in the first half of 2007, by 5,4%). The discouraging results are the consequences of some outdated agricultural technologies, inefficient management and inconsistent agricultural policy, mostly targeted towards other sectors support (exporters, agricultural products processing industry, agricultural services providers and raw materials suppliers) which unlike agricultural producers gain consistent profits. Risk insurance in agriculture is infinitesimal entailing failure of agricultural producers (see **REAL ECONOMY**). In the first half of 2007 only 0.5% of agricultural areas were

insured, while risk subsidies accounted for 4.4 mil. MDL. The low level of insurance is due to lack of prudence on the part of agricultural producers, as well as lack of public information campaign and lack of interest of insurance companies towards agriculture. So, though in conditions of extreme drought of 2007 the prices for agricultural products grow, many producers will go bankrupt. This risk is particularly imminent for peasants farms specialized in production and marketing a narrow range of crops. Under these conditions, public authorities have increased the subsidies fund, provided facilities on payment of land tax and cancelled the VAT for the main grain crops. Looking retrospectively, it should be said though that the drought of 2007 did not result in qualitative improvements of agricultural policy, so, the danger of some extraordinary situations are still planning over agricultural producers.

Agriculture is supplemented with poorly developed non-agricultural rural economy (NARE) based on a low profit and non-competitive sector of small and medium enterprises. The share of revenues from non-agricultural activities in 2003-2006 was only 1.8-5.2% (Table 1). The revenues from agricultural activities drop sharply (by 15.5 %), while revenues from social payments and other sources (in particular, from remittances from abroad) have increased, jointly exceeding 1/3 of total revenues. Normally NARE is represented by agriculture related activities, extraction industry and retailing. Traditional activities (handicrafts, trades) play a relatively important role in a few settlements, while rural tourism and agricultural tourism are in the budding stage. Processing, warehousing and storage of agricultural products is also at low level. Extension (consultancy and training for farmers), veterinary, plant protection services are somewhat more active.

The third major problem of villages – migration (in particular of young population) derive from non-productive agriculture and lack of alternative economic opportunities. This problem questions the long term existence of certain rural settle-

EVOLUTIONS: -1
SITUATION: -2
PERSPECTIVES: -1

ments, as well as capacities to maintain and protect cultural and natural environment. As a consequence there is a considerable and continuous depopulation of villages. There are already practically depopulated villages playing the role of „hotels” for those who came for a vacation in their own home. In many settlements there is deficit of labour force in agriculture. The consequences of this phenomenon will have a long term character, because repopulation of villages is costly and difficult to accomplish.

tions and foreign donors, and less from the state budget or collaboration with similar communities in the country and abroad²³⁷.

Finally, it should be mentioned that a great deal of settlements have a distorted and poorly promoted community identity – inhabitants do not share the same interests and life standards that would allow them to acknowledge their belonging to the community and be proud of it. For rural communities solution to this problem is a starting point on the way to development. Diminishing of local autonomy as an effect of „vertical power” policy is one of the main impediments for the development of community identity. Because local authorities are dependent on the rayons, often do not pay appropriate attention to villagers and their values.

Table 27 Structure of rural households disposable income, %

Income sub-indicator	2003	2004	2005	2006	For comparison, urban households (2006)
Disposable income – total,	100	100	100	100	100
Including income from:					
- wages	20,9	24,0	25,6	26,1	56,7
- individual agricultural activity	49,9	42,5	38,3	34,4	2,6
- individual non-agricultural activity	2,0	1,8	1,8	5,2	10,3
- property	0,2	0,6	0,2	0,1	0,4
- social payments	15,5	18,0	21,6	14,7	11,6
- other sources	11,5	13,1	12,5	19,5	18,5

Source: Statistical Yearbook, 2006

Non-commercial sector in rural areas is represented almost exclusively by the basic social services, in particular pre-school and school education, which are financed from local budgets and partially from transfers from the central budget and provide quite modest revenues to the employees. By stimulating employment of young teachers and doctors with a one time financial aid of 30 thousand MDL, government authorities try to improve the situation in rural areas. This action may be efficient in the long term, provided there are proportionate financial supplements from the local budgets and contributions of population. Lately there is an increase in revenues generated from implementation of projects having extra-community financing, preponderantly from sources allocated by international organisa-

Risks

Current level of living of the villagers is much more lower than that of the urban inhabitants, in particular in terms of access to services needed to initiate a modern business with income generation potential, such as rural tourism and agricultural tourism. For example, in rural areas, the share of households connected to public gas pipes, having running water, hot water, telephone and computer is respectively 15.5%, 10%, 6.6%, 37.9% and 0.9% (in 2005), as compared to 71.2%, 81.3%, 74.6%, 77.4% and 7.3% in urban areas.²³⁸

In the event the above identified problems will persist and the process of human, economic and ecologic devaluation of rural areas will continue, the nearest future is likely to pose certain risks. The archaic model of rural development will become a pattern inadequate to European principles and experience. This will entail ongoing depopulation and distortion of rural population structure, with likelihood for certain settlements to disappear and more acute deficit of qualified human resources. Instead of reducing, subsistence agriculture will consolidate and will result in dispossession of peasants of their farm lands in favour of big corporate agribusinesses and processing enterprises. As a consequence, poverty, inequity and social exclusion will extend in rural areas.

Despite declarations, there is a risk to continue building a model of „vertical pow-

²³⁷ The main foreign donors are: the World Bank (project RISP- 2, focused on two pillars – investments in agriculture and support for the rural extension service), European Commission (projects on trans-border cooperation, technical assistance in adjusting the national legislative and normative framework to the EU requirements), foreign governments or governmental agencies (USAID – Agribusiness Development Programme, Communities Participative Development Programme, DFID, Governments of Japan and Netherlands), UN agencies - FAO, UNDP.

²³⁸ „Statistical Yearbook of the Republic of Moldova, 2006”, National Bureau of Statistics; Informative Note „On the totals of the 2004 Population Census. Socio-demographic characteristics” <http://www.statistica.md/recensamint.php?lang=ro>.

er” in relationships with local public administration. Inefficiency of these administrative methods, in absence of other compensatory instruments and public servants expertise was proved by negative results in agriculture, as well as in other sectors of rural life.

External financing in the past years had a particular importance in supporting investments in agriculture, solving certain social and environmental problems, setting up and developing extension services. Besides material support these projects contributed to education of villagers in the spirit of western values. Shrinking of external financing if the donors will conclude on the inefficiency of allocated resources as a result of relevant public policies, may have hardly imaginable consequences, when rural areas will lack important financial resources and population - access to advanced experience.

The policy of centralizing public finance into the state budget may entail conservation of the current financial system at the rural community level, where most financial resources are meant for payment of school teachers wages. The current local budget planning and execution practice is rather an impediment than an incentive for local administrations to show interest in the development of local enterprises.

In the event that local administrations will not be able to build development capacities by supporting public associations, training of trainers and consultants in rural development, or will not contract specialized organisations, these administrations face the risk to lose competition for development projects initiated by foreign donors. The rural communities’ capacities to absorb donors financial resources will be tested in the nearest future (a. 2008), when the Joint Operational Programme for Romania, Republic of Moldova and Ukraine will start. Trans-border cooperation projects under this programme will be financed by the European Commission through the Ministry of Development, public Works and Housing in Romania on a competitive basis through public bidding of project proposals.

Overcoming of the abovementioned risks implies making rural areas attractive for population, in particular, for the young. To accomplish this task there is an evident

need to ensure an adequate living level and standards, interpolated with cultural and environmental values.

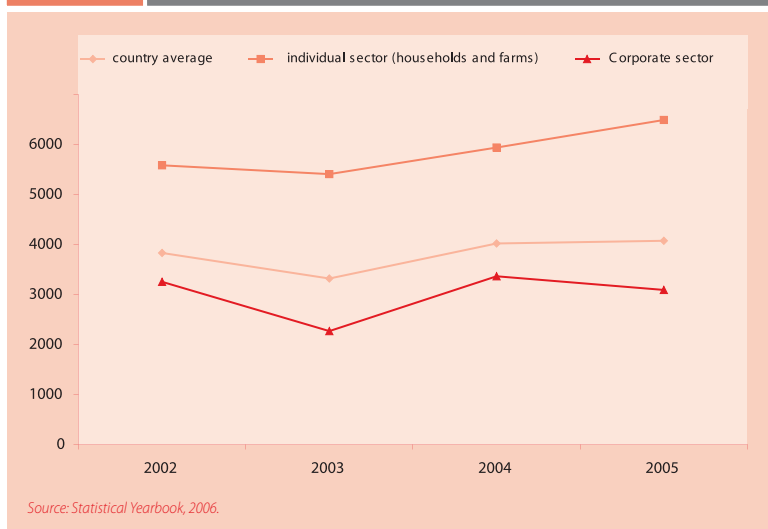
Governmental policies

Governmental policies of the recent time covered the entire spectrum of domains pertaining to rural development, including national programmes and strategies (EGPRSP, „Moldovan Village” National Programme, the Strategy for Agricultural Sector Development for 2006-2015), as well as a number of legislative and normative documents. The National Development Plan stipulates a number of rural development relevant actions. Most development documents have been developed with international assistance or have been reviewed by European bodies, so there are natural expectations that the European agricultural and rural development principles will be reflected in the national policy. A consistent sustainable rural development policy starts from the consideration that rural areas and rural life have positive externalities for cultural life and environment. In reality however, national policies ignore the key principles of rural development: the principle of local autonomy, participation principle, the principle of co-financing development projects. Ignoring the European successful experiences considerably restrain the effect of governmental actions. The attempt to accomplish rural development based on „vertical power” even more alienate population from the general development objectives of the society. A relevant example is the „Moldovan Village” National Programme, with a rich content of rural development domains and methods, but practically unknown to public at large in rural communities and with no financial coverage. The Programme has been developed by central and local public administration without participation of local stakeholders. As a consequence, even when certain measures stipulated by the programme are implemented, the practical impact is minimal. So, the gas supply sub-programme stipulates financing of the mains construction, but not internal pipelines in rural settlements. Ignoring the principle of co-financing and lack of sufficient resources for households and social facilities gasification works resulted in an absurd

