

Proiectul PNUD *Early Warning System* ROM/99/006

Executat de

SOCIETATEA ACADEMICĂ DIN ROMÂNIA (SAR)

La inițiativa Ministerului Afacerilor Externe al României

NOTĂ

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ROMÂNIA

Numărul 2 / 2002

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Societatea Academică din România

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RAPORT DE AVERTISMENT PRIVIND POTENȚIALUL DE CRIZĂ PNUD – SOCIETATEA ACADEMICĂ DIN ROMÂNIA (SAR)

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EVOLUȚIA PRINCIPALILOR INDICATORI

	Trimestrul					Trend	
	1-2001	2-2001	3-2001	4-2001	Ian-2002		
Creșterea PIB (analizată trimestrial), %	4.8	5.1	5.1	5.4		↗	
Devalorizarea leului, medie lunară, %	2.1	1.9	1.5	1.2	1.9	0.9	↗
Inflația, medie lunară, %	2.7	2	1.8	2.4	2.3	1.2	↗
Rata dobânzii (BUBOR, o săptămână) %	3.4	3.2	2.6	2.6	2.7	2.5	↗
Producția industrială, % evoluție	6.8	-0.3	-0.6	-3.0	4.6	3.8	↗
Deficitul comercial, medie lunară FOB/CIF (milioane USD)	274	408	205	504	257	239	↗
Rata șomajului, %	10.7	9.3	8.1	8.1	12.4	13.2	↗
Salariul mediu net, USD	99.2	96.3	92.9	96.4	114.1	106.3	-
Pensionari/angajați	0.97	0.97	0.98	1		1.01*	↗
Încrederea în guvern, % (Actualul guvern este capabil să îmbunătățească situația)	57	46	48**	42	45	38	↗
Pesimism, % (Țara se îndreaptă într-o direcție greșită)	54	52	44**	48	51	57	↗
Bunăstarea subiectivă, % (trăiesc mai bine decât anul trecut)	18	19	19**	22	11	12	-

* proviziune; ** exclusiv pentru populația urbană

REGIONAL

Falimentul statului moldovenesc – o amenințare pentru stabilitatea regională

Alina Mungiu Pippidi

Situația din Republica Moldova (RM) s-a deteriorat substanțial în primele luni ale anului 2002. România a resimțit efectele acestei situații: autoritățile de la Chișinău au renunțat la diplomație și au avut ieșiri agresive la adresa Bucureștiului, blamând “intervenționismul românesc” în afacerile interne ale statului moldovenesc. De mai bine de un an, guvernul din RM se confruntă cu două tipuri de probleme, economice și politice, ambele pornind chiar din programul de guvernare al Partidului Comunist din Moldova (PCM). Acest program, anunțat la 4 iunie 2001, conține o serie de măsuri cu un pronunțat caracter neo-sovietic renunțarea la relațiile culturale privilegiate cu România și limitarea procesului de democratizare.

Prezentat fără menajamente drept o încercare de oficializare a limbii ruse în administrația publică și în sistemul de învățământ, programul “cultural” al PCM urmărește în mod evident restaurarea unor realități din epoca sovietică. Măsurile luate împotriva apropierei de România, cum ar fi intenția de a-i declara ca fiind o minoritate națională pe cei ce se consideră români, precum și încercarea de a înlocui în școli Istoria Românilor cu Istoria Moldovei, urmăresc să consacre politic diferența între moldoveni și români și să consolideze sentimentul apartenenței grupurilor minoritare la statul moldovenesc. În alte condiții, acest discurs poate părea rezonabil, dar în fapt, limba română (moldovenească) este surclasată de limba rusă în mass-media din RM, chiar și în cazul canalelor media publice. **Această realitate, care diferențiază Moldova de statele baltice, care au promovat constant politici culturale de impunere a limbii naționale în detrimentul limbii ruse, nu a asigurat legitimitatea statului moldovean în fața propriilor minorități.** Din contră, cele trei minorități importante - găgăuzii, ucrainenii și rușii - nu au agreat

unui asemenea stat. Ciudat este că, limba rusă s-a bucurat de o popularitate mult mai mare în rândul acestor minorități decât propriile lor limbi materne¹. Acțiunile lor din ultimul an arată că nici chiar existența unui guvern comunist la Chișinău nu poate determina aceste minorități să ajungă la o înțelegere cu statul moldovenesc.

O altă serie de probleme a fost generată de tentativa puterii comuniste de a concentra puterea în mâinile autorităților centrale prin intermediul unei reorganizări administrative. Cetățenii RM pierdeau astfel dreptul de a-și alege primarii, autoritățile locale deveneau o simpă anexă a guvernului central. După ce pierduseră dreptul de a-și alege președintele (cu doi ani în urmă, în urma unei reforme constituționale dubioasă și inutilă, Moldova a devenit republică parlamentară și președintele e ales de Parlament), această reorganizare ar fi îngădit și mai mult posibilitatea exprimării voinței populare. Sistemul de vot este proporțional, poate fi chiar caracterizat drept un proporționalism extrem, întreaga țară reprezentând o singură circumscripție electorală². În plus, votul pe liste face ca puterea să fie concentrată în mâinile șefilor de partid. Aceste partide sunt imature și artificiale. Prin urmare, nu este surprinzător că publicul este foarte nemulțumit de politică și politicieni, iar PCM, cel mai vechi partid, ale cele cărui structuri sunt cel mai adânc înrădăcinate în societate, se bucură de performanțele actuale. Mișcările de protest, care au luat amploare începând cu anul 2000, creșterea participării populare la acțiunile de protest din acest an, arată că publicul se simte lipsit de canalele tradiționale prin care să își exprime opoziția față de guvernare.

Al doilea set de probleme cu care se confruntă RM sunt cele economice. Chiar dacă acestea își au originea în trecutul apropiat, guvernul comunist a contribuit la deteriorarea situației. Anul trecut, RM a încercat să adere la uniunea Rusia-Belarus și a demarat procesul de aderare la nou creată piață comună a fostelor republici sovietice care au ratat reforma economică, menținând relații strânse cu Rusia. De asemenea, guvernul intenționa să înființeze o instituție pentru controlul prețurilor, anunțându-și intenția de a crea întreprinderi "populare", a căror acțiuni să fie deținute de muncitorii din respectivele întreprinderi. Aceste politici au dus la stoprea asistenței oferite de FMI, în timp ce valoarea datoriei externe în acest an s-a ridicat la 75% din totalul veniturilor anuale ale țării. Criza, survenită după trei ani de insolvabilitate reală, în care banii pentru achitarea datoriei au fost găsiți, de regulă, în ultimul moment, este un semnal al faptului că Moldova se îndreaptă către falimentul economic.

¹ La presiunile unor militanți pentru respectarea drepturilor omului, organizațiile internaționale au pus accent pe conservarea unor limbi aproape moarte, cum ar fi găgăuza, care trebuiau "reinventate" pentru a justifica aceste politici.

² Pragul electoral a fost ridicat de curând de la patru la șase procente. Catalogarea drept "proporționalism extrem" a sistemului electoral din RM e făcută pe baza clasificărilor lui Arendt Lipjart

În acest moment, totalul datoriei externe a RM se ridică la 1,9 miliarde dolari, care reprezintă 154% din valoarea produsului intern brut al țării, față de o medie de 35% din PIB, cât reprezintă datoria externă în cazul statelor dezvoltate.

Fig.1. Spirala datoriei externe

Anul	Procentul datoriei din PIB %
1993	> 10
1995	20
1996	43
1999	97
2001	120
2002 (previziune)	154

Sursa: Institutul de Politici Publice, Chișinău, www.ipp.md

În ultima perioadă, România a avut o atitudine rezervată și echilibrată în relațiile cu RM. Totuși, nu mai departe de lunile ianuarie-februarie ale acestui an, politicieni români de primă importanță și-au exprimat public susținerea față de formațiunile pro-românești din RM. Eforturile României de a atrage atenția Uniunii Europene și OSCE față de amenințările la adresa democrației din RM au avut succes, ducând la o serie de intervenții din partea mai multor organisme internaționale. Pentru Chișinău, atitudinea rezervată a României este mai puțin obișnuită, în special acum, când guvernul comunist s-a decis să folosească România ca țap ispășitor pentru toate relele din RM. După 11 septembrie, prioritățile de politică externă ale României s-au orientat către noul mediu de securitate și integrarea în NATO. Cu toate acestea, situația statului vecin reprezintă o provocare majoră la adresa stabilității întregii regiuni a Mării Negre. Chiar dacă falimentul RM este inevitabil, momentul în care acesta s-ar putea produce - primăvara-vara acestui an- este cel mai nepotrivit dintre toate.

Un stat ratat?

După 1989 au apărut în Europa o multitudine de state noi. E dificil să apreciem cât timp trebuie să treacă pentru un verdict valabil asupra succesului sau eșecului acestor state. Spre deosebire de ziariști, analiștii politici au ezitat să formuleze raționamente și judecăți de valoare în favoarea susținerii viabilității unor state nou create, cum ar fi Bosnia, Ucraina, republicile caucaziene sau mai recent apărutele Bosnia și Muntenegru. RM a fost mai puțin cruțată. Atât ziariștii, cât și analiștii s-au exprimat fără echivoc privind eșecul construcției statului moldovenesc.

În această analiză, încercăm să vedem **dacă dovezile susțin ipoteza acestui eşec**. În al doilea rând, vom încerca să identificăm **motivele acestui eşec**. Să fie vorba de un eşec al politicilor de construcție a unei națiuni? Să fie acest eşec determinat de factori interni, cum ar fi proasta guvernare, sau de factorii externi, cum ar fi intervenționismul rusesc sau cel românesc? Răspunsurile la aceste întrebări ne vor ajuta să propunem o soluție pentru situația RM, întrucât este posibil ca stabilirea unei “cortine de fier” pe Prut să nu fie cea mai indicată soluție, putând duce la declanșarea unor probleme regionale în viitorul apropiat.

După cum putem vedea din Figura 2, produsul intern brut al RM pe cap de locuitor este cel mai mic din eșantion nu doar în termeni absoluți, ci și în privința evoluției sale, care este mult mai lentă decât în celelalte state. Georgia, o țară comparabilă cu RM și care în 1994, an luat ca punct de referință în analiza noastră, avea un PIB mai mic decât al RM, a ajuns să o depășească în momentul de față. Alături de Belarus, Ucraina și Georgia, Moldova a beneficiat de cele mai puține investiții directe. Chiar dacă Moldova are numeroase puncte comune cu statele baltice, cum ar fi procentul ridicat de vorbitori ai limbii ruse, indicele libertății economice înregistrat de acestea este cu mult superior celui al RM.

Fig.2. Performanțele țărilor post comuniste

Țara	PIB 2000	PIB 1994	ISD ³	% minorități	Tipul de stat	Media ratei șomajului 1994-2000	Media ratei inflației 1994-2000	Indexul liberalizării economice Freedom House	Indexul liberalizării economice Heritage
România	1596	1323	1000	9	Unitar	9.48	73.31	4.71	3.30
Moldova	326	268	100	36.	Unitar	1.67	67.64	4.00	3.20
Ucraina	640	727	594	27	Unitar	2.37	203.61	4.58	3.60
Belarus	1104	472	90	22	Unitar	2.58	511.81	6.25	4.10
Estonia	3409	1530	241	35	Unitar	10.42	18.07	1.92	2.20
Lituania	3045	1143	355	20	Unitar	13.51	21.72	2.83	2.90
Letonia	3019	1442	399	44	Unitar	15.02	13.82	2.50	2.65
Polonia	4108	2399	9299	3	Unitar	13.01	17.71	1.67	2.80
Bulgaria	1484	1152	957	14.	Unitar	13.74	199.44	3.75	3.40
Georgia	555	232	101	30	Unitar	8.81	2263.30	3.67	3.65
Rusia	1697	1867	2000	19	Federal	10.37	100.87	4.33	3.70
Macedonia	1685	1742	169	33	Unitar	33.72	22.20	4.58	-
Iugoslavia	1225	1392	50	37	Federal	28.01	46.35	5.33	-

Sursa: Freedom House, Nations in Transit, 2001; Heritage Foundation. Itemii au fost măsurați: PIB pe cap de locuitor (milioane USD); Investiții străine directe (milioane USD); Indexul liberalizării economice FH, pe o scală de la 1 la 10; Indexul Heritage pentru libertate economică, pe o scală de la 1 la 5.

Moldova a fost angajată în ultimul deceniu, la fel ca Serbia, Georgia și Rusia, într-un război civil, iar acesta reprezintă un predictor important al modelului multivariat care are ca variabilă dependentă PIB-ul pe anul 2000. Acest model explică performanțele statului, exprimate prin valoarea PIB prin combinația dintre cauzele structurale (moștenirea istorică) și cauzele structurale. Avem, pe de o parte, moștenirile istorice, care au influențat procesul de dezvoltare (PIB la căderea URSS) și procentul de minorități. Pe de altă parte, avem performanța guvernului moldovenesc, exprimată în indicele de liberalizare economică. În cele din urmă, unul dintre cei mai importanți factori de care depinde dezvoltarea economică este pacea. Probabilitatea ca într-o țară lucrurile să meargă prost este mult mai mare dacă statul respectiv a cunoscut în ultima perioadă un război civil. Este cazul RM, cu atât mai mult cu cât Transnistria era cea mai industrializată zonă a țării, având o pondere suficient de mare în economia țării și deținând capacitatea de a deconecta Moldova pe perioada războiului de la principala sursă de gaze naturale.

