



CHAPTER 6.

ON THE WAY TO SUSTAINABLE HUMAN DEVELOPMENT

“Ștefan cel Mare* : Moldova did not belong to my ancestors, it wasn't mine and it is not yours, it belongs to your descendants and to your descendants' descendants' descendants for good.”

Barbu Delavrancea, the drama “The Sunset”

The first decade of the transition period has already passed for Moldova. Many things have changed, but the road towards a genuine democracy and prosperity remains paved mainly with good intentions. The transition, which was conceived and accepted in theory, but never consistently realized in practice, has not yet brought prosperity and stability, thus discrediting some fundamental ideas of democratization.

The general outcome of human development in the Republic of Moldova after a decade of transition is discouraging. The country is struggling in the trap of crisis: the quality of life and the living standards of the population have worsened, poverty has reached alarming proportions; the economy is in stagnation; debts bring the state close to solvency limits, thus becoming an unbearable burden for the present and future generations; instability, uncertainty, corruption, disregard for legislation and state institutions undermine all.

The process of reshaping the social and economic systems encounters huge difficulties, similar to those faced by the majority of countries in transition. The main problem of Moldova is the inability to create favourable conditions for human development at a pace necessary for productivity growth, fair access to opportunities, and real democratization of the society.

The 1998 UNDP Human Development Report for Europe and the CIS countries, mentions that “the new nations” pursuing reforms have diminished the direct role of the state in resolving social problems, without creating another system in place of the old one. The report considers that countries in transition should implement reforms gradually, without striving to penetrate the world markets right away.

The practice of Central, East European and CIS countries in transition show

the incorrectness of the presumption that the nations and governments of this regions would be able to assimilate and apply easily the new democratic ideas, including the mechanisms of a market economy. Relative exceptions are the countries with successful implementation of reforms - such as Slovenia or Poland.

On the other side, countries in transition are moving towards new social and economic systems, lagging behind advanced countries that also have a further development, and this fact cannot be ignored.

At present the governments of each country in the world talk about the need for reforms and changes in vital fields. As soon as some objectives are met, there appears a need for more radical reforms. Competition dictates rapid changes.

Under these conditions, the slowing down of reforms is risky. In all countries the theoretical and political spheres focus on improving the mechanisms that ensure the growth of the population's well-being (health, education, living conditions). In the early '90s many former communist countries, including the Republic of Moldova, expressed their wish to follow the economic models of Sweden, Germany, Japan, or southeastern Asia which, however, have already become obsolete. For those who are behind in the run for progress, the study of these models could help in avoiding mistakes and false solutions.

It is known that there are no perfect and totally applicable models. They cannot be mechanically reproduced in other countries due to differences in the social areas, labour market or in the education system. At the same time, the experience of other countries is, of course, useful. It can and should be applied, provided that the elements of the selected model are adjusted to the maximum to the national particularities and conditions, which was not sufficiently observed in our country.

* Ștefan cel Mare (Ștefan the Great), ruler of Moldova during 1457-1504.

The difficulties encountered by the Republic of Moldova are related basically to chances of human development — at present, as well as in the near and distant future. It is worth mentioning the problems pertaining to the functioning of the state institutions and the capacity of the community to react to new challenges among those that undermine the installation of democracy, the evolution of a market economy and the well-being of the population.

The Republic of Moldova is situated in an instable geopolitical zone, sometimes associated with the image of a problematic region, loaded with latent tendencies. One of the destabilizing factors is the self-declared “Transnistrian republic”. The settlement of the Transnistrian conflict is blocked by strategic interests of Russia, which has no intention of giving up this territory. The 14th Russian Army continues to be dislocated on this territory, though the Russian Federation made a commitment to the European Council to withdraw its troops.

Lack of integrity of the country not only affects the authority of the state as an institution, but also brings along social, economic and moral damages, makes the policing of frontiers extremely difficult and costly, favours blackmail, all forms of the shadow economy (smuggling, drug traffic, illicit transactions), organized crime, corruption and others. Some entities from Transnistria try to interject separatist actions in other zones of the country. The harmful effects are contagious.

The functional crisis of the market economy: decrease in the volume of production, blockage of improvement in the effectiveness of the economic activities, financial blockages, lack of competition and real dynamism of the market.

The continuation of the crisis can turn into a catastrophe. The economic collapse was caused by many factors: inappropriate political management of the transition process; the principles and practice of privatization, models and mechanism selected for the initial phase of the transition to a market economy inspired by the idea of social justice, which was

much discussed in the NHDR in the last years; chaotic institutionalisation of the mechanism of a market economy, reluctant and inconsequent promotion of the reforms; procrastination of the application of principles of a market economy in the economic management of the state — delayed cash-based privatization, avoidance of bankruptcy of non-profitable enterprises; inappropriate restructuring of enterprises, etc.