situation when the villages have gas and this gas is not used. The funds allocated for training and continuous adult education, supporting NARE and non-commercial activities, including environmental protection and maintenance activities are insignificant.

NARE and non-commercial sector did not developed to their full potential because of limited local budgets for financing first need services, as well as divided public policies contested by many central and regional authorities. Inexistence of a well defined, transparent and equitable public policy, and limitation of trilateral collaboration „centre –region-locality” entails indifference of population to programmes and projects initiated by public authorities.

Figure 38 Productivity trends in agriculture, MDL per hectare, in comparable prices



NARE did not become a sector for absorbing labour force excluded from agricultural activities. In 2006 agriculture involved 415.4 thousand persons, which is 349 thousand (45.7%) less than 2001. The majority of these active persons due to lack of alternative employment opportunities had to leave the settlement.

The perspective of developing a competitive and highly productive agriculture will be dictated by the release of an impor-

tant number of agricultural workers. According to author's estimates a productive and efficient agriculture should employ circa 300-350 thousand persons. In other words the human cut-off potential in agriculture is 190-240 thousand. The experience of developed countries demonstrates that a great deal of farmers will not be able to ensure their income without participating in non-agricultural activities. So, to stop rural depopulation, non-agricultural economic activities and non-commercial policies are needed.

Though a series of important documents and legislative acts²³⁹ were adopted, the agricultural policy is still inconsistent and oscillates between formal statements about Europeanization and actual retrogression. Despite the fact that at the beginning of 2006 there were only 147 agricultural production cooperatives which worked only 8.6% of agricultural lands, the sector strategy sees the cooperatives as a priority legal form of organisation and ownership. On the other hand, peasant farms are not regarded as priority, and policy implementation instruments continue to be detrimental for peasant farms. However, peasant farms demonstrate a higher efficiency than big corporate enterprises. Peasant farms with a surface of less than 10 ha and household plots accounting for 40% of the farmlands produced 59% of vegetal and 80% of animal products. The value of agricultural products produced by this sector was 6490 MDL per hectare, which is 60% more than average per country (**Figure 38**). Small farms are important not only because they create a modern agricultural design, but also because they implement rural development and environmental protection projects.

Introduction of VAT and changes made in the modalities of subsidizing may serve as speaking examples of inconsistency of agricultural policies promoted in the past years. Application of the 20% standard rate to agricultural products supplies and procurement of chemicals affected all agricultural producers and especially those producers who are not registered as VAT payers and who can not claim reimbursement from the subvention fund of the formerly paid VAT amounts²⁴⁰. The budget did not gain from universal taxation, because the major part of the VAT paid by farmers is reimbursed from

²³⁹ Strategy for Agricultural Sector Development for 2006-2015, the Law on organization and operation of agricultural and food markets, The Law on inter-professional organizations by agricultural products, etc.

²³⁹ In EU a VAT rate lower than the standard one is usually used for agricultural and food products.

the subvention fund. So, the major beneficiaries of the standard VAT rate are processing enterprises and agricultural wholesalers.

In 2007, the Subvention Regulation was amended to stipulate the same formal rights to the peasant farms to access the Subvention Fund. In reality however, access of peasant farms to Subvention Fund is much more reduced than of the corporate enterprises, and for some subsidized activities even more reduced than for the agricultural raw material processing enterprises²⁴¹. For example, subventions for planting vineyards are preponderantly targeted towards wine-making companies which can buy lands exceeding 100 ha. The crucial question is: where from the companies will get labour force for farming, since villagers will remain without lands and will have to leave the settlements?

Recommendations

- Real Europeanization of the rural development public policy implies observance and use of the European rural development principles, viable over 50 years: sustainable development, participation, contribution or co-financing, good vicinity and partnership local autonomy. These principles imply association of local administrations to consolidate the capacities to negotiate with the central government regarding funds allocated for rural development, ensuring transparency of activities and local public expenditures and involvement of villagers in community activities, including volunteering and ensuring good vicinity.
 - Consolidate LPA capacities to attract and absorb extra-community resources through training of public servants in sustainable rural development. However, the donors' requirements regarding preparation and implementation of development projects become increasingly sophisticated, so LPA should pay more attention to cooperation with various development agencies existent in their area and extra-community (NGO-s, specialized companies, independent consultants, community facilitators, etc.).
 - Improvement of the legal and institutional framework, taking into account the EU experience in agriculture and rural development are the two inseparable pillars of a single policy. Therefore it is necessary to ensure an
- integrated rural management, with eventual establishment of the Ministry of Agriculture and Rural Development. So, the legislation on rural development and financing will be able to acquire an integrated character, while development of regional and local development documents will have a positive effect only if local public authorities, such as rayons will enjoy real local autonomy, including property and budget autonomy to encourage local initiatives on development and conservation of economic, cultural and environmental values. On the other hand central public administration could focus on activities of national interest.
 - Develop an adequate legal framework stipulating development of the family type peasant farms and small and medium enterprises in rural areas as priority would contribute to ensuring jobs and providing additional income to active population, thus stopping the exodus.
 - Education of community identity would ensure a local development targeted towards conservation and promotion of cultural peculiarities and play an important role in the relationships of rural population with the rest of society, including development and implementation of development strategies based on local resources, establishment of partnership relations with other communities in the country and abroad, promoting the image of the settlement, including through emphasizing specific values of local outstanding personalities, social inclusion, etc.
 - LPA to make sustained efforts to attract national and foreign investors by reducing transaction costs below the average urban costs in the country and abroad: minimal payments for ownership and property use rights, ensuring safety of property and persons (primarily by eliminating thefts), and maintenance of adequate infrastructure.
 - Organisation of competitive rural development programmes financed from the state budget (gas, drinking water supply, etc.), ensuring transparency and observance of development principles (in particular the princi-

²⁴¹ Furthermore, a draft concept paper of the Ministry of Agriculture and Food Industry provides for as many as 8 mandatory eligibility criteria for applicants for assistance from the subsidy fund, where abstract definitions can be found, such as the guarantee for the minimum level of „agricultural best practice“ or which is hard to be fulfilled by applicants irrespective of their will – insurance of production risks in agricultural activities. Thus, it can be easy to bar the access of small producers to subsidies and at the same time this creates prerequisites for arbitrary bureaucratic decisions.

ple of financial contribution). This change in the manner of rolling out rural development projects could have a positive impact on rural settlements, entailing reduced costs.