Fig. 3. Model explicativ al performanței statelor post-comuniste

Predictor	Asociere și semnificație
Moștenirea istorică ¹	+ ***
Politici de liberalizare economică	- **
% Minorități	N/S
Război	+ *
R ²	0.89

*Sursa: Freedom House, Nations in Transit, 2001; 1 - proxy utilizat PIB 1994; 2 - conform Fig. 2; 3- proxy utilizat indexul liberalizării economice Freedom House; (***) $p \leq 0.001$, ** $p \leq 0.01$, * $p \leq 0.05$). Model de regresie OLS cu PIB 2000 utilizat ca proxy pentru performanța guvernamentală. "Război" este o variabilă dummy (dihotomică) care măsoară implicarea țării într-un război civil sau de alt tip, în ultimi 10 ani.*

Împletirea unor factori structurali cu o serie de factori conjuncturali explică slabele performanțe economice ale RM. Contrar așteptărilor, dezvoltarea greoaie a RM a fost determinată de alte elemente decât existența unor minorități etnice, care este irelevantă în sine, ci de beligeranța acestora, care a condus la declanșarea războiului din Transnistria, întreținut cu ajutorul armatei a XIV-a rusești. **Moștenirea de dezvoltare, lipsa liberalizării economice și războiul civil sunt cauze ale slabei performanțe economice ale țării.** Prin urmare, singurele măsuri capabile să amelioreze situația sunt cele întreprinse în domeniul politicilor economice, domeniu în care guvernul comunist comite în continuare erori strategice, îndepărtând deopotrivă donatorii internaționali și investitorii privați.

S-ar putea reproșa acestei analize că, în pofida slabei performanțe economice și a falimentului care bate la ușă, este exagerat să considerăm că avem de-a face cu un eșec al construcției statale numai din motive economice. Chiar dacă bunăstarea economică contează, ea nu este singurul bun pe care statul trebuie să îl furnizeze plătitorilor de impozite. De aceea, ne-am propus să examinăm performanțele RM având în vedere și alți factori decât cel economic. Un "stat slab" poate fi definit din trei perspective: a statului "colector" (a reușit statul să colecteze taxele și impozitele necesare pentru asigurarea cheltuielilor bugetare?), a statului "furnizor" de bunuri publice (este consumatorul satisfăcut de calitatea serviciilor oferite de stat, ca de exemplu sistemul de sănătate, educația, securitatea personală?) și, în cele din urmă, a statului "prizonier" al unor interese particulare, cum ar fi cele ale unei elite preocupate de propria bunăstare.

Statul moldovenesc este un *colector* extrem de prost. Cea mai mare parte a bugetului de stat al RM provine din taxe vamale și accize (65,8%, conform unui comunicat de presă al guvernului

³ Investiții străine directe

moldovenesc din 4 aprilie 2002), ceea ce demonstrează că, de fapt, contribuția celorlalte sectoare este extrem de redusă. Cei 500.000 de cetățeni moldoveni, reprezentând o treime din forța de muncă a republicii, care lucrează ilegal în statele din vestul Europei, ajutând de acolo familiile rămase în țară, nu plătesc nici un fel de taxe. Statul nu reușește să garanteze nici securitatea individului, începând cu serviciile vamale, întrucât 58% din populația țării afirmă că în ultimul an a plătit mită la vamă³. Alte 62% consideră că statul nu le garantează securitatea personală, 57% se plâng de absența securității economice, iar alte 62% se declară nemulțumiți de calitatea serviciilor de sănătate. În *Raportul de Dezvoltare Umană*, întocmit de Programul Națiunilor Unite pentru Dezvoltare, Moldova se situează pe ultimile locuri, aflându-se la același nivel cu Tajikistan și cu puțin înaintea Mongoliei. Salariul mediu net din sectorul public este de 20 de dolari și, în plus, se plătește cu mari întârzieri. În august 2001, guvernul reușise să achite doar 58% din datoriile la salarii către lucrătorii din sistemul judiciar și militari. În cazul unor categorii profesionale, precum poliția, vameșii, funcționarii publici în general, întârzierile la plata salariilor sunt cronice. Conform unor statistici oficiale ale RM, în luna februarie 2002 valoarea totală a acestor datorii se ridica la suma de 28 milioane dolari. Corupția reprezintă o plagă a administrației publice și juridice, căpătând proporții uriașe, săvârșirea celor mai multe infracțiuni având un "preț", care o dată plătit garantează nesancționarea infractorului. Au existat încercări de soluționare a acestei situații, unele chiar cu succes parțial, în această privință Moldova situându-se mai bine decât Ucraina, dar este clar că pentru a supraviețui oamenii recurg la tot felul de activități informale. Dimensiunea enormă a sectorului informal (65%) se datorează lipsei de resurse din partea statului. Dar tot acest sector informal asigură supraviețuirea categoriilor sărace și șomerilor. Moldova înregistrează și un înalt indice al corupției: 3.2 pentru RM, față de 2,8 pentru România, 2,3 pentru Rusia, 2,1 pentru Ucraina în clasamentul Freedom House (0 – nivel minim al corupției, 7 – nivel maxim). Aceste estimări spun mai mult decât statisticile oficiale, potrivit cărora RM înregistrase anul trecut o creștere a PIB de 6,1, în timp ce analiștii declarau în unanimitate RM ca fiind cel mai sărac stat din Europa, al cărui nivel de sărăcie îl depășise pe cel din Albania, care deținuse timp îndelungat această poziție. Iar sărăcia și corupția sunt puternic corelate între ele.

Impactul actorilor externi

Nu încapă nici o îndoială că situația Moldovei a fost substanțial înrăutățită de poziționarea sa geografică între două state mai mari și mai puternice: Rusia și România. RM nu este singura ex-republică unională pe al cărui teritoriu au mai rămas trupe rusești, dar diferența între Lituania, pe de o parte, și Moldova și Georgia, pe de altă parte, este diferența dintre o armată care

³ Datele sunt extrase din Barometrul de Opinie Publică 2001, Institutul de Politici Publice, www.ipp.md

staţionează, pur şi simplu, pe teritoriul unui stat şi o armată implicată într-o mişcare secesionistă, ca în cazul republicii transnistrene. România a fost percepută constant ca o ameninţare de către o parte a populaţiei din Moldova, îngrijorată de faptul că va ajunge să fie discriminată într-o Românie Mare, temere care a alimentat propaganda anti-românească de la Chişinău, tot mai intensă în ultimii ani. Discursul pro-moldovenist, care promova o nouă identitate naţională, moldovenească, distinctă de identitatea românilor, şi discursul pro-românesc, au continuat să fie practicat de aceeaşi actori tradiţionali: PCM şi FPCDM (Frontul Popular Creştin Democrat din Moldova), dar este clar că discursul moldovenesc a devenit mult mai popular în ultima perioadă. Aşa cum am arătat şi în ultimul număr al Raportului, între atitudinile pro-comuniste şi cele anti-româneşti (şi anti-occidentale) ale publicului moldovean există o puternică corelaţie⁴.

Explicaţiile atitudinilor pro-comuniste şi pro-ruseşti sunt mai curând istorice. Cu cât o regiune s-a bucurat de independenţă politică în ultimii 40 de ani, cu atât este mai puţin probabil ca locuitorii săi să împărtăşească o atitudine pro-comunistă sau pro-rusească. Atitudinea faţă de ruşi cunoaşte diferenţe substanţiale între regiuni ca Bucovina, Moldova sau Galiţia, faţă de alte regiuni, care nu au nici o tradiţie a independenţei până în 1989, cum ar fi cele din Ucraina de Est sau Transnistria (tabel 4). Alt factor care influenţează votul pentru partidele pro-ruseşti şi pro-comuniste este apartenenţa la un grup etnic rus sau la altă minoritate, întrucât în această zonă minorităţile folosesc limba rusă în locul limbii lor materne.

Fig. 4. Model explicativ al votului pro-comunist/pro-rus în Ucraina şi Moldova, 1991-1999.

Predictori	Asociere şi semnificaţie
Experienţa istorică	- ***
Catolic	N/S
Ucrainian/Moldovean	- **
Rata de urbanizare	N/S
R ²	0.68

*Legenda: + corelaţie pozitivă, - corelaţie negativă; * predictor cu nivel de semnificaţie la $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***) = cea mai puternică asociere); N/S = nesemnificativ Sursa: Katchanovski 2001. Proxy pentru experienţa istorică: număr de ani în care regiunea nu s-a aflat sub ocupaţie rusă sau sovietică în secolul XX.*

⁴ Vezi "Annual Early Warning Report", secţiunea regional, "Când o relaţie specială crează probleme speciale", apărut în martie 2002.

Fig 5. Model explicativ al atitudinilor pro-comuniste/pro-ruse în Moldova

Predictor	Asociere și semnificație
Experiența istorică	- ***
Rus	+ ***
Altă minoritate etnică	+ ***
Rata de angajare	- ***
Educație	N/S
Născut într-o zonă rurală	- *
Vârsta	+ ***
Brbat	N/S
R ²	0.21

*Legenda: + corelație pozitivă, - corelație negativă; * predictor cu nivel de semnificație la $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***) = cea mai puternică asociere); N/S = nesemnificativ Sursa: 1998 Latin/Hough Survey apud Katchanovski 2001. Experiența istorică - variabilă bazată pe numărul de ani în care regiunea nu s-a aflat sub ocupație rusă sau sovietică în secolul XX.*

Așa cum reiese din datele de mai sus, apartenența în trecut la Rusia Țaristă sau la Rusia Sovietică a unei regiuni influențează și azi orientările politice ale locuitorilor ei. Conform acestor modele, trecutul este un predictor important, cu o valoare crucială, al actualelor atitudini politice. Nu trebuie să neglijăm, însă, măsura în care elitele acestor state au fost anihilate pe parcursul deceniilor de represiunea sovietică. Intelectualii și țărani înstăriți au fost deportați în perioada anilor de stalinism dur. Chiar dacă mai târziu au fost reabilitați, cea mai mare parte a intelectualității nu a mai apucat să se întoarcă din Siberia. Actualele elite sunt formate și socializate în perioada comunistă. o permanentă sursă de nemulțumire din partea oficialităților de la Chișinău.

În relațiile sale cu RM, România este constrânsă tot mai mult de procesul de aderare la NATO și UE. Aderarea înseamnă și renunțarea la relațiile privilegiate cu RM, care devine un vecin tot mai incomod. În 2001 și 2002 guvernul moldovean, urmat de Duma de Stat a Rusiei au făcut o serie de declarații nefavorabile la adresa României, provocate de conflictul între cele două mitropolii ortodoxe ale RM⁵ și de opoziția pe care guvernul de la Chișinău a întâlnit-o atunci când a încercat să introducă obligativitatea limbii ruse în școli. Încercarea guvernului României,

⁵ Vezi "Annual Early Warning Report" , Secțiunea regional, "Când o relație specială crează probleme speciale". Încercarea de a interzice existența Mitropoliei Basarabiei (supusă României) alături de cea a Modovei (supusă Moscovei) a reprezentat un efort permanent al guvernului moldovenesc, care a pierdut cazul la Curtea Drepturilor Omului de la Starsbourg.

de mai mulți ani și cu costuri semnificative, de a asigura autonomia energetică a RM a fost recent catalogată de guvernul de la Chișinău drept “intervenționism”⁶.

În timp ce atitudinea României față de RM tinde să devină tot mai rezervată, poziția Rusiei rămâne neschimbată. În ciuda numeroaselor presiuni pentru retragerea armatei a XIV-a, procesul a rămas la fel de ineficient și lent ca acum zece ani. Iar o asemenea retragere întârziată nu va schimba prea mult jocul de putere din regiunea transnistreană, întrucât aceasta dispune de mai mulți soldați decât statul moldovenesc. Republica transnistreană reprezintă o problemă atât pentru RM, cât și pentru Ucraina, ceea ce nu displace Rusiei. Traficul de arme și droguri permite oligarhilor ruși și rețelelor mafioate să deruleze tot felul de afaceri dubioase în această regiune, ceea ce explică interesul lor politic pentru menținerea status-quo-ului.

Situația dezastruoasă în care se află acum RM este doar o parte a declinului pe termen lung. RM a rămas lipsită de orice ajutor internațional în războiul din Transnistria, care însă a fost susținută de autoritățile ruse, ceea ce a reprezentat o piedică majoră în calea consolidării statului moldovenesc. După exemplul republicii transnistrene, și celelalte minorități au obstrucționat consolidarea unei adevărate autorități a statului moldovenesc independent. Politica ex-președintelui moldovean Mircea Snegur de liniștire a minorităților prin limitarea aspirațiilor unioniste la o simplă colaborare culturală a cunoscut un eșec lamantabil. Încercarea lui Vladimir Voronin de a reveni la politicile lingvistice din perioada sovietică s-a lovit de o opoziție considerabilă în rândurile opiniei publice și de numeroase proteste de stradă.