The moral crisis of the society — the corollary of the economic crisis — can discredit the entire process of democratization and reform. Many experts consider that the moral crisis and the mental dead-weight make the transition very difficult. The crisis is conspicuous in all social segments, starting with the family and ending with the political class. The elements of the crisis are typical for a suffering society: shadow economy, corruption, criminality, traffic of influence, juvenile delinquency, prostitution, diseases of the poor (tuberculosis, anemia etc.), fading of interest in education, depravation, alcoholism, psychological pathologies.

There are also specific factors that effect the moral climate in the Moldovan society: lack of an ethics code of accountability of the state towards its own rules, transparency, correctness of decisions and actions; violation of the legislation and established norms, even in the relations between various branches of power; very weak law enforcement; perpetuation of the old administrative methods and subjective criteria for the promotion of state and other officials; poverty, which undermines human dignity and subdues the spirits; communication and information blockage, etc.

The lack of a coherent strategy for the entire transition period, which would take into account the implementation of the reforms with the estimation of the inevitable social costs and the sources covering them. Such formulations of strategy were not made during the brief transition period, though logically they were needed.

The most comprehensive planning document in this field was “The Program of Transition to a Market Economy”

(1990). It was elaborated on the basis of concepts proposed by local experts, taking into account the experience of the Common Market, as well as the government programs of transition to a market economy in Poland, Romania, and the Baltic countries. This program drew on the experience of all reforms which were realized at that time both in full and partially, and the intentions underlying them at that time: privatization of state property, structural reforms, attraction of foreign capital and technologies, organization of a new health system based on medical insurance and many others. It is important to mention the hope that “in the complicated transition period” it will be possible “to assure social protection of the population by distributing the state property.” It was believed that shareholders would create the broad segment of free economic agents that “would contribute to the reduction, to some degree, of the power of the ‘phantom economy’”, called nowadays the shadow economy. It was also believed that by changing the ownership “there will be created equal starting conditions for all the citizens”. The program envisioned generous social protection for the citizens laid off from enterprises as a result of the reforms, though the sources that might cover these costs were not specified.

Afterwards, each of the seven governments has operated according to programs approved by the Parliament, which not always ensured the continuity necessary for the achievement of long term goals. An overwhelming factor has become the propensity to win the trust of international financial organizations for extending new loans. The international institutions assisted in drawing up medium-term programs on restructuring the social sphere and poverty alleviation (WB, UNDP), restructuring of industry (UNIDO), agriculture (USAID, TACIS), infrastructure of the energy sector, telecommunication, transport and roads rehabilitation, as well as environmental issues. In order to fill the gap created in the field of social-economic strategies, the Government and UNDP have founded a project “Strategy for Development” (mac-

roeconomic and sectoral analyses and forecasting), realised by the Centre of Strategic Studies and Reforms (CISR).

Finally, based upon all these plans, a new middle-term program was drawn up by the Government — the “Strategic Guidelines of the Social-Economic Development of the Republic of Moldova until 2005” which was approved in November 1998. The document was elaborated by the Ministry of Economy and Reforms with the use of data provided by all ministries and departments, the NBM, CISR, the Centre for Study of Market Problems, the Agency for Enterprises Restructuring and Assistance, the Agency for Restructuring of Agriculture and the Academy of Economic Studies of Moldova.

“Strategic Guidelines” proved to be useful from the practical point of view — for ensuring the continuity in the activities of changing governments, and coordination of departments’ work, as well as in making use of technical assistance.

Meanwhile, the need to elaborate *the Human Development Strategy for Moldova* still remains actual. The strategy should put *the people in the centre of all aspects of the development process*. Such a strategy is based on the needs of the people, is realized by people, and ultimately focused upon enriching human lives.

A country is, first of all, a human community in development. Therefore, this strategy should not be accessible only for the present generation but also for future generations. Such a global approach is intended to be followed in the new UNDP project “*Moldova-21/Sustainable Development Strategy of the Republic of Moldova*”, based upon principles of the UN Agenda-21 (Rio de Janeiro, 1992). These principles outline the following current problems for the Republic of Moldova:

- Every citizen has the right to a healthy life, free access to productive activity, harmonious life with nature. Human rights and freedoms represent one of the fundamental criteria for the assessment of the degree of democratisation of the society;

- The development of the society has to be of an integral nature, which would aggregate optimally the social equity, economic development, and ecological security. Standards of living in parallel with economic productivity should be mandatory and based on rational use of natural resources and a healthy environment;
- Transparency of the state's economic activities, to remove barriers to enter the market and to take measures for promoting competition, to re-evaluate state budget priorities in favour of sectors which are important in a long-term perspective (health care, education, science, culture);
- Elaboration and use of mechanisms that would build an open and democratic civil society, instill security and free development of the personality, including of women and youth;
- The strategy must have a regional, even local focus, touching upon local problems and needs.

