

Introduction

Since its declaration of independence on August 27, 1991, Moldova has developed into an electoral democracy based on a multiparty political system with generally free and fair elections. Authorities in the separatist region of Transdnister, however, interfered with the ability of citizens in the territory to vote in the 1996 presidential and 1998 parliamentary elections. The government places some restrictions on certain civil liberties, such as freedoms of the press, religion, and assembly, and the judiciary is not fully independent of the executive branch. The authorities in Transdnister continue to engage in various abuses, including the harassment of independent media outlets and discrimination against Romanian/Moldovan language speakers.

The country continued to make progress in economic reform throughout much of the decade, including introducing a stable convertible currency, lifting price controls, supporting steady land privatization, removing export controls, and freeing interest rates. However, statistics from the government and international organizations indicate that half or more of the population lives below the poverty level. The general economic situation is worse in Transdnister. The economy remains based largely on agriculture, and the state must import much of its energy from Russia.

In a May 1999 national referendum called by President Petru Lucinschi, 55 percent supported creating a stronger presidency through means including increasing his term from four to five years and enabling him to appoint the prime minister and cabinet, appoint the state prosecutor and judges, and dismiss the legislature if deputies block approval of laws for more than 60 days. Based on the referendum's outcome, President Lucinschi proposed revising parts of the constitution in August, a plan, which caused increasing tensions between Lucinschi and the parliament. Moldova's economy was severely affected by the August 1998 Russian financial crisis. Exports declined, the trade deficit rose, and the value of the national currency, the lei, plummeted. In 1998, GDP declined by 8.6 percent and was projected to drop by about 5 percent in 1999. However, relations with international financial institutions improved after the government adopted an austere budget for 1999. The IMF resumed payment on Moldova's Extended Fund Facility, which had been suspended since 1997, and intended to grant \$135 million in 1999. Negotiations regarding the status of Transdnister continued in 1998 and 1999, although little progress was achieved.

Democratization

POLITICAL PROCESS 3.25/7

1. When did national legislative elections occur? Were they free and fair? How were they judged by domestic and international election monitoring organizations? Who composes the government?

The most recent parliamentary elections were held in March 1998. According to local and international election monitors, including the Organization for Security and Cooperation in Europe (OSCE), Council of Europe, and Helsinki Committee for Human Rights, the elections were free and fair. Only four participants succeeded in overcoming the four percent threshold to enter parliament: the Communist Party, which received 40 seats; the Democratic Convention formed by the Rebirth and Conciliation Party, the Christian Democratic Popular Front, and many small political organizations, 26 seats; the Movement for a Democratic and Prosperous Moldova, 24 seats; and the Party for Democratic Forces, 11 seats. The last three political formations united in the Alliance for Democracy and Reforms, creating a parliamentary majority and forming the government.

2. When did presidential elections occur? Were they free and fair?

The last presidential elections took place in December 1996. Petru Lucinschi, the former speaker of parliament and the leader of the Movement for a Democratic and Prosperous Moldova, won with 54 percent of the vote and succeeded Mircea Snegur, the country's first democratically elected head of state, who received 46 percent. The elections were considered to be free and fair by local and international monitoring organizations, including the OSCE, Council of Europe, and IFES Moldova.

3. Is the electoral system multiparty-based? Are there at least two viable political parties functioning at all levels of government?

The electoral system is multiparty-based. All parties represented in parliament - the Movement for a Democratic and Prosperous Moldova, the Rebirth and Conciliation Party, the Christian Democratic Popular Front, and the Party for Democratic Forces - may be considered to be viable and functioning at all levels of government. The Communist Party, formally in opposition, has been active on various parliamentary commissions and in local administration.

4. How many parties have been legalized? Have any parties been banned or declared illegal?

The Ministry of Justice of Moldova registers political parties, 29 of which were registered in 1999. According to amendments introduced to the 1998 Law on Political Parties and Organizations, a party must collect 5,000 signatures of support and have local organizations set up in at least two-thirds of the country's *judete* (districts) in order to be registered. Immediately after the August 1991 putsch in Moscow and Moldova's declaration of independence, the Communist Party was banned. After the Agrarian Democratic Party came to power in 1994, however, the Communist Party was allowed to reappear on the political scene. It succeeded in mobilizing part of the most conservative former Party and Soviet nomenklatura and recreating its central structures and regional organizations. Most of its membership base is composed of the elderly and Russian-speakers attracted by the party's pro-Russian orientation.

5. What proportion of the population belongs to political parties? What proportion of party membership is made up of women?

Exact statistical information about the number of party members is difficult to obtain. Based on the required minimum of supporters necessary for registration and the existing number of political parties and organizations, at least 90,000 to 100,000 people belong to political parties. The fact that parties must collect 5,000 signatures to register does not mean that these individuals necessarily become party members themselves. An estimated 15-20 percent of party membership is comprised of women. Most women are involved in organizations, which are affiliated with political parties, including the Women's Association of Moldova and the National Association of Women, which are particularly politically active during election campaigns.

6. What has been the trend of voter turnout at the municipal, provincial, and national levels in recent years? What are the data related to female voter participation?

The trend of voter turnout at the municipal, provincial, and national levels has been relatively stable in recent years, varying between 55 percent and 60 percent of citizens included on voter lists. In the capital city of Chisinau, however, less than 50 percent of the voters went to the polls in the 1996 local elections. While there are no exact figures on female voter participation, it is estimated that women vote in roughly equal numbers to men.

1. How many nongovernmental organizations (NGOs) have come into existence since 1988? What is the number of charitable/nonprofit organizations? Are there locally led efforts to increase philanthropy and volunteerism? What proportion of the population is active in private voluntary activity (from polling data)? What are some of the major women's nongovernmental organizations and what is the size of their membership?

As of 1999, the Ministry of Justice has registered more than 1,400 nongovernmental organizations. The proportion of national to regional NGOs is 83.5 percent to 6.5 percent, respectively. The most effective groups working to support Moldova's NGO sector are the Soros Foundation Moldova, the Euro-Asia Foundation, the Rotary International Club of Chisinau, and the Philanthropy Foundation. The World Bank and the United States Information Service are also active in supporting NGOs. There are modest local efforts to increase philanthropy and voluntarism, which focus mostly on humanitarian aid and childcare. There is no available polling data regarding the proportion of the population active in private voluntary activity. The main women's nongovernmental organizations, the Association of Women of Moldova and the Christian Democrat Women's League, have several thousand members.

2. What is the legal and regulatory environment for NGOs (i.e. ease of registration, legal rights, government regulation, taxation, procurement, and access-to-information issues)? To what extent is NGO activism focused on improving the legal and regulatory environment?

The Law on Public Associations (1997) and Law on Foundations (1999) regulate NGOs and stipulate their legal rights. There are no other governmental regulations on NGO activity. Registration of NGOs takes between two weeks and one month. NGOs pay revenue taxes for their permanent staff and some minor local taxes. The improvement of the legal and regulatory environment remains a central goal for some NGOs, including *Civitas*, the Association for Legal and Social Problems Investigation *Argus*, the Moldovan Center for Sustainable Development, the Center for Juridical Assistance, and the Helsinki Committee for Human Rights of Moldova.

3. What is the organizational capacity of NGOs? Do management structures clearly delineate authority and responsibility? Is information available on NGO management issues in the native language? Is there a core of experienced practitioners/trainers to serve as consultants or mentors to less developed organizations?