Organizațiile internaționale care ofereau asistență RM, ca și comunitatea internațională, ar trebui să își asume o anumită responsabilitate în cadrul acestui eșec. Total dependentă de Moscova în ceea ce privește resursele energetice, cu o industrie prizonieră în regiunea transnistreană, ar fi putut Moldova să încheie cu succes procesul de reformă macroeconomică doar prin privatizarea industriei vinului și a tutunului? Moldova a avut momente mai reformiste și mai puțin reformiste, dar ele s-au datorat în mare parte faptului că reformele nu au produs rezultatele scontate într-o perioadă de timp suficientă pentru a garanta guvernelor reformiste un oarecare suport popular. Lipsa de atenție din partea comunității internaționale și dublul standard aplicat politicilor față de minorități din statele baltice comparativ cu statul moldovenesc, reprezintă un motiv consistent pentru a transfera pe seama acestora o parte din vină. Modelul de stat “original”, în interiorul căruia existau două zone cu statut special, este total diferit de modelul statelor ex-sovietice, a căror consolidare s-a finalizat cu succes și care sunt, fără nici o excepție, state unitare, în pofida procentului crescut de minorități. Eșecul Republicii Moldova este mai întâi de toate un

⁶ Aceasta în pofida faptului că ex-președintele RM Petru Lucinschi a recunoscut că dependența energetică de Rusia și datoriile mari pe RM le are față de aceasta sunt o amenințare gravă la adresa independenței statului moldovenesc.

eșec al susținătorilor acestui experiment. Lipsa de suport occidental a dus la lipsa de voință politică pentru a instaura un stat de drept în Moldova și dorința evidentă de a nu adânci antagonismele cu Rusia. În cazul statelor Baltice, Europa a avut o atitudine mult mai plină de simpatie și interes față de nou createle state, iar diferența este vizibilă în rezultate.

Oricum, este în interesul tuturor ca Republica Moldova să devină un stat puternic și stabil. Moldova nu are nici o altă opțiune în afara independenței sale, dar fantoma falimentului economic și existența unor minorități separatiste fac ca șansele de reușită să fie scăzute.

Recomandări:

- Guvernul României

Opțiunile Guvernului român sunt strict limitate. Bucureștiul nu poate face mai mult decât să continue căutarea unui sprijin internațional pentru forțele democratice din RM, abținându-se de la orice acțiune care ar putea fi ulterior catalogată de către Chișinău drept o dovadă a atitudinii imperialiste. Guvernul român ar trebui să convingă și forțele pro-românești de la Chișinău să renunțe la mesajul lor unionist, sprijinind în același timp consolidarea societății civile în RM, prin intermediul organizațiilor non-guvernamentale și a asociațiilor culturale din cele două state. Orice alt ajutor preferențial destinat RM ar trebui să fie exclus.

- Forțele anti-comuniste de la Chișinău

Mesajul unionist nu a găsit ecou, printre cei mai mulți cetățeni moldoveni. Deși vorbesc limba română, ei și-au format o identitate distinctă. Faptul că stalinismul și teroarea au dus la pierderea identității românești nu înseamnă că ar trebui să ignorăm această realitate. Singura opțiune realistă la ora actuală este sprijinul pentru partidele democratice și pentru consolidarea democrației în RM. Identitatea națională este o chestiune personală. Prin urmare, este necesar să se renunțe la politicile simbolice, atât la cele pro-românești cât și la cele anti-românești, oferindu-i fiecărui cetățean moldovean posibilitatea de a-și alege singur limba și identitatea. Discursul pro-românesc trebuie menținut doar la nivelul identității culturale, abandonând implicațiile sale politice. În acest moment, a promite moldovenilor doar o reunificare iluzorie cu România este o

dovadă a absenței unui adevărat program politic. Forțele pro-românești trebuie să aibă o agendă politică internă pragmatică, care să vizeze liberalizarea economică și politică. De asemenea, aceste forțe trebuie să se unească pe o agendă politică și economică comună, mai puțin identitară.

- Finanțatorii internaționali, Uniunea Europeană

Nu este prea târziu pentru a ne asuma ideea că experimentul moldovenesc, în forma sa actuală, a eșuat. Moldova are nevoie de politici de evitare a dezastrului, de o voce internațională care să negocieze în numele său cu Rusia. Trebuie să se accepte că prioritatea absolută la această oră este întărirea statului. De asemenea, are nevoie de un mediator extern care să reunească toate forțele democratice și să le ajute să reconstruiască din ruine statul moldovenesc. Aici trebuie să intervină comunitatea internațională, atât Rusia, cât și România neputând fi mediatori credibili pentru cel puțin una din părțile implicate în jocul politic moldovenesc. Întrucât se îndreaptă cu pași rapizi către un faliment economic și tulburări sociale grave, RM are nevoie de programe complexe de restructurare și de ajutor efectiv. Programele de monitorizare a situației drepturilor omului nu sunt suficiente decât în cazul statelor consolidate. Un stat slab nu poate asigura drepturile și securitatea nimănui. Moldova este un astfel de stat, iar în absența unui sprijin masiv din partea comunității internaționale, situația sa internă s-ar putea repercuta asupra întregii regiuni.

WARNING: THE BANKRUPTCY OF THE MOLDOVAN STATE SPILLS REGIONAL INSTABILITY

By Alina Mungiu-Pippidi

The trigger

The beginning of year 2002 has brought a significant deterioration of the situation in the Republic of Moldova⁵, and a simultaneous deterioration of its bilateral relations with Romania. This latter process was already noticeable last year, when Moldovan diplomacy started to use every international opportunity in order to blame the alleged Romanian interventionism in Moldova's internal affairs.

Two sets of problems, political and economic, have challenged the Government of the Moldovan Communist Party (PCM), which arguably originated in the PCM Government program itself, made public on June 4, 2001, and which contained a set of political measures, meant to boost the status of the Russian language and to roll back privileged cultural ties with Romania. This program, which materialized in an attempt to reinstate Russian as second official language, and making it *compulsory* in administration and education for non-Russian and Russian speakers alike, is unusual by every standard related to minority rights. Measures against cultural identification with Romania included making Romanian a 'minority language' (thus politically enforcing its alleged difference from Moldovan) and replacing the 'History of Romanians' taught so far in the education system, with a 'History of Moldova'. The latter initiative is officially justified by the objective of making minorities feel more that they belong to the Moldovan state. Whilst this reasoning may seem a sensible approach under normal circumstances, it is, however, worth

⁵ This report has also used sources such as *East European Constitutional Review* updates on Moldova; Freedom House 1997-2000 reports included in the 'Nations in Transit' final report (signed by Charles King); the paper 'Regional Political Cleavages in Ukraine and Moldova' by Ivan Katchanowski, George Mason University, as reported in the 21 Annual Meeting of the American Political Science Association (www.pro.harvard.edu); policy reports of the *Institute for Public Policy* Chisinau; and press reports from the Moldovan Agency *Basa*.

mentioning that the Moldovan media, including public media, has been already broadcasting numerous Russian language programs, which match and even surpass the Romanian language programs in some categories. ***However, this specific Moldovan situation, which is very different from the situation in the Baltic States (where the newly independent states have consistently pursued a cultural policy of promoting national languages versus Russian), has not helped Moldova gain more legitimacy with its minorities over the last decade.*** On the contrary, neither the Russian-speaking population of the self-proclaimed Dniestr Republic, nor the Gagauz or the Bulgarian, acknowledge the status of Moldovan (Romanian), whilst they endorse Russian more than any minority language. Furthermore, developments over the last year show that even with a Communist Government in Chisinau, minorities do not really settle with the Moldovan state.

Further political problems, generated by the Government program, concern the re-centralization of power in the hands of the Government. This included, via an administrative reorganization, depriving Moldovans of their right to elect directly their own mayors, and making every influential local executive an appointee of the central Government. Following a Constitutional Reform carried out two years ago, which made the Parliament, not the voters, the sole electors of the President (thus transforming Moldova into a full parliamentary democracy), this administrative reorganization further reduced the possibility for expressing popular will. Moldova currently has a proportional electoral system, which can be characterized as 'extreme proportionalism', with the entire country as an electoral unit. Most of the power, therefore, is entrusted to political parties, which run electoral lists, and to party leaders, who pick candidates on the list⁶. These features of the political system combine to burden the newly created political parties – the weak spot in all post-Soviet emerging democracies – with the heaviest tasks. No wonder, therefore, that the public has become increasingly alienated and dissatisfied with politics and politicians, and that the oldest and largest party on the premises, namely the Communist party, which owns the best network and grass-root structures, performs the best. The growing civil unrest is an indicator that the public resents being deprived of other traditional channels to express its opposition towards the Government.

The second set of problems, faced by the PCM Government, are economic problems. Whilst these are undeniably rooted in the legacy of previous Governments, the PCM program did its best to worsen the situation. Last year, Moldova joined the Russia-Belarus Union and applied to join a newly created common market (CEEA), made precisely of those post-Soviet states, which didn't really succeed in their attempt to reform their economies, and which remained close to,

⁶ The electoral threshold was raised from four to six percent recently. Classification of 'extreme proportionalism' on basis on Arendt Lijphart's classification.

and dependent on, Russia. The Moldovan Government also moved towards creating a department for price control, stalled privatization, increased wages in the public sector and announced its intention to create worker-owned 'people's enterprises'. As a result of such policies, the IMF assistance was put on hold, whilst this year the Government has to pay external debt amounting to 75% of its total annual revenues. Following three years of quasi-insolvency, when money to repay loans was found, as a rule, in the last moment, Moldova is now heading towards bankruptcy. Its total foreign debt of US\$1.9 billion amounts to 154% of GDP, several times higher than the average 35% of developing countries.

Fig.1. The spiral of foreign debt

Year	Foreign debt, % of GDP
1993	> 10
1995	20
1996	43
1999	97
2001	120
2002 (forecast)	154

Source: IPP, www.ipp.md

Romania's policies towards Moldova have recently gained in discipline and restraint. However, even in January and February of this year, important Romanian officials, invoking their 'private' opinions, publicly endorsed pro-Romanian factions in the Moldovan Parliament. Whilst Romania succeeded in its advocacy efforts within European assemblies (from the EU to the OSCE) to protect the democratic forces in Chisinau, and managed to obtain a range of critical statements by these organizations towards the Moldovan Government, these are too recent to really make a difference for a Moldovan public used, through official propaganda, to lay the blame for Moldova's problems on Romania's patronizing attitudes, all the more so, since the Moldovan Government seems determined to use Romania as a scapegoat. At a moment when Romania is making efforts to obtain an invitation for joining NATO later this year, the imminent bankruptcy of the Moldovan state, which poses a threat to regional stability, could not have been timed worse.

A failed state?

Many new states have emerged in Europe after 1989. It is, however, difficult to decide what is an acceptable time frame of reference for analyzing the success or failure of these new states. Either for reasons of political correctness, or out of caution, analysts, unlike journalists, have so far refrained to pass judgment on the sustainability of some of these new states. Moldova, however, was less spared: both journalists and analysts seem to have abandoned restraint in pointing at it as a failure of state-building.

There are two basic research questions, which are relevant for policymaking, the obvious first being *whether evidence supports the state failure hypothesis*. The second question is broader, and tries to identify *the reasons for such a failure*. Is it linked with a nation-building policy failure? To what extent is it determined by domestic factors, such as poor governance, and to what extent by external factors, such as Russian or Romanian interventionism? The answers to these questions may help propose a solution for Moldova, as it may turn out that pulling the curtain on the Moldovan state and declaring it a failed attempt doesn't solve anything, but instead creates further regional problems.

As Fig. 2 shows, Moldova's GDP per capita is the lowest amongst the countries surveyed. Not only is it lowest in absolute terms, but it has also had the slowest progress, as compared to the other countries. Georgia, a country which faces considerable constraints and has a comparable situation, in many respects, to Moldova, had a lower GDP per capita in 1994, but subsequently managed to overpass Moldova. Equally, alongside Belarus and Georgia, Moldova has received the least foreign direct investment in 2000. When compared to the successful Baltic States, its score of economic freedom is significantly lower, although they have other things in common, such as the high percentage of Russian-speaking minorities.

Fig.2. Performance of post-Communist countries compared

Country	GDP per capita – 2000	GDP 1994	FDI in 2000	% minorities	State type	Unemployment rate-average 1994-2000	Inflation average 1994-2000	Economic liberalization index – Freedom House	Economic liberalization index – Heritage
Romania	1596	1323	1000	9	unitary	9.48	73.31	4.71	3.30
Moldova	326	268	100	36.	unitary	1.67	67.64	4.00	3.20
Ukraine	640	727	594	27	unitary	2.37	203.61	4.58	3.60
Belarus	1104	472	90	22	unitary	2.58	511.81	6.25	4.10
Estonia	3409	1530	241	35	unitary	10.42	18.07	1.92	2.20
Lithuania	3045	1143	355	20	unitary	13.51	21.72	2.83	2.90
Latvia	3019	1442	399	44	unitary	15.02	13.82	2.50	2.65
Poland	4108	2399	9299	3	unitary	13.01	17.71	1.67	2.80
Bulgaria	1484	1152	957	14.	unitary	13.74	199.44	3.75	3.40
Georgia	555	232	101	30	unitary	8.81	2263.30	3.67	3.65
Russia	1697	1867	2000	19	federal	10.37	100.87	4.33	3.70
Macedonia	1685	1742	169	33	unitary	33.72	22.20	4.58	not available
Yugoslavia	1225	1392	50	37	federal	28.01	46.35	5.33	not available

Source: Freedom House Nations in Transit, 2001; Heritage Foundation. Items measured as: GDP per capita (US\$); FDI (US\$ million); Index of economic liberalization FH, scale from 1 to 10; Index Heritage of Economic Freedom, scale from 1 to 5; 1=maximum of freedom.