The success of Human Development Strategy is likely to be contingent upon the political stability and rooted democratic institutions in the country. Political conflicts diminish a substantial part of human capital that could be used more efficiently in favour of enforcing conditions for human development.

The implementation of the Human Development Strategy calls for the establishment of external conditions — creation of an efficient framework for Moldova's cooperation with European and regional structures, and for the establishment of good relations with international financial institutions. It also demands favourable internal conditions — a base for ensuring partnership between the government, trade unions, public organizations and political parties, based on public support and long term national interests.

The final goal of the Human Development Strategy is to strengthen the capacity of Moldova to develop its own way to the 21st century, to allow the resolution of social problems, and to ensure a successful economic performance and a healthy environment.

CONCLUSIONS

Ten years have passed since countries in Central and Eastern Europe, including the Republic of Moldova, began their transition to democracy, a market economy and civil society.

The Republic of Moldova, as a new state in Europe, is at the initial phase of national consolidation. The 'nineties will remain in the history of Moldova as the transition decade, when the basis for real freedom — both spiritual and economic — was established. But for the people this was a time of austerity and survival.

The transition has brought disappointments. Unlike in countries such as Poland or Slovenia, the weakness of the state and the low level of political consent in Moldovan society did not allow permit the required regulatory role of the state in implementing reforms. In particular, state systems, undergoing a deep crisis, proved to incapable of initiating timely structural reforms, of collecting taxes as needed and of ensuring budgetary support of the poor strata of population.

Since crises usually aggravate inequality, the Government should have stimulated private sector development to function as a shock absorber for unemployment, should have reorganized the system of social assistance and should have undertaken measures in order to protect the poorest from economic shocks. Thus far this has not happened.

Disappointment was generated also by the property reform, based on rapid mass-privatization by vouchers, oriented towards granting everybody "equal starting opportunities." In reality, it did little more than turn poor-quality assets over to a large number of poor owners and channel high-quality assets to the "agile and connected." The populist privatization method and slow pace of reforms in the agro-industrial sector (a key sector of the national economy!) did not facili-

tate the turnover to efficiently working owners or good corporate governance of enterprises, which in its turn had an extremely negative influence on the real sector dynamics, its exporting possibilities and the level of employment.

On the macroeconomic front, the efforts to reduce inflation and the state budget deficit were not so successful. Non-compliance with the laws and decisions of courts has also led to the state's inability to rein in the underground economy, which has greatly expanded, leading to a vicious circle of corruption, hidden firm activity, reduced public revenues, and a dramatic widening of the population's income inequality.

Corruption not only causes severe stress in the everyday lives of the country's people but also stifles private economic initiative and the development of entrepreneurship as a driving force in a market economy and a means of "self rescue" during periods of hardship.

The low social efficiency of the reforms, the sharp income discrepancy and drawbacks in distributing the fruits of economic development ("newly rich" against "newly poor") have led to deepening and to a critical shortage of state funds for the support of public services, particularly for primary health care and basic education.

As a result, there has been a considerable worsening of all indicators of living conditions. In 1998 the Human Development Index for the Republic of Moldova, according to the estimations of the DSAS, was equal to 0.697 (in 1993 it was 0.718). The main components of HDI for Moldova today are: global domestic product per capita at purchasing power parity — US\$ 2042; life expectancy at birth — 67.0 years; literacy adult population — 94.6%. The Republic of Moldova, in spite of the worsening of HDI in the last years, still remains within the group of states with a "medium level of human development." Among 174 countries included in the UN rating list (Human Development Report 1999) Moldova is situated at the 104th place, having as neighbours Albania, Tunisia, Indonesia,

El Salvador and other developing countries.

Lessons of 1998. The 1998 Report is focused on key human development issues through the prism of human security. It is this year that the contrast between the declaration on the need to make development people-centred and realities of human insecurity were manifest. According to events, indicators and tendencies which constitute the basis for the current Report, the cardinal point is that in this year in Moldova the "first round of reforms" (from the crisis in 1991/92 to the crisis in 1998) was finalized. As a result, along with certain positive changes (human freedom, liberalization of enterprises, privatization of land in rural areas and of flats in urban areas, etc.), have emerged real threats to existing human security, and to the quality of human life in the future.

It was in this year that the totality of internal causes (protracted depression of output, the growth of unemployment and poverty, the collapse in the social sphere, violence generated by the shadow economy and corruption), along with the financial crisis originating from Russia — the main economic partner of Moldova — combined to put the country on the verge of default. Official statistics registered a reduction in GDP by 8.6% and a decrease in both industrial and agriculture output by 11%. According to the HBS, 46% of the population were poor. Social inequality has deepened: the income difference between the richest 20% and the poorest 20% is a factor of 12.6 times (against 7.0 in 1993). Ten percent of the "new rich" accumulated 47% of the total consumption of the population, while ten percent of the poor — 6%, respectively. Problems appeared in health care and education; nutrition has worsened.