- Redirection of agricultural policy towards a new target group – family type specialized peasant farms – is aimed at supporting family type peasant farms as more efficient comparatively with other types of agricultural enterprises and which perfectly fit in the rural development concept. It implies modification of many components of agricultural policy: (1) priority subsidizing of agricultural activities by ensuring more financial resources and redistribution of subventions from the agricultural raw material processors to producers; (2) improving legal framework regarding delimitation of types of activities carried out by peasant farms (commercial agricultural activities and family subsistence needs, activities aimed at conservation of environment and cultural patrimony); (3) assuring property rights on local values; and (4) modification of national legislation in view of providing certain facilities and preferential rights for buying local available lands to peasant farms.
- Introducing instruments for direct payments for disadvantaged rural population and young families. Direct payments imply that certain payments (or facilities) are meant for the very low income households. The instrument of direct payments is not aimed at development and efficiency but rather at eliminating serious affections that at the moment can not be adjusted through free competition mechanism. Providing monthly social allowances to families in absolute poverty would allow to improve social climate in the settlements and create prerequisites for development escaping poverty for these families. However, it is important that these allowances really reach the poor. There is a hazard that a part of income, such as transfers from abroad, can not be accounted. Under these circumstances, provision of social assistance shall not be based on formalities (identification of income gained), but rather on implication of local authorities and society (who know much better the situation of the families in the village).
- To stop depopulation of villages it is proposed to introduce support payments for young families in rural areas, including families made of one person. This support will include scholarships for specialization, monthly support for young specialists for five years, one time marriage payment, facilitation of credit and its repayment for housing.
- Stopping depopulation, maintaining and attracting of young people in rural areas acquires a particular importance as a result of migration in the past ten years. At present once can not speak of over-population of rural areas; rather one can state that a considerable number of rural settlements reached a critical point in terms of number and structure by age of population (see **DISADVANTAGED AREAS**). The Government has to be aware that in order to improve the above mentioned situation long term considerable and consistent efforts are needed. Government activities shall be focused on ensuring a decent level of living for poor families, support for professionals with important qualifications for rural communities, providing a favourable environment for SME, supporting cooperation of rural and urban communities (with actual identification of rural and urban communities – **URBAN MOLDOVA**).
- Developing a viable sector of family peasant farms has to be regarded as a priority for a longer period of time, possibly 10-20 years. The peasant farms sector can provide a higher productivity with less costs compared with the corporate ones; at the same time it is able to generate social benefits, such as self-employment (farmers families ensure their own jobs income), maintaining natural, man made and cultural environment. Public agricultural policies have to be re-oriented from supporting corporate agricultural and industrial processing enterprises towards peasant farms and various forms of associations. Government measures shall particularly include peasant farms property protection measures (the law of agricultural loans, stimulation of agricultural works, legal restrictions for dispossessing peasants of their farmlands by persons not involved in agriculture, land consolidation within peasant farms), granting priority rights and public support for obtaining subsidies and buying neighbours' farmlands, facilitating access to extension services.
- Developing rural infrastructure is an important prerequisite for making rural life attractive and attract national and foreign private investments. Central and local public authorities shall pay increased attention to accessibility of basic social services (educational, communal), as well as extending te-

lecommunication and roads networks. The financial support provided building and development of rural infrastructure has to be transparent, competitive, co-financed from local budgets and private sources, ensuring sustainability of projects.

- ▀ Diversification and increased income of rural households can be accomplished through development of non-agricultural activities supported within programmes or projects. Agriculture related activities (processing, warehousing and storing of agricultural products),

rural tourism and agricultural tourism (see – **TOURISM DEVELOPMENT**), traditional mining activities, handicrafts and trades specific for certain places may be regarded as priorities. For rural households to be able to earn considerable and sustainable income, it is necessary that public policies stimulate setting up and development of the abovementioned activities by peasant farms and their associations. Public authorities shall provide support to peasant farms to create agricultural service, processing, warehousing raw agricultural products cooperatives.



9.3. Urban Moldova

EVOLUTIONS: -1
SITUATION: -1
PERSPECTIVES: -1

Diagnosis

In a strongly urbanized Europe²⁴² paying special attention to urban development, the Republic of Moldova is the most rural state. Moreover, Moldova faces a phenomenon of clear de-urbanization. According to population census data, urban population reduced from 47.4% in 1989 to 39% in 2004²⁴³. Demographic trends are alarming: for example, in the past 15 years the population of Orhei and Soroca towns has reduced by 1/3, of Ungheni and Cahul by about ¼, while Balti municipality - by about 21%. The demographic crises is also characteristic for towns on the left bank of Nistru: in comparison with 1989, in 2004 population of Dubasari town has reduced by 44%, of Bender municipality - by 30%, Camenca town - 25%²⁴⁴.

Except Chisinau, Balti, Tiraspol and Bender municipalities all other towns of the country are small. De-urbanization is alarming not only because of urban population reduction, but also of „ruralization” of the lifestyle and environment of small and medium towns. Collapse of industry, degrading infrastructure and lack of opportunities turned small towns into disadvantaged zones with substantially deteriorated quality of life and development potential. The country is losing its regional development support centres. With small exceptions (Cahul, Ungheni, Comrat), no medium or small town does not comply with minimum conditions (urban environment, human potential, logistics, services, infrastructure, etc.) to offer economic opportunities to investors and youth.

The phenomenon of de-urbanization and crisis of rural areas occurred when the number of settlements having the status of town increased from 21 (at the time of independence) to 65 at present (including 54 - on the right and 11 - on the left bank of Nistru river). So, many town-like settlements (big villages with an agglomeration of multi-story buildings in the centre and a few processing enterprises) acquired the status of towns. At the same time, as a result of multiple territorial-administrative reforms the administrative status of towns that formerly used to be urban centres of regional economic importance (Cahul, Orhei, Ungheni, Soroca) was reduced to the first territorial-administrative level, part of their competencies delegated to rayon authorities.

Administrative urbanization in conditions of transition to market economy generated appearance of „dead towns” (Biruinta, Marculesti, Frunza) characterized by failed industry, lack of agricultural lands and small size for services. No significant investments were made in urban infrastructure and it brought it very close to a rural one. Within governmental policies there is no difference between infrastructure development in small towns and rural settlements. According to statistic data, poverty is bigger in small towns than in rural areas (see chapter **LIVING STANDARDS**)²⁴⁵.

On the background of towns de-urbanization and administrative regression process the gap between Chisinau and rest of territorial-administrative units has deepened. The capital town, with 18% of population already provides 50% of GDP, 60% of industrial output, 90% of exports, consumes 60% of imports and contributes with more than 60% to public income. The tendency to super-concentrate resources in Chisinau causes big problems for the city itself, such as depreciation of human capital, limited access to housing, quality of urban transport, poor neighbourhoods, criminality, environmental degradation.

At the same time, in conditions of turning the capital city into an „induced fan of

²⁴² The role of towns is regarded as determinant in ensuring development of the society, since in major, towns form the basis national and regional economies. Geographic research identify a positive correlation between the level of development of a nation and its level of urbanization and quality of urban management. Economic growth in major part is derived from urban development and regional organization of inputs.

²⁴³ Less territories on the left bank of Nistru and Bender municipality, the urbanization level of the Republic of Moldova including the left bank of Nistru and Bender municipality in 2004 was 42.8% (calculations made by authors based on aggregate data of 2004 conducted by the authorities of the Republic of Moldova and authorities of the self proclaimed TMR).

²⁴⁴ According to data of 2004 conducted by the authorities of the self proclaimed TMR (www.economy-pmr.org).

²⁴⁵ „National Human Development Report 2006: Quality of economic growth and its impact on human development”, UNDP Moldova, Chisinau, 2006.

national wealth” and respectively, euphoria of a relative wealth in the national context, Chisinau does not efficiently use internal development resources, is a passive participant to international and regional competition for resources, and faces with unsatisfactory management. Though most Moldovan NGO-s are concentrated in Chisinau, their participation in municipality development is deficient²⁴⁶.

Risks

Neglecting the subject of rural development and further evolution based on existent tendencies will lead to deepening of the developmental gap between Chisinau and administrative-territorial units, complete erosion of urban functions in small towns and lack of proximate rural areas of social-economic gravity centres. Degrading of urban environment will affect even more the investment attractiveness of Moldovan province, the development capacity of territorial elites, worsen the conditions of human habitat, and consequently will contribute to stimulation of emigration. At the same time in conditions of lack of a national territorial competition framework, Chisinau’s development will continue to be based on „absorption” of resources from the regions and not on exercising the role of country’s development engine. Regional development efforts will be wasted by inexistence of regional urban centres of gravity and polarization.

Governmental policies

After the independence urban development was totally lacking from government policies. Until now the Republic of Moldova has not formulated a strategy of spatial development. The last documents of this type were developed in 1980’ for the MSSR within the USSR in conditions of a centrally planned economy. All former pre-requisites lost their up to dateless, and meanwhile the structure and contents of settlements network and relations between them suffered major changes. Drafting of the Plan for National Territory Development was unjustifiably delayed, and former soviet methodologies characteristic for centrally-planned economy are continuously used as basis. The urban planning tools are outdated. The

Concept of Sustainable Urban Development of the Republic of Moldova, developed with the UNDP’s financial assistance remained as a draft²⁴⁷ – in fact it wasn’t considered at all by responsible government institutions.

In the past five years the Government acknowledged that little attention had been paid to the regional aspect of reforms. So, the EGPRSP was the first national strategy to (superficially) reflect the subject of regional development²⁴⁸, while the NDP states regional development as national priority, and development of towns – un separate objective²⁴⁹. By the end of 2006, the Parliament of the Republic of Moldova approved the Law on Regional Development. Regretfully, the law is not being implemented, and there is a risk to further compromise it in the next years. According to the Law, in as much as 60 days the Government was supposed to ensure development and operation of a regional development institutional framework. However, after 6 months following the publication of the Law in the „Official Monitor”, the Government has not approved neither the Regulations on development and operation of the institutional framework, nor the National Strategy of Regional Development, even though it benefited from the EU assistance for development of drafts of such documents, and thus failing to honour its obligations to donors.

The National Bureau of Statistics does not collect and provide statistic data regarding urban development (there is no statistic basis for analysis). Respectively, any attempt to faithfully evaluate the situation and formulate quantifiable policies/recommendations, is compromised from the start.