Based on the above data, we built a model to measure the correlation between economic performance (GDP per capita) and other variables (Fig. 3). The results suggest that a combination of structural (historical) factors, and of policies during the transition period, are correlated with economic performance. Amongst the 'historical' legacies, the development legacy (GDP per capita after the split from the Soviet Union) turns out to be a significant predictor for economic performance at the end of the last decade, whilst the percentage of minorities in the total population, which is another structural/historical factor, did not turn out to be a predictor. However, when minority problems resulted in civil war, this affected economic performance.

If we consider the index of economic liberalization as a proxy for economic policies during the transition period, we find, not surprisingly, that this index is a predictor for economic performance in 2000. In other words, Moldova suffered both from a heavy economic legacy at the beginning of its transition, as well as from inconsistent policies of successive governments thereafter. Furthermore, it also suffered from civil war, and from a *de facto* separation of the self-proclaimed Dniestr Republic, which was the most industrialized area of socialist times Moldova, and powerful enough to disconnect all Moldova from its main gas pipe throughout the war.

Fig. 3. Determinants of economic performance in post-Communist societies

Predictor	Association and Significance
Development legacy ¹	+ ***
Economic liberalization policy ³	- **
% Minorities	N/S
War	+ *
R ²	0.89

*Source: Fig. 2 data; + signifies a positive correlation, - a negative correlation; * predictor significant at * $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$ (***=strongest association). Notes: 1- proxy used: 1994 GDP per capita; 2- according to Fig. 2; 3- proxy used: Freedom House index of economic liberalization. OLS regression model with GDP 2000 as proxy for economic performance. 'War' is a dummy variable (dichotomous) measuring if the country was involved in a war, civil or with another country over the last decade.*

Therefore, ***civil war in recent history, the development legacy and the lack of liberalization of Moldova's economy are causes of its poor economic performance.*** This also means that the only room for Government intervention is at the level of economic policies, and it is precisely in this field that the Communist

administration continues to make mistakes, alienating both international donors and private investors.

It may be argued that we are not dealing with state failure even if the economic performance is poor and bankruptcy knocks at the door. Economic welfare matters, but it is not the only public good that a state must deliver to taxpayers, even if it takes a heavy toll on all the others. Let us examine Moldova's state performance taking into account other factors as well. A 'weak state' is usually defined from three perspectives, namely of the state as 'collector' (does tax collection succeed in feeding the spending budget?), of the state as 'deliverer' of public goods (do consumers experience satisfaction with the state's services such as health, education and personal security?), and finally of the state as 'captured' by private interests, such as those of 'predatory' elites.

The Moldovan state is an extremely poor collector. The revenues of the state budget come mostly from customs taxes. An alleged 500,000 people, that is to say roughly a third of Moldova's workforce, are currently working abroad, and although they may contribute to supporting their families back home, they do not pay any taxes. The Moldovan state also performs poorly in delivering security, law and order, starting with customs (58% of Moldovans declare to have bribed a customs officer over the past year⁷, 62% declare that they do not feel that their personal security is ensured by the state, 57% complain of economic security and 48% of health services). In terms of UNDP's Human Development Index, Moldova ranks at the bottom, at the same level with Tajikistan and slightly ahead of Mongolia. Wages in the public sector, which are on average around US\$20 net per month, are paid with considerable delays and seldom in the full amount. Categories that experience chronic payment delays are the police, the border guards, and civil servants in general. Salary arrears in the national economy amounted to US\$28 million in February 2002, according to Moldovan official statistics. Corruption plagues the administration and the judiciary, and anecdotal evidence claims that every felony has a price tag attached, so even convicted felons are able to buy their freedom. Efforts have been made constantly to address this situation, and with some effect, but still it is clear that people live from informal activities, and that they usually do not have any other choice for surviving. The large informal sector (estimated at 65% of GDP) is blamed on the lack of resources of the state, but it also provides a backup for the poor and the

⁷ According to the Barometrul de Opinie Publica 2001, Institutul de Politici Publice, www.ipp.md

unemployed, which the state is unable to provide. Equally, Moldova scores high in terms of corruption (6 as compared to 4 for Romania in the Freedom House rankings –scale ranges from 1 the least corrupt to 7 the most corrupt).

The impact of foreign actors

It is undeniable that Moldova's situation was made worse by her being caught between more powerful state actors, most notably Russia, but also Romania to some extent. Moldova was not the only post-Soviet state to have kept a Russian army on its territory, but the difference between Lithuania on the one hand and Moldova or Georgia on the other is that between an idle army and an army supporting secessionist regions, such as the Dniestr Republic or Ossetia. In what Romania is concerned, its impact has been more in the form of fear by Moldovans that they would be discriminated in a reunified Romania, which also made many of them more likely to be influenced by anti-Romanian propaganda, abundant in Chisinau over the last years. The 'pro-Moldovan' discourse as a separate identity from the Romanian, and the pro-Romanian discourse, have polarized the Moldovan society over the last decade. As shown in a previous Report⁸, there is a significant correlation, amongst the Moldovan public, between pro-Communist attitudes and anti-Romanian (and anti-Western) ones.

Possible explanations for the pro-Russian and pro-Communist attitudes are mostly historical. The more a region has a history of independence in its last hundred years, the less its inhabitants display nowadays a pro-Russian and pro-Communist attitude. There is a significant difference in attitudes towards Russia in regions such as Bukovine, Moldova or Galicia, as compared to regions of Eastern Ukraine or Dniestr, with no tradition of independence prior to 1989 (see Fig. 4). When replicating the same model for explaining voting preferences, historical experience turns out as a powerful predictor. Another factor, which contributes significantly to the vote for Communist and pro-Russian parties, is belonging to the Russian ethnic group or another minority group (as minorities in this part of the world use mostly Russian, not their vernacular languages).

⁸ Annual Early Warning Report for 2001, issued in March, 2002.

Fig. 4. Determinants of regional pro-Communist/pro-Russian vote in Ukraine and Moldova, 1991-1999

Predictors	Association and Significance
Historical legacy	- ***
Catholic	N/S
Ethnic Ukrainian/Moldovan	- **
Urbanization rate	N/S
R ²	0.68

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association). N/S means that the variable did not turn out as a predictor. Source: Katchanovski 2001. Proxy for historical legacy: years of the region surveyed outside Russia or Soviet Union in the 20th Century*

Fig 5. Determinants of the index of pro-Communist/pro-Russian attitudes in Moldova

Predictor	Association and Significance
Historical experience	- ***
Ethnic Russian	+ ***
Other ethnic minority	+ ***
Occupation rank	- ***
Education	N/S
Born in a rural area	- *
Age	+ ***
Male	N/S
R ²	0.21

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association); N/S means that the variable did not turn out as a predictor. Source: 1998 Latin/Hough Survey apud Katchanovski 2001. Historical experience- dummy based on the regional experience outside Russia or the Soviet Union in the 20th century.*

The past within dictatorial Russia or totalitarian Communist regimes is a heavy burden, which still shapes the political life of post-Soviet societies in more than one way. These models show the past as the strongest determinant of current political attitudes. However, one should also consider the extent to which the elites of these regions were simply annihilated by decades of Soviet repression. Intellectuals and better off peasants were deported in the Stalinist years and, despite a formal rehabilitation later, few have ever returned from Siberia. The current elites are mostly sponsored and socialized by the Communist regime.

In its relations with Moldova, Romania is increasingly constrained by its application to become a NATO and EU member. The current interest of the country is clearly to give up the privileged relationship with Moldova, which has become an increasingly embarrassing neighbor. In 2001 and 2002 alone, the Moldovan Communist leaders have blamed Romania for the fight between two branches of the Orthodox Church⁹, for the emergence of a 'new wall' at the border between Romania and Moldova due to Schengen arrangements, and for the resistance that the Moldovan Government met when trying to reintroduce Russian as a compulsory object of study in primary education. The long term support by Romania for Moldova in developing some autonomy in the field of energy production was recently labeled as 'interventionism' by officials in Chisinau¹⁰.

Whilst Romania's attitude towards Moldova is likely to become more restrained in the foreseeable future, Russia's attitude is unlikely to change. Despite repeated vows to pull out the XIV Army from Dniestr, the process has been slow and ineffective so far. The self-proclaimed Dniestr Republic is an embarrassment for both Moldova and Ukraine. However, the money-laundering and arms trafficking which goes on in the Dniestr have allowed various Russian oligarchs or criminal networks to do business during the last decade, and they still have some political clout to protect their fiefdom.

The pitiful situation of Moldova is only partly of its own doing. The country was helpless during the Dniestr war, and its stalemate with the separatist Dniestr Republic, which has the support of important Russian politicians, has proven to be a major obstacle in consolidating a Moldovan state. Taking the example of the Dniestr Republic, other minorities show no commitment to the independent Moldovan state. The policy of Mircea Snegur to appease minorities by limiting ties with Romania to just cultural communion failed miserably. The attempt by Vladimir Voronin to buy peace by returning to Soviet time language policies is also doomed to fail, since not only is it opposed by a majority in opinion polls and by

⁹ See Annual Early Warning Report 2002, Regional Section 'When Special Care Creates Special Problems'. The attempt to forbid the Romanian Orthodox Church in Moldova to exist alongside the Russian one was supported by the Moldovan government through all the Moldovan Courts, but it lost its case in the European Court of Human Rights in Strasbourg last fall.

¹⁰ This, despite former President's Lucinschi acknowledgment that Moldova's dependency on Russia for energy and its huge debt to Russia is the most serious threat to the independence of the country and to its viability as an independent state.

considerable crowds in the street, but it does not seem to be enough to gain the benevolence of Dniestr secessionist leaders.

The international organizations, which assisted Moldova, and the international community, also bear some responsibility in this failure. Totally dependent on Moscow for its energy, with its industry captive in the mafia-dominated Dniestr, could Moldova recover only by privatizing its wine and tobacco industry and pursuing its macroeconomic reforms? Moldova had its ups and downs with the reforms, but that was also because reforms did not produce expected results rapidly enough to bring popular support to reformist Governments. The little attention that Moldova received from the international community, and the double standards applied to the Baltics' policies towards Russian minorities as compared to Moldova's policies, are also to blame for the current situation. The 'original' state model adopted by Moldova, with two special status regions, make it different from successful states in the post-Soviet area, which adopted a unitary state regardless of the percentage of minorities. The failure of the Moldovan experiment is not of Moldova alone, but also of the advocates of this experiment. In the case of Baltic States, Europe has manifested more interest and sympathy towards the newly created states, and the difference is visible in the results.

Notwithstanding the above, it is, however, in everybody's interest that Moldova succeed in its attempt to create a viable state. At present, Moldova has no other option than independence, but with its bankrupt state and separatist minorities, the prospects are poor.

Recommendations

- Romanian Government.

The choices of the Romanian Government are severely limited. The Government can do little than continue to lobby internationally to support democratic forces of Moldova, and refrain from any public statement which may further be used by Communists in Moldova to blame 'Romanian imperialism'. The Romanian Government should also persuade the pro-Romanian forces in Moldova to tune down their appeals for reunification, whilst supporting the consolidation of civil society in Moldova through partnerships between NGOs and cultural associations of the two countries. Any other preferential aid for Moldova should be discontinued.

- Moldovan anti-Communist forces

The vocal pro-unification message has proved unsuccessful over the last decade with a majority of Moldovans. Moldovans may speak Romanian, but they have crafted for themselves a sort of separate identity nevertheless. Even if Stalinist policies contributed to this, today the only option available is seek to broaden public support for democratic parties and advance democracy and reforms in Moldova. Identity is the business of citizens, and both pro-Romanian and anti-Romanian symbolic policies should be relegated to the background, leaving to each Moldovan the choice of language. This would mean keeping the pro-Romanian discourse only at the level of cultural identity and abandoning its political implications. Under present circumstances, having as program the reunification with Romania means having no program at all. Democratic forces need to join under a common banner, and this should appeal to a majority. It should, therefore, be pragmatic and economically oriented.

- International donor community, EU

It is not too early to acknowledge that the Moldovan experiment in its current form has failed. Moldova urgently needs a recovery package, it needs a voice to negotiate on its behalf with Russia, and it needs the acknowledgement that state building policies are an absolute priority. Moldova also needs a mediator to unite all democratic forces and empower them to build the state from scratch. Neither of these things can be provided by anyone else than the international community, as the intervention of Russia or Romania in a mediator capacity is not credible for either of the parts in Moldova. In particular, the current crisis in Chisinau needs mediation. In brief, as Moldova heads towards bankruptcy and more social unrest, it badly needs a recovery plan, and not the kind of formal human rights monitoring applicable to a consolidated state. A weak state cannot ensure anybody's rights. Moldova is not a state yet, and without the commitment and support of the international community, it may implode, destabilizing the entire sub-region in the process.

ANNEX: Tables in the section one

Annex 1. Determinants of economic performance in post-Communist societies

Predictor	Regression coefficients (Standard Error)
Development legacy ¹	0.968 (0.211)***
Economic liberalization policy ³	-338(102)**
% Minorities	N/S
War	984 (272)*
R ²	0.89
N	13

*Source: Fig. 2 data. Notes: 1- proxy used: 1994 GDP per capita; 2- according to Fig. 2; 3- proxy used: Freedom House index of economic liberalization; (***) $p \leq 0.001$, ** $p \leq 0.01$, * $p \leq 0.05$). OLS regression model with GDP 2000 as proxy for economic performance. 'War' is a dummy variable (dichotomous) measuring if the country was involved in a war, civil or with another country over the last decade.*

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Annex 2. Determinants of regional pro-Communist/pro-Russian vote in Ukraine and Moldova, 1991-1999.