Reforms' halting in 1996-1998 showed quite obviously that even with apparent success in macro stabilization, the lack of real measures in restructuring the economy will lead to excessive borrowing on the external and internal markets and to

increasing state indebtedness. Servicing of a big external debt (\$1.3bn or 80% of GDP) is distracting resources from solving the social problems and in these conditions the main task is not so much human development but rather maintaining human potential. The state's internal debt constituted 1.57bn lei (almost \$200m) at the beginning of 1999, and expenditures for public debt service are at about 25% of the total budget expenditures, while the maximum admissible level is 7%.

The social results of inconsistent and uncoordinated reforms proved to be quite depressing. It should be stated that during all these years social aspects of the reforms have constantly been left as a secondary priority. According to the chosen methodology of reform, the priority was given to macroeconomic stabilization and privatization. Efforts in the social sphere had a fragmentary nature. Even after a decade of transition, there is no common strategy for social reform.

In the end attention was drawn to this aspect not only the Government, but also by international institutions which granted financial and technical assistance to Moldova. The following confession is characteristic: "Too often we have focused too much on the economics, without a sufficient understanding of the social, the political, the environmental, and the cultural aspects of society." (James Wolfensohn. A Proposal for a Comprehensive Development Framework. World Bank, January 1999)

The lessons of 1998 have freed the country from illusions. Both for the Government and for the population it has become clear that the path towards a socially oriented market economy and positive results — both for the population and for the state — will not be short. The question has emerged about the need for a new policy that would better fit the needs of human security now and sustainable human development in the near future.

From the tactics of survival to a strategy of development. The next two to three

years may be decisive for the Republic of Moldova and its population. Many threshold indicators of threats to human security have been already passed and any further destruction of human potential is extremely dangerous for the future of the country.

The question is, which corrections should be made to economic policy; how is it possible to improve the difficult social situation in Moldova, and what actions have the Parliament and Government taken in this connection, or what are they planning to do?

The year 1998 was the new Parliament's first year in power along with the newly appointed Government. They declared their priorities as follows:

- Enhancing the responsibility of the state for social results of reforms, restructuring the social sphere, targeting social assistance;
- Budget rehabilitation, fiscal system improvement and collection of budget revenues as well as contribution to the Social Fund;
- Rehabilitation of the structural reforms in the real sector of the national economy; completion of agrarian and land reforms; stimulation of entrepreneurship;
- Fundamental reform of local administration, with a view to more efficiently using regional resources — human, natural and productive;
- Consolidation of state power institutes, guaranteeing the democratic development of the society, rule of law, rights and liberties of the citizens;
- Approachment with Europe; development of Moldovan society in accord with European standards, equity norms and human security.

It is already obvious that in the Republic of Moldova state institutions are not robust enough to sustain the forces of

transition. The expectations of the population vis-à-vis the role of the state are still unmet, for it is the state that was the initiator of the reforms and it must therefore take responsibility for their results. Solutions must be found in a strong legal system and transparent public institutions that work together with the private sector and civil society to produce sustainable development.

Such an approach should be based on the increased responsibility of citizens for the real state of public relationships and of democratic institutions, for development of local public administrations, a network of NGOs, and involvement of the population in settling the problems of the society.

The active participation of the population is extremely important, on the one hand, in fighting corruption and, on the other hand, for overcoming poverty. It is precisely these two misfortunes that are interrelated for the financial resources that are laundered via corrupt channels represent the means that should be received mainly by the poorest levels of the population. Taking into consideration this fact, for Moldova fighting corruption is an absolute necessity by both legal and administrative methods, by way of uniting the efforts of the Government, business, international community and groups within civil society.

Anti-poverty policies should be part of a new strategy for transition which builds on a concept of human development. Particular attention, in this case, should be paid to targeted social assistance by the state in order to increase the capacities of the population to settle the problems they face by themselves. For this purpose it is necessary to provide legal, fiscal and political support to small and medium businesses, including rural ones, to contribute to retraining manpower and to enhancing labour mobility.

Moreover, it is important to establish conditions that facilitate the inflow of funds to branches providing for human development. Efforts are required to enhance

human capital (education, health, freedom of choice), which will have a positive influence in the future and can replace some forms of exhaustible resources.

Human development cannot be expected to advance on a badly weakened foundation of human security — social, economic, political, and personal. Resources of state are limited and therefore must be focused on resolving the following tasks: (i) poverty eradication, (ii) enlarging employment, and (iii) protecting socially vulnerable groups (children, disabled, and solitary elderly).