Recommendations

In the short term (1-2 years), the Government’s efforts in view of stopping the urbanization crisis and stimulating urban development should be targeted towards

²⁴⁶ The most eloquent example is an extremely low level of involvement and respectively, contribution of the civil society to the process of development of the General Urban Development Plan 2007-2025 of Chisinau municipality. See the Report on public discussions of the document on www.habitatmoldova.org.

²⁴⁷ See the Project on www.habitatmoldova.org and www.cisr-md.org.

²⁴⁸ The EGPRSP totally lacks the urban development subject.

²⁴⁹ Objective 5.2 („as regional “growth poles” Establishment of urban economic growth centres to complement the existing national urban centres and consolidation of small towns”), included in priority 5 („Regional Development”).

development of political tools to support long term urban development:

- Development of national statistics to collect and publish statistical data on social-economic development at the towns level. Eventually, assistance of UN-HABITAT for establishment of the National Urban Observer²⁵⁰ could be requested. Without a reliable and satisfactory statistical basis, it is impossible to make an urban development analysis (and, respectively, develop a strategy) in Moldova.
- To request including „Strengthening growth poles centres” assistance components for the finalizing the Plan for National Territory Development (PNTD) in conformity with European methodology (including the role of Chisinau in the national context, role of towns, network of settlements, development channels, connection of the national territory to the territorially single European space) in tendering for the TACIS project. The Plan for National Territory Development shall serve as basis for the National Regional Development Strategy (for 2011–2018). The Concept „Regional development poles” shall be the basic principle of PNTD and regional development policy.
- Support to inter-urban cooperation through supporting the towns association process.
- Improve the normative framework governing the development of General Urban Development Plans and ensuring consultation of citizens within this process²⁵¹.
- Provide support to all towns in developing Integrated Development Plans (urban and social-economic).
- Amend legislation on territorial-administrative organisation to raise the administrative status of towns selected to exercise the function of regional development poles to that of a municipality.
- Prioritize public investments (including through the Regional Development Fund) in physical and economic infrastructure of towns. Private investors (national and international) will receive clear signs to plan location of investments outside Chisinau municipality. At the same time Moldovan labour migrants will create an alternative to Chisinau (in case they decide to come back) and investments in housing (cheaper in regional towns than in Chisinau) or small and medium businesses (lower competition in regional towns than in Chisinau).
- Provide incentives for foreign and national investors who will decide to invest in towns regional development poles (developing infrastructure through public investments – sites, access roads, water supply and sanitation networks, electricity, gas and training of specialists from public money – characteristics of industrial parks and economic zones in all towns declared regional growth poles).
- Connection between regional growth poles towns shall be a priority in allocation of public investments and international assistance for modernization of transport infrastructure.
- Aligning the spatial development strategy of the Republic of Moldova to the EU and pan-European territorial development strategies (economic, transport, communication corridors, inter-urban connections etc.)

Implementation of these recommendations will stimulate development of regional towns to counter-balance Chisinau, will create gravity centres for the development of proximate rural areas, and by creating conditions for territorial competition – will optimize urban management in Chisinau municipality. The synergy of proposed recommendations will ensure conditions for a sustainable urbanization in the Republic of Moldova.

²⁵⁰ Establishment and operation of Urban Observer is an initiative of UN-HABITAT encouraging and providing assistance to local and national government in identification, collecting and analysis of information regarding urban development.

²⁵¹ The Government of the Republic of Moldova was assisted by UNDP-Moldova in drafting the Guidelines for the Development and Implementation of GUP, in line with EU experience. The draft document (see www.habitatmoldova.org) was accepted by the Ministry of Ecology, Construction and Territory Development, officially circulated among stakeholders and then stopped (coincided in time with the reorganization of the Ministry and creation of the National Agency of regional Development (further Construction and Territory Development Department)).

9.4. Gagauzia

In the development process, the Autonomous Territorial Unit (ATU) Gagauzia is viewed as a component part of the Republic of Moldova. Its interests cannot be considered apart from the interests of the country. In addition, the main development target of Gagauzia should be meeting national needs and maintenance of the Gagauz identity, multilateral development of the ethnicity, enriching the language and national culture, development of the political and administrative system and increasing economic competitiveness.

ATU Gagauzia is one of the economic regions of the Republic of Moldova, according to the Law of the Republic of Moldova on regional development. Gagauzia occupies 5.5 percent of the territory of the country and has 5.8 percent of the arable land. A number of 155.6 thousand people live on its territory. The able-bodied population is 66.3 percent, while 13.5 percent of the population are retired. A number of 36 thousand people, or 39 percent of the able-bodied population, is employed.

Despite the fact that the average monthly salary in the region is growing every year, still in the autonomous unit the average monthly salary is 29,7% lower than the average for the Republic of Moldova. The salary arrears of companies of the region amounted to 7.3 million MDL as of 01.06.2007. The existing jobs in the region are insufficient for specialists with high qualification. Because of high unemployment, the percentage of emigrant population is big, especially concerning being youth emigration, which in this region is much more intense than in the rest of the country. According to the census data, the share of young people aged between 15-29 in the total emigrants of the country is 46 percent, while in Gagauzia this indicator is 55 percent. Medical facilities lack beds for socially disadvantaged groups. There are no canteens that provide lunch to people with low income. The size of the social benefits does not cover the subsistence minimum. Housing is not provided to all the people.

The main problem in the agricultural sector are the neglected land plots. No work

was done on these plots because the land leasers refused to conclude lease contracts with land owners. The pace of land plots consolidation is low in the region. The production capacities of livestock farms are not fully used. The operation of companies for collection and sale of agricultural products is intermittent.

In industry, the percentage of used production capacities is low because of lack of raw materials. The export market restrictions had had a serious impact on the export of wines and tobacco.

Although Gagauzia has favourable climatic conditions, there are no tourist routes in the region. Soil erosion is the main factor which decreases soil fertility. Up to now, the problem of waste has not been solved; neither has the problem of greater access of the population to potable water.

While analyzing the social-economic development of ATU Gagauzia region, a number of factors that affected the development of the region should be outlined.

Unclear delimitation of responsibilities between central authorities and the administration of the autonomy. Within the context of local autonomy development and distribution of public budgets, the delimitation of authority becomes the key element for development of local public administration. The centralization of the decision making process by state authorities of Moldova does not encourage decision making at the regional level. For example, the statistical system of the country does not take into account the need to show the socio-economic development indicators of individual regions (GRP – Gross Regional Product), which are necessary for making estimates of the region's contribution to national macroeconomic indicators. In general, there are three state power levels within the region. There are central authorities of the autonomy, rayon authorities and 26 mayor's offices, which make for additional budget expenditures for the high number of employed civil servants.

Transition from the branch management principle to programme based man-

EVOLUTIONS: -1

SITUATION: +1

PERSPECTIVES: +1

agement. In conditions of planned economy, the main principle was the branch-based one, while, upon implementation of reforms, the branch system was replaced by the management principle based on development projects and programmes. However, in some cases, the branch based approach is still prevalent (for example, in agriculture, transportation, etc.). The first step towards implementation of strategic planning for the development of the entire autonomy, as well as for each separate community, was made within the Activity Programme of the Executive Committee of Gagauzia for the period 2007-2010.

Prevalence of the agrarian sector in the structure of industry. The agrarian sector determines the structure of revenues in the budget and the income of the population. Currently, a misbalance exists, due to growing investments in the statutory capital in conditions of decreasing production both in agriculture and in associated industry branches. About 63 percent of Gagauzia population lives in rural communities, while the rest inhabits Comrat, Ceadar-Lunga and Vulcanesti towns. Sixty two percent of the volume of industrial production come from wine making enterprises. The unemployment in rural communities of Gagauzia is conditioned by difficulties in the agrarian sector.

Inefficient use of available resources and municipal property. The fertile soils do not bring in expected results in conditions of traditional agriculture. In Gagauzia, natural resources are sufficient only for production of building materials. Most of the enterprises with majority state ownership has become insolvent. The representatives of the state in the governing boards of such joint stock companies do not undertake the necessary actions to carry out development plans. Thus, many managers of companies have either ceased operation of companies, or brought them to insolvency.

The lack of necessary infrastructure in Gagauzia communities. There is no centralized water supply network in the villages of the region, which affects the development of business environment in the region and people's health.

Low development of external relationships with regions of other states and lack of participation in work of international organisations for development of regions. Along with the development of external relationships, conditions will emerge for establishing cooperation ties, especially in the context of euro-regions development, such as „Dunarea de Jos” (“Lower Danube”) euro-region”.

Risks

The mandate of ATU Gagauzia was stated in the Law of the Republic of Moldova on the special legal status of Gagauzia²⁵². However, frequently, regional initiatives are interpreted as having a separatist nature, while they have nothing to do with separatism. Due to uncoordinated inter-budget relationships, there are limitations related to funding of socio-economic development of Gagauzia communities.