The organizational capacity of NGOs varies, but it is generally limited to the relatively small number of active organizations. According to the Soros Foundation, approximately one-third of 1,4000 registered organizations are active, with the rest operating only sporadically. NGOs must establish the relations of authority and responsibility of their management structures in order to be legally registered. Information on NGO management is available in the Romanian and Russian languages. The Contact Center, registered in 1995 through a project of the Soros Foundation Moldova, provides assistance to local NGOs. The representatives of the Contact Center also serve as consultants and trainers for less developed organizations.

4. Are NGOs financially viable? What is their tax status? Are they obliged to and do they typically disclose revenue sources? Do government procurement opportunities exist for private, not-for-profit providers of services? Are NGOs able to earn income or collect cost-recovery fees?

Financial stability and sustainability are the most serious concerns for most NGOs. Neither the government nor the private sector provides significant financial assistance to the not-for-profit sector. Most NGOs that have stopped operating have done so mainly because of a lack of funding. NGOs are required to pay their employees' personal income taxes, as the responsibility rests with the organization and not the individual employee, and they must also make payments into the Social Fund.

NGOs are required to disclose their revenue sources in their annual financial reports. There are no government procurement opportunities for non-profit providers of services. NGOs have the right to act as economic agents as long as the profit from their economic activities is used exclusively for their statutory goals.

5. Are there free trade unions? How many workers and what proportion of the workforce belong to these unions? Is the number of workers belonging to trade unions growing or decreasing? What is the numerical/proportional membership of farmers' groups, small business associations, etc.?

Free trade unions operate throughout the agricultural, industrial, financial, and service sectors of the economy. All unions belong to the National Trade Union Federation, an umbrella

organization, whose leadership tends to cooperate closely with the government and business management. While the majority of Moldova's workers and employers belong to trade unions, the number of people belonging to trade unions has declined in recent years because of growing unemployment and a decrease in the authority of trade unions. While there is no exact data available on the number of members of farmers' groups and small business associations, the membership of such groups is regarded as much smaller than that of trade unions.

6. What forms of interest group participation in politics are legal? What types of interest groups are active in the political and policy process?

Current legislation does not address the right of interest groups to participate in politics. Some business clubs, like Timpul, as well as cultural, religious, and war veterans' associations, occasionally attempt to act as interest groups. While these groups do not act illegally, their influence generally is minimal, as personal relations often play a greater role in influencing policy decisions.

7. How is the not-for-profit/NGO sector perceived by the public and government officials? What is the nature of media coverage of NGOs? To what extent do government officials engage with NGOs? Is the government receptive to INGO policy advocacy?

The public generally perceives the not-for-profit sector positively, largely because organizations active in the popular areas of environment protection, humanitarian aid, children and family care, education reform, and cultural development are visible to the public. Media coverage of NGOs focuses primarily on seminars or other activities organized by NGOs. The government is receptive to pressure from trade unions. Some professional associations, like the Writers' Union or the Association of Journalists, are active in Moldova's political scene, although they do not serve as interest groups representing exclusively one political viewpoint.

INDEPENDENT MEDIA 4.00/7

1. Are there legal protections for press freedom?

The Constitution and the Law on the Press provide legal protections for press freedom.

2. Are there legal penalties for libeling officials? Are there legal penalties for "irresponsible" journalism? Have these laws been enforced to harass journalists?

There are no legal penalties for libeling officials or for "irresponsible" journalism. A government official or private person who believes himself to be the victim of libel can seek and obtain compensation through the court system.

3. What proportion of media is privatized? What are the major private newspapers, television stations, and radio stations?

The media are almost entirely privatized. Only the state-owned National TV and National Radio station and the newspapers *Moldova Suverana* (in Romanian) and *Nezavisimaya Moldova* (in Russian) are not privately owned. The major private media include the newspapers *Flux*, *Saptamina*, *Delovaia gazeta*, *Moldavskie vedomosti*; the independent television stations "NIT," "SunTV," and "Catalan TV"; and the radio stations "Antena C," "Radio d'Or," "Radio Contact," "Radio Nova," and "Micul Samaritan."

4. Are the private media financially viable?

The majority of private media rely on commercial and political advertising, and sometimes sponsorship, for their financial livelihood.

5. Are the media editorially independent? Are the media's news gathering functions affected by interference from government or private owners?

Most media are not fully editorially independent, as their newsgathering functions are directly affected by the interference of private owners or political organizations that provide financial sponsorship. Party newspapers such as *Dialog*, *Tsara*, and *Communist* are directly financed by political parties. Other papers, including *Flux*, *Saptamina*, *Tineretul Moldovei*, *Glasul Natiunii*, and *Moldovskie Vedomosti*, are affiliated with various political organizations and are financed by the publication of political and other advertisements.

6. Is the distribution system for newspapers privately or governmentally controlled?

The distribution system is largely controlled by the state owned company "Moldova Press" JSC, although private newspapers and journals may also use independent distribution facilities.

7. What proportion of the population is connected to the Internet? Are there any restrictions on Internet access to private citizens?

Seven percent of computer owners are connected to the Internet. There are no restrictions on Internet access to private citizens. One of the largest Internet service providers in the country,

DNT Company, has about 30,000 clients. Data suggests that there are approximately 150,000 to 170,000 computer users in Moldova.

8. What are the major press and journalists' associations? What proportion of their membership is made up of women?

The Journalists' Union is the primary association of professionals working in print media. Women constitute nearly half of all Union members. The Center for Independent Journalism, sponsored by the Soros Foundation, brings together young journalists.

9. What has been the trend in press freedom as measured by Freedom House's *Survey of Press Freedom*?

Freedom House's annual Survey of Press Freedom rated Moldova "Partly Free" in 1994 and 1995, "Not Free" in 1996, and "Partly Free" from 1997 through 1999.

GOVERNANCE AND PUBLIC ADMINISTRATION 4.50/7

1. Is the legislature the effective rule-making institution?

Moldova's legislature is regarded as a relatively efficient rule-making institution. During a four-year period, the previous parliament adopted more than 2,000 laws and normative acts. Over 90 percent of draft laws introduced in parliament are presented by the government. While this creates a basis for cooperation between the executive and legislative branches, it also hinders the ability of parliament to limit the influence of business interests on various government ministries.

2. Is substantial power decentralized to subnational levels of government? What specific authority do subnational levels have?

A substantial decentralization of power occurred after territorial reforms were implemented. In 1998, parliament adopted the Law on the Administrative and Territorial Reform and the Law on Local Public Administration, which reduced the number of subnational units from the existing 40 rayons to 11 territorial units (judets and autonomous regions), effective July 1999. In mid-1999, parliament adopted the Law on Public Finance, which regulates the relationship between the central state and local budgets. Local authorities at the county mid territorial level have the right to constitute local Governments, to draft and adopt local budgets, and to administer their territories according to existing laws and without the involvement of central government representatives.

3. Are subnational officials chosen in free and fair elections?

Subnational officials are chosen in free and fair elections.

4. Do the executive and legislative bodies operate openly and with transparency? Is draft legislation easily accessible to the media and the public?

The parliament and the government operate openly and transparently, and information about their activity is readily available to the media. Draft legislation, however, is not always accessible to the media and the public before being presented to the legislature.