Predictors	Regression coefficients (Standard Error)
Historical experience	-0.264 (0.071) ***
Catholic	-0.014 (0.176)
Ethnic Ukrainian/Moldovan	-0.430 (0.147) **
Urbanization rate	-0.194 (0.182)
Constant	98.209 (20.125) ***
R ²	0.68

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (**=strongest association); Source: Katchanovski 2001. Proxy for historical legacy: years of the region surveyed outside Russia or Soviet Union in the 20th Century*

Annex 3. Determinants of the index of pro-Communist/pro-Russian attitudes in Moldova

Predictor	Regression coefficients (Standard Error)
Historical experience	- 013 (0.001)***
Ethnic Russian	0.554 (0.063)***
Other ethnic minority	0.494 (0.052)***
Occupation rank	-0.045 (0.013)***
Education	0.013 (0.017)
Born in a rural area	-0.112 (0.048)*
Age	0.008 (0.002)***
Male	-0.085 (0.145)
Constant	2.059 (0.195)***
R ²	0.21

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (**=strongest association) Source: 1998 Latin/Hough Survey apud Katchanovski 2001. Historical experience- dummy based on the regional experience outside Russia or the Soviet Union in the 20th century.*

POLITICS

TREND: WINTER TAKES ITS TOLL

Romania May Be Doing Better, but Romanians Feel It's Going Worse

Compared to our previous poll of January, there is a clear downturn in the public opinion. A significant proportion of Romanians are unhappy with their lives, the number of those who believe that the country is heading in the wrong direction has increased, and the number of those who are confident that the Government has the ability to handle things has decreased significantly. The hardships of this winter and the recent corruption scandals have obviously taken their toll on public mood.

Fig. 1. Country heading in the good direction

	%
Agree	31.9
Disagree	57.3 (up from 50.9 Jan 2002)
No answer	10.9
Total	100.0

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Fig. 2. Satisfaction with one's life

	%
Not satisfied at all	26.0
Not satisfied	52.4
Quite satisfied	20.5
Little satisfied	0.8
Total	100.0

Fig. 3. Better off than last year

	%
Much better	0.4
Better	11.6
Same	40.5
Worse	37.2
Much worse	10.1
Total	100.0

Fig. 4. The Government can improve things

	%
Agree	38.1 (down from 45.1 in Jan 2002)
Disagree	47.7
No answer	14.2
Total	100.0

The depressive mood of Romanians also shows in their negative expectations for the future. Most people are sceptical, do not expect things to improve considerably in the near future, and ***a majority do not expect Romania to be invited to join NATO, despite being supporters of her joining.***

**R A P O R T D E A V E R T I S M E N T P R I V I N D P O T E N Ţ I A L U L D E
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Fig. 5. Expectations of life improvement one year from now

	%
Much better	1.7
Better	21.8
Same	32.5
Worse	22.8
Much worse	8.3
No answer	12.9
Total	100.0

Fig. 6. Romania will be invited to join NATO this year

	%
Optimists	34.2
Pessimists	42.0
Do not know	23.8
Total	100.0

This discontent has not yet turned into political capital for opposition parties, be it negative or positive. Party preference has stayed largely the same since our last polling, with a dominant party (PSD), slightly below the absolute majority (47%). The Democratic Party has slightly narrowed the distance separating it from Greater Romania Party (PRM), but the three important opposition parties together do not reach PSD's score. As regards possible future presidential candidates, Adrian Nastase seems to have consolidated the transfer from Ion Iliescu's voters. The support of the current President for any of the candidates is likely to play an important role in the 2004 electoral campaign for presidential elections. However, the percentage of undecided is strikingly high, and significantly more people are confused concerning presidential elections (50%) than concerning legislative elections (42%).

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Fig. 7. Party preferences

	%
PD	12.4
PSD (PDSR or PSD)	47.5
PNL (and ApR)	10.5
PNTCD	1.5
PRM	14.9
PUR	2.5
UDMR	7.0
UFD	1.9
Other party	1.9
Undecided	42.5
Total	100.0

The profile of NATO-optimists is rather vague. Pessimism seems to draw equally on urban and rural residents. We found no significant regional differences, although in our sample people from Bucharest were the most optimistic and those from Transylvania the most pessimistic. The more optimistic are likely to be older and less educated, and those in favor of Romania joining NATO tend to be more optimistic.

Fig. 8. President preference

	%
Adrian Nastase	42.7
C.V. Tudor	16.9
Valeriu Stoica	0.7
Petre Roman	1.6
Theodor Stolojan	7.5
Traian Basescu	16.5
Emil Constantinescu	2.1
Mugur Isarescu	1.6
Ion Iliescu	0.2
Mircea Geoana	3.2
Other	6.9
Undecided	50.0
Total	100.0

**RAPORT DE AVERTISMENT PRIVIND POTENȚIALUL DE
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Fig. 9. Explanatory model of NATO-optimism

Predictor	Association and significance
Favors NATO integration	+ ***
Income	N/S
Low education	+ *
Age	+ *
Town size	N/S
R ²	0.11

*Legend: + signifies a positive correlation, - a negative correlation; * predictor significant at $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$ (***=strongest association); N/S means that the variable did not turn out to be a predictor*

Whilst Romania has recorded some progress in its race to join NATO, Romanians seem not to have noticed it. By and large they are as pessimistic as they were a year ago, and significantly more sceptical towards the direction that the country is heading to, and the Government's ability to lead it.

ECONOMY

FOCUS: THE TALKS WITH THE IMF: SOME FOOD FOR THOUGHT

Daniel Daianu

The economy has continued its recovery and disinflation makes progress, as the data for the first quarter of this year show. But, not unlike previous agreements, the current *Stand-by Agreement* with the IMF has met a series of obstacles in its implementation. Consequently, the release of the second tranche has been delayed and a supplementary letter of intent is in the offing. The main contending issues have been aired publicly and this invites examination, albeit one should be aware of the dangers posed by insufficient technical information in this respect.

Tax collection

Recently, Prime Minister Adrian Nastase announced an overhaul of fiscal policy. The reason is easy to detect: tax collection continues to be the Achille's heel of the current agreement and of the budget policy. Since tax collection has not improved in 2001, a "sequestration" of capital expenditure was enforced late in the year, in order to meet the budget deficit target. There are several worrisome aspects in this regard. First and foremost is the very dynamic of tax collection, which determines the size of fiscal revenues. Quite unusually, at a time of swift economic recovery (GDP went up by approximately 5.3% in 2001, see graph 1),

fiscal revenues have gone down as a share of GDP (table 2). There is a need to understand the root causes of this situation and how to effectively tackle it – not simply by attempted quick-fixes, which can hardly work adequately over the longer run.

An explanation for the worsening tax collection can be linked to the increase of overall arrears in 2001, which, apparently, have gone beyond 40% of GDP (graph 1). Another cause can be associated with fiscal facilities granted to SMEs and to state-owned companies, some of which were privatized last year. But, in the latter case, one would have to calculate the offsetting positive influence of privatization revenues, which, presumably, entered the public purse. There is also the practice of tax deferral or cancellation for many state owned and even private companies, which is a feature of lax financial discipline. The bottom line is that the State has had a worse tax collection last year, and this bodes badly. Moreover, this situation has prompted the Government to seek additional ways to raise tax revenues in order to keep close to the budget deficit target of 3%; consequently, action is under way in order to increase excises for gasoline, alcohol and tobacco, and remove the VAT exemption for house construction. One can debate the merits of such plans – for instance, the adverse effects (increasing tax evasion) of raising tobacco excises – but the focus should rather be on the bigger question, namely why has tax collection been worse, and how can it be improved?

Another worrisome feature has been the clamp down on capital expenditure, at a time of deep concerns about a precarious infrastructure and when private capital (whether domestic or foreign) does not seem to be capable (to a certain extent, it will never be!), or interested, to provide a substitute. If things do not improve in this regard, the long term effects will show up with a vengeance. Admittedly, a piece of good news is that both the domestic and the foreign investment ratios are on the rise, albeit, quite slowly; and EU assistance can help in this respect as well.

The Government has solid reasons to embark on both an overhaul of tax policy and better tax collection. Actually, the latter could help reduce social security contributions, which are a significant drag on enterprises (the ratio of social security contributions is the highest amongst EU candidate countries – that is to say around 57%). However, tax policy overhaul is not an easy task and can be disappointing if not properly implemented. There are examples in emerging countries where this kind of reform was not rewarding, which should constitute a warning to the Government in this respect.

The budget deficit

The Government has announced its intention to revise the budget deficit upwards, which, clearly, would not please the IMF. In this context, it should be highlighted that a 3% budget deficit accompanied by a higher quasi-fiscal deficit may be worse – on the overall – than a 3.2% budget deficit with a lesser quasi-fiscal deficit. Having said this, we do not argue for changing this year's budget deficit target; rather, we are cautioning against unproductive rigidity on both sides of the negotiation.

Arrears and inflation

There seems to be an underlying relationship between arrears and inflation. High inflation has become chronic in Romania and this is due to the congenital inability of major loss-making companies to pay their taxes, and to *moral hazard*, that is to say the benefits, which even profit-making companies have by not paying their dues (debtors always gain when high inflation erodes their debts). Equally, there are powerful inflationary expectations at work, and wage indexation also plays a role in this respect. The fact is that inflation has become a *sui generis* means for the economy to keeping arrears stable, more or less, in real terms; otherwise, the economy would suffocate, as companies would be increasingly unable to pay wages and procure basic inputs because of cash scarcity. It is like saying that the economy is addicted to high inflation.

How can this perverse linkage be cut off, so that disinflation be successful? This is a major policy question for both the Government and the National Bank to respond to. What occurred in 2001, namely the increase of arrears – against the backdrop of a lower inflation (graph 1) – is worrisome. The increase of arrears can backfire and undermine disinflation, and this is why more financial discipline is a must. In 2002, disinflation has continued, with monthly rates of 2.3% in January and 1.2% in February, which is good news. But this positive trend needs to be accompanied by containing arrears. The Government needs to be more resolute in dealing with the worst tax-offenders. By doing this, it would shoot at two targets: improving collection (which would help the budget), and making disinflation sustainable.

Public utilities: finance, price policy, privatization

The issue of tax collection/arrears is closely linked to the financial health of major public utilities; their inability to collect on their bills (Termoelectrica is the most notorious case) is of longer vintage and is due to several factors, such as the price of energy, highly obsolete technologies in use, the impoverishment of the population, and, not least, the lack of financial discipline. An increase in the price of electricity and heating is economically justified, given the costs of raw energy imports. There is, however, a critical issue here, namely the inability of many citizens to pay their electricity and heating bills, specially during the winter season. As the author has argued elsewhere¹¹, the steady rise of the price for heating and electricity should have been preceded by a mechanism for distributing the financial burden over a longer period of time – as a device for alleviating the pain for poor households. It is good news that the Government envisages a mechanism along this line. Substantial energy savings can also be achieved by both households and industry, through proper measurement of consumption. The longer term solution, however, involves heavy investment in energy infrastructure, which requires capital inflows and, in this context, privatization.

As a matter of fact, the IMF mentioned privatization as having been too slow in 2001. But privatization is not enough; proper structures of corporate governance matter tremendously, and competition policy and adequate regulations are essential in achieving good economic performance, as experience in other countries has shown. As the current financial plight of Argentina indicates, “sweetheart deals in questionable privatizations”¹² have allowed to charge extremely high rates. Arguably, the very high price of services has contributed significantly to the loss of competitiveness, together with the overvaluation of the local currency. In Hungary as well, there are examples of a highly problematic relationship between foreign investors (owners) and the Government when it comes to the price of public utilities.

The Romanian Government needs to foster privatization, for this is a means to bring in badly needed capital and impose hard budget constraints. Nonetheless, privatization should be accompanied by a good (and effectively implemented) regulatory framework, which can deal with monopoly behavior, secure fair prices

¹¹ See “Energy Policy Issues”, *Romania Libera*, February 1st., 2002, and *Economistul*

¹² As Financial Times put it, 15 February, 2002 (p.2)

for consumers, and avoid external over-indebtedness. The international organizations should assist the Romanian Government in formulating and carrying out a proper strategy in this field. Quick fixes do not last, and do not help solve the problem fundamentally.

External equilibrium and controlling domestic credit

Economic recovery in 2001 has also been helped by the ease with which Romania has managed to finance its current account deficit; this has allowed replenishing the foreign exchange reserves of the NBR at more than 3.5 billion USD by the end of the year. But there may also be a downside effect to this financing, which is related with the real appreciation of the local currency at a time when the interest rate differential is attractive to foreign investors. Not surprisingly, the foreign currency denominated loans extended by local banks have increased (in relative terms), which illustrates, in all likelihood, capital inflows attracted by the combination of real appreciation of the ROL and the interest rate differential. Unless the Romanian economy maintains its steady growth and the current account deficit is kept under control, two dangers are looming. One is linked to a possible overexposure of banks to companies, which are not well hedged against the exchange rate risk. Secondly, shocks which may hit the Romanian economy could trigger a sudden reversal of capital flows, which may cause pressure on the foreign exchange markets and a real depreciation of the ROL. This would be bad for disinflation and macroeconomic stabilization, in general. In this context, the NBR would be well advised to impose higher reserve requirements on foreign currency denominated domestic credit; and it may also be good to impose ceilings on banks' short-term borrowing from abroad.