There is a well developed infrastructure for electric power distribution and distribution of natural gas (the level of access to natural gas was 82 percent as of 1 June 2007). A oil refinery exists in Comrat, while the two warehouses for storage of oil products are in Ceadar-Lunga and Vulcanesti cities. However, the region depends on supply of energy resources from outside. The use of energy saving technologies is still very low in the region.

Water is not sufficient which leads to need of investment for building water supply systems in communities and use of underground water for potable water supply to population. This implies additional costs for agricultural production. The risks for growth of agricultural production are associated with the specific climatic conditions in the south of Moldova, where annual precipitation of up to 400 mm and frequent draughts are common. The deforestation, which takes place on Gagauzia territory, poses additional risk.

The policy for improving living conditions in localities of the region is also inefficient. The population and companies of urban and rural communities have limited access to high quality public utilities (water supply, sewage system, evacuation of waste, etc.). The cost of building works is high due

²⁵² Law of the Republic of Moldova No. 345 of December 23, 1994.

to exposure of the region to seismic risks (up to 8 degrees on Richter scale).

In Cismichioi village, the problem of waste collected all over the country and buried underground poses additional risks, while in some communities of the autonomy there are warehouses with expired pesticides (consequences associated with these are discussed in section **WASTE MANAGEMENT**). All these factors create conditions for pollution of the environment and affect the health of the people.

Governmental policies

On 23 December 1994, the Parliament of the Republic of Moldova has adopted the Law on the special legal status of Gagauzia. It was this decision, that solved the problem of territory integrity of the country. However, over the last 13 years, the Government of the Republic of Moldova still does not perceive the existence of a region with special legal status. The need for establishment of a joint commission for delimitation of authorities between the Republic of Moldova (national level) and ATU Gagauzia (regional level) is being discussed for a number of years now. In the context of decentralization, the subjects of financial management should be reviewed in a priority regime. The decisions of the state in respect to the autonomy should be adopted with direct participation of its representatives. Currently, the legislation developed by the Parliament of the Republic of Moldova frequently ignores the provisions of the law on the special legal status of Gagauzia. Over 32 percent of the budget revenues originate from transfers from the state budget of the Republic of Moldova. In 2007, only 3 million MDL were allocated for capital investment in the region, while other rayons with similar numbers of population have received larger allocations. The fact should be taken into account that investments from the budget are the main sources of funding for implementation of infrastructure projects in the communities of the region. The initiatives of the autonomy's authorities should not be interpreted as separatism or desire to set borders, since regional policy in the Republic of Moldova is a new practice and some pilot programmes or projects may be tested in the autonomy.

In conditions of the Republic of Moldova being divided in six development regions, state level changes should be made in the system for monitoring and data collection in order to obtain better quality statistical data. Gagauzia needs to have valid data referring to the state in different zones for efficient management. This is a basic requirement for achieving new macroeconomic indicators at the regional level.

Up to now, the principle of programme- or project-based management was not implemented in Gagauzia; therefore, the transition from the sectoral approach to the programme-based one should be made. The Law on implementation of target programmes for the development of the autonomy (No. 65-XXVII/III of 11 May 2007), was developed and adopted in the region. It lays the ground for management based on development programmes at the level of autonomy and at the local level. This will allow the implementation of the sectoral approach for the development of the region's economy. The sectoral approach implies establishment of added value development networks: for example, agriculture – processing – sale of products. This approach will give impetus to growth of competitiveness of Gagauzia products. The key element of this process is transition from centralized planning to local planned development. Implementation of this task is difficult. Public authorities of Gagauzia have no capacities to independently organize the local strategic planning. However, the implementation of programme-based planning in working out directions for economic and social development will allow for the correlation of current actions for strategic planning in Gagauzia communities.

Recommendations

- ▀ Establishment of constructive relationships between authorities of Gagauzia and those of the Republic of Moldova. Full use of ATU Gagauzia's powers will allow for development of a similar tool to solve the Transnistria problem and to ensure territorial integrity of the country. In its turn, this will allow for implementation of regional development plans.
- ▀ Continuing improvement of the process for adoption of local legislation by the National Assembly of Gagauzia in conditions of cooperation with the

Parliament of the Republic of Moldova, as well as using the right to legal initiative in development of national legislation. The legal acts of the autonomy should be based on international norms and standards.

- ▣ Improvement of the statistical system of the Republic of Moldova for provision of necessary data to regional authorities for development of development indicators of individual regions, including ATU Gagauzia.
- ▣ Development of a strategy for socio-economic development of Gagauzia aimed at improving the development process in the region and development of a universal approach for making long-, medium- and short-term strategic development plans for communities of the region.
- ▣ Bearing in mind, that it is practically impossible to suddenly change the situation in all areas, the identification of „growth poles” in Gagauzia is recommended, to be pointed out to authorities of the autonomy, national government and foreign partners. The attraction of foreign investments to the economy of the region and creation of favourable conditions for the national capital could contribute to the solution of the following problems:
 - Renovation of the technical and technological bases in the region, modernization of current production capacities, extension and diversification of the export potential and development of production to replace import in some sectors.
 - Utilization of the scientific potential, which is still unused in practice for the development of the region;
 - Creation of jobs based on preferential conditions established in the region in the context of available human resources.
 - Development of physical and institutional infrastructure needed for economic development (communications, transportation, Agency for Development of the Region, Informational Centre for Entrepreneurs, Private Cadastre Agencies), learning ways for organisation of production and development of modern entrepreneurship relationships.
 - Promotion of local products and technologies on external markets and utilization of capacities for attraction of foreign capital through the Free Economic Zone „Valcanes Production Park”.
- ▣ Strengthening capacities of Gagauzia administration and local public authorities in using new financial instruments as funding sources in the context of implementing development programmes priorities, such as, regional loans or municipal bonds. This will allow to attract new resources and thus create conditions for participation of the local public authorities in larger scale investment projects. Undertaking the necessary actions for Gagauzia to be given a financial rating allowing it to obtain funds directly from international financial institutions and from the international financial market.
- ▣ Improvement of the territorial organisation of the autonomy and transition to the two-tier system of governance: central authorities of the autonomy and 26 mayor's office. This will allow to streamline budget expenditures, increase responsibility of local public authorities and create conditions for effective decentralization and autonomy of local public authorities.
- ▣ Implementation of the system for governmental purchases in form of social orders. It is foreseen, that this action will optimize budget expenditures and create conditions for establishment of a higher quality system for monitoring and evaluation of results, based on wide participation of civil society representatives. The implementation of the informational and social order system will increase the effectiveness of social services guaranteed by the state and will allow for optimizing expenditures and will give impetus to development of social services.
- ▣ To deal with the negative consequences of the drought in agriculture, the development of a comprehensive programme for irrigation in ATU Gagauzia is needed.
- ▣ Development of an efficient tool for public policy decision making and combating corruption among civil servants of governing bodies by adoption of a local law, stating the responsibility of civil servants for the decisions made by them or for inaction.
- ▣ Widening participation of citizens and public institutions in strategic planning processes, budget process and implementation of initiatives in local communities. These actions should start with establishment of an „electronic executive” informational system.
- ▣ From the viewpoint of long term development of Gagauzia, the delimitation of authorities between the central government and the administration of the autonomy is needed; this will allow for optimizing the development processes of the country. The Transnistria problem could be also solved based on this experience. Creation of conditions for genuine realization of authorities by ATU Gagauzia will serve as a model for Transnistria region and for most of the foreign partners of the Republic of Moldova. If these principles are put into practice, this will allow to carry out decentralization, ensuring financial autonomy and transparency of state tools.

9.5. Special topic: Economy of Transnistria

Development of Transnistria region is favoured by a number of factors: well-developed infrastructure (railways, river ways, highways, airport), rich water resources, minimal seismological risks, proximity to sea port Odessa and availability of over 100 industrial enterprises in the region. Transnistria banks have opened correspondence accounts in some commercial banks of the Republic of Moldova, Russia and other states and they may carry out financial operations with most of the banks around the world.

Regional production has shown good evolution over the last years. The GDP in real terms has grown by almost 80 percent over the first quarter of 2007. This growth is also due to reduced basis for comparison, since in the first quarter of 2006 the regional product has decreased by almost 20 percent. Still, even as compared to the first quarter of 2005, GDP grew in January – March 2007 by 46 percent!

Additionally, we state that the economic growth of Transnistria and Moldova is influenced by the evolution of aggregated internal demand (covered by remittances) and external demand (covered by export of three main groups of commodities: food-stuffs and beverages (Moldova – 40 percent, Transnistria – 5 percent), textiles (Moldova – 18 percent, Transnistria - 4 percent), vegetal products (Moldova – 12 percent), metals (Transnistria- 60 percent)). Thus, the balance of external payments shows an essential lack of proportion, conditioned by the deficit of trade balance, lack of official currency reserves, lack of direct investment and an insignificant portfolio in the economy of Transnistria. The import rate in Transnistria and Moldova exceeds the rate of industrial production and that of GDP.