5. Do municipal governments have sufficient revenues to carry out their duties? Do municipal governments have control of their own local budgets? Do they raise revenues autonomously or from the central state budget?

Municipal governments have difficulty filling their budgets, raising local taxes, and carrying out their duties in general. Municipal governments control their local budgets, raise revenues autonomously, and have the right to receive payments and funds from the central budget. Most counties receive subsidies from the central budget based on their level of economic development. Certain areas, such as the more impoverished southern regions and those affected by natural disasters, receive more funds from the state budget.

6. Do the elected local leaders and local civil servants know how to manage municipal governments effectively?

The majority of elected local leaders and local civil servants lack the knowledge or expertise to manage municipal governments effectively. For example, in May 1999, approximately 80 percent of the mayors of municipalities, cities, and communes were elected for the first time. Special courses and training programs have been organized by the government through the Academy of Public Administration, the UNDP, and the Soros Foundation Moldova to improve the level of professionalism of local leaders and civil servants.

7. When did the constitutional/legislative changes on local power come into effect? Has there been a reform of the civil service code/system? Are local civil servants employees of the local or central government?

Reforms on local power began in 1998, and Moldova is still in the process of implementing these administrative reforms. The civil service code has been reformed. Local civil servants are employees of the local government. Only the officials of the prefectures, which represent the

central government at the local level, are employees of the central government

Rule of Law

CONSTITUTIONAL, LEGISLATIVE, AND JUDICIAL FRAMEWORK 4.00/7

1. Is there a post-Communist constitution? How does the judicial system interpret and enforce the constitution? Are there specific examples of judicial enforcement of the constitution in the last year?

The first democratic constitution of the Republic of Moldova was adopted by parliament in 1994. The constitutional court was established at the same time to interpret and to enforce the law of the state. Over the past five years, however, there have been no judicial efforts to enforce the constitution. In 1998, the president launched an initiative to increase his power by changing constitutional provisions on presidential functions. A constitutional court decision that only parliament has the right to initiate a constitutional referendum effectively blocked the presidential initiative.

2. Does the constitutional framework provide for human rights? Do the human rights include business and property rights?

The constitution provides for human rights, which include property and business rights.

3. Has there been basic reform of the criminal code/criminal law? Who authorizes searches and issues warrants? Are suspects and prisoners beaten or abused? Are there excessive delays in the criminal justice system?

Basic reform of the criminal code has been partially implemented. After Moldova signed the Human Rights Convention, a special governmental commission was established to develop the new criminal and civil codes, as well as their respective enforcement procedures. In the reformed code, judges authorize searches and issue warrants. Reports about suspects and prisoners being beaten appear occasionally in the local media. Excessive delays in the criminal justice system continue to be a serious problem.

4. Do most judges rule fairly and impartially? Do many remain from the Communist era?

Most judges are not regarded as ruling fairly and impartially. The fact that they are appointed by parliament, rather than elected by the public,

limits the opportunity for change in this area. The low salaries of judges (about US \$100 per month) contributes to corruption in the judiciary. Few current judges remain from the Communist era.

5. Are the courts free of political control and influence? Are the courts linked directly to the Ministry of Justice or any other executive body?

The judiciary is free from direct political control by, but not from the influence of, government officials. Senior-level officials and parliamentarians can exercise pressure on judges regarding their rulings on certain cases. Courts are linked directly to the Ministry of Justice, which is responsible for the functioning of the judicial system, including logistics, remuneration, and staff.

6. What proportion of lawyers is in private practice? How does this compare with previous years? How many new lawyers are produced by the country's system of higher education? What proportion of lawyers and judges are women?

According to the Association of Lawyers of the Republic of Moldova, more than 90 percent of lawyers are in private practice, a number, which has remained fairly steady during recent years. State and private institutions of higher education produce more than 1,000 new lawyers each year. Approximately 25 percent of lawyers and judges are women.

7. Does the state provide public defenders?

The state provides public defenders to those not able to afford an attorney.

8. Are there effective anti-bias/discrimination laws, including protection of ethnic minority rights?

Ethnic minority rights are formally protected by the constitution and in various international documents and agreements signed by Moldova as a member of the UN, the Council of Europe, and the OSCE. In the self-proclaimed republic of Transdniestria, ethnic Moldovans are not able to learn in their native Romanian, with Russian language, history, and culture dominating the territory's educational system.

9. Are judicial decisions effectively enforced?

Judicial decisions are not effectively enforced.

a service? What services are subject to bribe requests for example, university entrance, hospital admission, telephone installation, obtaining a license to operate a business, applying for a passport or other official documents? What is the average salary of civil servants at various levels?

Corruption in the civil service is widespread and includes activities in which the state preserves its monopoly, including the registration of economic entities, licensing, and customs. However, the possibilities for civil servants to demand bribes from average citizens wishing to obtain a foreign passport, identity card, or driver's license is limited by the documents' already high price. An average citizen does not have to pay bribes to obtain most services, although many do so in order to receive services more quickly or easily. Because most of the national education system is private and state universities receive money from students based on signed contracts, corruption in this area has been reduced significantly. The average salary of mid-level civil servants is approximately US \$40 per month (the minimal consumer basket is LS \$60 per month). A government minister's salary is approximately US \$100 per month.

2. Do top policy makers (the president, ministers, vice ministers, top court justices, and heads of agencies and commissions) have direct ties to businesses? What are the legal and ethical standards for boundaries between public and private sector activity? Are they observed in practice?

The president, members of the government, and other top officials usually deny that they have direct ties with businesses. However, it is well known that various businesses sponsor election campaigns in order to advance their own political objectives. The civil service law creates the legal framework defining the public and private sectors, although ethical standards for boundaries between public and private sector activity are not often observed in practice. Frequent changes of government also result in the migration of state officials into private business.

3. Do laws requiring financial disclosure and disallowing conflict of interest exist? Have publicized anticorruption cases been pursued? To what conclusion? Are there laws against racketeering? Do executive and legislative bodies operate under audit and investigative rules?

There are no specific laws that require financial disclosure or regulate conflicts of interest. Some widely publicized anticorruption cases were pursued in the courts, although most of the defendants were found not guilty. The acquittals were largely the result of the lack of experience of the secret service and of the special division of the

CORRUPTION 6.00/7

1. What is the magnitude of official corruption in the civil service? Must an average citizen pay a bribe to a bureaucrat in order to receive

Ministry of Internal Affairs dealing with such cases, which requires the presentation of reliable evidence in court. There are no special laws against racketeering, which is considered to be an ordinary criminal activity and prosecuted under existing laws. The executive and legislative bodies operate under the control of the Court of Accounts.

4. Have there been public opinion surveys of perception of public sector corruption conducted with the support of reputable monitoring organizations? What are the principal findings and year-to-year trends?

Some television stations and newspapers have studied the issue of corruption and concluded that most of the population views corruption as a major reason for Moldova's political, economic, and social problems.

5. What major anticorruption initiatives have been implemented? How often are anticorruption laws and decrees adopted? Have leading government officials at the national and local levels been investigated and prosecuted in the past year? Have such prosecutions been conducted without prejudice or have they targeted political opponents?