Fig. 1. GDP, Inflation, Arrears evolution :1999-2002

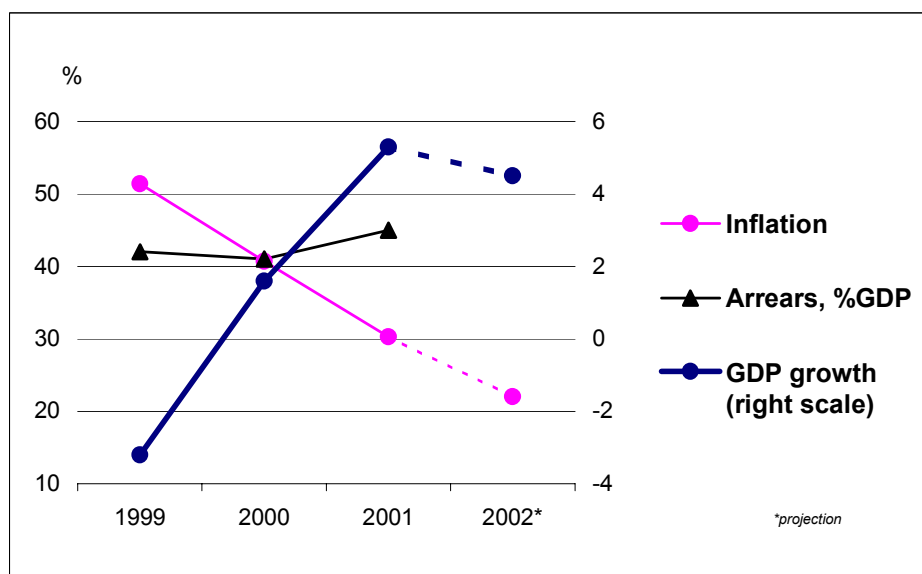


Fig. 2. Consolidated budget revenues and expenditure (% of GDP)

	2000	2001	2002 (forecast)
Revenues	31.5	32.7	31.8
Fiscal	29.5	30.5	30.0
Non-fiscal	1.9	2.1	1.8
Ex penditure	35.5	36.2	34.8

FOCUS: PRIVATIZATION. SPEEDING UP WITH LIMITED FUEL

Liviu Voinea

The Government recently assumed responsibility in Parliament for a “Law regarding certain measures for speeding up privatization” (Law 137/2002). Whilst giving credit to the Government for enhancing its privatization efforts, the comment below highlights certain provisions of the law that may generate moral hazard, and which should be redressed by means of an emergency ordinance, rather than by methodological norms.

This is not the first time when a law on speeding up privatization is enacted. As early as August 1994, the “Law on speeding up the privatization process” led to adverse effects: less privatization deals were concluded between September and December of that year, than in July 1994 alone.

Moreover, this is not the first time when the idea of a symbolic price appears. Privatization ‘for 1 DEM’ was experimented in the re-unified Germany, until the head of their privatization authority was shot dead; privatization ‘for 1 FFR’ was also tried in France, but it didn’t last long, as the defense industry producer Thompson was re-nationalized from Daewoo. In 1997, the then Romanian Government tried to sell the ‘1 US\$ privatization’ idea to the public, but strong opposition emerged at that time from its nowadays promoters.

One should also remark that a law on speeding up privatization indirectly sends the message that privatization was too slow during the previous period. As we mentioned in the Annual EWR 2001, only 121 privatization deals were signed last year; budget revenues from privatization only reached 0.7% of GDP (as compared to 1.8% in 1998), and they were forecasted at 0.2% of GDP in 2002.

This new law should be praised, for introducing a specific administration procedure to prevent asset depletion during privatization, and for the willingness to trade short-term revenues for medium and long term benefits. However, although

this road is paved with good intentions, moral hazard may also appear, as a number of issues are subject to interpretation.

- According to the law (art 5.1), the public institution involved (the administrator of the state assets undergoing privatization) is the only authority competent to decide on the opportunity of concluding the privatization deal. The law stipulates that neither judicial Courts, nor arbitrage institutions can rule on the opportunity of the transaction; they can only rule on its legality. The basis for the opportunity decision (in terms of price, jobs, capital) lays, however, in methodological norms that are still in the making. Opportunity is not defined, opportunity cost is not considered as a benchmark, and thus the decision-maker is exonerated from responsibility. If opportunity is not defined, how can we know what “legality” remains to cover?
- The law (art 5.3) prevents the participation in the privatization process of persons and firms who had already entered a privatization contract and a final and irrevocable Court decision ruled that they did not fulfill it. This, however, does not limit the access of persons and firms who are known to have failed fulfilling their contractual obligations, but a final and irrevocable court decision hasn't yet been reached (there are currently 3,885 cases on trial, in which APAPS took investors to Court).
- During the special administration procedures (art 16.5.b), state creditors will temporarily exonerate from debts all assets to be privatized, and they will recover the money later on, from privatization revenues. What if the companies temporarily exonerated from debt are sold for 1 Euro (or in the vicinity of this sum)?
- The law (art 18) provides the legal framework for total or partial tax holidays, forgiveness, roll-overs, etc., all with the purpose of making a company more attractive; no mention is made, however, with regard to implementation criteria, and the case-by-case decision is left in the hands of the public institution involved. Tax arrears are written off for selected companies. This is unfair to the other companies, and it also increases the fiscal deficit. Moreover, such a measure runs the risk of being considered state aid under EU competition legislation.
- The law (art 12) requires companies to increase their social capital with the value of the land that they own, in case this hasn't already been done. If this

occurs after privatization, the added social capital is transferred into shares that become the property of the public institution involved. Thus, the new owner may be put in the ridiculous situation, in which he will have bought 100% of a company, and would subsequently still have to buy additional shares in order to secure control over the company purchased.

Recommendations

In the above context, we believe the Government should reconsider some aspects of the law:

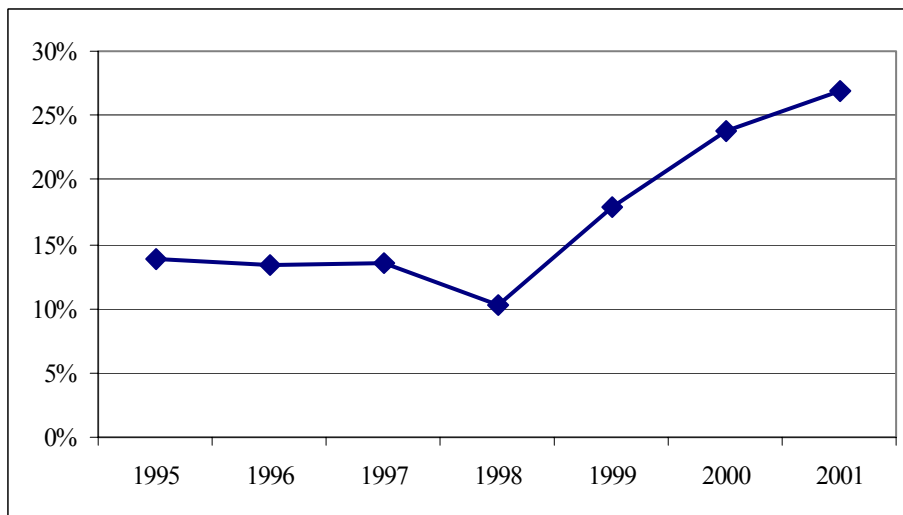
- define what “opportunity” means (it would be advisable to offer a formula for calculating the opportunity cost).
- clearly stipulate that, in case of 1 Euro deals, assets can not be separately resold in a certain number of years after privatization, and the company can not be closed down during a certain period after privatization – subject to severe penalties; one idea could be to create a guarantee (equal to the assets’ value, or to the amount of non-rescheduled debts), deposited in an account with a Romanian bank.
- do not permit social capital increases through land evaluation after privatization; operate such increases, if necessary, prior to privatization, and stipulate them to investors in an early stage.
- clearly fix a set of selection criteria (based on points scale) applicable to all deals, and include amongst them the performance of businesses already run in Romania by the potential investors (if applicable).
- limit, to only very specific cases, subject to Government decisions based on a clear set of criteria, the total/partial writing off of tax arrears. After all, the basic idea of the 1 Euro privatization is that the investor assumes existing debts, in exchange for a symbolic acquisition price.
- since the above issues represent more than just procedural clarifications, they should not be addressed in the form of methodological norms, but in a separate emergency ordinance.

WARNING: CARE NEEDED IN RESHAPING THE FINANCIAL SECTOR

The rules of the game are rapidly changing in the banking system, and on the capital market. Recent regulations adopted, or being currently considered by the National Bank and the National Securities Commission, aim at reducing risks and vulnerabilities. This article examines what these changes are, where they could lead, and how they fit with the current system of supervision and competition in the Romanian banking and financial sector.

Over the last years, the banking system has shown signs of recovery, as it became more prudent, if not more consolidated. Foreign private capital holds 58% of total assets, solvency ratio (figure 1) has significantly increased, and 95.1% of total credits (by the end of 2001) were classified as standard.

Figure 1. Solvency ratio in the Romanian banking sector



Source: NBR

Such an image should, however, not deceive us. Improved overall credit performance is linked to the scarcity of credit (line 5 in table 1) and, when credit is granted, to the widespread practice of rolling it over (old credit is paid with new credit).

Furthermore, recent banking scandals (such as BRS, BID, Unirea) still keep newspapers' front pages, leaving the impression that, while performing better, the

system remains neither adequate for financial stability (line 3 in table 1), nor properly supervised.

It is fair to say that the capacity of the National Bank to supervise the functioning of the banking system has been affected by a number of factors, for example:

- the incomplete legal basis for action;
- the National Bank's shyness to exercise its functions, given the changing local environment and various political pressures;
- the existence of a hard-to-control area of financial operations, which is a common fact in other countries as well.

The legal issue is being addressed by current initiatives of the National Bank¹³, on three directions: introducing the "know your customer" rule; raising social capital requirements to approximately 8 million Euro; strengthening the conditions that must be fulfilled by banks' top management personnel. These measures try to protect the banking system through increasing entry barriers (the entry conditions are currently too permissive – see line 1 in table 1).

Additionally, the National Bank is under external pressure, from the Basel Committee of the Banks of International Settlements, and from the IMF, to harden the constraints associated with commercial banks' credit operations. An obvious warning to issue in this context, is that this will further restrict access to loans, by making banks even more reluctant to provide credit, and will undoubtedly increase the cost of doing business in Romania.

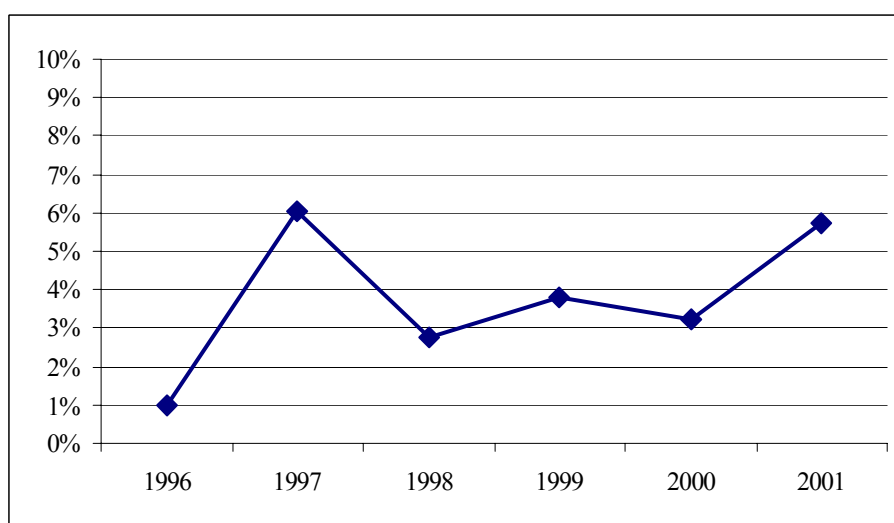
¹³ To eliminate a confusion, in a matter indirectly related to the core of our discussion, it should be mentioned that NBR does not intend to replace the Sibiu Exchange with its own market for derivative instruments.

Table 1. Indicators on the situation of the Romanian banking and financial system in the global context

	Indicator for Romania	Global average	Romania's ranking (positions from 1-best performing to 75-worst performing)
	(values from 1-lowest to 7-highest)		
1. Entry into banking industry	5.8	4.5	5
2. Foreign access to local capital markets	6.8	6.2	7
3. Financial regulation and supervision	2.9	4.7	70
4. Financial market sophistication	2.3	4.2	71
5. Ease of access to loans	1.5	3.2	75

Source: Global Competitiveness Report 2001-2002, World Economic Forum, Geneva, 2002

Figure 2. Market capitalization, BSE + Rasdaq, % GDP



Source: authors' calculation, based on NBR data

Sorting out the capital market problems

The wind of change is blowing on the capital market as well. Although aggregated market capitalization (Bucharest Stock Exchange plus Rasdaq) increased in 2001 (fig. 2), it remains way below the average of Central and East European economies (which is of around 18% of GDP). Top five listed companies account for two thirds of market capitalization, the shares of about one half of Rasdaq listed companies were never traded during one entire year, and more than 60% of

BSE listed companies are owned by portfolio investors, who are therefore put in the inappropriate situation to act as direct investors¹⁴.

The problems of liquidity, concentration, transparency and corporate governance have been addressed through new regulations put forward by the National Securities Commission, with respect to collective investment, securities, financial investment services and regulated markets.