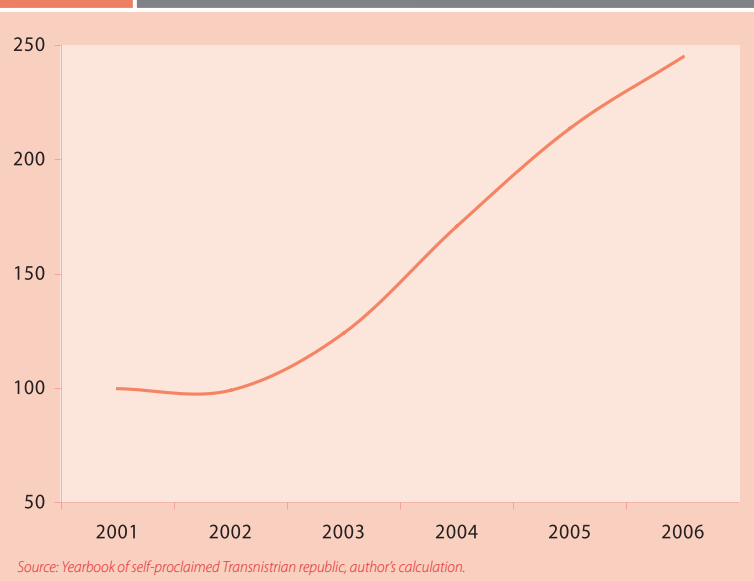
The flow of investment into the region (like in the rest of country's territory) is affected by the economic instability, lack of transparency of regulatory acts and dependence of the judiciary on the executive authorities. The economy is dominated by Russian investors (Itera, Commercial Home "Aroma", "Salut" JSC), but there are also in-

vestors from the US and the EU.

The land in Transnistria is state owned (in Moldova it is private), while the volume of agricultural production and labour productivity in agriculture remains at a very low level of only 9 percent in 2006 as opposed to 1991 (in Moldova it was 62 percent in 2006 as opposed to 1991).

Due to existence of Tiraspol separatist regime and censorship in mass media, the economy of the region will stay centralized and managed by the "state", either directly, or through packages of stock maintained within joint stock companies or trusts. In addition, the Republic of Moldova has limited economical – financial levers to influence regional economy.

Figure 39 Evolution of GDP per capita in the region during 2001-2006, 2001=100%



The small capacities of the regional internal market makes for a high dependence of region's economy on international economic ties. On the other hand, the macro-economic indicators of the region (volume of industrial production, export, state budget revenues, etc) depend, to a great extent, on the operational results of one single company, the metallurgical Rabnita plant (65 percent of exports), which shows the real size of imbalances in region's development. Any difficulties in operating this company would endanger the regional economy.

Redirecting the flow of commodities and passengers, so as to avoid Transnistria, implies both distances 500 km longer and, respectively, higher fuel costs, and the risk of a substantial decrease of Moldova's transit potential. For example, as of March 01, 2001 the passenger train Kiev – Cernauti avoids the territory of the Republic of Moldova. Thus, it may happen that the transportation nodes from CIS would go towards the Carpathian – Danubian and Balkan region not via Tiraspol – Giurgiulesti, but via Ciop towards Transcarpathian region.

Large risks are also incurred due to attempts to create “own” infrastructure: transportation, including railways, telecommunications, gas supply, etc. Thus, the inefficient policy of setting tariffs for energy resources promoted by the administration of the region (97 USD per 1000 cub m of natural gas for companies and 44 USD for the retired people as opposed to 170 USD according to the contract concluded by Moldova–Gaz with “Gazprom”) and total lack of transfers of the funds accumulated onto the “Gazprom” account (only 25 percent in 2006) has conducted to accumulation of a 1.45 billion USD debt up to now.

Prior to 2001 a number of documents related to Transnistria region were signed. However, most of them were placing the Republic of Moldova at a disadvantage and they could not influence the level of region's development. After 2001 (but more so after November 2003, following the rejection of the “Kozak” plan) the actions of the Moldovan authorities had a more optimistic evolution in their approach to Transnistria region.

The decision of the Government of the Republic of Moldova on declaring commodities by companies from the eastern rayons of the Republic of Moldova²⁵³ has changed the attitudes of the Tiraspol administration in respect to the purpose and contents of the economic reforms through development and implementation of a number of measures for liberalization of entrepreneurship activity, reducing tax burden, simplification of registration, licensing and certification procedures for companies. Mass privati-

zation was initiated in 2002 in the region; however, the process is not recognized by the Chisinau Government. Prior to June 30, 2007 over 100 companies were privatized, which conducted to three-fold increase of revenues in region's budget. Eighty percent of Transnistria companies were privatized by Russian companies or with partially Russian capital.

The Law on basic provisions of the special legal status of the localities on the left of Nistru river (Transnistria)²⁵⁴ provides in art. 8 that “Transnistria shall independently solve, in the interests of its entire population, its problems related to legal, economic and social development attributed to its authority by the Constitution and other laws of the Republic of Moldova and by Transnistria legislation”. However, implementation of this law may take place only upon condition of demilitarization and democratization of the region. This objective is difficult to achieve due to delays in fulfilling the obligations undertaken at the OSCE Summit in Istanbul (1999) by the Russian Federation on full, urgent and transparent evacuation of troops and armament from the territory of the Republic of Moldova and because of non-participation of Transnistria representatives in the negotiations in the “5+2” format for over 1.5 years (see, special topic **RECONSIDERING RELATIONSHIPS WITH RUSSIA**).

Recommendations

- ▶ The new concept stipulated in the Law of the Republic of Moldova on regional development (Monitorul Oficial/Official Monitor) of 16 February 2007 could facilitate the investment flows toward Transnistria through obtaining by Transnistria of a “development region” status.
- ▶ Attraction of foreign investors in Transnistria, which could contribute to attenuation of the “customs conflict” of the local context: complicated export – import procedures affect the operation of all companies on the left bank of Nistru, including the ones belonging to foreign investors.
- ▶ Establishment of centres for European information by civil society, which could issue and publish free newsletters, provide seminars and meeting for students of the region on European integration aiming at transforming the EU “enemy” into a “friend”.

²⁵³ Decision of the Government of the Republic of Moldova No. 1001 of 01.09.2001.

²⁵⁴ Law of the Republic of Moldova No. 173 of 22.07.2005.

- Subscribing schools, universities, healthcare institutions of Transnistria to some newspapers widely spread on the right bank of Nistru, so that opinion leaders could have access to alternative press.
- Improvement of the legal framework which regulates the economic relations between companies on both banks of Nistru (currently, there are big differences in the accounting systems, tax policies, etc.)
- Implementation of the Law of the Republic of Moldova on management and privatization of public property in Transnistria region.
- Privatization of land and reorganizing collective and state-owned farms in production cooperatives and farmer associations could give impetus to development of agriculture in the region.
- Encouraging companies of the region to register with the State Registration Chamber of the Republic of Moldova and to fill in all documents associated with business operation in compliance with the legislation of the Republic of Moldova.
- Participation of local businesses in privatization auctions in Transnistria, which could improve the image of Moldovan authorities, both in the eyes of the region's population (Moldova is investing, but does not „tend to extend control over the most profitable enterprises on the left bank of Nistru”), and in the eyes of foreign investors. In addition, this would allow the local businesses and commodities to penetrate on the market of the region, thus decreasing the size of underground economy.
- Since the gas imported by the Republic of Moldova and used in Transnistria is not declared at the customs and taking into account that Transnistria and Moldova have different payment procedures for natural gas, a special tool should be developed and coordinated for separate book keeping of natural gas import, within a single national system, so that relevant customs procedures associated with entry and transit of gas on the territory of the Republic of Moldova were followed; the mains gas supply pipeline Tiraspol – Chisinau should be restored.
- Promotion of autonomous trade preferences with EU, to be obtained by the Republic of Moldova starting in 2008, could reorient the companies of the region towards EU, which would make the people aware of the need for genuine democratization in the region.