Over the past several years, the government has implemented no major anticorruption initiatives. In 1997, the government formed the special Unit for Struggle Against Organized Crime and Corruption, but its activity has been too politicized and has enjoyed little success. By presidential decree, 1998 was declared the year of fighting corruption. However, no leading government officials at the national or local level were prosecuted or investigated during the past year. In 1999, the government approved the State Program for Fighting Organized Crime, Corruption, and Protectionism.

6. Is there growing public intolerance of official corruption as measured in polls? Are there effective anticorruption public education efforts?

The results of a special study conducted by the mass media reveal growing public intolerance toward official corruption. However, anticorruption public-education efforts are severely inadequate.

7. How do major international corruption-ranking organizations like Transparency International rate this country?

Moldova was rated 75th out of 99 countries surveyed in Transparency International's 1999 Corruption Perceptions Index, and received a score of 2.6 (where 10 represents the least corrupt and 0 the most corrupt).

Economic Liberalization

PRIVATIZATION 3.50/7

1. What percentage of the GDP comes from private ownership? What percentage of the labor force is employed in the private sector? How large is the informal sector of the economy?

The size of the private sector has grown considerably over the past few years. As of mid-1999, the private sector accounted for approximately 60 percent of GDP, while mixed-property enterprises (private and state) produced another 10 percent. Approximately 66 percent of the labor force work in the private sector and 8 percent work in mixed private and state firms.

Since 1993, GDP figures compiled by the Department of Statistics have included an allowance for the shadow economy, which was estimated to account for 13 percent to 16 percent of official GDP during the period from 1993 through 1998. The IMF estimates that the size of the shadow economy is 29 percent of official GDP. According to another Moldovan source, the unofficial economy accounted for 34 percent to 36 percent of total GDP (official and unofficial) from 1993 through 1998 and 46 percent to 50 percent of official GDP. According to a group of Moldovan nongovernmental analysts, the shadow economy is even larger, comprising 60 percent to 65 percent of official GDP. These estimates suggest that the shadow economy is substantially larger than indicated by official statistics.

2. What major privatization legislation has been passed? What were its substantive features?

In 1991, parliament passed the Law on Privatization, and the use of a voucher model and "fast track" privatization process were adopted. Specifics of the Moldovan privatization program included the following: nominal bonds, distributed exclusively to Moldovan citizens, were not subject to trade; nominal values were determined according to an individual's employment record plus the equivalent of five years; and the bond entitled its bearers to a share of public property. The first mass privatization program, along with other related acts, was adopted in March 1993. In order to ensure equitable distribution, 50 percent of shares of processing enterprises were transferred to the main suppliers of raw agricultural products. The employees were allowed to purchase up to 20 percent of their enterprises' shares at preferable prices. USAID, TACIS, and Price Waterhouse

provided assistance during various stages of the privatization process.

The second privatization program for 1995-1996 was adopted on May 5, 1995. The program outlined the extension of privatization, including the assets of state-owned enterprises, rented spaces, and adjacent territories; the elaboration of mechanisms for privatization (individual projects, public offerings); and the diversification of the means of payment. Nearly 100 laws and acts were elaborated, 115 centers for bond collection were established, and licenses for 53 investment funds and trust companies were issued. The program stipulated the privatization of 1,553 units, whose number increased to 2,065 as a result of the demonopolization of some enterprises.

The third privatization program for 1997-1998 was adopted on July 25, 1997, and implemented on September 11. Among the objectives of the program were the modification of regulatory functions to create a favorable environment for entrepreneurship and the development of a capital market. However, the program was not adequately implemented because of financial crises in neighboring countries, a lack of interest by foreign investors, and contradictory interests of Moldovan businesses. In 1998, the government privatized less than 50 percent of the government-owned firms that it planned to privatize at the beginning of the year. Parliament extended the program for two more years and introduced some amendments, including granting permission to sell bankrupt enterprises or unfinished construction projects for a symbolic price of 1 Moldovan leu and increasing the period of installment payments from three to five years.

During 1998 and the first half of 1999, 26 out of 102 large-scale enterprises to be privatized were sold through investment tenders. During the first 6 months of 1999, a total of 90 auctions for state property were organized and 54 items privatized. During this period, state property with a total value of 79 million lei (about \$8 million) was sold, 30 percent more than during the same period in 1998. In December 1998, parliament passed a law aimed at privatizing the energy sector. In mid-1999, the long-awaited privatization of the public gas company Moldovagaz took place. In July 1999, parliament passed a law that called for 51 percent of the shares of Moldtelecom, the national telecommunications operator, to be offered to a strategic investor. Currently, an international tender is under way to find a consultant to help the Competition Commission select potential buyers. Together with the IFC, the EBRD will help with the privatization of Moldtelecom by extending convertible loans and offering technical support. In the summer of 1999, the government took the preliminary steps toward privatizing the state-owned wine and tobacco enterprises. The privatization of telecommunications, wine, and

tobacco production plants should be completed by the end of 2000.

Moldova made significant progress during 1998 and 1999 in breaking up and privatizing large-scale collective farms and in agricultural land reform. As of early 1998, about 30 large-scale farms were fully restructured. The third nationwide phase of the National Land Program, which received substantial financial and technical support from USAID and the World Bank, was launched in March 1998 and aims to complete the distribution of agricultural land titles to more than one million farmers in 2000. As of mid-1999, more than 900 state and collective farms out of 1,000 have been included in the program and are at various stages of the privatization process. The implementation of the National Land Program has been closely coordinated with a World Bank-supported project to create the National Cadastre. In mid-1999, parliament adopted a Law on Restructuring Agricultural Enterprises to make them easier to privatize, representing a major step toward fulfilling the National Land Program.

3. What proportion of agriculture, housing and land, industry, and small business and services is in private hands?

The private sector generates 95 percent of total agricultural production and holds 82 percent of all agricultural land. The National Land Program focuses on creating new agricultural structures based on land titles, which should be received by more than one million village inhabitants. As of July 1999, local public administrations had received requests from 437,000 people requesting land plots to organize farms. Approximately 368,000 applicants have already received about 518,000 hectares of land in private ownership (out of 2,283,000 hectares of total agricultural land). Private farmers' share of total output is estimated to have reached approximately 60 percent.

As of early 1998, the private sector produced approximately 40 percent of total industrial output and employed 49 percent of industrial workers. The mixed-property enterprises employed 35 percent of industrial workers and produced 29 percent of industrial output. Housing privatization is almost complete, with approximately 91 percent of the country's housing now in private hands. Only seven percent of retail trade is public property. No more than 30 percent of building and assembly jobs are in the public sector. The private and mixed sectors account for 16 percent and 18 percent, respectively, of paid services.

4. What has been the extent of insider (management, labor, and nomenklatura) participation in the privatization process? What explicit and implicit preferences have been awarded to insiders?

Earlier voucher privatization programs entitled workers to receive 20 percent of the value of a

privatized company in shares offered at preferential prices. Managers of the companies did not have, at least officially, any additional advantages, which in many cases led them to oppose privatization. Old and new nomenklatura are actively involved in the privatization of state property.

5. How much public awareness of and support for privatization has there been? What is the nature of support and opposition to privatization by major interest groups?