These regulations define market players, their actions and even the organization of the market itself. Amongst the effects of these measures, the following are noteworthy:

- The so-called SIFs (former Private Property Funds) will have to limit their portfolio to 5% of any traded company. This measure offers an exit opportunity for millions of Romanians who are SIF shareholders without even knowing it¹⁵.
- The collective undertakings in transferable securities will be limited to financial investments of maximum 10% of a company. This measure will offer an exit window for portfolio investors trapped in the position of direct investor (where they found themselves trying to by-pass the lack of legislation protecting minority shareholders).
- The investors who own more than 90% of a company will be able to de-list their companies from the Stock Exchange. This measure will offer an exit opportunity for trapped minority stakeholders (because the majority owner will have to make a public offer at a fair price).
- The other speculative investors, who want to become involved in the management of the companies where they hold a stake, will have to organize themselves as venture capital or close-end funds. This measure will limit speculative capital involvement in firm management to specialized funds.

¹⁴ See Daniel Daianu, Liviu Voinea, *Foreign Capital Flows in Romania*, International Center for Economic Growth Occasional Paper, 2001.

¹⁵ Apart from a number of 200-300,000 persons who invested in buying SIF shares, many became SIF shareholders when companies with SIF participation distributed SIF shares as dividends.

- Only open companies will stay on the Rasdaq market. This measure will address the problem of lack of liquidity for companies that were listed somehow against their will.
- The market itself needs to reorganize as joint stock companies (including Rasdaq) owned by listed companies, with all profits reinvested in market facilities.

These measures are welcome and they indeed deal with many of the existing problems of the capital market. However, offering an exit opportunity does not automatically mean that such an opportunity can be seized. In the case of SIFs' and collective undertakings' disinvestment from stakes currently above 5%, respectively 10%, the question is who will buy them, and at what price. In the same line of reasoning, market de-capitalization may occur, at least in the first phase of applying the above measures.

In view of the above considerations, the following recommendations are suggested:

- Keep the legislation simple and enforceable. Do not regulate more than can be enforced (it is impossible anyway to regulate everything).
- Do not increase the cost of making business in Romania (through new regulation restricting loans). If such a regulation is implemented under external pressure, it should be counterbalanced, e.g. through a sharp cut in compulsory reserves requirements.
- Protecting the banking and financial system should be interpreted as protecting customers, not competitors. Therefore, the transparency of the supervision mechanism and of financial transactions must be further promoted.
- On the capital market, the exit opportunities must be complemented with information campaigns and with efforts to secure a fair price.
- Problems of lack of liquidity and concentration should not be solved at the expense of corporate governance principles. Professional associations should seek to enforce corporate governance principles as a prerequisite for membership.

LOCAL GOVERNMENT

FOCUS: FINANCING DEMOCRACY AT ITS GRASSROOTS: BUDGETARY CHALLENGES IN LOCAL GOVERNMENT

Since the introduction, in 1998-99, of the new decentralized system for public finance, Romania's public finance at the sub-national level has evolved towards more transparency and predictability. Both conditions are a must if the local governments are to enjoy real autonomy in developing their own budgets and policies. However, there are still shortcomings that undermine the functioning of the new mechanisms. Moreover, important pieces of legislation adopted this year (local taxes) or currently discussed (local finance) may threaten the positive developments achieved so far.

By tradition, the structure of the modern Romanian state was modeled after the centralized, uniform structure of the French state. For most of the period since its establishment, local government was organized into two tiers (though there were several attempts to create a third tier). However, whilst the details of the administrative structure have changed several times over the last century and a half, the institutional culture in local government has stayed by and large the same in one important respect: central Government's intervention in local affairs is tacitly accepted, or at least tolerated, specially when it comes from the Prefect's office. Local autonomy in Romania has never been as strong as in Central Europe. Moreover, since nation- and state-building were top priorities in the 19th century, all

the other political goals had to be subordinated to the objective of creating a modern and functional national state, with its central bureaucracy. Local needs and agendas were seen as secondary and accepted only as long as they did not threaten the interests of the broader, national community.

Therefore, an uniform pattern of the local units was created, which, though not totally independent of the regional traditions, was meant to serve first of all the functional necessities of the young state. Grassroot democracy was traditionally rather weak, and all the attributions of local governments, irrespective of the formal constitutional setting, were perceived as mandates or liberties delegated or created by the national state.

The Communist regime, which took over Romania in 1948, operated many changes in the local government framework, but found the bases of the old arrangements as being fundamentally convenient for its own purposes. Since the local communities were generally accustomed to being patronized – and sometime abused – by the central Government, they did not represent a real obstacle for the new regime. As a result, when a decentralization process was initiated immediately after 1989, being seen as a mandatory step on the ‘road to Europe’, the historical experience of local self-government was limited, and seldom relevant in the new context. Creating a functional network of local governments turned out to be both a challenge, because of the difficulties, as well as an opportunity, since a new system could be built up from scratch in a coherent manner.

As it happens in real life, however, a complex system such as this could not be organized in a fully rational manner. Many decisions that affected the process of decentralization were taken by default rather than deliberately, and the end result is sub-optimal¹⁶. But eventually a system did emerge that relies on four main building blocks:

- The Law of Local Public Administration (LLPA), adopted in 1991 and amended many times after that date, until its replacement with a new LLPA in 2001. This piece of legislation defines the structure and attributions of the local governments in Romania, at both the commune/municipality and county level. It actually formalizes the return to

¹⁶ This is the case, for example, of the allocation of transfers and of the equalization grants system.

the sub-national administrative structure of the interwar period (but with fewer and larger counties). The language is rather general as far as the functions are concerned, enumerating a long list of attributions and making very few distinctions between the two levels of local Government (counties and municipalities).

- The Law of Local Taxes (LLT), adopted in 1993, is likely to be replaced in 2002. This act established in law the notion of local taxes, controlled and levied by local governments (though the control has never been total). Thus, the property tax became the main source of locally generated revenues for the sub-national government in Romania.
- The Law of Local Public Finance (LLPF), adopted in 1998, is also likely to be replaced in 2002. This act governs the system of transfers amongst tiers of Government, the shared taxes, the equalization grants and municipal borrowing. In its current form, it represents an attempt to codify the revenue-sharing system in Romania, and to make it more transparent. The Annex of this law contains the accounts to be used by local governments in managing their own revenues and expenditures.
- The Annual National Budget Laws (ANBL), which govern one budgetary cycle (January – December) and must be passed by the Parliament before the end of the previous year. These annual budgets specify the total amount of funds that is transferred from the central budget to local governments, in the form of equalization funds or conditional grants. They also spell out the criteria to be used by the Ministry of Finance and counties in the process of equalization.

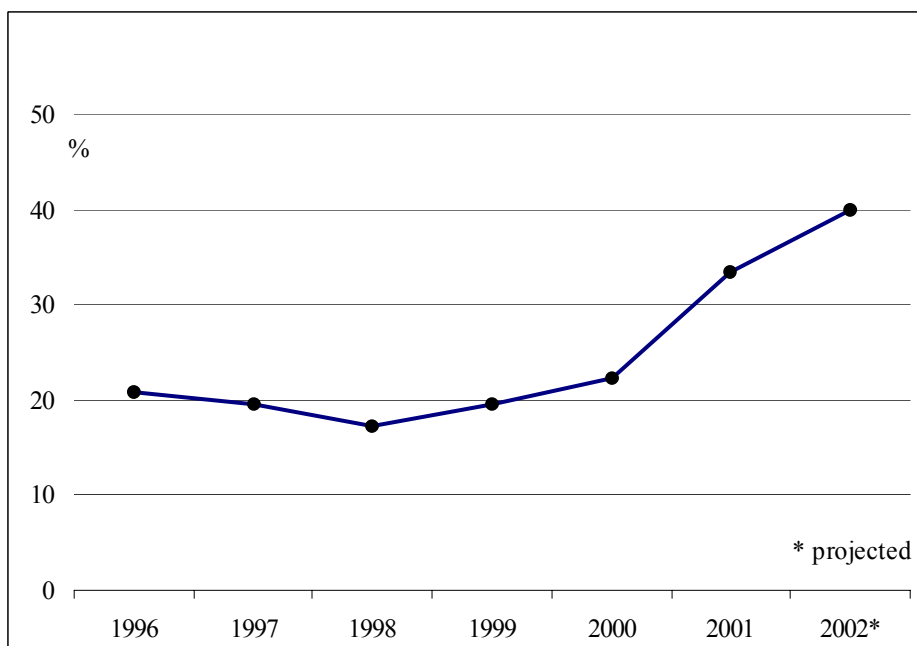
Whilst in the early '90s the ANBL was the main basis for local government policy, reflecting a high degree of centralization in decision-making, the situation has gradually changed over time. LLPA and LLT extended substantially the local administrative autonomy and created own sources of revenue for the local governments. However, many fiscal issues had not been sorted out and the allocation process remained highly unpredictable.

In 1997-98, key legislative reforms were implemented, with a view to fundamentally changing the structure of the finances of the county and local councils. In particular, the LLPF, enacted in 1998, placed local finances and the local budget process on an equal legislative basis with those of the national

Government. The law also introduced tax revenue sharing in Romania. Under the new arrangement, the county and local councils receive a share of the income taxes collected from taxpayers in their jurisdiction, and the discretionary power of the central Government to earmark funds has been reduced.

The new legislation also greatly simplified the transfer system. All dedicated transfers for subsidies to public service companies and investment subsidies to the local and county councils from the state budget were eliminated. The general transfer was replaced with a 'equalization grant', which aims to compensate for differences in expenditure responsibilities and fiscal capacity amongst the county and local councils. Equally, the authority of the national Government to approve local investment projects was restricted to projects above a certain financial threshold, and to those fully or partially funded from the central budget. A vigorous policy of delegating attributions and sources of revenue to sub-national levels of government was pursued, which substantially increased the share of local public finance in the total public expenditure in Romania (Fig. 1).

Fig. 1. Local government, % total public expenditure



As a matter of fact, the central Government has even been criticized for decentralizing too fast and too much, thus overburdening local governments. The truth is that many new functions are in fact just tasks delegated to local

governments for execution, with earmarked funding, but without any decision-making power.

However, the central Government has a point when arguing that many of the newly transferred functions start as just tasks delegated for execution, as a transitory situation, but that after local governments accumulate more experience, the conditionalities will be relaxed and local authorities will be free to take over the services. This is in particular the case of primary and secondary education, and of welfare support services, reassigned to local governments in 2001. It should be highlighted, in this context, that it is not the central Government, but other stakeholders (e.g. the trade unions in the education sector) who are the main opponents of real decentralization.

Sources of uncertainty in the local decision-making process

The on-going reallocation of substantial attributions from the central Government to local governments unavoidably creates uncertainty for the near future. The Government has an ambitious agenda for the next one to two years, when more attributions will be reassigned to local governments. These will include police, disaster relief, emergency services, and local power plants. The exact impact on local budgets is hard to anticipate at this stage.

Fig. 2. Categories of expenditure in the local governments' budget

			Before 2000	2001-2002
Not mandated	General	local	40%	25%
	services			
	Public		20%	8-9%
	transportation			
Mandated	Education		10-12%	35%
	Welfare policy		5-6%	15%

In the long run, the Government will probably be able to replace some of the earmarked transfers and subsidies to local governments with own sources of revenue for the latter (or at least with general purpose transfers with stable allocation formulas, such as shared taxes), which will make the local budgetary process more predictable and stable. Until then, however, the attempts to fine-

tune revenue allocation are probably useless, and the attention should focus on the few important issues that can make a difference irrespective of what exactly will be the final list of functions assigned to local governments.

The de-centralization process is complex and unpredictable, and sometimes even the central Government cannot control it fully. For instance, certain services that will be transferred to local governments must first be demilitarized (e.g. police, firefighters). This is a sensitive issue and, as it happened with education, is likely to meet fierce opposition from the staff concerned, who will not like to see their special military status abolished and themselves becoming local civil servants instead of employees of a central ministry. Such factors create uncertainty and political risks until the reassignment of functions is completed. Moreover, it is difficult to accurately estimate the real costs of these services, as long as they are part of central ministries, because many auxiliary operations and overheads are shared with other departments. The only realistic option in this respect is learning by doing – hence the central Government has one more reason to continue for some time using earmarked funds.

On the revenue side, the purpose of the current legislation has been to strengthen local fiscal autonomy by expanding local control over the budget process. However, progress in meeting this objective has been partial at best. The rules for revenue sharing have gone through two amendments. Equally, the simplification of the system of transfers did not last long. The national budgets of 1999 and 2000 reintroduced dedicated transfers for roads, housing and child protection, and divided the equalization grant into two parts, one general and one solely to compensate for the cost of residential heating subsidies. The rate of the shared taxes has also been modified each year.

At the same time, there are still certain special funds, typically dedicated to investments, that are allocated to local governments in a way that is neither transparent nor accountable. Some matching grants for investments are included in the national budget with a clearly specified destination, but others are simply allocated to the relevant line ministries, who are responsible for administering them (most often Public Works and Industries, since investments mostly concern roads, social housing, water and gas pipes).

Apart from these shortcomings, the local budget process remains the main source of 'institutional noise' for local and county councils. This is an important point,

which is often overlooked in many assessments of the decentralization that rely solely on quantitative data and spending indicators.