Poverty alleviation should become the main concern of decision makers. Policies in this field might combine two elements: active measures and passive ones as envisaged in the National Program of Poverty Eradication. In the first case the accent would be placed on promoting economic opportunities for poor people, notably:

- creating new jobs;
- facilitating the access of poor to the productive usage of assets;
- diversifying social service infrastructure in rural arrears;
- expanding opportunities for the more productive use of labour force which poor people possess.

With regard to passive measures of poverty alleviation, these measures would be tailored to the programs of social assistance and would consist of:

- monthly targeted cash benefits to children, disabled, and numerous families based on means testing;
- occasional social assistance (in cash or in-kind) to socially disadvantaged people.

In the field of employment, planned activities should be aimed at improving job and wages security through a package of measures envisaged in the National Program of Employment for 1999-2000.

Among them are the following:

- stimulating job creation and production capacity improvement;
- enhancing professional mobility of the labour force and strengthening the efficiency of labour market institutions;
- removing small business and entrepreneurship barriers;
- improving protective measures for lay-offs;
- simplifying procedures for initiating and registering entrepreneurial activity;
- (re) training dismissed employees.

Social protection efforts would be channelled to streamlining the social security network: firstly, pension plans, health care and social assistance. The main goal is to ensure each person the basic forms of human and welfare security. For this purpose the new system will offer the opportunity of choice, while benefits will be targeted primarily to socially disadvantaged groups.

Moldova is granted a considerable support from abroad for human develop-

ment. However, its existing usage is not entirely effective. It is first necessary to improve the coordination and control of grants. Secondly, particular attention should be paid to projects directed at concrete targets for human development, both at national and regional (municipalities and commune) levels.

Moldova is a European country and the process of the country's integration strategy has been launched. Of importance are the foreign policy initiatives, the harmonization of legislation and administrative practice with the European Union, and the strengthening of democratic institutions. This fact engenders incentives for civic consensus and transformation of the Republic of Moldova into a civilized country, politically stable, neutral and open to international cooperation.

Today Moldova is facing a new stage of social and economic transformation. The human costs of the transitional process over the past decade have been enormous, and the time has come for alternative social policies, to a great extent oriented towards improving the living standards of the population and sustaining human development.

ANNEXES:

HUMAN DEVELOPMENT INDEX AND ITS BASIC COMPONENTS

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

Human development and its individual elements can be described by various statistical instruments pointing to the present level of development and to the direction of social and economic changes. Such instruments can be microindicators (health, education, economic activity, demographic situation of families, income levels of family members and the standard of living), or macroindicators (GDP per capita and governmental subsidies to services such as healthcare, education, culture, social welfare, environmental protection, etc.).

In order to render comparisons at the international level, the Human Development Index (HDI) was created to describe the level of human development in an individual country as compared to other countries. This Index is used mainly as a classification criterion for countries, since it is too broad to describe the absolute level of human development in a country. It cannot be used as an exclusive basis for suggesting specific actions regarding social, educational, demographic, or healthcare policies.

1. Calculation of Human Development Index (HDI)

The Human Development Index includes three main elements: life span, education level and living standard. The life span is measured by a person's life expectancy at birth. The education level is the weighted arithmetic mean of the population's literacy degree (with a share of two-thirds) and the coverage degree in all levels of education (one-third). As a yardstick for the living standard one uses

the per-capita gross domestic product (GDP), computed by taking into account the parity purchasing power in US dollars.

Life expectancy in 1998 in Moldova was 70.7 years for women, 63.2 years for men, and 67.0 years average.

The gross coverage rate in education is the number of students enrolled at an educational level—regardless of whether they are part or not of the corresponding age group—as a percentage of the total population in that age group. To mention is that in this HDI the coverage rate for educational institutions at all levels (I, II and III) has been recomputed for all previous years, to meet UNESCO recommendations (Statistical Yearbook, '97), and take into account the current legislation. Thus, education level I corresponds to the age group between 7-10 years (according to the Law on Education, schooling in Moldova becomes mandatory upon a child's seventh birthday); level II to 11-17 years of age, and level III to 18-22 years of age (for level III the standard length of 5 years, recommended by UNESCO, was used). As a whole, all three levels are comprised in the age group 7-22. In previous reports the gross coverage rate was calculated for the age group 7-24. In 1998 the coverage rate in education was 73.4%, which was higher than in 1997 (72.1% for men and 74.8% for women).

The degree of a population's literacy is the share in the total population of persons aged 15 and above who attended or graduated from a school, or who learned to read and write by other means. The literacy rate in Moldova has been for years 96.4%, and it is somewhat higher for men than for women — 98.6% and 94.5%, respectively.