The population has a generally positive view of privatization, although this has been diminished recently. During mass privatization, 84 percent of vouchers were used by means of Privatization Investment Funds. In 1998, their dividends reached only 4 percent of the net assets worth, while the fee for managers amounted to 7 percent from net assets. The public receives considerable information on privatization issues both from the official government paper *Monitorul Oficial* and from the media. The information provided includes announcements from the Department of Privatization on tenders and discussions on the stage of privatization of various entities. Corruption and the influence of special interest groups are seen mostly in the key sectors of Moldova's economy energy and agriculture (cereals, tobacco, and wine), as well as in the privatization of land plots and premises within city limits, especially in Chisinau, and in pharmaceutical products.

MACROECONOMIC POLICY

4.25/7

1. Has the taxation system been reformed? What areas have and have not been overhauled? To what degree are taxpayers complying? Is tax compliance difficult to achieve? Has the level of revenues increased? Is the revenue-collection body overburdened? What is the overall tax burden?

Moldova's taxation system of is currently being restructured. Parliament has already approved three sections of the new Fiscal Code: general provisions, income tax, and value added tax. The remaining three sections are under discussion: excise tax, tax administration, and property tax. As of 1998, the new value-added tax was introduced in Moldova.

The tax rate for the basic government budget is 40 percent. The tax burden, calculated as a ratio of government tax revenues to official GDP, is 33 percent. The real tax burden for enterprises is in fact much greater approximately 45 percent. For industry, the rate is 50 percent, for agriculture, 40 percent, and for construction, 38 percent. The heavy tax burden suppresses economic

development and pushes many economic agents into the gray economy, reducing the tax base and aggravating the problem of budget deficits.

According to estimates of the Center for Strategic Studies and Reforms, a Moldovan NGO, tax evasion in Moldova increased from 4 percent of government revenues in 1994 to 32 percent in 1998. The average evasion increased from 14,000 thou lei per taxpayer in 1997 to 23,000 lei in 1998. In 1998, the Department of Financial Control and Revision enacted 8,085 controls, 10 percent less than in 1997. Revenue-collection agencies are overburdened, and agency workers receive extremely low salaries. In 1998, only 18 percent of legal entities were controlled.

2. Does fiscal policy encourage private savings, investment, and earnings? Has there been any re form/alteration of revenue and budget policies? How large are budget deficits and overall debt? Is the financing of the social insurance/pension system sustainable? What proportion of the budget is taken up by subsidies to firms and individuals?

Moldova's public finances deteriorated in 1998, mostly because of poor revenue collection. The budget revenue arrears increased by 522 million lei (6 percent of GDP). As of June 1, 1999, arrears to the government budget were 1,500.1 million lei—28 percent more than arrears registered at the beginning of the year.

By early 1999, arrears to the Social Insurance Budget were 451.6 million lei; as of May 1, these arrears reached 456 million lei. Pension arrears were 296.8 million lei at the beginning of 1999; as of May 1999 they had reached 348.5 million lei. The 1998 government budget cash deficit was 3.4 percent of GDP, a significant improvement over 1997. This improvement contrasts sharply with the deterioration in the balance of commitments. The deficit was 9.3 percent of GDP when the balance of commitments is taken into consideration. By the end of 1998, domestic expenditure arrears had reached 1,109 million lei (12.6 percent of GDP).

As of January 1999, the external state debt was \$999.1 million or 61 percent of GDP; of that amount, \$719.5 million is debt administered by the government, \$176.4 million is debt owed to the International Monetary Fund, and \$103.2 million are loans granted under the state guarantee. In 1998, budget subsidies for agriculture were 92 million lei or 3 percent of total state expenditures. The subsidies were allocated for the most part to the Ministry of Agriculture, irrigation, and viticulture. Within the 1998 budget, the transfers for price differences were 110 million lei or 3.6 percent of the total state budget expenditures.

3. Has there been banking reform? Is the central bank independent? What are its responsibilities? Is it effective in setting and/or implementing monetary policy? What is the actual state of the private banking sector? Does it conform to international standards? Are depositors protected?

The National Bank of Moldova (NBM) is independent from the government and reports to parliament. According to the law, which established the NBM, the principal objective of the central bank is to maintain the stability of the national currency. In order to achieve this objective the MEM establishes and maintains monetary, credit, and exchange market conditions conducive to the orderly, balanced, and sustained economic development of the country and especially of the market-based financial and foreign exchange system.

Developments in the money and banking sector can be separated into two distinct periods. Through mid-1998, the pursuit of a restrained monetary policy, along with institution- building and monetary and banking reforms, had produced a sustained reduction in the inflation rate, a broadly stable market-determined exchange rate, and a strong demand for domestic financial assets. However, pressures were mounting because of budget deficits and increasing external debt and arrears. Thus, Moldova found itself in a vulnerable position when Russia experienced a financial crisis in August 1998. Despite vigorous NBM attempts to stabilize the situation, the demand for money fell, the demand for domestic financial assets collapsed, and the economy suffered a rapid dollarization.

Moldova's banking system consists of one state and 21 private banks. In 1992, the NBM put in place banking regulations to ensure the stable financial condition of banks and protect banking creditors and depositors. The NBM subsequently revised the regulations in March 1995, setting standards for the Moldovan banking system that were compatible with Basle provisions. The most important regulations included raising capital adequacy from 4 percent in 1996 to 10 percent in 1999, gradually moving to a level of 12 percent by 2000; classifying commercial banks' loan portfolios and compulsory risk provisions for covering losses in cases of the non-repayment of granted loans; monitoring loans greater than 10 percent of total capital; monitoring liquidity in the banking system on a daily basis; and limiting loans to affiliated persons and loans granted to a single client.

From January 1997, the NBM increased the minimal capital requirement to 8 million lei, or \$1.7 million (in 1995 it was 1 million lei, or \$230,000; from January 1996 it was set at 4 million lei, or 8880,000). From the end of June 1999, the minimal capital requirement was 12 million lei, or approximately \$1.1 million; from

December 31, 1999, it will be set at 16 million lei. In May 1996, the banking system moved to an electronic settlement system, which now covers most current transactions. More than half of all commercial banks became members of SWIFT. Some banks have issued VISAs and other types of credit cards. As of January 1998, the Moldovan banking system began to implement international accounting standards. To protect depositors, the Law on Financial Institutions established that the payment of individual deposits will be a priority if a bank is liquidated. In this context, the National Bank prepared a draft law that would insure householders' deposits. However, the draft has a number of drawbacks, creating difficulties in establishing a deposit insurance fund, especially given the present financial situation of Moldova's banking system.

4. How sound is the national currency? Is the value of the currency fixed or does it float? How convertible is the currency? How large are the hard currency reserves? Has exchange rate policy been stable and predictable?

Moldova introduced its national currency, the Moldovan leu (MDL), in November 1993. The initial exchange rate of the leu was set at 3.85 lei per 1 US dollar. Later, the Moldovan Interbank Currency Exchange fixed the official rate. Moldova had a managed floating exchange rate regime, with the NBM intervening to achieve its monetary policy objectives by reducing major fluctuations in the exchange rate.

With the introduction of the Moldovan leu, a tight monetary policy, supported by the IMF, was implemented, which proved to be one of the most successful in the former Soviet Union. The leu was remarkably stable, and the yearly nominal depreciation index was 14.8 percent in 1994, 5.1 percent in 1995, 3.2 percent in 1996, and 0.2 percent in 1997. With the introduction of the national currency, restrictions on forex transactions were eliminated. After the NBM accepted Article VIII of the IMF Articles of Agreement in June 1995, the Moldovan leu became *de jure* convertible for current account operations and for some capital account operations. The gross foreign exchange reserves of the NBM have been increasing continuously, from almost zero at the end of 1992 to \$366 million at the end of 1997.