9.6. Special topic: Tourism Development

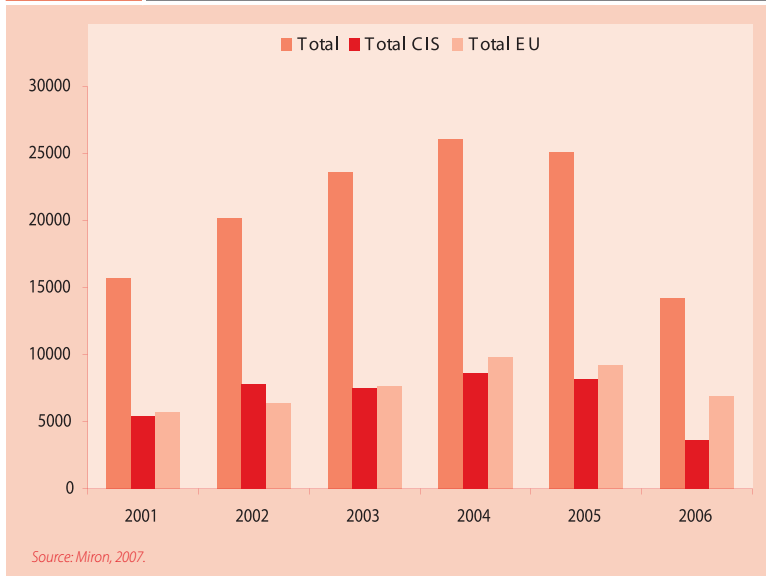
The Republic of Moldova has some comparative advantages within the region, which could give impetus to the development of the tourist industry: low cost of labour force, low price of land, existence of tourist resources of national and regional significance. However, the enthusiasm of authorities for the tourist sector is not well supported either by statistical data (lack of data about the real flow of travellers coming to the country, their territorial movement, their visits to main tourist attractions, orientation of investments towards certain priority areas, revenues from tourism in the budget of communities visited by tourists), or by large scale projects within the framework for implementation of sector-based strategies. This fact makes the discrepancy between expectations and reality even bigger.

and implementation of tourist activity²⁵⁵, which says that responsibilities, which are not covered with funds and capacities, are to be carried out by local authorities, while the new governmental agency for management of tourist zones will manage land plots, investments and the regime for exploitation of tourist resources ceded(!?) by communities, which refer to national tourist destinations. This may affect the interests of local communities, generate illegal interferences by state authorities in the work of private companies and conduct to destabilization of the real estate market.

Thus, the national tourism, as far as international tourist flows are concerned, is disorganized, with an insignificant improvement in performance at the level of industry (6-7 percent annually). The main tourist indicators (number of tourists, number of participants in excursions, number of tourist days, revenues in MDL, origin of tourists, reason for travel, means of preferred transportation, number of staff) are not disaggregated by territory. At the level of tourist agencies, the performance of the industry for the last period shows an insignificant growth of the general number of tourists, as well as prevalence of international departures of tourists (in two thirds of the cases to EU countries) over arrivals. In addition, the country is still unattractive for the mass foreign tourists, while the tourists that come to the country (about 150-200 thousand people per year), do it mainly for business and for a short stay of two-three days in the Republic of Moldova. The limited number of travellers, disorganized market, bureaucratic barriers to carrying out operations, have determined many local tourist agencies to leave the market. Currently, the total number of agencies is about 200.

The organized outward tourism exceeds 4-5 times the inward one, while Moldovans spend more money abroad, than the foreign visitors spend within our country. A number of impediments are instituted to Moldovan tourists travelling abroad (especially to EU countries). These include a discouraging visa system, need for some guarantees,

Figure 40 Number of foreign tourists, who visited the Republic of Moldova, persons



Management capacities of the tourist area are also affected by delegation of some competencies to local public authorities (inventory of tourist resources, fitting up the territory for needs of tourism, providing support to tourism entrepreneurs, etc.), that have neither special managerial skills, nor financial resources. These provisions are maintained in the new law on organisation

²⁵⁵ Law of the Republic of Moldova No. 352 of 24.11.2006.

travel of children with their own passport), notwithstanding the fact that the Moldovans make up important segments on the tourism market of the countries of the region. However, when coming back to home country, Moldovans influence the quality of services at local tourist destinations by activating the local tourist market and reorganizing the routes in territories.

Most of the accommodation premises are adapted to the summer tourist consumption, while the vast majority of foreign persons are registered in Chisinau city, the province hosting only 10 percent. This is so, despite the fact that the hotel sector has restored the number of accommodation places up to the level of 1998 and, following a major decline, has hired more certified staff, has placed on the market new accommodation premises, including outside Chisinau. Still, only each fifth accommodation unit has accepted the national star classification system established in 2003. Large hotel chains avoid the Republic of Moldova due to high costs and limited tourist market. Several attempts to place international level hotel operations in Chisinau were made, but they were given up due to privatization failures in the sector. The sector is still unattractive for major investment, especially due to impediments specific for the tourist branch: need for large investment in general and in tourist infrastructure, reduced flow of visitors, operation dependent on season, high degree of degradation of tourist objects, lack of tourist zones attractive for investment.

The tourist zones are underdeveloped and inefficiently managed, which conducts to dispersion of travellers among unfitted territories, thus degrading the environment. Another consequence is the decreasing number of visitors. Thus, their impact on the local economy is minimal. An exception is Vadul-lui-Voda, with the greatest national tourist density. However, it is not managed as a tourist zone, while most of the servicing units are not registered locally (thus, they pay no taxes to the local budget) and have not accepted the national quality classification system. Thus, the lack of a diversified and well promoted offer in the territories is the most important barrier to local and foreign tourists.

The tourist legislation is not applied, although the Republic of Moldova is the most advanced among CIS countries, including due to obtaining the status of full member of the World Tourism Organisation and to international professional support.

The tourist sector is one of the excessively regulated ones, using many instruments: authorization of licensing documents for tourism, classification of accommodation units, evaluation of nominal vouchers of travellers, granting certificates to each of the staff members of the tourism agencies and structures, maintaining a Register of tourist objects, double annual verification (by tax authorities and tourist authorities) of commercial transactions. In addition, there are initiatives for regulation of tourist routes and direct management of national tourist zones by a governmental structure. This excessive regulation occurs in conditions of lack of genuine and efficient support mechanisms for tourist entrepreneurship, especially in the rural space, which is believed to be disadvantaged.

A limited range of tax benefits exists (exemption of some taxes for residents), along with commitment to create access infrastructure and to provide long term lease on land plots only in national tourist zones and only to large companies, which are obliged to submit a set of expensive feasibility documents (zonal urban development plan, technical and economic feasibility study, blueprints of buildings). The tourist legislation has no clear provisions on the operation regime of other tourist locations (local zones, tourist attraction sites). In addition, the delegation of some tourist authorities to the rayon divisions for culture, which have no trained staff and no clear methodology for enhancing entrepreneurship, and thus, is not sufficient to give impetus to tourism in territories, especially in recognized areas (Harjauca, Cahul, Sorooca).

Over the last seven years, the tourist sector has benefited from a number of funding opportunities within projects for re-launching of tourism. These opportunities were provided by the private sector or international assistance structures. The actions for development of the branch were partially supported by UNDP – Moldova

(within projects “Sustainable development of tourism”, “Local agenda 21”, CBC TACIS (project “Ecological tourism in the woods of Lapusna”), REC–Moldova “Ecologic tourism network in Padurea Domneasca”), etc. Within these initiatives, some capacities of experts in tourism were strengthened, the population of rural communities was involved in strategic planning for development of tourist zones, some tourist routes were developed, businesses for rendering services to tourists were established, tourism was promoted through networks, manuals and mass media. However, the use of financial resources by the National Fund for Development of Tourism, which, according to law, should provide opportunities for development of tourist market actors, remains non-transparent. Over 2004 – 2006, no progress was made by national tourism authorities to establish partnerships with donor institutions for consistent support tourism for a foreseeable period in Moldova. The impact of this failure to take action was felt at the level of latest strategic documents, which took into consideration neither the new funding opportunities for Moldova, nor the interests of all actors of the tourism market. No territorial development has occurred in a coherent manner (for example, EGPRSP set development of rural tourism as a priority, while the new law on tourism is focused only on development of national tourist zones, ignoring the local ones). In addition, pressure was applied on the national authority for tourism to reduce its staff.

In 2006, the most significant relevant projects in the tourist sector were: development of the general urban development plan for Trebujeni village (Orheiul Vechi tourist zone), working out the plan for territory development in Chisinau city (with specific actions for tourist and leisure zones Vadul-lui-Voda, Vatra, Condrita), development of the general urban development plan of Chisinau (which has the greatest collection of architecture items in the region), ecologic rural tourism in Lapusna Woods and opening of a regional centre for tourist information.

The impact of these projects consisted in setting some priorities for medium and long term in development of tourism and associated areas. However, these projects were initiated by local public authorities,

civil society, while the national authority for tourism was but a passive observer. The public–private international partnerships established in the period will be unable to effectively use the accumulated experience in other similar zones of the country if no continuing funding is secured.

The seasonal exploitation of existing accommodation units and the unsatisfactory associated infrastructure reduces the investment attractiveness of tourist locations. Lately, public authorities were animated by a number of ideas for investment: “Wine city”, privatization of the state owned company “Moldova-Tur”, creation of the national tourist zone in Holercani, building of the “Moldovan village” in Buciumul Centre, building of the Olympic Stadium with infrastructure for hosting international championships and large numbers of fans and sportsmen, etc. These projects have reached varying degrees of implementation, some of them gaining the major interest of the private sector. However, authorities have abandoned a number of projects enthusiastically supported in the past, such as “Museum of the village”, Entertainment Park “Three kids”, etc. The limited number of investment projects in tourism shows lack of capacities for coherent and transparent management of a strategic investment portfolio for the branch, aiming at reviving local economy of the national level tourist zones.