With the approval of the State budget often occurring as late as February of March of a fiscal year that runs from January to December (the 2002 budget has been the first exception to this rule), each local government has to wait for the adoption of the State budget before adopting its own budget for the year. First, however, local governments must adjust their draft budget in accordance with the rules set forth in the State budget law. Every year since 1991, these have included changes in the expenditure responsibilities of both local and county councils, and variations in the volume and type of transfers (for both general and earmarked transfers). Additionally, local councils must wait for the county council to allocate to each one of them their respective share of the equalization grants received by the county council from the State budget.

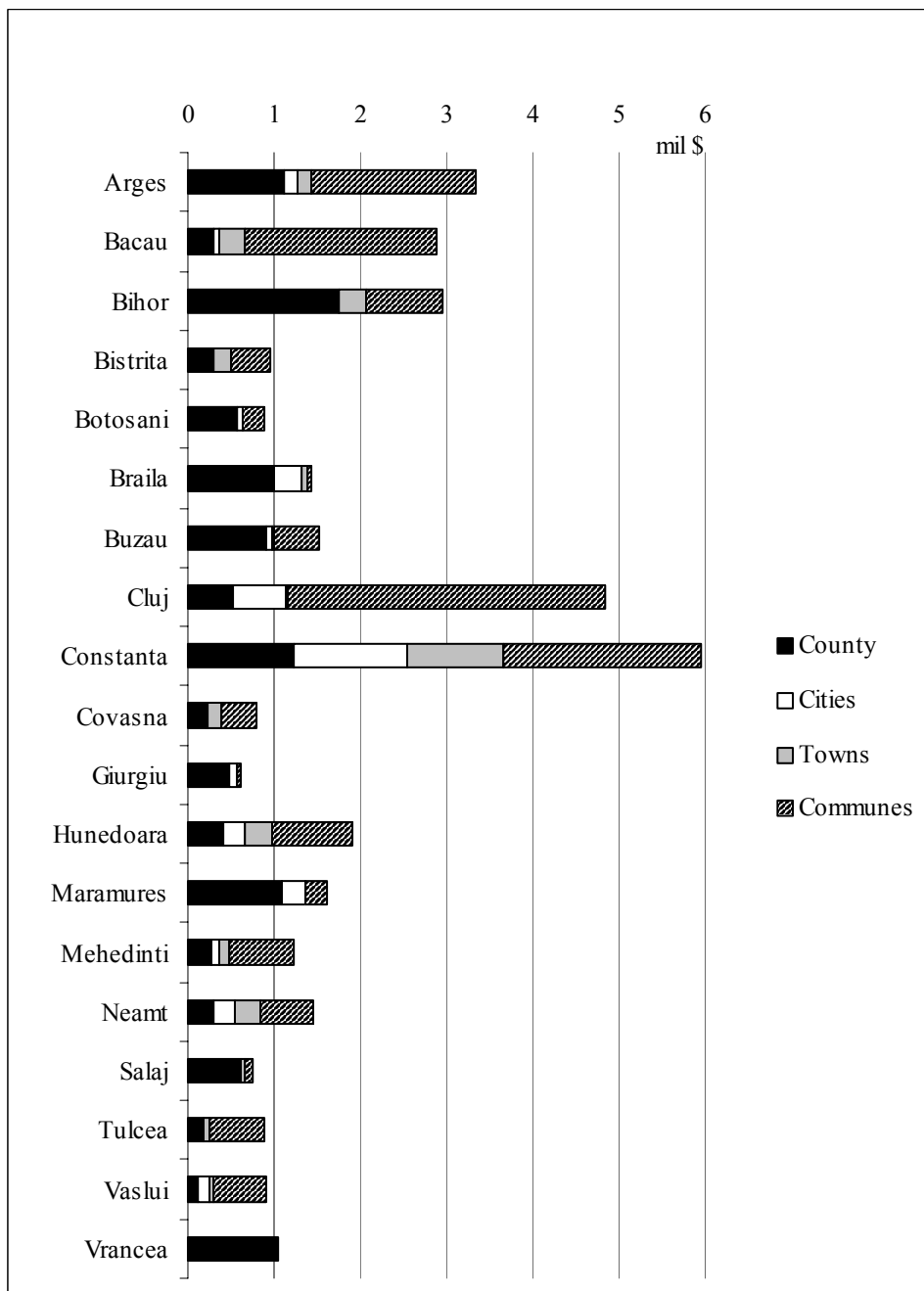
This allocation process has followed different rules in each of the 41 counties, which is clearly a departure from the provisions of the Annual National Budget laws. Even though, according to the text of ANBL, the counties should strictly apply the fiscal capacity formula, deviations from this standard are tolerated on a large scale. The usual practice involves certain quantitative criteria, but the process is far from being strictly based on a formula. No local council knows for sure what amount it will receive from the county council. The process typically involves significant individual 'negotiation' between the local councils and the county council, and rural communes are most at the mercy of county councils, since for many of them the equalization funds are the main source of revenues.

Fig. 3 illustrates how important the County Council discretion in allocating equalization funds can be. Each month, a share of 15% (16% in 2002) of the personal income tax (PIT) collected locally is given to the county council with the purpose of equilibrating the budgets of localities under its jurisdiction. However, the law failed to mention the portion that the county can withhold for itself. Therefore, the allocation becomes entirely unpredictable for localities, as the counties can decide to retain most of the revenues for their own budget – or all, as it happened in 2000 (and in 2001 for that matter) in Vrancea county. This legal loophole creates too much autonomy to counties at the expense of localities. A quick analysis of the data presented in Fig. 3 shows that the problem here is indeed the total discretion exercised by counties: the proportion of funds retained by them has nothing to do with the overall regional poverty, since counties with similar revenue-raising capacity display very different distribution patterns.

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Moreover, even when the allocation to localities takes place, sometimes large amounts go to the capital-city (e.g. Braila, Constanta), which runs against the policy objective of equalization within counties.

Fig. 3. Equalization funds distributed by counties, 2000 (the 15% share of PIT)



Rural communes, who are generally most in need, are the most likely to suffer from this erratic distribution. In this context, it is not surprising that elected officials in many communes – the mayor and the members of the local council – have adopted largely a passive attitude regarding the budget process. Their most critical skill is their ability to negotiate with the county council, in order to secure the highest possible equalization grant allocation.

Loopholes and disincentives

Although in theory the Government encourages local governments to become more self-reliant, this does not always happen in practice. On the one hand, there were instances when county prefects sued local councils in administrative courts for having tried to introduce new local taxes (as it happened in Bucharest in 2000). Some ministers reprimanded several times local councils for having levied “unreasonable taxes on the already-impooverished population” (e.g. on pets, garbage collection, vehicles pulled by animals etc). Equally, the media is often ready to pour scorn on any such local initiative.

On the other hand, the same Government removed recently from the new Local Taxes Law¹⁷ the possibility for the local governments to go the other way and lower the taxes. Top officials argued that, because of “populist reasons”, irresponsible mayors were jeopardizing local revenues by lowering the property tax rate before local elections. The examples given were several large cities, but no hard data was produced in support of these allegations. Such a limitation of the local decision-making power, based on the assumption that the central Government is somehow more legitimate and responsible than local governments, runs against the current trend and the very policy objective of decentralization.

However, there are indeed disincentives in the local finance system. A ‘race to the bottom’ seems to be taking place in small towns or rural communes: the mayors underestimate their own revenues in the draft budgets in order to obtain more equalization funds. This is a typical case of the substitution effect (less effort is put in collecting own revenues when compensation comes from the center) induced

¹⁷ Through the Ordinance 36/2002, which actually replaces the old Local Taxes Law.

by the equalization system. It was confirmed by local financial officers and it becomes apparent when one analyzes the difference between the projected budgets and the execution one year later: the projected own revenues have systematically been lower than what was actually collected.

The formula of PIT sharing introduced in 1999 is simple and straightforward, but it has a downside: it functions as a further generator of horizontal imbalances, specially at the lowest level of local governments. Since the tax is collected at the point of origin and then split amongst national, county and locality budgets, it benefits those municipalities (usually large cities or towns) who have many official jobs on their territory. In other words, when residents of rural settlements work in the nearby town (which is often the case), the latter collects all the corresponding share of the PIT.

The situation described above creates discrepancies, which make it very difficult for small communities to provide basic public services to their citizens. Moreover, in ex-communist countries, local communities inherited a network of local services, and a strong expectation from the citizens that these services will continue to function, and it is very problematic to terminate this tacit social contract. Many local governments are now confronted with the issue of over-extended services and shrinking finances – specially small towns, where the services cannot benefit from economies of scale.

Finally, there is one more flaw in the local governments' finance system that is shared with almost all of the public sector, namely that the current cash-based accounting system does not reveal the extent of unpaid bills (arrears). Local governments are currently constrained by the requirement of having balanced budgets, and, as a consequence, they tend to roll over hidden debts in their books from one year to the next. The only way to address this problem would be to start reporting systematically the debts in the local budget execution, e.g. by introducing accrual accounting elements.

Recommendations

The reassignment of functions to local governments is not yet completed and substantial transfers are on the agenda for the coming years. The calendar – or, indeed, costs – of such transfers of functions are difficult to foresee. Therefore, any attempt to fine-tune and write in stone the fiscal rules are premature. One would expect that any new reassignment of functions to local governments be matched with an additional slice of funds taken from the national budget – e.g. from the state's residual share of the PIT or from the VAT revenues. Only after several budgetary cycles would have passed with the new arrangements can the policy be stabilized and more automatic transfers set up that will minimize imbalances and stabilize in the long run the equalization mechanisms.

The agenda for reform should thus to be organized in a sequence and put into the broader policy context.

- A. **In the short run**, several quick fixes are possible that will address some of the problems identified above. These are likely to function no matter what changes will be further operated in the system:
- The Government must make an explicit commitment regarding the agenda of decentralization until 2004, so that the local governments and the public know what functions will be further reassigned, and when. Some of these are included in other programmatic documents of the Government, but they should be collected into a White Book on Decentralization.
 - The Government should refrain from discouraging local governments to find their own sources of revenue. If local councils decide to create new taxes – so be it. They are democratically elected bodies that will be held accountable by their constituencies.
 - A cap must be imposed on the percentage that can be withheld by counties for their own budget from the second source of equalization (the automatic PIT share). Otherwise, too much freedom of action at

the county level will continue to have an adverse impact at the locality level, where the budgetary process becomes unpredictable.

- A reporting system must be introduced at the county level for increasing the transparency of allocation of funds to localities. Each county should prepare a report explaining how much, and why they deviated from the criteria established by the National Budget Law. This is a minimal requirement that will both offer a useful feedback to the Ministry of Finance, and a means to limit abuses.
 - The implicit policy goal of full compensation for lack of fiscal capacity at the county level should be abandoned. This would remove the incentive in local governments to substitute own revenues with equalization grants.
 - In case the ideal of full compensation is not abandoned, other simple measures can be applied to remove the disincentive. Instead of using the projected own revenues for the following year in the fiscal capacity formula, the actual figures from the previous year's execution should be used. Or, alternatively, the fiscal capacity formula should be applied only in regards to the PIT shares.
- B. **On the medium term**, depending on the pace of functions reassignment, the Government would be well advised to take into consideration the following suggestions:
- A horizontal equalization formula, in whatever form, should be enforced upon counties gradually, but with determination. Eventually, the budgetary policy environment should be made more transparent and predictable at the lowest level of local government. As the reassignment of functions advances and experience accumulates, the need for flexibility in the distribution of funds will correspondingly decrease.
 - It is important that the Government resist the temptation to complicate the horizontal equalization system by factoring in various 'normatives' meant to function as a proxy for local needs. Once the Government starts to go down on this road, the proliferation of 'needs' will be unstoppable and the system will become unmanageable (Hungary is

sometimes cited as an unfortunate example in this respect). There is a trade-off between simplicity and transparency on the one hand, and technical refinement on the other. From the experience available so far with the current Romanian system, which is fairly simple and easy to understand, the real problem turns out to be not the design, but the implementation. As long as rules are not enforced at the lower levels, so that they create stable expectations and the right incentives, the design is practically irrelevant. *The more complex the system becomes, the less enforceable it will be.*

- There is some room for experimentation with the current PIT automatic shares. For example, instead of fully allocating them according to the place of origin, they could be split into two, e.g. half origin-based, and half transferred according to the number of inhabitants in a local government unit (county or locality). This would help reducing the current effect of PIT shares, of magnifying the disparities in funds allocation. Thus, the need for horizontal equalization would also decrease, and, as a consequence, less money will go around in discretionary reallocations.
 - Alternatively, the central Government may wish to consider the idea of transferring the equalization funds directly to counties and localities, in one step, thus eliminating the interference of counties in the budgetary process of localities. With the current simple and transparent formula of equalization, this can be done at practically no additional administrative costs. The adoption of this solution is politically difficult, however, because it will be opposed by counties, which have a strong lobby at the central level.
 - Since the Government intends to generalize the accrual accounting procedures to the whole public sector starting with 2003, the huge stock of unpaid bills will suddenly appear in the books of local governments. It is very likely that some localities are less indebted, other more, and some on the verge of bankruptcy. The Government needs to prepare a strategy for addressing this problem.
- C. **In the long run**, when all the reassignments are completed and the situation is stabilized, local autonomy can be increased by transforming most of the earmarked grants into general purpose transfers, automatic

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tax shares – or even by creating new own revenues for local governments (for example, by turning some national taxes into local taxes, such as the planned turnover tax on micro-enterprises).

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