The rate of inflation decreased sharply in the mid-to late 1990s. Annual inflation was higher than 2,000 percent in 1993, falling to 105 percent in late 1994, 23.8 percent in 1995, 15.1 percent in 1996, and 11.2 percent in 1997. In 1998, the inflation rate dropped further, and with four months of deflation, the rate was only 0.97 percent for the period of January through October. However, with the depreciation of the leu, inflation increased, so that the rate for 1998 as a whole reached 18.3 percent. In 1998, the NBM

tried to maintain the exchange rate through interventions in the foreign-exchange market. Until November 1998, the leu was maintained at an artificially high level, causing a negative impact on the stock of international reserves.

Even before the August 1998 Russian financial crisis, massive sales of hard currency occurred on the Interbank Foreign Exchange market. For the first time since the introduction of the national currency, the NBM's net transactions at the Bourse were negative for seven months (from January to July 1998). During this period, the NBM's sales exceeded by \$41 million the total amount bought on the market. Moreover, even after the crisis, the NBM intervened to defend the leu: between August and October 1998, the NBM sold all but \$81 million of its reserves. Gross NBM foreign exchange reserves dropped \$222 million (including debt-service payments) to \$144 million by the end of 1998.

In November 1998, the NBM decided to stop selling hard currency, allowing commercial banks to determine the exchange rate. As a result, the national currency depreciated sharply from 6.40 lei to the dollar (November 1) to 9.71 lei to the dollar on December 1, 1998. The exchange rate then became relatively stable, thanks primarily to the NBM's strong enforcement of reserve requirements. Moreover, the leu had a slight appreciation (8.32 lei to the dollar on January 1, 1999) and the NBM managed to buy \$16 million in the market. Depreciation resumed, but at a slow pace. By the end of March 1999, the exchange rate was 9.16 lei to the dollar, representing a new market equilibrium.

5. Is there a functioning capital market infrastructure? Are there existing or planned commodities, bond, and stock markets? What are the mechanisms for investment and lending? What government bodies have authority to regulate capital markets?

The capital market in Moldova is still under development and does not play a significant role in the economy. The Moldovan Stock Exchange, equipped with electronic trading places, was established in June 1995 with the help of USAID advisers. The volume of trade on the exchange registered \$2.5 million in 1996, \$38.1 million in 1997, \$52.6 million in 1998, and \$19.9 million in the first half of 1999. There are over 900 companies registered with the Stock Exchange, although only 62 of them meet one of the three listing requirements. In June 1998, the procedure for calculating market capitalization was modified in order to meet Western standards. Market capitalization as of January 1999 totaled \$35.9 million, compared with \$805.9 million as of June 1998.

The establishment of commodity exchanges has not been widespread, although the legislative framework has been put in place. The Law on

Lease was adopted in 1996, but its mechanism was not well defined. Combined with excessively high bank credit rates, the law did not lead to a rapid development of the sector. Amendments to the Law on Collateral were introduced in April 1999, a move which is expected to spur lending.

The National Commission on Securities regulates capital markets and their participants: the independent registrars, the investment funds, trust companies, brokers, and the national depository. The spring 1999 amendments to the Law on the National Commission on Securities are expected to improve the activities of securities markets.

The major problems of the capital market are insufficient liquidity of the market, low transparency of operations, a lack of confidence in the population toward the capital market's mechanisms, undercapitalization of commercial banks, inefficient corporate governance, and a lack of a unique price-forming mechanism. Possible solutions include the improvement of the legislative framework and its alignment to EU standards, the implementation of a rating system and of a comprehensive stock index, the introduction of a fiscal policy stimulating long-term savings and life-insurance, increased transparency, the protection of consumer rights, and the establishment of a deposit insurance corporation.

MICROECONOMIC POLICY

4.25/7

1. Are property rights guaranteed? Are there both formal and de facto protections of private real estate and intellectual property? Is there a land registry with the authority and capability to ensure accurate recording of who owns what? What are the procedures for expropriation, including measures for compensation and challenge? Have any seizures taken place?

Property rights are explicitly protected by the Moldovan Constitution, which guarantees fair market-price compensation for government expropriation of private land. Real estate property is de facto protected by the state. The Moldovan parliament adopted a law protecting intellectual property rights in 1995 and recently ratified six key international agreements on intellectual property. However, inadequate enforcement of intellectual property rights legislation remains a major problem.

A 1998 law created cadastre offices to register all types of real estate property. At present, the regional cadastre offices have been set up to register land titles (including both agricultural and non-agricultural land), real estate, and

transactions. No government seizures of property have taken place in Moldova, except to repay debt owed to the government budget.

2. To what extent have prices been liberalized? What subsidies remain?

All prices on goods and services have been liberalized. Energy prices were liberalized in 1998 and their control is carried out by the National Agency for Energy Regulation. Direct subsidies to the agricultural sector continue, particularly through non-cash support. Crop production, gardening, and livestock are exempt from value-added taxes.

3. Is it possible to own and operate a business? Has there been legislation regarding the formation, dissolution, and transfer of businesses, and is the law respected? Do there exist overly cumbersome bureaucratic hurdles that effectively hinder the ability to own and dispose of a business? Are citizens given access to information on commercial law? Is the law applied fairly? Do regulation or licensing requirements impose significant costs on business and consumers? Do they create significant barriers to entry and seriously hamper competition?

Laws allowing for the establishment and operation of businesses include the Law on Property (1991), the Law on Enterprises and Entrepreneurship (1992), the Law on Joint-Stock Companies (1997), the Law on Foreign Investments (1992), the Law on Restrictions on Monopolistic Activities and Development of Competition (1992), and the Law on Bankruptcy (1996). There are no impediments to citizens obtaining information on commercial legislation. However, because regulations are often unclear and non-transparent, they are not enforced efficiently and have contributed to an increase in corruption.

Disputes between economic agents are settled in the Economic Court. In March 1999, parliament adopted amendments to Moldova's bankruptcy law, simplifying and speeding up the bankruptcy procedure. Moldova's extensive bureaucracy stems from the government's continuing desire to regulate various spheres of economic activity.

There are no significant barriers to entry that seriously hamper competition. The 1999 Law on Licensing establishes licensing requirements for 106 kinds of activity. Twenty-one public administration agencies and the mayoralties of municipalities, cities, and villages all issue such licenses. Though licensing creates some barriers to entrepreneurship, the number of licensed types of activities is constantly decreasing. The registration of new enterprises usually takes between two and three weeks.

4. Are courts effective, transparent, efficient, and quick in reaching decisions on property and contract disputes? What alternative mechanisms for adjudicating disputes exist?

The court system, including the execution of courts' decisions, is extremely inefficient and non-transparent. Property and contract disputes are usually heard in the economic courts, and, at least in large cities, last on average six months; some cases, however, may last for several years. Disputants have the right to appeal judgments.

Thus far, seven commercial banks have gone bankrupt. During the "Intreprinzbank" investigation, 137 legal actions were launched from April to June 1997, out of which only 5 were finalized. The courts made decisions on the reimbursement of 41.4 million lei in bank debts, but executors have yet to recover any compensation.