The national tourist agencies (which are the main managers and animators of tourist flows) have negative stereotypes in the Moldovan society, including as partners for strategic investors. While some Moldovan tourist companies have invested in tourism locations situated in Chisinau, Vadul-lui-Voda, Vatra, Glodeni, Rezina, Orhei, etc., they created no consistent demand for land plots and real estate for placing investments. Over 500 tourist locations, which were fitted up as summer camps for children during the former Soviet period, are largely still abandoned, while their assets are deteriorating and losing value rapidly.

The vague idea about tourist destinations in the Republic of Moldova is strongly affected by inactivity of authorities and failure to improve the image of the Republic of Moldova as a stagnant, obscure country with

an undecided management, plunged into an extended post-conflict crisis (see Section **HOW THE WORLD VIEWS US**).

Recommendations

- ✔ Development of the set of documents and confirmation by legal documents of some tourist zones within national leisure zones: Vadul-lui-Voda, Holercani, Vatra, Soroca, Cahul, as well as launching works for modernization of general infrastructure up to the borders of the zones.
- ✔ Support to cross-border projects with impact on tourism and tourist zones (Neighbourhood Programme, ENPI CBC Romania – Ukraine - Moldova), which were developed and submitted for funding by local public authorities and social actors of potential tourist destinations.
- ✔ Creation of a territorial tourist system and its incorporation into the Plan for National Territory Development in compliance with practices of European states, including clear statement about the status of tourist stations and local tourist zones.
- ✔ Implementation of Pilot Tourist Accounts, adaptation of national statistical indicators to the realities of regional tourist market and ensuring their transparency.
- ✔ Updating the Strategy for sustainable development of tourism and incorporation of relevant actions of national tourism industry into the National Development Plan, as a diversification factor of the economy and promotion of a positive image of the country.
- ✔ Creation of a clearer framework for active involvement of tourist entrepreneurs in utilization of economically unused reserves of the national property.
- ✔ Supporting strategic investments in the tourism and hotel sector and promotion of benefits provided for investment with major impact on tourist zones, respectively, promotion of policies for attraction and placement of international hotel chains.
- ✔ Continuing detachment of national tourist companies from illegal migration and intensification of tourist circulation along national and regional routes.
- ✔ Continuing the efforts for diversification of the territories' economy through tourism (for generation of economic and social benefits from non-agricultural activity) and the efforts to eliminate barriers to access to the tourist business, respectively, promotion of tourist stations and destinations and implementation of a high quality systems of tourist services (accommodation, food, transportation).
- ✔ Carrying out a comprehensive study on needs for harmonization of the tourism legislation with the EU one, so that Moldovan legislation would offer real and efficient tools for supporting the tourist entrepreneurship, especially in the rural space, which is considered to be disadvantaged.
- ✔ Improvement of the branch management to establish competitive partnerships in the tourist industry.
- ✔ Modification of the approach to actions for conservation of natural and manmade tourist sites and their use for non-degrading economic purposes, such as tourism.



10

Conclusions

Conclusions



This State of the Country Report is a first attempt to provide a comprehensive assessment of the development of the Republic of Moldova in the last years. The Report provides the readers with an overview of a number of areas, which are vital for the proper functioning of a state. This Report is not merely an account of the state of affairs, but rather a dynamic vision on the country's development, the role of public authorities and implications of the status quo in the country on its future. Furthermore, experts who took part in the writing of this Report offer a number of recommendations, which, if implemented in a short or medium-term perspective, may improve the situation in the areas addressed. At the same time, the Report would not be complete if it would not offer some fundamental conclusions too, which would integrate the sector assessments and would set certain benchmarks for follow-up actions.

The first fundamental conclusion of this Report is that the Republic of Moldova seems to be divided by an invisible line: there is a Moldova of the capital city and other well-developed cities and a rural Moldova, which unfortunately is, to a great extent, economically and socially underdeveloped. This dividing line threads as a red line in all the chapters of the Report: from Development of human resources to Regional Moldova. Thus, it seems that the Report covers two detached parts of the same state. The urban part is apparently benefiting from the outcomes of changes that take place in Moldova, while the rural part lags behind these changes, and stagnates in a pre-modern stage. More disturbing is the fact that gap between rural and urban areas become wider and wigher.

Obviously, problems faced by rural Moldova are also common for the urban Moldova: poverty, underdeveloped infrastructure, difficult access to quality health and education services etc. However, in Moldovan vilages these problems are much more prominent and deeper, and perhaps even irremediable in some communities. Such a state of affairs is not only due to „post-communist

transition”, but also due to a deeper and more comprehensive phenomenon: that of a delayed modernization, which takes place in the country. In the case of the Republic of Moldova, a predominantly agrarian country (not only from the economic, but also from the political, social, and cultural perspectives), this modernization would imply not only a mere openness of the country to the world in a full process of globalization and regional integration, and not only (!) the replacement of „socialist” paradigm of economic development with that of the „Washington Consensus”, but also the fundamental transformation and adjustment of its civilization „cradle”, rural Moldova.

For the time being, this transformation is addressed by the simplest method, i.e. through abandonment and degradation of rural areas, both in demographic terms (emigration), and in terms of practical policies. However, this situation cannot last forever, while the degradation of rural Moldova can become irreversible if all its resources are exhausted. How would the whole country look like in this case?

Emigration became an absolutely distinctive phenomenon for the Republic of Moldova. On the one hand, remittances sent by Moldovan migrants played until recently a key role in economic growth and poverty reduction. On the other hand, emigration is associated with huge costs, at personal, family level and at the level of the whole social system, which are difficult to be estimated at this stage. At the same time, remittances do not provide for a durable solution for the economic growth, while the intensification of migration processes leads to establishment of a Moldova-in-exile. Loss of human capital will lead to a heavy shock for the country's future, especially if coupled with the alarming demographic processes. Under such circumstances, authorities have a complete lack of a comprehensive approach to these phenomena.

Accordingly, the second conclusion is that often authorities do not pay proper at-

tention to the „human dimension” of policies. In fact, instead of addressing directly the essence and causes of the existing problems, authorities often undertake some „palliative care” measures, which only delay the large-scale crisis, and do not provide sustainable solutions to these problems.

The lack of an essential approach to a number of important problems raises doubts in the background of an „inflation” of strategic planning papers, which was typical for the public policy area over the last years. Many strategies were drafted and approved before the expiry of previous strategies or without a proper evaluation of their implementation process. Many other strategy papers had a formal nature, without a required coverage with financial, human, and other resources, while local public authorities often simply lack capacities, or financial and/or institutional instruments to implement such avalanche of papers. In addition, most documents are not consistent with each other, the monitoring and evaluation process is often deficient or even missing. Before the design of the National Development Plan (with all its shortcomings) at the end of 2007, the Republic of Moldova did not have a strategy paper to outline clear development priorities and to provide an integrated vision on the destination to be reached by the country in the near future.

Thus, the next conclusion refers to the poor quality of governance and the low administrative capacity of authorities. Unfortunately, this situation is also aggravated by the fact that, apparently, authorities do not make every effort to prepare a qualified and effective group of professional civil servants, and rather contribute to the preparation of groups of politically obedient bureaucrats.

The low quality of governance is also shadowed by the fact that the Government did not fully define its role in the economic and social development of the Republic of Moldova. And this is another key conclusion of the Report. According to declarations, authorities acceded to the liberal development model, but in practice, the economic liberalization initiatives (not to be confounded with fiscal amnesty or capital legalization initiatives) reflect some clear etatist trends. In fact, these trends are generated not only by legislative acts or decisions, but also by

informal orders, „telephone laws”, the excessive share of enterprises „supervised” by the state or the obvious economic protectionism of some of these enterprises.

On the contrary, the initiatives in many areas where authorities’ intervention is crucial (development of physical infrastructure, reform of public utilities, ensuring the access to qualitative health or education services, especially in rural areas, comprehensive reform in social sectors at national level etc.), are, either absent, or short-lived or less effective. Without a clear definition of the role and the way to play this role by the Government, its contribution to the sustainable economic and social development would not be visible.

Certainly, changes mentioned above have an impact on the foreign policy of the Republic of Moldova and its relations with its neighbours and the major international players. The Report showed that Moldova had misunderstandings or conflict situations with almost all its major neighbours. Obviously, in some cases this was caused by objective reasons and by the fact that the national interests of the Republic of Moldova collided with the national interests of other states. However, often misunderstandings and conflicts were generated by the lack of a position and of a well defined foreign policy and as a result of a rudimentary political thinking and without support in the reality of international relations. Thus, another conclusion of the Report is that the foreign policy of the Republic of Moldova reflects to a great extent the uncertain modernization and self-identification of the country. It is not accidental at all that the external image of the Republic of Moldova remains unclear and is characterized by negative highlights, which we cannot refute. The image will improve, and the foreign policy will become much clearer, more balanced and more consistent, as soon as the country’s development vector is definitively and unambiguously defined.

Finally, the authors hope that this Report will serve as a useful and timely contribution to the country’s modernization process, public debates, dialogue with authorities and international development partners. In such a case, we believe that the next report, to be issued in 2009, might state some real improvements of the state of the country.

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