GDP per capita, computed by the parity of purchasing power, uses official exchange rates to convert the national currency into US dollars, but it cannot measure the relative internal purchasing power of currencies. Therefore, the UN's International Comparison Project has suggested that the GDP be computed in real terms on an internationally comparable scale, by using the parity of the purchasing power as a conversion factor. Moldova participated in multilateral comparison projects for 1993 and 1996, which were part of the European Comparison Program (a program implemented jointly by DASS, Eurostat, the Romanian National Statistics Commission, and the Austrian Central Statistics Office). The results of these projects were used to compute the GDP per capita at purchasing power parity (PPP) for the period between 1993 and 1998. It should be noted that PPP for 1993-1995 has been recomputed to include the changes made in the 1996 methodology.

For Moldova, in 1998 the HDI components were as follows:

<i>Life expectancy</i>	<i>67.0 years</i>
<i>Literacy</i>	<i>96.4</i>
<i>Education coverage</i>	<i>73.4</i>
<i>Per capita GDP at PPP</i>	<i>2,042 US\$</i>

Each component is being compared

to the following fixed minimal and maximal values set by UNDP: 25 and 85 respectively for life expectancy, 0 and 100% for literacy, 0 and 100% for education coverage, 100 and 4,000 US dollars for GDP per capita. For the first three components, the difference between the real and minimal value divided by the difference between the maximal and minimal value gives as a result an index, that is:

Life expectancy index:

$$(67.0 - 25) / (85 - 25) = 0.700$$

Literacy index:

$$(96.4 - 0.0) / (100.0 - 0.0) = 0.964$$

Education coverage index:

$$(73.4 - 0.0) / (100.0 - 0.0) = 0.734$$

Education level index, computed from the two previous indices:

$$(2 \times 0.964 + 0.734) / 3 = 0.887$$

The GDP per capita index is being computed according to a new method set by UNDP this year—the difference between the real value logarithm and the minimal value logarithm is divided by the difference between the maximal value logarithm and the minimal value logarithm:

GDP per capita index:

$$(\log 2042 - \log 100) / (\log 4000 - \log 100) = 0.503$$

Table A.1.

Human Development Index (HDI)

	1993	1994	1995	1996	1997	1998
GDP per capita in:						
- lei, current prices	505	1313	1798	2167	2441	2411
- dollars at purchasing power parity	2935	2975	2105	2128	2207	2042
Literacy among adults (%)	96,4	96,4	96,4	96,4	96,4	96,4
Gross education coverage at all education levels (%)	71,7	70,2	71,1	71,8	72,9	73,4
Life expectancy at birth (years)	67,5	66,1	65,8	66,7	66,6	67,0
Indices						
- gross domestic product	0,564	0,566	0,508	0,510	0,517	0,503
- education	0,881	0,877	0,880	0,882	0,886	0,887
- life expectancy	0,708	0,685	0,680	0,695	0,693	0,700
Human Development Index (HDI)	0,718	0,709	0,689	0,696	0,699	0,697

The human development index, computed as the average of the three main elements with equal weight, is as follows:

$$(0.700 + 0.887 + 0.503) / 3 = 0.697$$

For the national human development reports for 1995-1998 the GDP per capita index was computed by a different method: GDP per capita, if it exceeded the world average (computed every year for the world report) was adjusted on the basis of a downward scale, and the maximal adjusted value was computed by UNDP for each year separately.

After recomputing HDI for 1996 by using for all indices the values appropriate for 1996, and by applying the new computation methodology, the obtained value for the HDI was 0.696 rather than 0.629 from the last National Report.

The same principles were used to recompute HDI for Moldova for 1993, 1994, 1995, 1996, and 1997.

2. HDI in Moldova versus other countries.

For the purpose of international comparison countries fall into the following groups:

high human development countries:
HDI > 0.800;

moderate human development countries: $0.501 < \text{HDI} < 0.799$;

low human development countries:
HDI < 0.500.

The 1998 World Human Development Report comprises the most recent data for international comparison (UNDP, Human Development..., 1998). The data in this report refer to 1995, and in most of the cases they are lower than the official data released by the Moldovan government. Such underestimation has been influenced by two main factors: gross coverage rate in education and GDP per capita. The authors of the computations in the human development reports are UNDP experts, while the data used were obtained from UN agencies, World Bank agencies, and from other international organizations.

According to human development index, Moldova ranked among the 174 surveyed countries as follows: 75 in 1994, 81 in 1995, 98 in 1996, 110 in 1997, 113 in 1998, and 104 in 1999.