Important judgments are not usually published, the judicial review of administrative actions is not yet established, and there are no specialized bankruptcy courts. Under these circumstances, certain enterprises often resort to private coercive methods in order to settle their contract disputes.

5. Is business competition encouraged? Are monopolistic practices limited in law and in practice? If so, how? To what degree is "insider" dealing a hindrance to open competition? Are government procurement policies open and unbiased?

Anti-monopoly legislation was adopted in 1992, but the protection of open competition and limiting of monopolies has been largely ineffective in practice. The draft of a new Law on the Protection of Competition has already been approved by parliament. A four-person Department of Anti-Monopolistic Activity and Protection of Competition operates within the Ministry of Economy and Reforms. The government has established an agency to procure, through open tenders, coal, black oil, and other products for public consumption.

6. To what extent has international trade been liberalized? To what degree has there been simplification/overhaul of customs and tariff procedures, and are these applied fairly? What informal trade barriers exist?

Moldova has a liberal trade regime with a low import tax (6.8 percent in 1997, 4.3 percent in 1998, 4.2 percent 1999, and 8.8 percent in the offer to join the WTO). There are no export taxes, quantitative restrictions, or licensing on export and import transactions (excluding fuel, alcoholic drinks, and cigarettes). The custom user fee is 0.25 percent of the custom value of imported or exported products. At present, Moldova estimates custom fees according to international standards and WTO requirements. There are no significant informal trade barriers.

7. To what extent has foreign investment and capital flow been encouraged or constrained?

Foreign direct investment remains low, with a cumulative total of \$342 million by the end of 1998 (including \$86 million in 1998), a mere \$95 per capita. In the first half of 1999, foreign direct investment totaled only \$9 million because of the country's unfavorable investment climate. In 1998, the balance of payments deficit was slightly more than \$50 million, compared to \$400 million in 1997. In 1998, the portfolio investment became negative (\$58 million) for the first time, including the full repayment of Moldova's first Eurobond, issued in 1996 (\$30 million), as well as repayment of \$41 million on domestic T-Bills. Medium and long-term loans added up to \$80 million, the lowest total in live years.

8. Has there been reform of the energy sector? To what degree has the energy sector been restructured? Is the energy sector more varied, and is it open to private competition? Is the country overly dependent on one or two other countries for energy, including whether exported fuels must pass through one or more countries to reach markets?

The former state electric utility monopoly, Moldenergo, was broken into nine separate firms specializing in generation, distribution, and transmission activities. The electricity distribution companies were privatized first, followed by the heat and power production plants. The privatization tender provides for a complete transfer of shares in the distribution companies. The controlling portfolio of the privatized heat and power production plants will be determined by the auction committee, but will not be less than 50 percent, plus one share of the total shareholders portfolio of these companies. The privatization of distribution companies, as well as that of the generation companies, should be completed in 2000.

In the summer of 1999, the government announced an open international tender for the privatization of the electricity distribution companies. The investment bank Credit Commercial de France has been contracted as a privatization advisor for the five distribution companies. It has determined the necessary documents and compiled detailed information for possible applicants. To cover as broad a circle of investors as possible, the Department of Privatization and State Property Administration gave presentations in London and Washington on the privatization of these enterprises. Of the nine companies which applied for the preliminary selection, eight firms were admitted: Cinergy and AES (both US firms), EdF Saur (France), ESB International (Ireland), Union Fenosa (Spain), RAO EES (Russia), ABB (Switzerland), LuganskOblEnergo (Ukraine). The EBRD is ready to invest \$10 million for the

restructuring of the Moldovan energy system in order to attract more investors.

The Russian gas supplier, Gazprom, took a majority stake in Moldovagaz and assumed responsibility for operations and collections of all future gas deliveries. Moldovagaz was registered on May 25, 1990. Moldova holds 36 percent of the shares, Gazprom, 50 percent plus one share, and the Tiraspol administration, 14 percent. An important component of the project is the privatization of the state fuel company Tirex-Petrol, whose individual privatization and debt-restructuring plan were recently approved by the parliament; the company is to be sold soon.

Moldova relies almost exclusively on imports for its energy sources; only 4 percent to 5 percent of its supply originates domestically. The Moldovan Power Station, the country's main electricity generating station, is located in Transnistria. While diesel and gasoline imports are relatively diversified (coming from Romania, Russia, and Belarus), the Russian firm Gazprom still dominates gas imports. There have been recent efforts to develop indigenous supplies of gas and oil. The US firm Redeco, for example, has a 20-year concession to explore for oil deposits in southwest Moldova. Private fuel importers now account for 80 percent of diesel and gasoline imports.

Social Sector **Indicators**

1. What is the size of the national workforce? What proportion of the workforce is employed on a full time basis? What are the labor force participation rates for adult non-retirement age women and men? What is the overall official and unofficial unemployment rate and what is the unemployment rate for men and women? Does the state provide unemployment compensation; if so, how is it calculated and how long is it paid? What proportion of the median wage does unemployment compensation constitute?

The national workforce, excluding Transdnister, includes 1,625,000 employed, 633,000 unemployed, and 1,659,000 economically active (45.4 percent of the total population). The official unemployment rate in 1998 was 3.75 percent. However, the unofficial unemployment rate calculated according to the ILO was 9.4 percent, with 11.4 percent for men and 7.3 percent for women.

Hull unemployment compensation is extended for a maximum of nine months. Other benefits are extended for 20 months: one and a half times the minimum wage (27 lei, or US\$ 5, hereinafter

monthly figures) is offered to high school graduates, graduates of specialized schools, and individuals released from the penitentiary system; twice the minimum wage (36 lei, or US\$ 6.6) is offered to university graduates, persons released from the army, women with children 14 or younger, persons having invalidity certificates of the II and III degree; 50 per cent of the average salary for the previous year goes to unemployed persons with less than 10 years of work experience; 55 per cent of the average salary for the previous year goes to unemployed persons with 10 to 15 years of work experience; and 60 per cent of the average salary for the previous year goes to unemployed persons having 15 years or more of work experience. Unemployment compensation diminishes every three months by 15 percent. The monthly unemployment benefit is 79.5 lei, or US\$ 14.7, representing 31.7 percent of the average monthly wage.

2. Describe the national pension and retirement system. Describe public sector and private pension systems. Provide data on government pensions benefits and indicate the proportion of retirees covered by pensions. What is the retirement age for men and women? What is the average monthly retirement benefit and what proportion of the median wage does it constitute? Is there a system of specialized benefits for specific groups (for example, the disabled or certain groups like Chernobyl victims)?

The current pension scheme in Moldova is a publicly managed "pay-as-you-go" benefit system based on intergenerational transfers and the solidarity principle. There are no privately operated pension schemes, though a law on non-state pension funds was enacted in March 1999.

At present, the pension system covers approximately 758,000 citizens, accounting for one-fifth of the population. Of this total, some 560,400 benefit from old age-pensions (of these 150,900 are privileged pensions); 109,200 are pensions for invalids; 40,600 are pensions for loss of a breadwinner (or a descendant's pension); 39,300 are social pensions; and 8,500 are military pensions. The retirement age is 60 for men and 55 for women. The new Law On State Pension Insurance, enacted in October 1998, envisages gradually extending the statutory retirement age to 65 for men and 60 for women. The average retirement benefit in 1998 was 83.9 lei per month, representing 33.5 percent of the average wage in the national economy.