The gap between Moldova and the first 20 countries is large: over 0.3 HDI points. To mention is, that the 20 countries include all of Western Europe (except for Portugal and Spain), the Scandinavian countries and five other non-European countries: Canada, United States, Japan, New Zealand, and Australia. The first four places are taken by Canada, Norway, the United States and Japan. The Canadian Human Development Index is 0.932, which is 1.4 times the Moldovan HDI. Thus, in order to clear all the flaws in human development Canada needs to improve by 6.8%, while Moldova needs to improve by 31.7% (World Human Development Report, 1999, p.134).

From a human development viewpoint, Moldova can be compared to Kyrgyzstan (97), Azerbaijan (103), Tajikistan (108). Like all CIS countries, Moldova ranks among the countries which have a moderate level of human development (HDI between 0.500 and 0.799).

Table A.2.

CIS countries ranking by HDI and per capita GDP (PPP)

	Country ranking by:	
	HDI	Per capita GDP by PPP
Armenia	99	123
Azerbaijan	110	138
Belarus	68	79
Georgia	108	141
Kazakhstan	93	104
Kyrgyzstan	109	127
Moldova	113	136
Russia	72	77
Tajikistan	118	161
Turkmenistan	103	120
Ukraine	102	118
Uzbekistan	104	117
<i>Informatively:</i>		
Romania	74	78

It is interesting to compare the CIS countries by their HDI and GDP per capita values (PPP).

The GDP per capita in Moldova is much lower than in other CIS countries. However, although by HDI Moldova ranks the last but one among the Commonwealth countries, by per capita GDP it ranks the 9th.

Education

The changes that took place in Moldova have affected education, too. Privatization did not leave the education system untouched, and especially higher education (level III). Last year 32 private colleges and universities were part of a total body of 94 higher education institutions. One in every six university students studies in a private institution. In line with that, schools (both primary, gymnasiums*, and lyceums**) and secondary-level vocational education have been practically by-passed by the tendencies to private education. (Private institutions made up respectively 1.2% and 6.9% of schools, and comprised 0.4% of students at each of the two levels.)

At the beginning of school year 1998-1999, there were 789.4 thousand school and university students — which was 73.4% of the school-age population (aged between 7 and 22) — enrolled in a form of professional training. Thus, one in every five people living in the country is enrolled in organized education. As compared to previous years, the gross coverage rate in education increased somewhat, although the total number of school and university students decreased by more than 120 thousand.

In the basic (mandatory) education system — both primary and secondary — the coverage rate in 1998-1999 was 92%: in primary education 96% (grades 1 through 4) and 89.4% in partial secondary education (grades 5 through 9).

The coverage rate in optional education is less than half (45.5%) of the people aged between 16 and 22, of which 33.4% are in universities (age 18-22).

Last year in Moldova there were 1,549 schools, gymnasiums and lyceums holding a total number of 650.7 thousand students. The share of gymnasium students—as compared to the previous year—in the total of students has remained at 21%, while the share of lyceum students increased more than twice to 16%. Colleges also have lyceum students, and under pedagogy colleges there are enrolled primary-school students.

Of the total number of educational institutions 18 are private (3 primary schools, 2 general secondary schools, 2 gymnasiums and 11 lyceums). They teach 2.7 thousand students, which is 0.4% of the total number of students (in 1997 this figure was 0.3%). The fee for a year of study in a private school varies between 1000 and 4000 lei.

Some negative trends in education have continued. At the beginning of the 1998-1999 school year every second school needed profound renovation (every third in 1997-1998), and 110 schools (7%) were unusable.

Only half of the general secondary schools, gymnasiums and lyceums have computer rooms. There are 10.5 thousand work places equipped with computers, which means a distribution of 60 students per one computer-equipped work place. More than a quarter of schools have no gyms, and only 14 (0.9%) have swimming pools. Only one-third of the total number of students has access to warm meals.

Financial problems conditioned the dissolution of extracurricular institutions in the country (technical skills development houses; stations for young technicians, hikers, naturalists and other). The number of children's libraries diminished by a third (from 304 to 206) in the last 6 years.

* In Moldova gymnasiums are specialized schools from the 5th to the 9th grade (t.n.).

** In Moldova lyceums can be compared to lyceums in the US and comprise grades 9 through 12 (t.n.).

At the beginning of 1999 there were 87 secondary vocational schools in the country, which trained 32.5 thousand people; 4% of the students were paying for their studies. The fee in such institutions varies between 250 and 2,300 lei per year, and the average per student is 1,148 lei.

The reform in the vocational education system created multi-profiled institutions that provide wide professional training and general lyceum education. Currently there are 52 institutions of this kind, which teach 26.3 thousand people (81% of the total).

Budgetary stipends are granted to 65% of the students in state-owned vocational schools. An average stipend is 41.5 lei per month.

At the beginning of the 1998-1999 school year in Moldova there were 56 colleges, which taught 29.7 thousand students—i.e. 81 students per 10,000 of population. One in every three students is paying for his education (last year this ratio was one in every four). In the 37 state-owned colleges there are 5,000 students (19% of the total) who are paying for their studies. Budgetary stipends are awarded to 41% of the total number of college students (full time), and the average amount of a stipend is 44 lei per month.

At the beginning of the 1998-1999 school year in Moldova there were 38 higher-education institutions, which taught 72.7 thousand students, or 199 students per 10,000 of population (in Romania this ratio is 157/10,000). As compared to the previous year there are 10 more higher-education institutions in the country (8 private, 1 foreign and 1 funded by joint ventures), and there are 11% more higher-education students.

Every second student is paying for his studies. In the 13 state-owned higher-education institutions 20.3 thousand people (34%) are paying for education. The fee for a year of higher-education varies on average between 1,300 to 4,000 lei; in private institutions the fee varies between 1,900 and 4,800 lei. Of the total number

of students in state-owned higher-education institutions 43% are granted budgetary stipends; an average stipend is 56 lei. Through the Ministry of Education and Sciences, 10,700 Moldovan citizens study abroad, the majority (88%) studying in higher-education institutions in Romania.

The transition period also changed the way young people choose their education. Education patterns vary depending on the education level. Thus, of the total vocational school students, 80% have gone through gymnasium education, 19% have graduated from general secondary schools, and 1% have graduated from lyceums. Among college students, 80% have graduated from lyceums and general secondary schools and 20% from gymnasiums. In undergraduate institutions, 74% of students are graduates of lyceums and general secondary schools, while one in every five is a graduate of a college and only 2% have graduated from vocational schools.

The most popular are schools that train lawyers and economists (19%), then come medical training (14%), psycho-pedagogy (10%). The following are the fields which have been most popular with applicants to higher-education institutions: law (24%), economics (22%), philology (10%), and psycho-pedagogy (7%).

Now one has to tackle the problem of employment for young graduates, since oftentimes they join the ranks of the unemployed. Of the total number of unemployed registered with employment offices last year, 7.9% were graduates of gymnasiums, general secondary schools and lyceums; 3.2% and 3% were respectively graduates of vocational schools and higher-education institutions. Unemployment among young people (aged 15-24) was 18.3% in 1998, which was much higher if compared to other age groups and twice as high if compared to the country average (9.4%).

Gross Domestic Product

The gross domestic product was estimated in 1998—in comparable circum-

stances—to be 8.6% smaller than in 1997 (in 1997 it was 1.6% higher than in 1996). The total gross added value was by 10.3% lower than in the previous year; by 4.2% in agriculture, 10.6% in industry, 17% in construction.

By analyzing the contribution of various branches of the national economy to the total GDP one can see a higher share taken up by net taxes on output and imports (by 1.6% more than in 1997) to the detriment of services, which has shown a decrease from 39.8% in 1997 to 37.6% in 1998. The total contribution of goods has remained relatively stable (46.2% in 1997 and 46.8% in 1998).

There has been a 5% increase in the structure of total final consumption over the two years. The highest share of GDP accounts for the final household consumption, which has grown by 16.5%, while the final consumption share of public and private administration has decreased from 29.8% in 1997 to 18.3% in 1998. Gross build-up of fixed capital has increased its contribution by 2%.

As a consequence of ongoing privatization in the economy and the operation in the private sector of facilities of some importance from the viewpoint of their production potential, the share of this sector in the GDP in 1998 reached 56%, while public ownership accounted for 30%, of which the state's share was 20%.

The per-capita gross domestic product has been 2,411 lei at current prices (2,441 in 1997), which is 91.4% of its value in the previous year.

Table A.3.

GDP components

	million lei at current prices		changes if compared to the previous year, %*	
	1997	1998	1997	1998
Total gross added value	7665	7435	1,5	-10,3
Agriculture, hunting and forestry	2312	2148	12,0	-4,2
Industry	1803	1970	-10,8	-10,6
Construction	422	382	-15,9	-17,0
Other	3128	2935	-0,3	-13,6
Net taxes on production and imports	1252	1369	1,9	1,2
Gross Domestic Product	8917	8804	1,6	-8,6

**Annual rates have been computed based on comparable prices (previous year prices).*

Table A.4.

Structure of GDP by resource category and utilization, (%)

	1997	1998
Goods production—total	46,2	46,8
of which:		
agriculture, hunting and forestry	26,0	24,4
industry	20,2	22,4
Services	39,8	37,6
Net taxes on production and imports	14,0	15,6
Gross Domestic Product	100	100
Total final consumption	97,3	102,3
household final consumption	67,5	84,0
final consumption by public and private administration	29,8	18,3
Gross build-up of fixed capital	19,9	21,9
Variation of stocks	3,9	4,0
Net exports	-21,1	-28,2