Though the range of social privileges is narrowing, there is a system of special benefits for disabled people, war veterans, and Chernobyl victims. These benefits relate to public transportation facilities, medicines, and communal service subsidies.

3. What is the country's average and median monthly income in local currency and dollar equivalents? What has been the trend in average and median monthly incomes since 1993? Are there major problems in wage arrears? If yes, describe their extent and scale, providing some detail related to the sectors of the economy in which arrears are most pronounced. Describe how people compensate for cash arrears (for example, barter). What are the differences in public and private sector median wages and in median wages among men and women?

The country's average monthly income in local currency and dollar equivalents, respectively, was 108.4 MDL and \$26.63 in 1994; 143.2 MDL and \$31.82 in 1995; 187.1 MDL and \$40.67 in 1996; 219.8 MDL and \$47.78 in 1997; and 150 MDL and \$27.78 in 1998.

As of January 1997, wage arrears totaled 360.1 million lei, of which 163 million lei were in agriculture, 41.9 million lei in industry, 18.6 million lei in construction, 14.3 million lei in public administration, 52.8 million lei in education, and 32.4 million lei in the health care field. By January 1998, total wage arrears had increased slightly to 362.6 million lei, with; arrears of 183.6 million lei in agriculture, 43 million lei in industry, 19.2 million lei in construction, 23 million lei in public administration, 30.1 million lei in education, and 17.5 million lei in the health care sector. Total arrears increased dramatically by January 1999, to 638.6 million lei. Arrears grew in each of the sectors described above, to 217.8 million lei in agriculture, 65.3 million lei in industry, 29.3 million lei in construction, 86.3 million lei in public administration, 89.1 million lei in education, and 55.9 million lei in the health care field. During the first 11 months of 1998, wage arrears covered in-kind amounted to 226.6 million lei, including 4.6 million lei to public servants. Approximately 35 percent of pension payments from the Social Fund were paid in-kind. In more than 80 percent of private sector enterprises, wages are paid on time. In the other 20 percent, salary arrears generally last for less than three months.

The monthly incomes of men and women, respectively, were 374.59 lei and 327.43 lei for those who had completed higher education, and 232.89 lei and 171.67 lei for those with a secondary school education.

4. What has been the annual size of the elementary, secondary, and post-secondary education school population since 1993? What is the proportion of 8-18 year olds enrolled in the educational system and what has been the trend since 1993? What is the national student-to-teacher ratio? Provide basic data on public spending for education since 1993: what is the proportion of GDP expended on education by the state, and how has this proportion changed since 1993?

The annual size of the elementary, secondary, and post-secondary education school population increased from the period of 1993-1994 through 1997-1998. The elementary school population rose; from 9,800 in 1993-1994 to 11,600 in 1994-1995, 14,000 in 1995-1996, 18,300 in 1996-1997, and 18,300 in 1997-1998. The secondary school population increased from 611,000 in 1993-1994 to 618,200 in 1994-1995, 628,800 in 1995-1996, 631,200 in 1996-1997, and 634,400 in 1997-1998. At the post-secondary level, enrollment grew from 46,900 in 1993-1994 to 49,400 in 1994-1995, 54,800 in 1995-1996, 58,300 in 1996-1997, and 65,600 in 1997-1998. The proportion of 8-18 year olds enrolled in Moldova's educational system remained steady at 99.5 percent in 1995-1996 and 1996-1997, and 99.6 per-cent in 1997-1998.

The national student to teacher ratio at the secondary school level increased overall from 6.1 in 1993-1994 to 13.2 in 1994-1995, 13.5 in 1995-1996, and 14 in both 1996-1997 and 1997-1998. At the post-secondary level, these figures were 10.6 in 1993-1994, 12.3 in 1994-1995, 12.7 in 1995-1996, 13.2 in 1996-1997, and 14.2 in 1997-1998. The proportion of GDP spent by the state on education increased from 7.3 percent in 1993-1994 to 8.6 percent in 1994-1995 and 9.2 percent in 1995-1996, before decreasing to 8.6 percent in 1996-1997, 8.2 percent in 1997-1998, and 7.3 percent in 1998-1999.

5. Provide data on infant mortality, birth rates, life expectancy (both male and female), divorce rates, and suicide rates, and trends over recent years in these spheres.

Infant mortality rates (per thousand live births) grew slightly from 21.5 in 1993 to 22.6 in 1994, and then declined to 21.2 in 1995, 20.2 in 1996, 19.9 in 1997, and 17.8 in 1998. The birth rate decreased from 13.0 in 1995 to 12.0 in 1996, 11.9 in 1997, and 10.9 in 1998. Life expectancy rates remained fairly steady at 67.5 in 1993, 66.1 in 1994, 65.8 in 1995, 66.7 in 1996, 66.6 in 1997, and 67.0 in 1998. The life expectancy rates for men and women, respectively, were 64.3 and 71.1 in 1994, 61.8 and 69.7 in 1995, 62.9 and 70.4 in 1996, 62.9 and 70.3 in 1997, and 63.2 and 70.7 in 1998. The divorce rate was 3.2 in 1994, 3.4 in 1995, 3.1 in both 1996 and 1997, and 3.0 in 1998. The country's suicide rate (per 100,000 people)

was 16.87 per in 1993, 17.86 in 1994, 18.22 in 1995, 17.86 in 1996, and 17.13 in 1997.

6. Provide data on the ratio of doctors and nurses to the population. What is the trend in average and median monthly wages for doctors, nurses, and medics since 1993? Provide data on the number of hospital beds and on the number of hospital beds per capita. Provide statistics on the percentage of GDP devoted to health care. Provide data on the proportion of GDP expended by the public sector on health care.

The ratio of doctors and nurses, respectively, to the population was 251 and 90 in 1993, 249 and 92 in 1994, 252 and 96 in 1995, 250 and 100 in 1996, and 249 and 102 in 1997. The number of hospital beds per 10,000 inhabitants and the number of inhabitants per hospital bed, respectively, were 122.3 and 82 in 1995, 121.4 and 82 in 1996, 116.4 and 86 in 1997, and 112.4 and 89 in 1998. The percentage of GDP devoted to health care increased from 15.8 percent in 1995 to 18.4 percent in 1996, and then declined to 14.9 percent in 1997 and 13.0 percent in 1998.

7. What are official and authoritative nongovernmental data concerning the scale of poverty and poverty rates? What is the poverty rate among males, females, and the elderly arid pensioners? Provide trends in poverty rates since 1993.

There is no official poverty threshold because there is no legal framework for minimum living standards. Poverty is estimated based on household budget survey data. According to the Ministry of Economy and Reforms, the absolute poverty line in 1998 was 75.6 lei per month per person. A 1999 World Bank study estimated the absolute poverty line at 82.5 lei per month rate, which meant that 46 percent of the total population was living in poverty.

Rural poverty is 1.3 times higher than in urban centers. Data also indicate that families with dependent children are at a higher risk for poverty, as are unskilled laborers and the elderly. Women have a lower incidence of poverty than men, although this pattern reverses among the elderly-There is a dramatic polarization of the population based on income criteria: 20 percent of the poorest people have only 3.4 percent of total income, while 20 percent of the wealthiest have 50.3 percent of total income.